

APPENDIX 4-7

Memorandum of Instructions for SBIC Draw Against SBA's Leverage Commitment

**Investment
Division****MEMORANDUM OF INSTRUCTIONS
SBIC APPLICATION FOR DRAW AGAINST
SBA'S LEVERAGE COMMITMENT**

INTRODUCTION

This Memorandum of Instructions provides the information necessary for a small business investment company (SBIC) to request a draw against SBA's commitment to guarantee debenture or participating securities leverage. Since the new funding process is an expedited one, all steps must be completed by specific time deadlines in order for SBA to approve your request for funds.

An SBIC requesting a draw against SBA's commitment must submit the appropriate forms and documents described below (the Draw Request) by overnight courier to:

Johnny Kitts, Funding Control Officer
Investment Division, 6th Floor
U.S. Small Business Administration
409 3rd Street, S.W.
Washington, D.C. 20416.

Draw Requests may be submitted at any time, but are processed only twice a month. The cutoff time for processing a Draw Request is 10:30 AM on the first and third Wednesdays of each month. Any Draw Requests received after the 10:30 AM cutoff on Wednesday, will not be processed until the next funding cycle. Therefore, we suggest that you file your application early, and not wait until the Tuesday before the Wednesday cutoff date. Please note that Draw Requests are not always processed bi-weekly. The last week of any month that contains five Wednesdays is skipped and is not a part of any draw funding cycle.

SBA will take six days to review and process your Draw Request. If your Draw Request is approved, SBA will send you a separate "Approval Notice" for each approved takedown by 3:00 PM on the following Wednesday. These *Approval Notices* are always sent to you by SBA on the second and fourth Wednesday s of each month.

To take down funds, you must complete Section II of the *Approval Notice* and fax the entire document to JP Morgan Chase Bank by 2:00 PM on the day prior to your takedown. You should receive the funds by close of business on the day of your takedown.

The earliest you will be able to receive funds will be at the close of business on the Friday following your receipt of an *Approval Notice* from SBA. The latest you will be able to receive funds will be on the 44th day following your receipt of the *Approval Notice*. If you do not request a takedown of funds under an approved Draw Request before the *Approval*

Notice expires, you may submit another Draw Request for those funds as long as SBA's commitment to guarantee those funds has not expired. There are no penalties or extra charges due SBA if you fail to take down funds approved under an *Approval Notice*.

Some important points to keep in mind when applying for a draw approval:

- **Under each Draw Request you may request multiple takedowns. However, there is a limit of 5 takedowns per each Draw Request. This limit is necessary to allow SBA to manage the accelerating volume of Draw Requests with limited staff resources.**
- You must submit two original Instruments of Admission for each expected takedown of participating securities. You must submit one original SBA Form 444C Debenture (a "Standard Debenture") or one original LMI Debenture for each expected takedown of debentures.
- SBA will send you one *Approval Notice* for each approved takedown. Only one takedown is permitted per *Approval Notice*.
- The amount taken down under an *Approval Notice* can be less than, but not greater than, the stated approved "Maximum Guaranteed Disbursement" amount for Participating Securities and Standard Debentures or the "Maximum Face Amount of LMI Debenture" for LMI Debentures. In all cases, the amount taken down must be in an increment of \$5,000.
- There is no sequence in which the *Approval Notices* must be used. Rather, you should use them in the order that fits your needs best.

DOCUMENTS TO BE SUBMITTED

You must submit the following documents in order for SBA to consider funding your Draw Request.

1. Leverage Security Instruments

(a) *For Participating Securities Issuers: Instrument of Admission or Increase in Commitment for a Preferred Limited Partner (Exhibit A-1 to SBA Annex PS)*. This Instrument should be obtained from the Investment Division's web page, www.sba.gov/inv, menu item *SBIC Forms, (Participating Security Certification Form)*, in order to be sure of using the most recent version.

- Download this Instrument. Complete the signature block for two Instruments for each takedown you expect to make under the Draw Request. Forward the signed originals to SBA.
- Do NOT complete any other portions of the Instrument.
- Include on a single-page separate enclosure entitled AMOUNT OF PREFERRED LIMITED PARTNER'S CAPITAL CONTRIBUTION, the separate amount(s), each in an increment of \$5,000, that you wish to take down at this time. Please note that there is a 5 takedown limit per Draw Request.

After SBA's review and approval, the Instruments will be completed and co-signed by SBA. For each takedown you complete, one completed original Instrument will be returned to you after the next semi-annual participating security pooling.

(b) *For Debenture Issuers: Standard Debenture and/or LMI Debenture*. The appropriate form (i.e., Standard Debenture, 5-year LMI Debenture, 10-year LMI Debenture) should be obtained from the Investment Division's web page, www.sba.gov/inv, menu item *SBIC Form* in order to be sure of using the most recent version. Select from these menu items: *Debenture Certification Form* (Standard Debenture), *Form 2163: 5-Yr LMI Debenture Certification Form*, or *Form 2162: 10-Yr LMI Debenture Certification Form*.

- Download the form and complete the signature block appropriate for your type of entity. (Conform this block as necessary if you are a limited liability company.)
- Forward one signed original to SBA for each takedown you expect to make under this Draw Request.
- DO NOT complete any other portions of the debenture.
- Include on a single-page separate enclosure entitled AMOUNT OF DEBENTURE FUNDING REQUESTED, the amount(s), each in an increment of \$5,000, and the type of debenture (standard, 5-year LMI, 10-year LMI) for each such requested amount, that you wish to takedown at this time. Please note that there is a 5 takedown limit per Draw Request.

After SBA's review and approval, a copy of each completed debenture will be provided to you when the debenture is purchased. For Standard Debentures, you will also receive a second copy of the debenture, with the long term features filled in, after the debenture is placed in the long term pool.

If you are applying for one or more LMI Debentures, we strongly recommend that you use the "LMI Debenture Calculator" to help you decide the face amount of LMI Debenture(s) you should request. The LMI Debenture Calculator is a computer program that calculates the net proceeds that different face amount of LMI Debentures would generate based on then current interest rates. It is provided by the Federal Home Loan Bank of Chicago (FHLB) and can be accessed through the Investment Division's web page (www.sba.gov/inv).

2. Form 468 and Statement of No Material Adverse Change

- (a) You must submit a certified statement that there has been no material adverse change in your financial position since the last Form 468 which was filed with SBA.
- (b) In accordance with §107.1220, Licensees with outstanding SBA leverage commitments are required to file a financial statement on SBA Form 468 (Short Form) reflecting the Licensee's condition as of the close of each fiscal quarter. This statement is required to be filed within 30 days of the end of each of your first three fiscal quarters. If you submit a Draw Request following the close of your fiscal year and have not yet filed your Annual Form 468 (Long Form), you must submit an internal, unaudited Short Form 468 (as you would following the first three fiscal quarters) to SBA within 30 days of the close of your fourth fiscal quarter.

3. Statement of Compliance

You must submit a certified statement in the following form:

“Except as SBA has informed us, and except as stated below, to the best of our knowledge and belief we are in compliance with all provisions of the Small Business Investment Act of 1958, as amended, and SBA Regulations: [Insert “None” or give an explanation.]“

NOTE: SBA is now required by statute to provide annual economic data to Congress to support the SBIC program. Please be advised that SBA will not consider you to be in compliance if you have not completed and electronically filed the Economic Data For Portfolio Concerns (EDFPC) schedule found on Page 22 of the Annual Financial Statement, Form 468 (Long Form), no later than five months after your fiscal year end. Henceforth, the completeness and accuracy of a Licensee's most recent required EDFPC schedule will be an important consideration in approving leverage requests.

4. Statement of Need

If your Draw Request is needed to fund investments in small concerns, list the name and address of the Small Business(es), the amount of the Licensee's proposed financing, the type of financing (Loan, Debt Security or Equity), and the scheduled closing date. If you are applying to issue an LMI Debenture, you should also indicate if the financing qualifies as an LMI Investment. If the proceeds of this draw are needed for liquidity, so state and indicate the current balance of funds available to the SBIC, including checking account balances and any idle funds maintained.

SBA understands that you cannot predict with certainty which specific financings will close in the next six weeks. Therefore, the aggregate amount shown on your Statement of Need may exceed the amount you are requesting under your Draw Request.

Please note that within 30 calendar days after the actual closing date of the financing to the Small Business, the Licensee must submit an SBA Form 1031 confirming the closing of the transaction(s) with the proceeds of the draw. Failure to submit a complete and accurate Form 1031 for completed investments will preclude consideration of any subsequent Draw Requests.

5. Opinion of Counsel

In connection with each Draw Request, SBA requires you to submit a new legal opinion. SBA has prepared a model form of opinion of counsel for each type of leverage security and copies of the model forms can be obtained from the Investment Division's web page, www.sba.gov/INV, menu item *SBIC Forms*. Please note that the prior written approval of SBA's Office of General Counsel is required for any opinion that either contains language that is not in the model form or fails to contain all of the language in the model form (a “nonconforming legal opinion”). No prior approval from SBA is required for a legal opinion that strictly conforms to SBA's applicable model opinion.

In order to avoid possible delays in the approval of your Draw Request because of a nonconforming legal opinion, SBA suggests that you check with your legal counsel to determine whether your counsel's legal opinion will strictly conform to SBA's applicable model opinion. If your counsel plans to submit a nonconforming legal opinion, please direct your counsel to submit a form of the opinion to SBA as soon as possible but in any event at least seven business days before your next Draw Request to give SBA sufficient time to review the form of opinion and, if necessary, discuss the form with your counsel. Please express mail those submissions to: Johnny Kitts, Funding Control Officer, Investment Division, 6th Floor, U.S. Small Business Administration, 409 3rd Street, S.W., Washington, D.C. 20416. Please indicate in a cover letter that this is a submission of a nonconforming legal opinion.

Please note that if your counsel intends to submit a nonconforming legal opinion and you have submitted a Draw Request since October 15, 2002, SBA may have already approved your counsel's nonconforming legal opinion. If so, please contact your account executive to find out whether SBA has already approved your counsel's nonconforming legal opinion. If your counsel's nonconforming legal opinion has been approved by SBA, you do not need to submit a form of that opinion to SBA for review, provided that your counsel intends to submit the same form of opinion with your next Draw Request.

In addition and in order to expedite the review process for Draw Requests, SBA now requires each legal opinion to be marked to show all changes from the last opinion submitted to SBA. Please make sure that you direct your legal counsel to submit opinions that are marked to show all changes since the failure to submit marked opinions may delay approval of your Draw Request.

If you have any questions concerning these procedures, please contact your account executive.

6. Smaller Business Financing Certification

If (i) you were licensed before October 1, 1996, and you are either a Participating Security applicant with Regulatory Capital of at least \$10 million or a Debenture applicant with Regulatory Capital of at least \$5 million, or (ii) you were licensed after September 30, 1996, you must submit the following certified statement:

"The undersigned Licensee does hereby certify with the understanding that any Leverage issued by SBA will be issued in reliance upon such certification that at least 20 percent of the aggregate dollar amount of the financings of the Licensee after October 1, 1996 will be provided to Smaller Enterprises (as defined in 13 CFR §107.50)."

If your were licensed before October 1, 1996, and you are either a Participating Security applicant with Regulatory Capital of less than \$10 million or a Debenture applicant with Regulatory Capital of less than \$5 million, you must submit the following certified statement:

"The undersigned Licensee does hereby certify with the understanding that any Leverage issued by SBA will be issued in reliance upon such certification that at least 50 percent of the aggregate dollar amount of the financings of the Licensee after October 1, 1996 will be provided to Smaller Enterprises (as defined in 13 CFR §107.50)."

The certified statement must contain the name of the Licensee, and must be signed by an authorized official of the Licensee and dated.

