Impact Investment Small Business Investment Company ("SBIC") Fund

Call for Action:

The Small Business Administration ("SBA") seeks to increase the SBIC program's economic impact by 1) proactively collaborating with institutional investors to identify and capitalize experienced private equity fund managers to make "impact investments" into small business concerns and 2) providing expedited licensing and capital to fund managers who qualify to organize and operate an "Impact Investment SBIC."

SBA will review this initiative on an annual (or more frequent) basis and, if needed, issue new guidance. If you would like to provide SBA with feedback regarding this initiative, please contact SBA at sbic@sba.gov. [1]

Small Business Investment Company Program

- How the SBIC Program Works
- Applying to the SBIC program
- SBIC FAQs
- SBIC Program

Call for Impact Investment Limited Partners ("LPs")

- What is an Impact Investment SBIC?
- How does the Impact Investment Program work?
- What is an Impact Investment LP?
- SBIC LP FAQs
- Contact SBA at impactLP@sba.gov for further information or to sign up.

Call for Impact Investment SBIC Managers

- What is an Impact Investment SBIC?
- How does the Impact Investment Program work?
- What are the responsibilities of an Impact Investment SBIC manager?
- Expedited licensing procedures for Impact Investment SBICs
- SBIC FAQs
- Contact SBA at sbic@sba.gov for further information.

Impact Fund Quick Facts	
SBA Total Commitment	$ 1 Billion over 5 years ($150 million in FY 2012 & $200 million thereafter)
Maximum leverage per SBIC	Up to $80 million. (1 tier in first year with up to 2 additional tiers available in subsequent years based on availability*)
Investment Focus	Place-based and sector based
Licensing	Expedited
Start Date	Licensing – April 2011; Leverage -- Fiscal year 2012

** See paragraph 2 of policy letter, dated April 7, 2011, entitled, "Start-Up America Impact Investment SBIC Initiative".*

What Is an Impact Investment SBIC?

An Impact Investment SBIC must deploy at least 50% of the total dollar amount of its investments into Impact Investments. Impact investments are investments in Small Business Concerns ("SBCs") which target areas of critical national priority including underserved markets and communities facing barriers to access to credit and capital. Impact Investment SBC's meet one or more of the following criteria:

- **Place-based:** SBCs located in or employing residents of, or with at least 35% of its full-time employees at the time of initial investment residing in, low or moderate income ("LMI") areas as defined in CFR 107.50, or economically distressed areas ("EDAs"), as defined by Section 301[2] of the Public Works and Economic Development Act of 1965, as amended, 42 U.S.C. 3161.
- **Sector-based:** SBCs in industry sectors that the Administration has identified as national priorities. Currently only clean energy[3] and education have been identified as priority sectors. Additional sectors will be added over time in partnership with other mission-driven agencies [4]

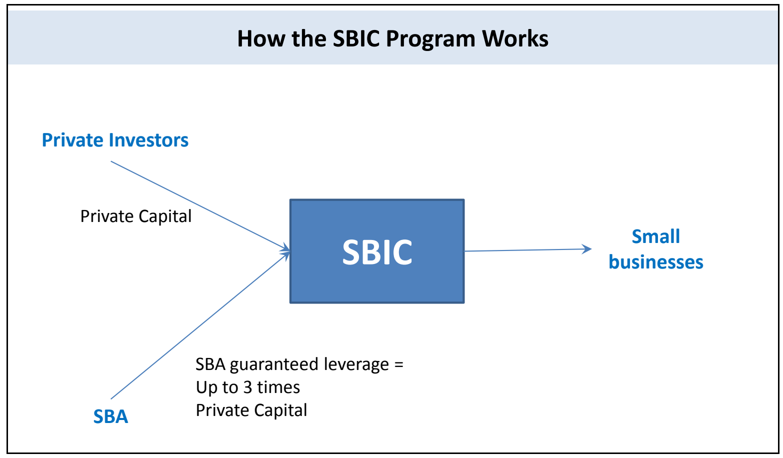
Notes:

1. SBA will post representative comments and responses online for public viewing, so please make sure that no private, proprietary or confidential information is included in any comment.
2. Section 301(a)(1) of PWEDA (42 U.S.C. 3161) provides that an area is economically distressed if it has a per capita income of 80 percent or less of the national average. Section 301(a)(2) (42 U.S.C. 3161) provides that an area is economically distressed if it has an unemployment rate that is, for the most recent 24-month period for which data are available, at least 1 percent greater than the national average unemployment rate. The Federal Highway Administration maintains a mapping tool that identifies economically distressed counties based on unemployment rate and per capita income located at http://hepgis.fhwa.dot.gov/hepgis_v2/GeneralInfo/Map.aspx.
3. Included in this definition are any energy-saving qualified investments as defined in 13 CFR 107.50 the Energy Independence and Security Act of 2007 (Public Law 110-140) and implementing regulations have been designated as a qualifying sector for this initiative.
4. SBA may add more sectors in the future as they are identified. SBA is working with both the Department of Energy and Department of Education to identify opportunities in these areas.

