



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 FY2010 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.



Meeting the Needs of the Capital Market

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 "impact investments," such as clean energy or low-to-moderate 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.

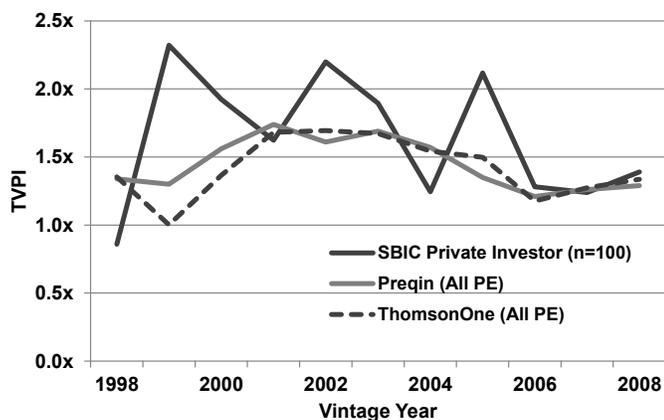
SPOTLIGHT: The SBIC Limited Partnership Investment Opportunity

Competitive Returns

For more than a decade, SBICs have delivered returns to their investors that are in line with those available from other private equity funds in the market. Since 1998, SBICs that benchmark in the top half of private equity have delivered a 5 to 8 point boost in the IRR delivered to LPs as a result of SBA leverage.

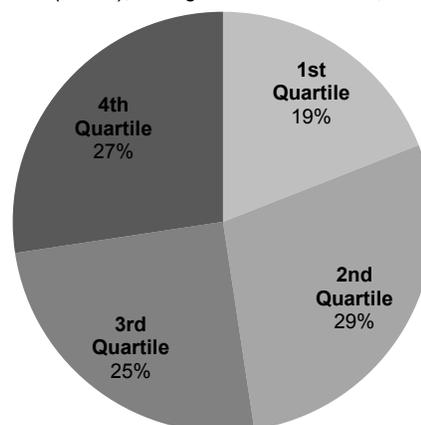
SBIC Private Investor Returns vs. Benchmarks

Total Value to Paid-in Capital (TVPI); Pooled Basis as of 12/31/2012



Distribution of SBICs by Private Equity Quartile

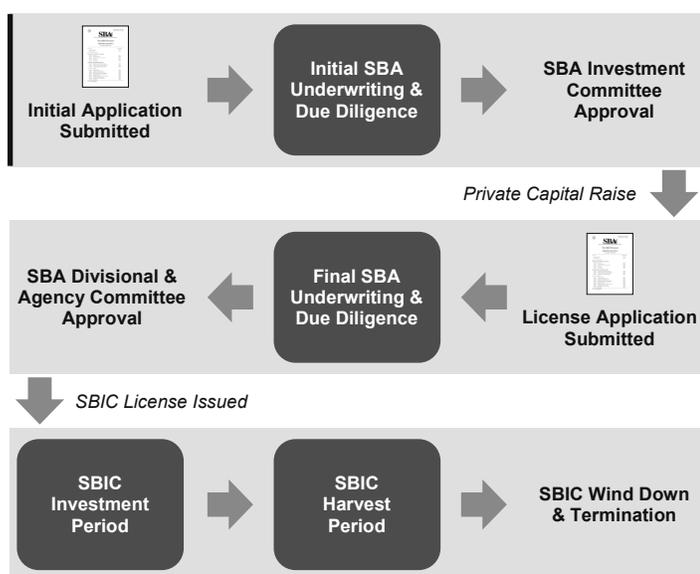
Preqin Quartiles (All PE); Vintage Years 1998-2008; as of 12/31/2012



Benefits Beyond the Potential for Enhanced Returns

- **Rapid Deployment of Funds:** SBA leverage can help shorten the fundraising cycle, allowing managers to begin investing quickly.
- **Exemption from the Volcker Rule:** Bank investments in SBICs are exempt from the 3% cap set forth by the “Volcker Rule” under the Dodd-Frank Wall Street Reform and Consumer Protection Act (PL-111-203).
- **Community Reinvestment Act (CRA):** Bank investments in SBICs are presumed qualified for CRA credit.
- **Flexible Terms:** With a long duration and no prepayment penalty, SBA leverage is compatible with most investment maturities.
- **Flexible Fund Structure:** SBICs may utilize a variety of fund structures, including “drop-down” and “side-car” structures.

The SBIC Life Cycle



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.