7. LMI (Low or Moderate Income) Debenture Certification (Required to issue LMI Debentures)

If you are applying for one or more LMI Debentures, you must submit the following certified statement:

“The undersigned Licensee does hereby certify with the understanding that any Leverage issued by SBA will be issued in reliance upon such certification that:

- (1) the Licensee’s outstanding LMI Investments, and their respective book values, are as follows: [insert names and addresses of businesses and book values of investments];
- (2) the Licensee intends to make the following LMI Investment(s): [insert names and addresses of businesses and dollar amount(s) of planned investment]; and
- (3) the sum of (a) the face amount of the Licensee’s outstanding LMI Debentures and (b) the face amount of the LMI Debenture(s) requested in this Draw Request, does not exceed 1.7 times the sum of (c) the book value of the Licensee’s outstanding LMI Investments and (d) the planned LMI Investments identified in #2 above.”

The certified statement must contain the name of the Licensee and must be signed by an authorized official of the Licensee and dated.

8. Form 415-C and Bank Letter for Changes in Leverageable Capital (May be required)

Often a Licensee will increase its Leverageable Capital immediately prior to a Draw Request in order to be eligible for a greater amount of SBA leverage. As in the past, Licensees need to file Form 415-C and provide a bank letter evidencing this increase in Leverageable Capital. To provide adequate time for SBA’s data system to receive and update this information, Licensees are required to submit these documents **at least one week** prior to the cutoff date for any Draw Request.

If you have any questions concerning the preparation of the documents, please call your account executive.

PLEASE NOTE: The burden hour estimate for the completion of all forms required in this application (excluding SBA Form 468) is 1 hr. per application. You will not be required to respond to this collection of information unless a current, valid OMB control number is displayed. If you have any questions or comments concerning this estimate or any other aspects of this information collection, please contact the Chief, Administrative Information Branch, U.S. Small Business Administration, 409 Third St, S.W., Washington, D.C. 20416 and/or the Clearance Officer for SBA, Paperwork Reduction Project (3245-0081), Office of Management and Budget, Washington, D.C. 20503.

Appendix 4-8.

SBIC Program Leverage Action

**SBA - Small Business Investment Company Program
Investment Division - Office of SBIC Operations
Participating Securities Document Checklist & Authorization**

Licensee Name: _____ License No.: _____
Amount of Draw Request: _____
Financial Analyst: _____

COMPLIANCE/REGULATORY

Licensee Request for Draw	_____	✓
Instruments of Admission (1 pair for each projected takedown)	_____	✓
Opinion of Counsel	_____	✓
SBA Form 468 filed as of : _____ 3/31/99	_____	✓
Statement of No Material Adverse Change	_____	✓
Statement of Compliance	_____	✓
Statement of Need	_____	✓
Smaller Business Financing Certification	_____	✓

ELIGIBILITY FOR FUNDS

Regulatory Issues: (circle one)

Y

N

If so, explain status: Under §107.1120(a) of the SBA regulations, a Licensee is eligible to draw SBA Leverage only after having first invested at least 50 percent of its Leverageable Capital. In this case, the Licensee has not yet invested 50 percent of Leverageable Capital. However, concurrent with this draw, the Licensee will invest in a \$2 million equity financing, representing 79 percent of its Leverageable Capital.

Conditions for Compliance Satisfied: (circle one)

Y

N

VERIFICATION OF CAPITAL AND ELIGIBILITY COMPUTATION

Commitments Outstanding:	\$	26,650,000
Less: Outstanding Draw Approvals	\$	-
Less: Draw Request	\$	1,000,000
Remaining Commitments	\$	25,650,000

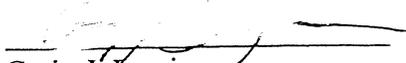
Total Leverageable Capital as of February 8, 1999 Capital Certificate	\$	2,531,750
Total Current Leverage Availability	\$	5,063,500
Less: Outstanding Leverage	\$	-
Existing Leverage Availability	\$	5,063,500
Less: Draw Request	\$	1,000,000
Remaining Current Leverage Eligibility	\$	4,063,500

RECOMMENDATION

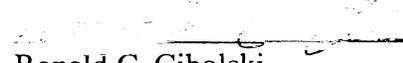
Based on the Licensee's Application and supporting documentation, and in accordance with applicable Internal Operating Procedures, it is recommended that SBA **approve** this draw down request for **\$1,000,000** of Participating Securities leverage.

~~Approval~~ Denial
 Amount: \$1,000,000
 Date: 5-20-99

~~Approval~~ Denial
 Amount: \$4,000,000
 Date: 5-21-99


 Craig J. Lewis
 Financial Analyst
 Office of SBIC Operations


 Walter Peterson
 Chief, Area I
 Office of SBIC Operations


 Ronald C. Cibolski
 Director
 Office of SBIC Operations

CHECKLIST AND AUTHORIZATION FOR SBIC APPLICATION
FOR DRAW AGAINST SBA'S DEBENTURE GUARANTY
OFFICE OF SBIC OPERATIONS

Lic. No. NY 12-0011 Date Licensed 11/11/98
 Licensee: Small Business Investment Corporation of New York, Inc.
 Address: 175 West 42nd Street, New York, NY 10018
 Draw Amount Requested \$4.0 million* Date of Request 5/05/99
 *to roll over debenture of same amt. maturing 6/01/99

<u>ELIGIBILITY COMPUTATION</u>	as of <u>3/31/99</u>
Total Regulatory Capital	\$11,229,105
Total Leverageable Capital	\$11,229,105
Maximum Debenture Eligibility (3:1)	\$33,687,315
Less: Debentures Outstanding	<u>12,000,000</u>
Debenture Eligibility Remaining	\$21,687,315
Outstanding Commitment Available (5/13/99)	\$ 4,000,000
Draw Request	<u>4,000,000</u>
Remaining Commitment	\$ -0-

1. FINANCIAL CONDITION SATISFACTORY X
 - a. FORM 468: Date of Last Filed Form 468 3/31/99
 (Due within 30 days of quarter; unaudited due with 30 days of FYE)
 - b. No Material Adverse Change Statement X

2. STATEMENT OF NEED SATISFACTORY: X
 (Amount of proposed financing, type, and scheduled closing date;
 OR need for liquidity; and recent amount of cash and idle funds.
 If application is for draw-down of new funds not to be used to
 refund or repurchase outstanding debenture(s), Item 7 does not
 need to be completed)

3. COMPLIANCE REGULATORY SATISFACTORY X
 (Certified statement by licensee that to best of its knowledge it
 is in compliance with all provision of SBIC Act of 1958 & SBA
 Regulations except as so indicated. See Section 107.1230(c))
 - a. Economic Data for Portfolio Concerns Filed X

4. DOCUMENTATION

a. Opinion of Counsel X

b. Smaller Business Financing Certification X

(A certified statement including the name of Licensee, dated and signed by an officer of the Licensee or an officer of a corporate GP of the Licensee, or by an individual that is authorized to act as or for a GP)

c. Debenture Funding Request to nearest \$10,000 X

d. Form of Debenture - SBA Form 444C X

(1) Correct version of signature page has been used, i.e., (1) corporate licensee, (2) limited partnership with a corporate GP, (3) limited partnership with individual GP, (4) limited partnership with limited partnership as GP.

(2) Only the following items are completed on the debenture: (1) name and address at top and name at bottom right of debenture; (2) authorized official signature, (3) signing official's name and title, (4) attest (if applicable) as indicated, at bottom left, (5) imprint (if applicable) the corporate seal at bottom left.

(e) SBA Form 33 - Refunding/Prepymt of Debentures (Incl. In Cmt. Applic.)

(Use only if any proceeds are to be used for refunding of currently matured or maturing debentures. If all the proceeds to be used for matured or maturing outstanding debentures, licensee may apply for a draw amount sufficient to cover the principal amount being refunded, plus the underwriting fee. Total amount requested should be rounded up to the next \$10,000 increment)

(f) LAS013 Screen Commitment Balance. Attached. X

5. RECOMMENDATION

It is recommended that the draw request for \$4.0 MIL.of debenture leverage be approved.

Robert J Laurino
Robert J Laurino
Financial Analyst

5/14/99
Date

Approve
Approve/Deny

Phyllis E. Dawson
Phyllis E. Dawson
Chief Area II

5-19-99
Date

Approve
Approve/Deny

APPROVAL/DENIAL

It is recommended that the draw request for \$4.0 million of debenture leverage be approved.

Ronald C Cibolski
Ronald C. Cibolski
Director

5-20-99
Date

\$4 million
Approve/Deny

Appendix 4-9.

Checklist and Authorization for Draw

ELIGIBILITY COMPUTATION

Total Leveragable Capital:

Based on Capital Certificate dated:

Total Current Leverage Eligibility:	\$0
Less: Outstanding Leverage	0
Less: Outstanding Draw Approvals	0
Leverage Available:	<u>\$0</u>
Less: Draw Request	\$0
Remaining Current Leverage Eligibility:	<u>\$0</u>

COMBINED LEVERAGE

Does management team have more than one fund? Yes No

Maximum Leverage Ceiling (IAW 13 CFR 107.1150(a)): \$113,400,000

Less Outstanding Leverage and Draw Approvals:

0

Outstanding Leverage: 0

Plus: Outstanding Draw Approvals: 0

Plus: Draw Request: 0

(2nd Fund - enter name)

Outstanding Leverage:

Plus: Outstanding Draw Approvals:

Plus: Draw Request:

(3rd Fund - enter name)

Outstanding Leverage:

Plus: Outstanding Draw Approvals:

Plus: Draw Request:

Total Outstanding Leverage and Draw Approvals: 0

Remaining Combined Commitment Eligibility: \$113,400,000

RECOMMENDATION:

	Approval / Denial	Approval / Denial
	Amount: _____	Amount: _____
Date: _____	Date: _____	Date: _____

Financial Analyst
Office of SBIC Operations

Chief, Area IV
Office of SBIC Operations

Director
Office of SBIC Operations

Appendix 4-10.

Descriptions and Examples of External Documents

I.D. Control #: _____

INTERIM FUNDING APPROVAL NOTICE AND CONFIRMATION

Section I. SBA Approval and Guarantee Notification

SBIC Name: _____	Disbursement Amount must be wired to:
License #: _____	Bank: _____
SBIC Address: _____	ABA#: _____
_____	Bank Account#: _____

SBIC Fax #: () - _____	Additional Instructions:
SBIC Phone #: () - _____	
Approval Date: / / _____	

Participating Security [or] Debenture

The United States Small Business Administration ("SBA") certifies that the SBIC listed above has been approved for SBA guaranteed leverage as set forth below.

Maximum guaranteed disbursement: \$ _____.

Scheduled Pooling Date: _____.

SBA Annual Charge: _____%

THIS APPROVAL EXPIRES ON / / _____.

IN ORDER TO REQUEST FUNDS, THE SBIC NAMED ABOVE MUST COMPLETE SECTION II "SBIC CONFIRMATION" BELOW AND MUST RETURN AN EXECUTED COPY OF THIS DOCUMENT BY FACSIMILE TO THE CHASE MANHATTAN BANK (ATT'N: MARGIE TRIBBETT, STRUCTURED FINANCE SERVICES FAX#: (214) 648-6460) BY NO LATER THAN 2:00 P.M. (NEW YORK CITY TIME) ON / / _____ (THE "FINAL CONFIRMATION DATE"). SBIC CONFIRMATIONS SERVE AS REQUESTS FOR FUNDS ON THE NEXT BUSINESS DAY. SBIC CONFIRMATIONS RECEIVED BY THE CUSTODIAN AFTER 2:00 P.M. NEW YORK CITY TIME ARE DEEMED RECEIVED ON THE FOLLOWING BUSINESS DAY. A "Business Day" is any day other than (i) a Saturday or a Sunday, (ii) a legal holiday in Washington, D.C., and (iii) a day on which banking institutions in New York City are authorized or obligated by law or executive order to be closed.

THE U.S. SMALL BUSINESS ADMINISTRATION

By: _____

Name: _____

Title: _____

Section II. SBIC Confirmation

The above-referenced SBIC, through its duly authorized signatory, affirms to SBA that:

- (i) there has been no material adverse change in the financial condition of the SBIC since the date of the SBIC's most recent SBA Form 468 filed with SBA;
- (ii) the Board of Directors resolutions or General Partner's Certificate, as appropriate, authorizing the issuance of the requested leverage and authorizing SBIC Funding Corporation to act as the SBIC's agent to sell such leverage is still in effect in the same form submitted to SBA; and
- (iii) to the best of my knowledge and belief, the SBIC is in compliance with all applicable provisions of the Small Business Investment Act of 1958, as amended, and the regulations promulgated thereunder, except as previously disclosed to SBA in the Statement of Compliance submitted in connection with the application for the requested leverage or as subsequently disclosed to SBA in writing;

and irrevocably requests the following (only one disbursement is permitted and the *Amount of disbursement* must be in an increment of \$5,000):

Amount of disbursement: \$ _____.