How the SBIC Program Works

SBICs use privately raised capital and SBA guaranteed leverage (up to 3 times private capital, but not to exceed a dollar amount set by SBA)) to make investments in small businesses. Both SBICs and LPs benefit from the larger capital base and effects of leverage to private investor returns.

Click here for more information on the program.

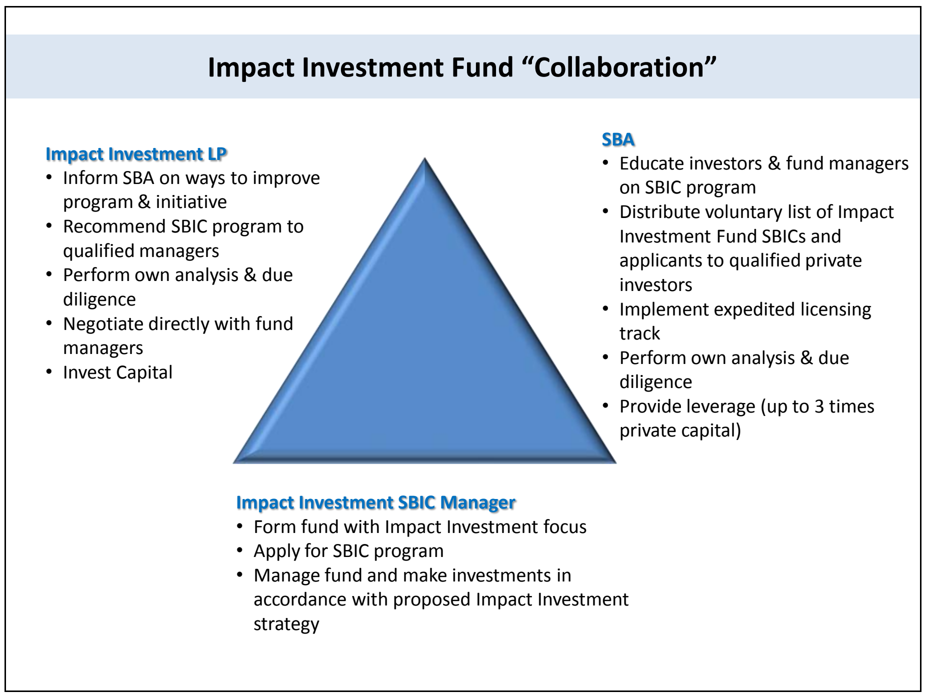


How Does the Impact Investment Initiative Work?

SBA will proactively work with interested institutional investors to attract best-in-class fund managers to effectively create a three-way collaboration with SBA, private institutional investors, and qualified fund managers, as depicted in the chart to the right.

Click the links below for more information on each of these roles.

- Impact Investment LP
- Impact Investment SBIC Manager
- SBA



What is an Impact Investment LP?

Private investors interested in achieving both financial and social-impact returns are critical to this initiative. Impact Investment LPs are institutional investors that seek both a financial and social-impact return and wish to participate in this program. Institutional investors:

- Keep SBA informed on ways to improve the SBIC program, especially in regard to this initiative.
- Recommend the SBIC program to qualified fund managers in which they have invested or are considering an investment and would qualify as an Impact Investment Fund.
- Consider investing in existing SBICs, funds currently in the SBA application process, and/or prospective applicants focused on impact investing.
- Perform their own due diligence and make their investment decisions in accordance with their own established investment evaluation criteria, time parameters and other factors they determine.
- Negotiate directly with the fund managers regarding the types of impact investments the fund will be expected to make.
- Establish their own guidelines/requirements with respect to such issues as LP reporting, which will be reflected in the limited partnership agreement.

Interested institutional investors may contact SBA at impactLP@sba.gov to be part of this initiative. SBA has designated an Impact Investment LP point of contact that will receive the email and contact you.

How Will SBA Operate This Initiative?

