



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

May 8, 2014

The Honorable Maria E. Cantwell
United States Senate
Washington, DC 20510

Dear Senator Cantwell:

Thank you for your recent inquiry, addressed to Administrator Contreras-Sweet and myself, regarding SBA's Small Business Investment Company (SBIC) Program. Administrator Contreras-Sweet has asked me to respond on behalf of both of us.

While we are pleased that in the last few years there has been significant growth in the SBIC Program, we agree with you that more work needs to be done to ensure that the Program's access and outreach are as broad as possible. This will encourage and foster more participation by qualified minority and women SBIC managers and increase investment in minority- and women-owned small businesses.

Boosting participation rates among such underrepresented businesses and increasing diversity among fund managers is especially important to me. I am a Latino American, born and raised in Puerto Rico. I have seen first-hand the challenges that surround capital formation, fund management and investing related to businesses owned and controlled by traditionally underrepresented groups. I strongly believe that targeted outreach is critical to expanding the reach of the SBIC Program and getting more capital in the hands of qualified businesses in underserved communities.

Since the SBIC Program operates at zero subsidy cost to taxpayers, it is also critical that we maintain the soundness of the Program while at the same time making it more inclusive. The pool of individuals nationally that have the knowledge, experience and capability to manage an SBIC is limited due to the specialized skill set needed to raise significant capital from the private sector and demonstrate a successful investment track record and a likelihood of successful operations. This pool becomes even smaller when focusing on underserved communities and underrepresented groups. We need to get the word out more widely to reach those individuals and I believe that we have started that process.

Recognizing the importance of increasing diversity within the SBIC Program, SBA's Office of Investment and Innovation (OII) has made significant outreach efforts to minority and women investment communities over the past several years. Since 2009, OII's Associate Administrator and/or some of its senior managers have been featured speakers at many investment conferences sponsored by women and minorities, including the following:

- National Association of Investment Companies (NAIC) Annual Summit;
- New America Alliance (NAA) – Wall Street Summit;
- National Women’s Business Council (NWBC) – Women’s Business Month;
- Harvard Business School Latino Alumni Association (HBSLAA) Annual Meeting;
- National Interagency Community Reinvestment Conference;
- Minority Manager Consortium;
- Grosvenor Emerging Manager Conference;
- Association of Asian American Investment Managers (AAAIM) Annual Conference;
- Initiative for a Competitive Inner City (ICIC);
- US Social Investment Forum;
- Five Fund Forum;
- United States Hispanic Chamber of Commerce (USHCC);
- SEO Alternative Investments Conference;
- Plan Sponsor Consortium;
- Women’s Private Equity Summit;
- Women’s Alternative Investment Summit;
- Community Development Venture Capital Association (CDVCA) Conference; and,
- Social Capital Markets Conference (SOCAP).

OII has used these featured speaker roles and other roles as platforms to encourage minority-run funds to consider applying for an SBIC license. For example, as a direct result of the participation of former Administrator Karen Mills in NAIC’s 39th 2009 annual meeting, NAIC began to actively promote the SBIC Program among its members and featured the SBIC Program in several issues of its trade magazine, the *Journal of EDM Finance*. Several NAIC members have since inquired about and applied for an SBIC license.

In 2012, SBA recruited the immediate past president/CEO of NAIC, Samuel J. Boyd, Jr., to join OII in the newly created role of Chief Investment Officer and Director of Program Development. In this capacity, Mr. Boyd, manages the team of investment officers who evaluate all new Management Assessment Questionnaires (MAQs) submitted by prospective SBIC fund managers. Mr. Boyd is a voting member of both the Investment Committee and the Divisional Licensing Committee at SBA. He is also responsible for all of OII’s outreach efforts to potential fund managers and investors and is a regular presenter at women and minority focused investment events. Mr. Boyd and his staff regularly engage women and minority investment managers to encourage them to consider the SBIC Program. As a result of these efforts, principals of more than a dozen minority and women-run funds have personally visited OII, undergone a preliminary qualifications assessment, and/or applied for an SBIC license.

As you know, our new Administrator, Maria Contreras-Sweet, was just recently sworn in. Improving diversity in the SBIC Program is a major priority for her, and we are already looking at a number of additional strategies that could help address this issue. We are examining potential changes to our Impact Initiative, for example. These

potential changes have been designed after extensive stakeholder outreach, and are intended to make the Program more attractive to general and limited partners alike, enabling more capital to flow to areas where the gaps are most apparent.

Thank you again for your interest in the SBIC program. The program has helped launch some of country's greatest companies – such as Apple, Intel, and Costco – and we look forward to it supporting many more. We look forward to working with you and our program participants in enhancing our outreach efforts to make sure we recruit more applicants from underserved communities and have a program that better reflects America's growing diversity.

We appreciate your support of America's small business community. If you and your staff have any additional questions, please contact Mr. Nicholas Coutsos, Assistant Administrator for the Office of Congressional and Legislative Affairs, at (202) 205-6700. A similar response is being sent to Senators Landrieu and Booker.

Sincerely,

Javier Saade
Associate Administrator
Office of Investment and Innovation