By: _____
 Name: _____
 Title: _____
 Date: _____

Section III. Custodian Confirmation

Disbursement Confirmed
 Rejected

Settlement Date:
 Reason for rejection of confirmation:
 Expired Approval
 Incomplete Submission

THE CHASE MANHATTAN BANK,
as Custodian

By: _____
 Title: _____

[NOTE: YOU MUST TRANSMIT BOTH PAGES OF THIS NOTICE OR IT IS INCOMPLETE.]

DESCRIPTION OF INTERIM FUNDING APPROVAL NOTICE AND CONFIRMATION
(EXHIBIT A TO CUSTODY AND ADMINISTRATION AGREEMENT)

In accordance with the Custody Agreement, this document serves many purposes, and it involves virtually all parties to the transaction.

1. Once SBA has approved a JIT draw, it completes Section I of the Notice. It is anticipated that Data Management will complete this form upon written notice from the Office of SBIC Operations. The executed "Just In Time Leverage Action" can serve for this purpose. With each interim funding, SBA establishes the related "scheduled pooling date", and SBA places the pooling date in the notice.
2. When Section I of the Notice has been completed, copies are sent to the SBIC that requested the interim funding, to the SBIC Funding Corporation (NASBIC), to the Federal Home Loan Bank of Chicago, and to the Custodian (Chase Manhattan Bank).
3. Upon receipt by the SBIC of the Notice, with Section I filled in by SBA, the SBIC then confirms the transaction by filling in Section II of the notice and forwarding it to the Custodian (Chase) not later than 2:0 p.m. on the Business Day prior to the Settlement Date (the date on which Chicago Bank makes funds available to the SBIC).
4. If the Notice has arrived at the Custodian after its expiration date, or is incomplete, or is received after the cut-off time, it will complete Section III indicating that the request has been rejected and the reason therefore.
5. If the Notice has been received in good order, the Custodian shall complete Section III indicating confirmation and will insert the aggregate principal amount for a Debenture or the Redemption Price for a Participating Security. Custodian then forwards copies of the completed Notice to SBA, to the Funding Corp., and to the Chicago Bank.
6. The Custodian shall compile and maintain a record of all obligations to be pooled on each scheduled Pooling Date, and will update such records to reflect prepayments or extensions.

The next document to be described is the LIBOR and Interest Allocation Notice.

LIBOR AND INTEREST ALLOCATION NOTICE

I.D. Control # _____

[Date]

The Chase Manhattan Bank,
as Custodian
450 West 33rd Street
15th Floor
New York, NY 10001

U.S. Small Business Administration
Investment Division
409 3rd Street, S.W., Suite 6300
Mail Code 7940
Washington, D.C. 20416
Attn: Johnny Kitts
Funding Control Officer

Re: SBA Interim Funding
SBIC Name:

Ladies and Gentlemen:

Please be advised that with respect to the above-referenced Interim Funding:

LIBOR for the Scheduled Interim Period New Interim Period (check one) (from _____ to _____) is _____%. Interim Interest must be calculated for the applicable period at a per annum rate of LIBOR (as defined above) plus 50 basis points.

On each Scheduled Pooling Date or New Pooling Date, as applicable, Interim Interest received by the Custodian on the Obligation identified by the above I.D. Control # must be allocated and paid as follows:

- (1) to the Interim Funding Provider's account (ABA# 021001033; Bankers NYC Account: FHLB Chgo; DDA # 01442118), LIBOR (as defined above) plus 30 basis points; and
- (2) to the Funding Corporation's Administrative Fee Account, 20 basis points.

Capitalized terms used but not defined in this LIBOR Notice have the meanings set forth in the Custody and Administration Agreement, dated as of April 1, 1998, among the U.S. Small Business Administration, SBIC Funding Corporation, Federal Home Loan Bank of Chicago and The Chase Manhattan Bank.

FEDERAL HOME LOAN BANK OF CHICAGO

By: _____
Name: _____
Title: _____

DESCRIPTION OF LIBOR AND INTEREST ALLOCATION NOTICE
(EXHIBIT B TO CUSTODY AND ADMINISTRATION AGREEMENT)

This document is used by the Chicago Bank to notify the parties of the interest rate which applies to the interim funding mechanism.

1. Prior to 10:00 a.m. on the Settlement Date (the day the SBIC receives its money from the Chicago Bank), the Chicago Bank informs Chase of the LIBOR rate for the interim period, the effective rate charged by the Chicago bank (which includes its spread of 50 basis points over the LIBOR rate, and the funds due to the Funding Corp. on the pooling date for its fee.
2. Promptly after receipt of such notice, the Custodian will calculate the amount of interim interest, SBA's 1% recurring fee (referred to in the agreement as an "Annual Charge"), and the total payment required. Custodian will then confirm the amount of the interim interest with the Chicago Bank.
3. Not later than 1:00 p.m. on each Settlement Date, Custodian shall complete each obligation by inserting the date of settlement and the rate from the LIBOR Notice.
4. Chase then delivers the completed obligations to Bankers Trust, acting as third party Bailee for the Chicago Bank, against immediately available funds.
5. Custodian then delivers to SBA copies of all obligations.

The next document to be described is the Interest and Fee Notice.

I.D. Control # _____

INTEREST AND FEE NOTICE

This Notice is for the Scheduled Interim Period New Interim Period from and including _____, to but excluding _____
 _ (___ days).

[SBIC name and address
 from Notice and Confirmation]

You are hereby notified with respect to the Debenture Participating Security identified by the above I.D. Control Number that:

- (1) LIBOR for the period is _____%.
- (2) Interim interest or prioritized payments ("Interim Interest") will be calculated for the period at a rate per annum of LIBOR plus 50 basis points, or ____%.
- (3) The Annual Charge expressed as a rate per annum is 1%.
- (4) The Interim Interest for the period is \$_____. Interim Interest is computed based on the actual number of days in the applicable Interest Period divided by 360.
- (5) The Annual Charge for the period is \$_____. The Annual Charge is computed based on the actual number of days in the applicable Interest Period divided by 360.
- (6) The total amount due for the period is \$_____.

FOR DEBENTURES:

You must wire the amount listed in (6) above by 1:00 p.m. on _____ [insert business day before Scheduled Pooling Date] to the following account: The Chase Manhattan Bank, ABA# 021 000 021; Acct. No. 501-502 734, Att: SBIC Funding

FOR PARTICIPATING SECURITIES:

The amount listed in (6) above is your accrued prioritized payments plus annual charges for the applicable period. SBA will advance this amount on your behalf.

THE CHASE MANHATTAN BANK,
 as Custodian

By: _____
 Its: _____

Capitalized terms not defined in this Notice are defined in the Custody and Administration Agreement ("Agreement") dated as of April 1, 1998 among the SBA, SBIC Funding Corporation, the Federal Home Loan Bank of Chicago, and The Chase Manhattan Bank, as Custodian. Call your SBA Account Executive with any inquiries.

DESCRIPTION OF INTEREST AND FEE NOTICE
(EXHIBIT C TO CUSTODY AND ADMINISTRATION AGREEMENT)

This document is used by the Custodian (Chase) to notify the SBICs of the amounts of their obligations. This notice will enable the licensees know the amounts of liabilities and will form the basis of accruals at the ends of fiscal periods.

1. Prior to 4:00 p.m. on each Settlement Date (the day the SBIC receives its money from the Chicago Bank), the Custodian will wire all applicable fees in accordance with the most recent payment instructions to SBA and the Funding Corp. (see next document).
2. Also prior to 4:00, the Custodian will wire the net funds to the SBIC in accordance to the instructions contained in the Interim Funding Approval Notice and Confirmation.
3. Lastly, the Custodian will provide a completed Interest and Fee Notice to each SBIC for which an obligation was funded on the settlement date.

SETTLEMENT DATE FEE AND PAYMENT INSTRUCTION

[Date]

The Chase Manhattan Bank,
as Custodian
450 West 33rd Street
15th Floor
New York, NY 10001

Ladies and Gentlemen:

Pursuant to Section 3(f) of the Custody and Administration Agreement ("Agreement") dated as of April 1, 1998 among the U.S. Small Business Administration, SBIC Funding Corporation, the Federal Home Loan Bank of Chicago and the Chase Manhattan Bank, you will receive, from the Bailee on each Settlement Date, the Purchase Price of each Obligation to be funded on such date. For each Obligation, funds received in respect of the Purchase Price must be disbursed as follows:

(1) First, to the Leverage Fee Account, a "Leverage Fee" equal to the product of (a) .02 and (b) the Purchase Price;

(2) Second, to the relevant Underwriting Fee Sub-Account an Underwriting Fee equal to the product of: (a) .0050 (the "Underwriting Fee Rate") and (b) the Purchase Price;

(3) Third, to the Funding Corporation's Program Expense Account, "Program Expenses" equal to \$[0].

(4) Fourth, to the SBIC or SBA account, as designated in Section I of the related Notice and Confirmation, any remainder (the "Disbursement Amount").

This instruction remains effective, unless modified or superseded in writing. Capitalized terms used but not defined in this Instruction have the meanings contained in the Agreement.

U.S SMALL BUSINESS ADMINISTRATION

By: _____
Name: _____
Title: _____

SBIC FUNDING CORPORATION

By: _____
Name: _____
Title: _____

DESCRIPTION OF SETTLEMENT DATE FEE AND PAYMENT INSTRUCTION
(EXHIBIT D TO CUSTODY AND ADMINISTRATION AGREEMENT)

This document is used by the SBA and the Funding Corp. to direct the Custodian (Chase) to deposit fees and expenses in the appropriate accounts maintained at Chase for this purpose.

EXTENSION NOTICE

SBIC Funding Corporation
666 11th Street, N.W.
Washington, D.C. 20001

The Chase Manhattan Bank,
as Escrow Agent
450 West 33rd Street
New York, New York 10001

Federal Home Loan Bank of Chicago
111 East Wacker Drive
Chicago, Illinois 60601

The Chase Manhattan Bank,
as Custodian
450 West 33rd Street
15th Floor
New York, New York 10001

Re: Extension Notice for Interim Funding

Please be advised that pursuant to Section 6(a) of the Custody Agreement dated as of April 1, 1998 among SBA, the Funding Corporation, the Interim Funding Provider and the Custodian (the "Agreement"), the Scheduled Pooling Date of [date and year] has been extended to [date and year] (the "New Pooling Date").

All outstanding Obligations having such a Scheduled Pooling Date remain subject to Interim Funding until the New Pooling Date. Interest from and including the original Scheduled Pooling Date (or previous New Pooling Date, if applicable) to but excluding the New Pooling Date (such period, the "New Interim Period") shall be calculated after resetting LIBOR in accordance with the Custody Agreement. The Interim Funding Provider shall cause the Escrow Agent to make available to the Custodian all Obligations having such a Scheduled Pooling Date.

The Custodian is instructed to insert all terms applicable to the New Interim Period into Obligations delivered to it by the Escrow Agent, and to pay all Interim Interest received on the Scheduled Pooling Date and New Pooling Date in accordance with the related LIBOR and Interest Allocation Notice. After such revision, the Custodian shall return the affected Obligations to the Escrow Agent.

U.S. SMALL BUSINESS ADMINISTRATION

By: _____
Name: _____
Title: _____
Date: _____

**DESCRIPTION OF EXTENSION NOTICE
(EXHIBIT E TO CUSTODY AND ADMINISTRATION AGREEMENT)**

In the unlikely event that the scheduled pooling date cannot occur, because of weather problems in New York City, or in the event the Government is closed, the agreement provides that the interim funding arrangement will continue, under new interest conditions as established in the agreement. This document is issued by SBA and provides notice to all parties of the extension.

Appendix 4-11.