SBA is committed to the Impact Investment SBIC Initiative. Impact Investment SBIC LPs and SBIC managers can expect SBA to:

- Educate interested institutional investors and potential fund managers on the SBIC program and how the SBA licenses and monitors its SBICs.
- Maintain a list of institutional investors that are interested in participating in this initiative to share information on the program and this initiative.
- Distribute names of existing SBICs and applicants that both qualify as an Impact Investment Fund and have consented to participate in this initiative. Only applicants that have successfully passed SBA's initial licensing review (Phase I) will be included in this list. The list will include a brief description of each fund's focus and contact information. Although SBA cannot recommend any fund, interested investors may contact SBICs and applicants should they be interested in learning more about that fund for a possible investment.
- Establish and implement an expedited licensing track to provide prompt consideration to Impact Investment Fund applicants, as described below.
- Provide up to three tiers of leverage against the Impact Investment LP's binding commitment plus any other qualified private capital raised by the SBIC, subject to such dollar limitations as SBA may determine (currently $80 million per Impact Investment SBIC).
- Perform regulatory oversight of the SBICs in accordance with SBA's established rules, policies, and procedures.
- Require identification of Impact Investments by Impact Investment SBICs on SBA's SBIC Financing Form 1031.
- Regularly communicate with its partners on this initiative and consider changes for improvement as needed.

What Are the Responsibilities of An Impact Investment SBIC Manager?

Experienced fund managers provide the foundation for this initiative by forming and managing the Impact Investment SBICs and ultimately making the critical investments in SBCs. Impact Investment SBIC applicants must submit the same documents, follow the same process, and meet the same high standards as any applicant to the SBIC program. (See the SBIC Application Process for more information.) However, impact investment fund applicants will benefit from the Impact Investment SBIC Expedited Licensing Track and the opportunity to be part of the voluntary list provided to potential private institutional investors interested in Impact Investing.

To qualify as an Impact Investment SBIC applicant, the applicant must demonstrate the management team's ability to deploy at least 50% of the total dollar amount of its investments into Impact Investments.

Applicants licensed as Impact Investment SBICs are expected to adhere to the business plan they proposed during the licensing process, particularly with respect to the Impact Investment focus. Impact Investment SBICs must identify their Impact Investments within the comments section of SBA's Form 1031 and how they qualify. An Impact Investment SBIC that does not adhere to the business plan, as proposed during the licensing process, may not be eligible for subsequent debenture leverage commitments from SBA. Leverage draws under SBA's commitment of leverage to an Impact Investment SBIC will be conditioned upon compliance with the Impact Investment Fund Requirements set forth in the section entitled "What is an Impact Investment SBIC?"

Impact Investment SBIC Expedited Licensing Track

Recognizing the critical need for impact investments to the U.S. economy, SBA is committed to licensing qualified Impact Investment Fund applicants quickly. SBA will utilize the following three-phased license review process:

a. Phase I – Initial Review. During this phase, SBA reviews the business plan and the management qualifications. Applicants should identify that they wish to be considered for an Impact Investment Fund designation at the beginning of Phase I. If so, they should clearly identify how they meet the Impact Investment SBIC criteria in Section 2 of SBA Form 2181, Management Assessment Questionnaire ("MAQ"). If SBA confirms the qualification, SBA will place the applicant on the Impact Investment SBIC Expedited Track. This track involves the same qualification factors and analysis as for the regular SBIC program (see "Management Team Qualifications & Minimum Requirements"), with SBA's commitment that Phase I review of applicants on this track will be completed within 60 days.

b. Phase II – Capital Raise. If SBA issues a green light letter to an applicant designated as an Impact Investment Fund, it will be asked whether it consents to being on the Impact Investment Applicant/SBIC list distributed to participating Impact Investment LPs. If the applicant consents, SBA will notify all participating Impact Investment LPs that the applicant has been given a green light, along with a brief description of the fund's focus and their contact information. If an Impact Investment Fund Applicant fails to raise its targeted capital or determines for any reason during the licensing process that it prefers to be considered for licensing as a standard SBIC (not an Impact Investment SBIC), it will be returned to Phase I and will restart the process under regular processing.

c. Phase III – Licensing. An applicant who submits its application to become an Impact Investment SBIC will receive expedited consideration of its license application. In order to process the application as quickly as possible, SBA suggests that applicants adhere closely to SBA's model limited partnership agreement and the additional guidance in Technote 15 and Attachment 2 in Technote 14. SBA's goal is to complete its review of qualified Impact Investment SBIC license applications within 90 days.