



Program Overview

The Small Business Investment Company (SBIC) Program, administered by the U.S. Small Business Administration (SBA), is a multi-billion investment program created in 1958 to bridge the gap between entrepreneurs' need for capital and traditional sources of financing. Over the past five years, the program has channeled \$17 billion of capital to more than 5,900 U.S. small businesses representing a variety of industries across the country. These results were achieved through a proven public-private partnership that leverages the full faith and credit of the U.S. government to increase the pool of investment capital available to small businesses.

The SBIC Public-Private Partnership at Work

The SBIC Program harnesses the talent of professional investment fund managers to identify and finance promising small businesses. Qualified fund managers that complete the SBIC Program's rigorous application process are granted a license to operate their fund as an SBIC. The SBIC can then leverage capital raised from private investors, such as banks, pension funds or high net-worth individuals, with government-guaranteed debt obtained through the program. For every \$1 the fund raises from investors, SBA will commit up

SBIC PROGRAM QUICK FACTS

From 2010 through 2014:

- Over \$17 billion in financing was invested in small businesses
- Over 5,900 businesses received investments
- 22% of the small businesses financed were located in low-to-moderate income areas
- 8% of the small businesses were women-, minority- or veteran-owned

to \$2 of debt, subject to a cap of \$150 million. The SBIC manager can then assemble a portfolio of long-term investments in American small businesses. When the investments are realized and the fund begins to wind-down, the SBIC will repay its SBA-guaranteed debt and share the profits from its investments with the private investors that backed the fund.



Reaching Underserved Markets

Most applicants to the SBIC Program seek a Standard License, which accommodates a wide range of investment strategies. For those funds investing in market segments that face unique challenges in accessing capital, SBA offers two additional license types.

Standard License

Strategy: For SBIC applicants seeking the broadest investment mandate, with no limits beyond the basic set of SBIC investment criteria (see next page)

Application Process: Rolling

Processing Time: Normal

SBA-Guaranteed Leverage:

- Up to 2x private capital
- \$150M cap

Impact Investment License

Strategy: Applicants commit to investing 50% of their capital in SBA-defined "impact investments," such as clean energy or low-income investments.

Application Process: Rolling

Processing Time: Expedited

SBA-Guaranteed Leverage:

- Up to 2x private capital
- \$150M cap

Early Stage License

Strategy: Applicants commit to deploy at least 50% of their capital in early-stage companies that have yet to achieve positive cash flow.

Application Process: Single Deadline

Processing Time: Normal

SBA-Guaranteed Leverage:

- Up to 1x private capital
- \$50M cap

Learn How to Participate at www.sba.gov/inv or e-mail asksbic@sba.gov

Fund Managers:

Take advantage of our "Pre-Screening" process and consult with an SBIC Program Investment Officer to assess your fit with the SBIC Program.

Fund Investors:

SBICs deliver multiple benefit to its investors such as CRA credit for banks, exemption from the Volcker Rule and the potential for enhanced returns.

Small Business Owners:

Visit our online directory of active SBICs and review our articles on how best to approach an SBIC for financing.

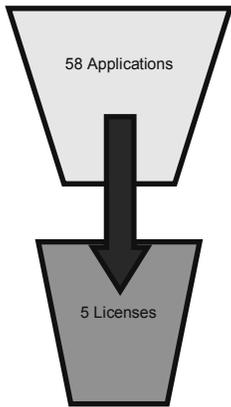


The Small Business Investment Company (SBIC) Program Spotlight on SBIC Early Stage Investment Initiative

The Early Stage Investment Initiative launched in 2011 as part of President Obama’s Startup America Initiative. The program has committed \$200 million annually to venture capital firms investing in high growth US small businesses. Early stage funds must invest at least 50% of investable capital in Early Stage companies, defined as companies that have never had positive cash flow from operations as of the date of investment. The remaining 50% must be invested in US small businesses. Unlike the Regular Debenture Program, which operates on a rolling basis, the Early Stage program operates pursuant to an Annual Call. Management Assessment Questionnaires (“MAQs”) are due in early spring of each year. Upon obtaining a Green Light approval, Funds must raise a minimum of \$20 million of Private Capital; the SBA’s commitment is up to a one-to-one match, capped at \$50 million.

Progress to Date

Limited Partners like the program because it is highly selective.



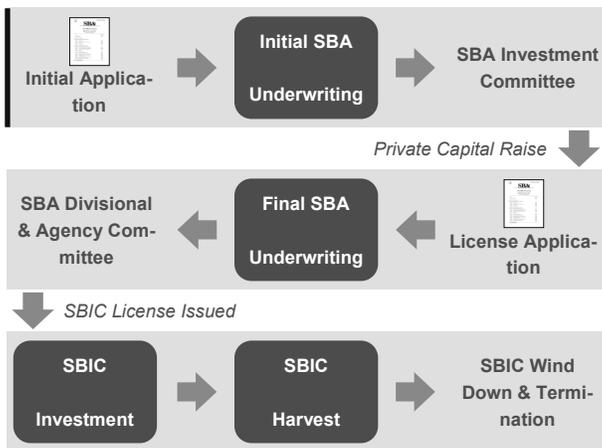
- **Hatteras Venture Partners:** Life-science investments in North Carolina and Southeastern US
- **Grayhawk Capital:** Technology investments in Southwestern US
- **Walden Venture Capital:** Investments in digital media and cloud services based in California
- **Noro-Moseley Partners:** Information Technology and Healthcare IT focus in Southern US
- **LiveOak:** Technology investments in Texas

Rigorous Underwriting Criteria

To be considered for an SBIC license, applicants must demonstrate the same key qualifications sought by private investors:

- **Manager Assessment**
A cohesive team of individuals with strong reputations and years of investment experience.
- **Performance Analysis**
A high quality track record of analogous investments that have yielded strong returns and successful exits.
- **Strategy Evaluation**
A well-articulated investment strategy that is compatible with leverage and which targets small businesses.
- **Fund Structure & Economics:**
Sufficient fund infrastructure to support the strategy and a strong alignment of incentives between the fund’s general partner, limited partners and SBA.

The application process mirrors that of an institutional LP in terms of due diligence and SBA processing time (~9 months)



Low cost option for less dilutive capital

For a mere \$25K upfront, an Early Stage SBIC can have up to \$50M of dry powder to enhance the returns of partially de-risked follow on investments at or near an inflection point/exit - i.e., when funds have greater visibility on the company’s exit horizon.

SBICs also can, and do, opt for less than a full tier of leverage

Doing so minimizes the J-Curve impact and maintains a conservative leverage ratio.

SBA is proactively working to streamline further the process and ease the administrative burden.

For more info on ES program, including upcoming webinars please periodically visit: www.sba.gov/inv/earlystage

OR

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