Just In Time Funding Timeline

Just In Time Funding Pooling Timeline

Action #	Week-day	Relative Day	Not Later Than	Activity	SBIC	SBA	SBIC Funding	Chase Custodian	Chicago FHLB	Bankers Trust	Chase Escrow Agent	Chase Trustee	U/W or Brown & Wood	Underwriters	Document	Reference
<i>INTERIM FUNDING</i>																
NOTES: Settlement Date is Day 0																
Initiator is denoted by an "x" or "\$"; recipient is an "o"																
1	Wed	-9	10:30 AM	Draw Request received by overnight courier	x	o										
2	Wed	-9	3:30 PM	Funding Control Officer logs in & checks requests		x										
3	Wed	-9	4:00 PM	FCO emails Wednesday Draw Report to OSO		x										
4	Tues	-3	5:30 PM	OSO approves (rejects) Draw Request		x										
5	Wed	-2	2:00 PM	Creates Control #s		x										
6	Wed	-2	2:00 PM	P/S - Generate partial assignment		x										
7	Wed	-2	3:00 PM	Email Partial Assignments		x	o									
8	Wed	-2	3:00 PM	SBA sends Notice & Confirmation approval	o	x	o	o	o						c	3b
9	Wed	-2	5:00 PM	Add Control #s to Debentures & P/S		x										
10	Wed	-2	7:00 PM	Fedex Debentures		x		o								
11	Wed	-2	7:00 PM	Fedex Partial Assignments			x	o								
12		-1	2:00 PM	Sec. II -Notice and Confirmation deadline	x			o							c	3c
13		-1	4:00 PM	Complete Sec. III & forward notice & confirm	o	o	o	x	o						c	3c2
14		0	10:00 AM	Send LAS loan # or P/S # & pooling date		x	o	o	o							
15		0	10:00 AM	Provide LIBOR Notice		o	o	o	x						m,c	2.4,3d
16		0	1:00 PM	Calculate interim interest & annual charge				x							c	3e
17		0	1:00 PM	Confirm interest calculation				x	o						c	3e
18		0	1:00 PM	Complete Obligations				x							c	3f
19		0	1:00 PM	Delivers Obligations to Bailee against payment - copy to SBA & SBIC	o	o		\$		o					c	3f
20		0	4:00 PM	Wires fees		o		\$							c	3g
21		0	4:00 PM	Wires disbursement amounts (or Refunding)	o	(o)		\$							c	3g
22		0	4:00 PM	Send Interest & Fee Notice	o	o		x							c	3g
23		0	5:30 PM	Participating Security: Insert date, rate, amount, pooling date, # and AAI signs		x										

Just In Time Funding Pooling Timeline

Action #	Week-day	Relative Day	Not Later Than	Activity	SBIC	SBA	SBIC Funding	Chase Custodian	Chicago FHLB	Bankers Trust	Chase Escrow Agent	Chase Trustee	U/W or Brown & Wood	Underwriters	Document	Reference
<u>EXTENSION</u>																
NOTE: Scheduled Pooling Date is Day 0																
24		-1	1:00 PM	Pay Interim interest + annual charge	\$	\$		o							m	2.4
25		-1	2:00 PM	Delivers obligations					x	x	o				m	3.2
26		0	9:00 AM	Written notice of extension	o	x	o	o	o	o	o			o	c	6a
27		0	10:00 AM	Delivers obligations (if not previously delivered)					x	x	o				c	6a1
28		0	10:00 AM	Provides LIBOR Notice				o	x							6a1
29		0	10:00AM	Instructs Escrow Agent to deliver obligations					x		o				c	6a1
30		0	1:00 PM	Delivers obligations for modification				o			x					?
31		0	1:00 PM	Delivers modified obligations				x			o					
32		0	1:00 PM	Calculate interim interest & annual chg.				x								
33		0	1:00 PM	Confirm interest calculation				x	o							
<u>POOLING</u>																
NOTE: Pooling Date is Day 0																
34	Wed	-14	5:30 PM	Pooling cutoff												
35	Thurs	-13	4:00 PM	Set pool size												
36	Wed	-7	3:00 PM	Pricing of the Pool - with Treasury approval		x	x									
37	Wed	-7	3:00 PM	Offering circular printed									x			
38	Wed	-7	7:00 PM	SBIC Funding signs Purchase Pooling & Exchange Agreement & Fedex				x						o		
39	Wed	-7	7:00 PM	AA/I signs Trust Supplement & Letter of Representation & Fedex				x						o		
40	Mon	-2	3:00 PM	Sign all other pooling documents: guarantee agreement, GC opinion, trustee reliance letter from GC, Comptroller's opinion, disbursement instructions, schedule of debentures & of participating securities, AA/I certificate												
41	Mon	-2	7:00 PM	Fedex pooling partial assignment										o		
42	Mon	-2	7:00 PM	Signs Partial Assignment & Fedexes					x					o		
43	Tues	-1	1:00 PM	Pay Interim interest + annual charge	\$	\$		o							m	2.4
44	Tues	-1	2:00 PM	Deliver obligations to be held for pooling					x	x	o				m	3.2
45	Tues	-1	2:00 PM	Pooling documents										o		

Just In Time Funding Pooling Timeline

Action #	Week-day	Relative Day	Not Later Than	Activity	SBIC	SBA	SBIC Funding	Chase Custodian	Chicago FHLB	Bankers Trust	Chase Escrow Agent	Chase Trustee	U/W or Brown & Wood	Under-writers	Docu-ment	Ref-erence
46	Wed	0	1:00 PM	Wire underwriter payment to Interim Clearing Acct.				o						\$	c	7a
47	Wed	0	3:00 PM	Pay Bailee Refunding Price				\$		o						7b
48	Wed	0	3:00 PM	Pay Administration Fee			o	\$							c	7c
49	Wed	0	3:00 PM	Deposits Annual Charge into 303 acct.		o		\$							c	7e
50	Wed	0	3:00 PM	Debentures: Insert maturity and interest rate				x							c	7di
51	Wed	0	3:00 PM	Deliver Debentures				x				x				
52	Wed	0	3:00 PM	Void Interim Partical Assignments				x								
53	Wed	0	3:00 PM	Deliver voided Interim Partial Assignments		o		x								
54	Wed	0	3:00 PM	Deliver Partial Assignment in exchange for Trust Certificates								o	x			
55	Wed	0	5:30 PM	Participating securities: Insert maturity, interest rate & pooling date (from offering circular)		x										
56	Fri	+5	7:00 PM	Fedex copies of debentures	o	o		x								
57	Mon	+8	7:00 PM	Fedex 1 set of originals of participating securities	o	x										

APPENDIX 4-12

LMI Debenture Memo

U. S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416



DATE : June 5, 2000

TO : All Licensees

FROM : Don A. Christensen
Associate Administrator for Investment

SUBJECT: MEMORANDUM #2000 - 6
Low or Moderate Income (LMI) Debentures

We are pleased to announce that the new LMI Debenture is now ready and is available for use by SBICs that make financings which qualify as "LMI Investments" under section 107.50 of the regulations.

The LMI Debenture differs from the standard SBA-guaranteed debenture in several respects:

1. It is a deferred interest debenture that is issued at a discount and requires no interest payments or SBA annual charge for the first 5 years plus the stub period between the debenture's issuance date and the next March 1 or September 1. The stub period allows all LMI Debentures to have common March 1 or September 1 maturity dates to simplify administration of the program.
2. It is available in two maturities - 5 year and 10 year (plus the stub period). The 10 year LMI Debenture requires semi-annual interest payments and annual charge payments during the last 5 years of its term.
3. It does not permit prepayment for a period of 12 months (plus the stub period) after issuance. Thereafter, it permits prepayment, but only on March 1 or September 1 of each year. Thus, the actual period during which you cannot prepay can be from 12-18 months depending on the length of the stub period. Prepayments after the lockout period can be made without a prepayment fee.
4. SBA does not intend to pool LMI Debentures. The Federal Home Loan

Bank of Chicago (FHLB) has agreed to purchase all LMI Debentures and hold them until maturity. The interest rate on LMI Debentures will be a spread over the FHLB's cost of funds and will be determined on the draw date.

You must have an outstanding debenture commitment, as well as qualifying LMI Investments or specific plans to make such Investments, in order to issue an LMI Debenture. The Just-In-Time (JIT) funding process has been modified so that you can now apply for LMI Debentures, as well as standard debentures, using a single draw application. **If you have an outstanding debenture commitment and you have made or intend to make LMI Investments, you can apply to issue an LMI Debenture using the JIT funding process.**

Funding under JIT is a two-step process. First, you apply for approval to draw leverage under an outstanding SBA leverage commitment. You receive a 45-day LMI Approval Notice or standard Approval Notice from SBA for each debenture for which you are approved. Second, you request your funds by faxing the completed Approval Notice to The Chase Manhattan Bank one business day before you need the funds.

For those of you who are unfamiliar with the JIT funding process, these are some of the highlights as affecting LMI Debentures:

- There are two draw application windows every month – the 1st and 3rd Wednesdays of the month. SBA must receive your draw application by 10:30 a.m. (Eastern) on such days.
- You can apply for multiple takedowns as part of one draw application. Multiple takedowns can include a combination of LMI Debentures and standard debentures as part of the same draw application package.
- You must include in the draw application package one signed LMI Debenture (5-year or 10-year) for every LMI takedown for which you are applying.
- Approvals of LMI draw applications are faxed by SBA on the 2nd and 4th Wednesdays of every month. If unused, these LMI Approval Notices expire 45 days after they are issued.
- Only one draw is allowed per LMI Approval Notice. That draw can be in any amount (in \$5,000 increments) up to and including the *Maximum Face Amount of LMI Debenture* indicated on the LMI Approval Notice.
- To draw funds, you must complete Section II of the LMI Approval Notice

and fax the entire document to The Chase Manhattan Bank (as custodian of the debentures) by 2:00 p.m. (Eastern) on the business day prior to your draw date. On your draw date, the FHLB will price your LMI Debenture and you will receive your funding.

As we mentioned above, there are two versions of the LMI Debenture: the 5-year LMI Debenture and the 10-year LMI Debenture. Both versions have a zero coupon feature for approximately 5 years, **so that the proceeds you receive for the sale of the debenture are reduced by the cost of the interest and SBA annual charge for such period.** A 2% SBA Leverage Fee calculated on the Face Amount of the Debenture is also deducted from the proceeds of both versions. **The SBIC issues an LMI Debenture with a specific face amount and receives the net proceeds from the debenture's sale, which are equal to: the face amount of the Debenture, less the interest and SBA annual charge discounted for approximately 5 years, less the 2% SBA Leverage Fee.**

Your eligibility for LMI Debentures will be determined in two ways:

1. General leverage eligibility requirements. You must be eligible to issue leverage in an amount equal to the face amount of the LMI Debenture you are requesting. Eligibility for this purpose is determined under sections 107.1120 - 107.1160 of the regulations.
2. LMI eligibility requirements. You must be eligible to issue an LMI Debenture in the face amount that you are requesting. Eligibility for this purpose is based on your outstanding LMI Investments and the LMI Investments you are proposing to make with your net proceeds. You are eligible for an LMI Debenture with a face amount not greater than 1.7 times the sum of your existing and specifically planned LMI Investments, minus the face amount of your outstanding LMI Debentures. In other words, the LMI Debenture you are requesting, plus your outstanding LMI Debentures, cannot exceed 1.7 times the sum of your existing LMI Investments plus any LMI Investments you are proposing to make with the leverage proceeds.

In general, net proceeds of your LMI Debentures should roughly match your LMI Investments. Given recent interest rates, the 1.7 ratio should provide sufficient cushion to allow for this rough matching of proceeds to investments. In the preamble to the final rule adopting the LMI Debenture regulations, SBA discussed using a 1.5 ratio to determine LMI Debenture eligibility. We have since concluded that increasing the ratio to 1.7 is advisable to provide an added cushion against the possibility of higher interest rates in the future.

For your planning purposes, you will need to know more precisely the amount of net proceeds that you can expect to receive when you request an LMI Debenture with a certain face amount. The Federal Home Loan Bank of Chicago has provided a computer program to help you estimate the face amount of LMI Debenture(s) you will need in order to generate net proceeds sufficient for your purposes. It is called the "LMI Debenture Calculator" and can be accessed through the Investment Division Web page (www.sba.gov/inv). You enter the face amount and the term of the LMI Debenture into the LMI Debenture Calculator. The Calculator will produce the net proceeds for the current business day using the current interest rate charged by the FHLB. The Calculator only provides an estimate of your ultimate proceeds because the interest rate charged by the Bank is changed every business day, and there is no way to know in advance what rate will be in effect on the day you draw funds.

We suggest that you use the LMI Debenture Calculator to track the interest rate charged by the FHLB from the time that you apply for funding until the day (or days) you draw funds. On the day(s) you request your draw(s), we suggest you once again use the LMI Debenture Calculator to ensure that you have the best information available to finalize your request for a face amount LMI Debenture. The LMI Debenture Calculator cannot tell you in advance the exact net proceeds that you can expect to receive. The best you can do is base your decision on information in effect on the business day prior to the day you will issue your LMI Debenture and receive your funds. The LMI Debenture Calculator is an estimating tool provided to help you more precisely estimate what the face amount of each of your LMI Debentures should be.

Both versions of the LMI Debenture are now on the Investment Division's web site (www.sba.gov/inv) under "SBIC Forms". A new model legal opinion for the LMI Debenture also can be found there.

For your convenience, we have attached a copy of the LMI final rule that was published on September 30, 1999.

Please contact your SBA Account Executive with any questions that you may have and to request the new version of the draw application package (which includes the provisions relating to LMI Debentures).

APPENDIX 4-13

Core Analytical Document



Core Analytical Document (CAD)

Licensee:	Example SBIC	License No.:	99/99-9999
Address:	Street Address of SBIC	Date Licensed:	mm/dd/yyyy
	City, State, Zip	Vintage Year:	yyyy

Current CIP:	xx.xx%	Regulatory Capital:	\$25.0 M
Risk:	Risk Rating	Outstanding Leverage:	\$31.0 M
As of:	mm/dd/yyyy	Based on Last 468:	mm/dd/yyyy

Analyst:	Name of Analyst	Fund Type:	Type
Area:	Area Number	Area Chief:	Name

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CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

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CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

Executive Highlights from Each Section

1. Capital Analysis

Concerned

2. Management

Concerned

3. Regulatory Compliance

Concerned

4. Financial Analysis

Concerned

5. Risk

Concerned

6. Portfolio

CAD for:

Example SBIC

As of: mm/dd/yyyy

Outstanding leverage: \$99.9M VY: yyyy

Based on Last 468: mm/dd/yyyy

Concerned

CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

1. Capital Analysis

1.1 Overview

Concerned

1.2 Capital Structure

One can add discussion as needed.

Exhibit 1 – Capital Structure

Capital Structure

Date of Last Capital Certificate: mm/dd/yyyy

Private Capital		SBA Commitments			
		As of: 3/27/2006	Total	Participating	De b
Regulatory	\$ 25,000,000	Approved*	\$ 45,000,000	\$ 40,000,000	\$ 5,000,000
Total Committed (Lifetime)	\$ 25,000,000	Cum. Draw n	\$ 36,000,000	\$ 35,000,000	\$ 1,000,000
Cum. Draw n	\$ 20,000,000	% Draw n	80.0%	87.5%	20.0%
% of Private Capital Called	80.0%	Cum Redemptions	\$ 5,000,000	\$ 5,000,000	\$ -
Cum. Reg. Distributions	\$ 2,250,000	Outstanding Lev.	\$ 31,000,000	\$ 30,000,000	\$ 1,000,000
Leverageable	\$ 17,750,000	SBA Expiring Commitments			
Total Unfunded Commits	\$ 5,000,000	FY Expires	Total	Participating	De b
		FY 2006	\$ -	\$ -	\$ -
		FY 2007	\$ 2,000,000	\$ 2,000,000	\$ -
		FY 2008	\$ 3,000,000	\$ 3,000,000	\$ -
		FY 2009	\$ -		\$ -
		FY 2010	\$ 4,000,000		\$ 4,000,000
		Total Unfunded	\$ 9,000,000	\$ 5,000,000	\$ 4,000,000

Total Capital	
Total Committed Capital	\$ 70,000,000
Amount of Capital Draw n/Called	\$ 56,000,000
Percent of Total Capital Draw n/Called	80.00%
Amount of Committed Capital Remaining	\$ 14,000,000

Prioritized Payments	
Accrued PP	\$ 9,999,999
Monthly Accrual	\$ 150,000

* Does not include expired commitments

CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

1.3 SBA Outstanding Leverage

Analysts can add discussion as needed.

Exhibit 2 – Outstanding SBA Debentures and Participating Securities

Outstanding Debentures and Participating Securities by Maturity Date

Leverge Balance	Type Security		
FY Maturity	Participating	Deb	Grand Total
2011	\$ 2,000,000		\$ 2,000,000
2012	\$ 8,000,000		\$ 8,000,000
2013	\$ 10,000,000		\$ 10,000,000
2014	\$ 5,000,000		\$ 5,000,000
2015	\$ 5,000,000	\$ 1,000,000	\$ 6,000,000
Grand Total	\$ 30,000,000	\$ 1,000,000	\$ 31,000,000

CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

1.4 **Limited Partner Ownership:**

CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

2. Management

2.1 Overview

Concerned

2.2 The Managing Directors:

2.3 Analyst's Experience with the Management Team:

CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

3. Regulatory Compliance

3.1 Overview

Concerned

3.2 Regulatory Findings

Exhibit 3 – Regulatory Findings

Num	ReportDate	Regulation	RegulationDescription	Status	Total
					1
					1
					1
Grand Total					3

CAD for:

Example SBIC

Outstanding leverage: \$99.9M

VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

4. Financial Analysis

4.1 Overview

Concerned

4.2 Financial Information

Exhibit 4 – Financials

Balance Sheet				
	Qtr	FYE	FYE	FYE
	9/30/2005	12/31/2004	12/31/2003	12/31/2002
Loans and Investments				
Loans	\$ -	\$ -	\$ -	\$ -
Debt Securities	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Equity Securities	\$ 30,961,111	\$ 29,054,861	\$ 37,098,611	\$ 38,323,611
Other	\$ -	\$ -	\$ -	\$ -
Unrealized Depreciation	\$ (10,000,001)	\$ (11,111,113)	\$ (12,222,225)	\$ (13,333,337)
Unrealized Appreciation	\$ 20,000,000	\$ 20,000,001	\$ 20,000,002	\$ 20,000,003
Portfolio Value	\$ 45,961,110	\$ 42,943,749	\$ 49,876,388	\$ 49,990,277
Cash & Idle Funds	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Other Current Assets	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Other Assets	\$ 1,000,000	\$ 1,250,000	\$ 1,500,000	\$ 1,750,000
Total Assets	\$ 49,961,110	\$ 47,193,749	\$ 54,376,388	\$ 54,740,277
Liabilities Excluding SBA Debts	\$ 99,999	\$ 99,999	\$ 99,999	\$ 99,999
<u>SBA Debentures</u>	\$ 1,000,000	\$ -	\$ -	\$ -
Total Liabilities	\$ 1,099,999	\$ 99,999	\$ 99,999	\$ 99,999
Participating Securities	\$ 30,000,000	\$ 28,000,000	\$ 33,000,000	\$ 33,000,000
Partner's Capital	\$ 17,750,000	\$ 17,750,000	\$ 20,000,000	\$ 20,000,000
Net Unrealized Appr (Dep)	\$ 9,999,999	\$ 8,888,888	\$ 7,777,777	\$ 6,666,666
<u>UNRE</u>	\$ (8,888,888)	\$ (7,545,138)	\$ (6,501,388)	\$ (5,026,388)
Net Unrealized + UNRE	\$ 1,111,111	\$ 1,343,750	\$ 1,276,389	\$ 1,640,278
Total Liabilities, Red. Sec & Capital	\$ 49,961,110	\$ 47,193,749	\$ 54,376,388	\$ 54,740,277
Income Statement				
Gross Investment Income	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Expenses				
Management Expenses	\$ 1,193,750	\$ 1,143,750	\$ 1,325,000	\$ 1,325,000
Professional Expenses	\$ -	\$ -	\$ -	\$ -
Other Partnership Expenses	\$ -	\$ -	\$ -	\$ -
Depreciation and Amortization	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Miscellaneous Expense	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,443,750	\$ 1,393,750	\$ 1,575,000	\$ 1,575,000

CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

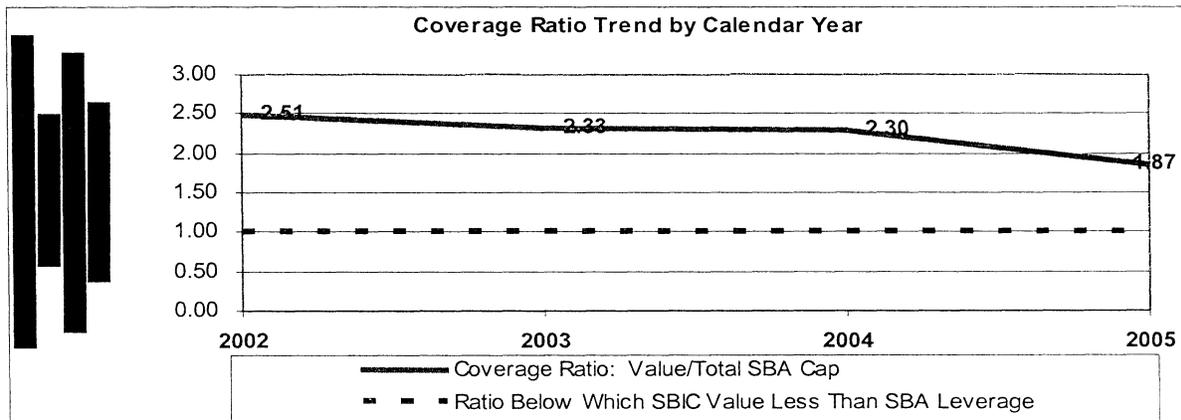
As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

4.3 Financial Trends:

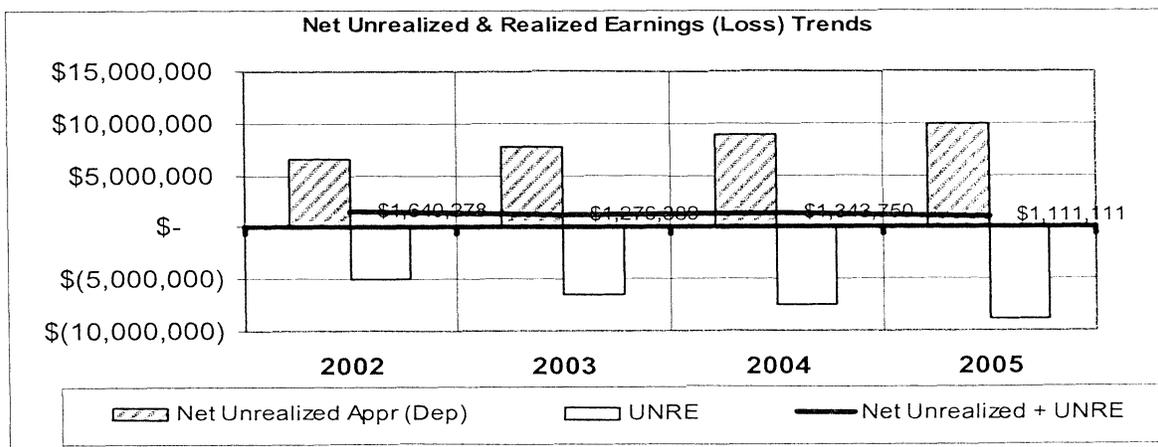
Exhibit 5 – Coverage Ratio

Other Figures and Statistics				
	9/30/2005	12/31/2004	12/31/2003	12/31/2002
Total SBA Capital Outstanding	\$ 31,000,000	\$ 28,000,000	\$ 33,000,000	\$ 33,000,000
Assets Less Non-SBA Liabilities	\$ 49,418,454	\$ 45,843,750	\$ 52,776,389	\$ 52,890,278
+Unfunded Private Commits	\$ 8,591,864	\$ 18,692,874	\$ 24,248,430	\$ 29,803,986
Value Supporting SBA Capital	\$ 58,010,318	\$ 64,536,624	\$ 77,024,819	\$ 82,694,264
Value Margin=Value-Total SBA Capital	\$ 27,010,318	\$ 36,536,624	\$ 44,024,819	\$ 49,694,264
Coverage Ratio: Value/Total SBA Cap	1.87	2.30	2.33	2.51
Percentage of Portfolio in Equity	64%	61%	62%	62%
SBA Percentage of Capital				



4.4 Earnings Capacity and Retention:

Exhibit 6 – Net Unrealized & Retained Earnings



CAD for:

Example SBIC

Outstanding leverage: \$99.9M

VY: yyyy

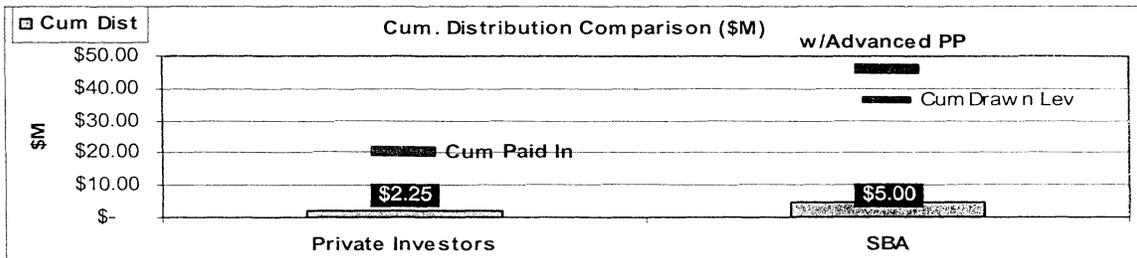
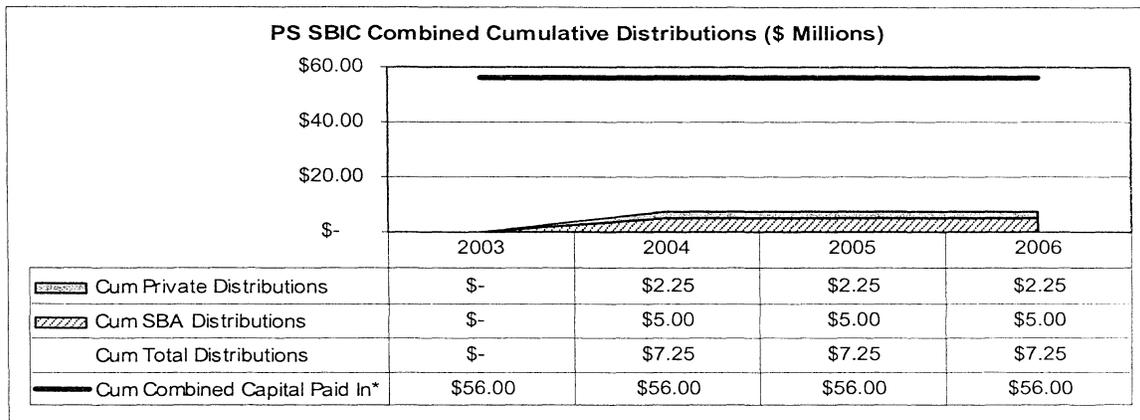
As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

4.5 Distributions

Exhibit 7 – Distributions

Distributions			
SBA		Private Investors	
Redemptions	\$ 5,000,000	READ	\$ -
Prioritized Payments	\$ -	Regulatory Capital	\$ 2,250,000
Profit Participation	\$ -	Total	\$ 2,250,000
1% Annual Charge	\$ -	Total Distributions	
Adjustments	\$ -		
Total	\$ 5,000,000	\$	16,752,080



4.6 Liquidity and Cash Flow:

CAD for:

Example SBIC

Outstanding leverage: \$99.9M

VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

5. Risk

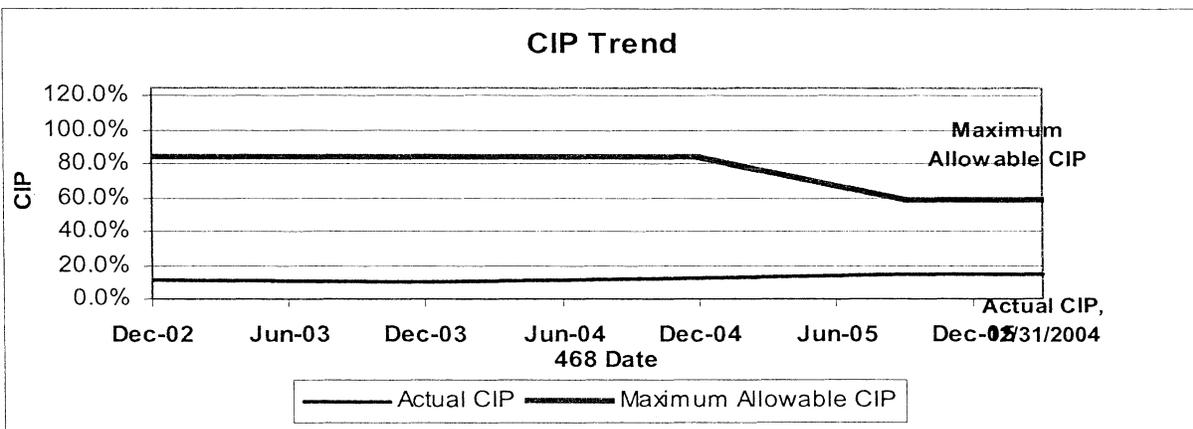
Concerned

5.1 Capital Impairment Percentage ("CIP")

Exhibit 8 – Capital Impairment

Forbearance Date: 8/30/2005

Capital Impairment Calculation	9/30/2005	12/31/2004	12/31/2003	12/31/2002
Undistributed Realized Gain (Loss):	\$ (10,869,728)	\$ (8,532,183)	\$ (5,920,613)	\$ (3,760,914)
Unrealized Depreciation:	\$ (4,077,775)	\$ (4,072,804)	\$ (2,668,524)	\$ (2,400,753)
Unrealized Appreciation:	\$ 6,641,918	\$ 8,164,366	\$ 6,900,000	\$ -
Class I	\$ 5,000,000			
Class II	\$ 2,500,000	\$ 2,500,000		
Class III (All other securities)	\$ (858,082)	\$ 5,664,366	\$ 6,900,000	\$ -
Adjusted Unrealized Gains (Class I & II) before est. tax effects:	\$ 2,051,314	\$ 1,250,000	\$ -	\$ -
Less: Estimated future income taxes--if applicable				
Less: Class 1 or Class 2 Appreciation on pledged or encumbered securities (up to the amount of the related borrowing or obligation)				
Adjusted Unrealized Gain on Securities Held	\$ 2,051,314	\$ 1,250,000	\$ -	\$ -
Adjusted Unrealized Gain (Loss) on Securities Held	\$ 2,051,314	\$ 1,250,000	\$ -	\$ (2,400,753)
Net Realized & Unreal. Losses for CIP:	(8,818,414)	(7,282,183)	(5,920,613)	(6,161,667)
Regulatory Capital:	\$ 59,601,965	\$ 57,309,078	\$ 56,047,990	\$ 54,786,902
Actual CIP	14.80%	12.71%	10.56%	11.25%
Maximum Allowable CIP	60.00%	85.00%	85.00%	85.00%



CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

5.2 Investment Activity/Business Plan

Exhibit 9 – Investments by Stage at Time of Investment (Life of Fund)

Stage	Number of Deals	Dollars Invested	Percentage of Deals	Percentage of Dollars
Seed			#DIV/0!	#DIV/0!
Early			#DIV/0!	#DIV/0!
Expansion			#DIV/0!	#DIV/0!
Totals	0	\$0		

Exhibit 10 – Historical Investments Per Year

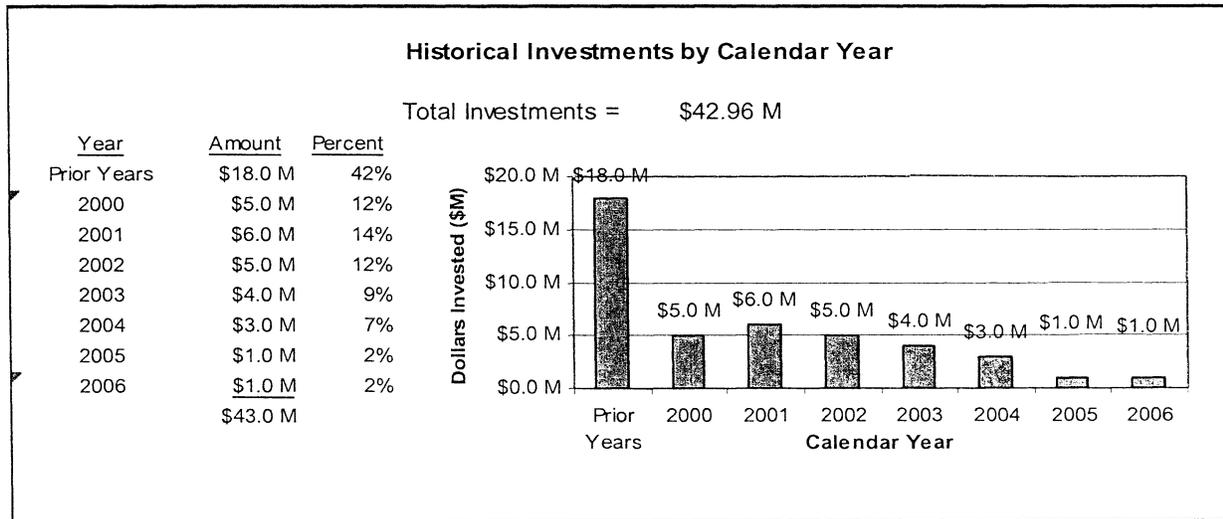
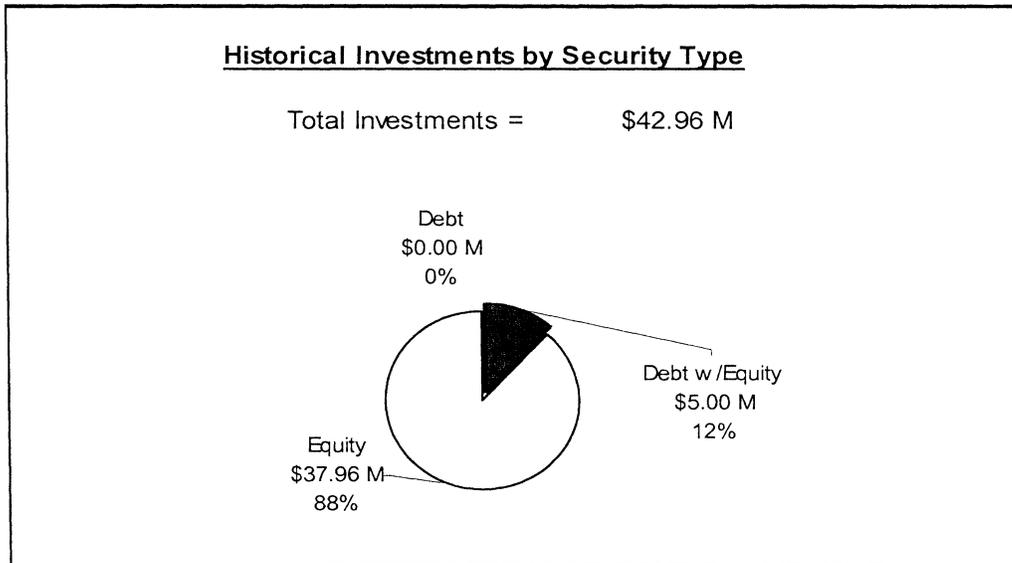


Exhibit 11 – Historical Investments by Security Type



CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

Exhibit 12 – Historical Investments by Location

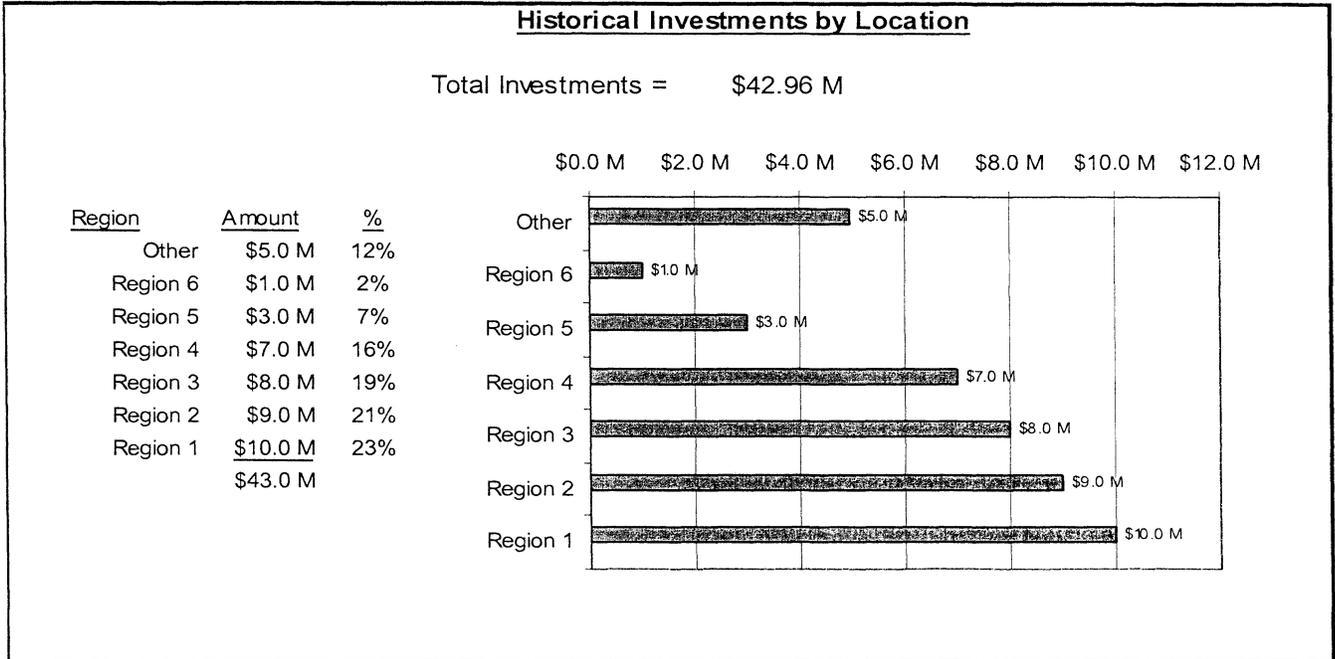
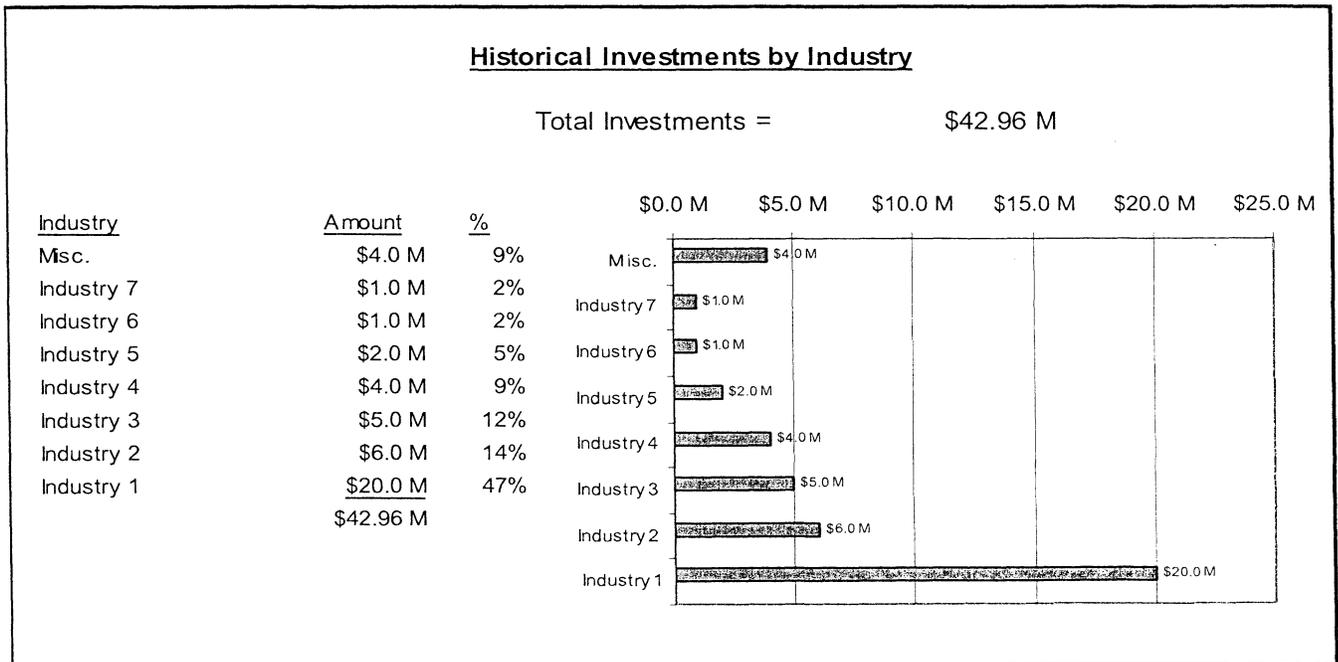


Exhibit 13 – Historical Investments by Industry



CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

5.3 Benchmarks

Exhibit 14 – Benchmarks

Example SBIC

As of: 9/30/2005

	SBA	Private	Total
Unfunded Commitments	\$ 9,000,000	\$ 5,000,000	\$ 14,000,000
Combined Paid In Capital*	\$ 36,000,000	\$ 20,000,000	\$ 56,000,000
Total Distributions	\$ 5,000,000	\$ 2,250,000	\$ 7,250,000
Leverage Fees	\$ 1,170,000		\$ 1,170,000
Net Asset Value			\$ 48,861,111

*Note: Paid-In Capital does not include prioritized payments.

	Distributions to Paid In (DPI)	Total Value to Paid-In (TVPI)	Capital Impairment Percentage (CIP)
Metrics for SBIC Name	.15	1.02	15%

Shade indicates where fund is in quartiles

SBIC Benchmarks for Vintage Year**

		yyyy		
		DPI	TVPI	CIP
Top	Top	.43	1.10	13%
Quartile 2	Upper Quartile	.09	.82	42%
Quartile 3	Median	.02	.70	60%
Bottom	Lower Quartile	.02	.56	82%
	Bottom	.02	.14	179%

** SBIC Benchmarks only go through last submitted 468. Distributions, capital draws, and write-down/up of assets may have taken place that have changed these metrics.

Select Benchmark

Private Equity

Report Date As of 09/30/2005 All Private Equity Funds (only)

Vintage Year yyyy		DPI	TVPI
Top	Max	3.42	3.42
Quartile 2	Upper Quartile	.31	1.14
Quartile 3	Median	.11	.88
Bottom	Lower Quartile	.00	.67
	Min	.00	.14

*** Venture Benchmarks will be higher because they net carried interest. SBIC Benchmarks and metrics for individual SBIC do not net carried interest, if applicable.

CAD for:

Example SBIC

Outstanding leverage: \$99.9M

VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

5.4 Risk Assessment Rating

Exhibit 15 – Risk Ratings

Licensee:

Example SBIC

VY yyyy

Updated

mm/dd/yyyy

Assessment:

Normal

Date of 468:

mm/dd/yyyy

<u>Fund Maturity</u>	Mature	Low	Max	% of Max
1. Capital Impairment	5		50	10%
2. Adherence to Business Plan	0		0	0%
3. Prioritized Payments	10		10	100%
4. Valuations	0		20	0%
5. Management	0		10	0%
6. Liquidity	5		10	50%
Overall Risk	20		100	20%
		Normal	Moderate	Intensive
		0 to 40	40 to 60	Over 60

CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

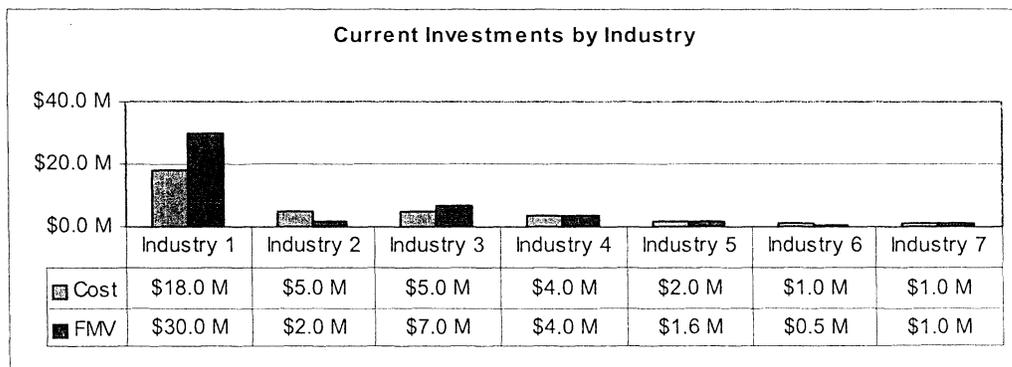
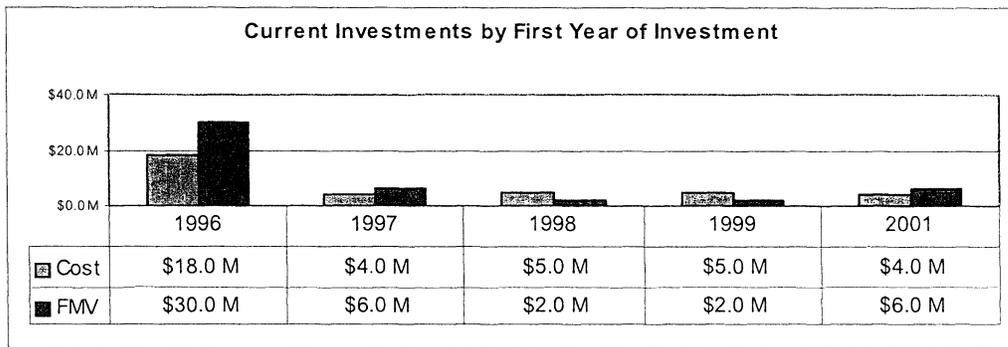
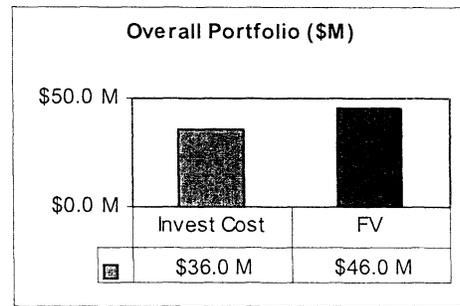
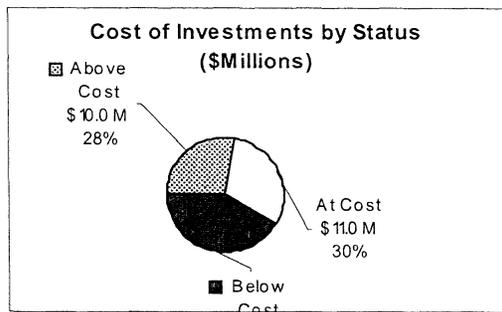
Based on Last 468: mm/dd/yyyy

6. Portfolio

6.1 Portfolio Overview:

Concerned

Exhibit 16 – Current Portfolio Statistics



6.2 Portfolio Companies:

CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

6.3 Expected Exits:

6.4 Historical Exits & Write-offs

Exhibit 17 – Historical Exits and Write-offs

Company	Original Invest Date	Amount Invested	Amount Realized	Net Gain/(Loss)
				-
				-
				-
Totals		\$0	\$0	\$0

CAD for:

Example SBIC

Outstanding leverage: \$99.9M VY: yyyy

As of: mm/dd/yyyy

Based on Last 468: mm/dd/yyyy

Appendix A – Portfolio Companies Table

APPENDIX 5-1

Data Management Exam Findings Resolution Sheet

EXAM FINDING RESOLUTION FORM

Printed June 23, 2003

SBIC Name: Test SBIC License No.: 99/99-9999
Analyst: Anyone Chief: Anyone Location: Anywhere, AN
Reg. Capital: \$9,999,999 Leverage: \$9,999,999 Active?: Yes
Ownership: Anytype Watch List?: No

Completed Exams with Report Dates after October 1, 1992

<u>Beginning Exam Period</u>	<u>Ending Exam Period</u>	<u>Report Date</u>	<u>Findings</u>	<u>Findings Resolved</u>	<u>Examiner</u>	<u>1st Letter Sent by Operations</u>
01/01/2002	12/31/2002	01/15/2003	1	0	Anyone	01/22/2003

Completed Examinations

Beginning Exam Period 01/01/2002 Ending Exam Period 12/31/2002 Report Date: 01/15/2003

<u>Find #</u>	<u>Finding</u>	<u>Resolution in Progress</u>	<u>Final Resolution</u>
1	107.999 Any violation	/ /	/ /

Fill in New Resolution Dates and Return to Antoinette Shingler

CHIEF _____ DATE _____

ANALYST _____ DATE _____

APPENDIX 6-1

(SBA CO Form 47). Review and Analysis of Annual Report

APPENDIX 2
(Paragraph 4)

REVIEW OF REPORTS SUBMITTED BY SBIC's and MESBICs

SBIC _____ Form 468,684 _____
(Delete form (s) (AS OF DATE)
not applicable)

License No. _____

A. CURSORY REVIEW

Filing is adequate _____

Deficiency exists _____

(Area Chief) (Date)

B. FINAL REVIEW

No comment _____

Letter of comment written SBIC or MESBIC _____
(Date)

(Financial Analyst) (Date)

Reviewed by: _____
(Area Chief) (Date)

APPENDIX 6-2

Regulatory Review Checksheet

**U.S. Small Business Administration
Investment Division – Office of SBIC Operations
SBIC Participating Security Commitment Action**

Licensee: _____
 Address: _____ Commitment Amount: \$ _____

 _____ Commitment Cycle: _____
 License No.: _____
 _____ Expiration Date: _____
 Date Licensed: _____

ELIGIBILITY COMPUTATIONS:

Commitment Eligibility Calculation:

Per Capital Certificate dated: _____
 Regulatory Capital: _____
 Leverageable Capital: _____

Maximum PPS Commitment Eligibility (2:1):	\$0
Less Outstanding Leverage:	
Participating Securities	
Debentures	
Approved Draws	
Unused PS Commitments	
Unused Deb. Commitments	
Sub-Total	\$0
Current PPS Commitment Eligibility:	\$0
Less Current Commitment Request:	
Remaining PPS Commitment Eligibility:	\$0

Common Control Calculation:

Maximum Leverage Ceiling (IAW 13 CFR 107.1150(a)):	\$113,400,000
Less Outstanding Leverage and Commitments:	
SvoCo, L.P.	
Leverage Outstanding	0
Unused Commitments	0
(2nd Fund - enter name)	
Leverage Outstanding	
Unused Commitments	
(3rd Fund - enter name)	
Leverage Outstanding	
Unused Commitments	
Sub -Total	\$0
Remaining Combined Commitment Eligibility:	\$113,400,000

FINANCIAL CONDITION:

SBA Form 468 for period ended: _____ (unaudited)

ASSETS

Loans & Investments (cost)

Unrealized Depreciation

Unrealized Appreciation _____

Loans & Investments (value) 0

Cash/Equivalents & Idle Funds

Other Assets Receivables, Prepaid Deals, etc... _____

TOTAL ASSETS _____ \$0

LIABILITIES

Long-Term Debt

Total Current Liabilities

Other Liabilities

Redeemable Securities _____

Total Liabilities _____ 0

CAPITAL

Private Capital

Unrealized Gain (Loss)

Other: Syndication Costs & SBA Fees

Undistributed Net Realized Earnings (Loss) _____

Total Capital _____ 0

TOTAL LIABILITIES & CAPITAL _____ \$0

Operations Realized:

Net Investment Income (Loss) - Line 32, Page 4P: _____

Realized Gain (Loss) from Sale of Securities: _____

Cash/Equivalents & Idle Funds as a Percentage of Total Assets _____

Capital Impairment Percentage _____

SBIC FINANCIANG ACTIVITY SUMMARY:

STATUS OF SBA GUARANTEED DEBENTURES:

Amount of Outstanding Debenture Leverage: \$ N/A As of: _____

Comments:

COMPLIANCE SUMMARY:

FINANCIAL REVIEW:

Trend Analysis:

Capital Adequacy and Solvency:

Asset Quality:

Earnings Capacity and Retention:

Liquidity and Cash:

Management & Ownership

Management:

Ownership:

RECOMMENDATION:

Based on the commitment application and supporting documentation, and in accordance with applicable Internal Operating Procedures and SBA Regulations, it is recommended that the SBA approve this commitment request.

Total amount of Commitment recommended: \$ _____

Commitment Expires: _____

Signatures:

Financial Analyst
Office of SBIC Operations

Approve / Deny

Chief, Area IV
Office of SBIC Operations

Approve / Deny

Director
Office of SBIC Operations

Approve / Deny

Associate Administrator
Investment Division

Approve / Deny

APPENDIX 6-3

Financial Review (Written Analysis)

COVER PAGE OF COMMITMENT REVIEW

468 Report Dated: 12/31/XX

Full name of SBIC:

License No. 00/00-00000

ABC Ventures, L.P.

Total Commitments Outstanding: \$0

Total Leverage Outstanding: \$0 _____ \$0

Related Companies - Commitments and Leverage

Total Commitments Outstanding: \$0

Total Leverage Outstanding: \$0 _____

Total - Related Companies _____ \$0

TOTAL COMMITMENTS AND LEVERAGE: _____ **\$0**

RECOMMENDATION:

Based on a review of the most recent Form 468 filed and other pertinent information, a recommendation is made to:

(Choose from selections below)

Area Chief

Analyst

Director of OSO

Actions:

1. **Approve continuation of commitment position and authority to draw without further adjustment; routinely consider additional requests for commitments if submitted.**

(Requires signatures of Analyst, Area Chief and Director of OSO)

2. **Approve continuation of existing commitment position and authority to draw; certain conditions exist which require consideration before issuing additional commitments.**

(Requires signatures of Analyst, Area Chief and Director of OSO)

3. **Notify Licensee that (1) one or more previously issued commitments for SBA leverage are suspended for routine draws, or (2) previously issued commitments have been rescinded (specify reasons).]**

(The Credit Committee will review this action prior to submission to the Associate Administrator)

(Requires signatures of Analyst, Area Chief, Director of OSO and Associate Administrator for Investment)

**SBA INVESTMENT DIVISION - OFFICE OF INVESTMENT
REVIEW AND ANALYSIS OF ANNUAL REPORT, FORM 468**

Licensee:	ABC Ventures, L.P.	License No:	00/00-0000
TOTAL ASSETS:	\$0	Year Ended:	12/31/XX
LEVERAGEABLE CAPITAL:	\$0	LAST EXAMINATION:	
		Dated:	XX/XX/XX
SBA PARTICIPATING SECURITIES:	\$0	Period Ending:	12/31/XX

Regulatory Rating:

A. INITIAL REVIEW

1. Accountant's Report is acceptable:

- a. States that financial statements are presented fairly with no material misstatements.
- b. Valuations are in accordance with 310(d)(2)
- c. Audit conducted in accordance with audit standards generally accepted in the U.S.
- d. Supplemental statements are presented to conform to SBA requirements.

YES NO

2. Annual Report, SBA Form 468, is acceptable:

- a. All pages are completed - none are omitted.
- b. The Economic Data Report (page 22P) is included with the Form 468 submission ?

3. Notes to financial statements are acceptable.

4. Licensee's Capital Impairment is in excess of maximum allowed:

- a. Capital Impairment Percentage was XX.XX% as of 12/31/XX, or XX.XX% of the maximum XX% allowed (forbearance period ends XX/XX/XX).
- b. Alternative Capital Impairment Percentage was XX.XX% as of XX/XX/XX.

B. REGULATORY REVIEW

1. Overline Investments (107.740(a))

- a. Licensee's current regulatory capital:
- + Distributions under 107.1570(b) during 5 years before financing
- + Distributions under 107.585 during 5 years before financing which reduced capital by no more than 2% or approved by SBA.

Total: _____ \$0
 Licensee's Overline Limit is: \$0
 (Comment on any overlines)

2. Conflicts of Interest (107.730, 107.885)

Comment on any conflicts of interest.

3. Control of SBCS (107.865)

Comment as to whether Licensee has a controlling interest in any portfolio company.

4. Short Term Financings (107.835)

Comment on any debt financings with maturities less than one year.

5. Inactivity (107.590) (See schedule 7)

Comment on whether Schedule 7 (page 19) calculation shows the Licensee as Inactive.

6. Equity Capital Investments (107.1500(b)(4))

Comment as to whether the Licensee's equity investments are equal to Participating Securities issued.

7. Other:

COMPLIANCE SUMMARY:

Examination report dated XX/XX/XX, for the XX months ended XX/XX/XX, disclosed (comment on any findings or Other Matters).

If the review discloses a matter of concern in any area set forth above, or in any other significant area as determined by the Area Chief, a letter will be directed immediately to the Licensee pointing out the concern and required appropriate action and/or the submission of appropriate documentation and/or information necessary to a more detailed financial analysis of the company. If only minor deficiencies are discovered as a result of the initial review, comments thereon may be included in later correspondence following a thorough review and analysis of the Annual Report, SBA Form 468.

Report assigned to: (Analyst) Date: XX/XX/XX Date Due: XX/XX/XX
Date Completed: XX/XX/XX Date Letter: _____ Date Response: _____

LETTER OF COMMENT WRITTEN:

YES NO

Reviewed by:

(Analyst)

Area Chief

CAPITAL ADEQUACY AND SOLVENCY:

Comment on how much the Licensee has in cash, undrawn LP commitments and potential additional SBA Leverage, and whether that appears sufficient to provide funding for the Licensee's projected new investments, follow-on investments and management fees for the remaining life of the fund.

EARNINGS CAPACITY AND RETENTION:

Comment on the Licensee's Statement of Operations for the preceeding year.

MANAGEMENT FEES:

Comment on whether management fees paid were within the limits allowed by Licensee's LP agreement and SBA regulations (See §107.140 and §107.520 and Technote #7).

ASSET QUALITY:

As of XX/XX/XX, Licensee had the following investments in its portfolio (those identified by the Licensee as its best prospects are in **bold type**):

Portfolio Company	Cost - beginning of period	Cost - end of period	Appreciation / Depreciation	Ending Valuation
	\$0	\$0	\$0	\$0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
TOTALS:	\$0	\$0	\$0	\$0

1. *Comment on each portfolio company - describe the business in which it is engaged, history of Licensee's investments, current operating earnings (losses), remaining cash, cash burn rate, etc. and licensee's projections for exit.*
2.
3.
4.
5.
6.

7.
8.
9.
10.

ADHERENCE TO BUSINESS PLAN:

Comment on whether the Licensee has adhered to its Business Plan, and whether there have been management changes. Divergence from plan or management changes may result in points added to Risk Assessment Rating.

RISK ASSESSMENT:

(Example): Licensee's Risk Assessment Rating is XX, or "(Low/Moderate/High) Risk". The Licensee's XX.X% Capital Impairment Percentage resulted in XX points. Accumulted Prioritized Payments added X points. XX points were added for adherence to business plan or Valuations. XX points were assessed for changes in management, or Internal Controls. XX points were added because of the Licensee's Liquidity , and XX points were assessed for Liquidity of Portfolio Companies .

MANAGEMENT:

Comment on Licensee's ownership, General Partner, Managing Partners, changes in Management, etc.

Give brief biographical information on each Managing Partner.

OTHER:

Comment on whether Licensee did or did not submit its PSDW with the Annual 468 Report.