



U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INVESTMENT & INNOVATION  
409 THIRD STREET, SW, SUITE 6300  
WASHINGTON, D.C. 20416-7052

DATE: December 11, 2014  
TO: All Small Business Investment Companies ("SBICs")  
SUBJECT: Transfers of Limited Partnership Interests – Recent Changes

SBA has simplified the approval process for the transfer of limited partnership interests involving less than 10% of the total partnership interests. The details are described below.

SBA has also updated the form *Request for Approval of Transfer Certificate* ("Transfer Certificate") which can be found on SBA's website at:

<http://www.sba.gov/sites/default/files/Request%20for%20Approval%20of%20Transfer%20Certificate.pdf>

#### Approval Process for Transfers of Limited Partnership Interests

SBA's primary concern in any transfer of limited partnership interests is to ensure that the transferee is obligated for the payment of any unfunded commitment and to ensure that the SBIC's Regulatory Capital does not decrease beyond that permitted under 13 CFR §107.585 as a result of the transfer.

Until now, SBA prior approval was required for all transfers of interest if the transferor wanted to be released from its obligations under the licensee's organizational document. SBICs were required to submit a Transfer Certificate or other form of legal documentation reflecting the transfer. SBA has recently concluded that §10.01(f) of SBA's Model Limited Partnership Agreement ("Model LPA") can eliminate the need for SBA's prior approval and a Transfer Certificate when the transfer is less than 10% of the licensee's private capital.

The Model LPA can be accessed on SBA's website at:

[http://www.sba.gov/sites/default/files/inv\\_debenture\\_lpa.docx](http://www.sba.gov/sites/default/files/inv_debenture_lpa.docx)

Although §10.01(f) is not currently a mandatory provision of SBA's Model LPA, our experience is that most SBICs do include this provision in their limited partnership agreements.

As a result, the following is the new approval process for transfers of limited partnership interests of less than 10% of a licensee's private capital:

1. No SBA *prior* approval is required if **ALL** of the following criteria are met. (Note: Licensees are still required per §107.680 of the regulations to report within 30 days changes in ownership, capitalization, etc. that do not require SBA's prior approval. SBA must grant post approval).
  - a. Transfers involve less than 10% ownership interest by the transferor; and
  - b. Transfers do not result in ownership of 10% or more by the transferee; and

- c. The licensee remains in compliance with all capital requirements outlined in §107.585 of the regulations; and
- c. The licensee has Model LPA §10.01(f), or similar provision, in its limited partnership agreement; and
- d. The transfer is in compliance with all other provisions of the licensee's limited partnership agreement.

2. Otherwise, SBA prior approval is required.

Whether seeking prior or post approval SBICs should submit the following:

1. Cover letter indicating the change(s) being made and whether SBIC is seeking post or prior approval. If the licensee is seeking prior approval under 13 CFR §107.400, the licensee must indicate in the cover letter the percentage ownership interest being transferred.
2. If the licensee's LPA has the provision §10.01(f) or similar provision acceptable to SBA, a copy of §10.01(f) or the similar provision of its limited partnership agreement.<sup>1</sup> If the licensee's LPA does not have the provision or acceptable similar provision, an original Transfer Certificate signed by the transferor, transferee(s), and Licensee.
3. An updated Capital Certificate reflecting the transfer.
4. A copy of the revised Schedule A to its limited partnership agreement and signature page(s) from its limited partnership agreement executed by the transferee(s); and its back-up investor(s) (if applicable).
5. A check for \$200 if the transfer results in 10% or greater ownership by any limited partner.

<sup>1</sup> For licensees utilizing a provision with language similar to but not the same as the §10.01(f) Model LPA provision, SBA requires that the language be sent to SBA for prior review to determine if it is acceptable. For licensees that do not have the provision or similar language and wish to add §10.01(f), a request to amend the limited partnership agreement can be submitted to SBA for prior written approval. These submissions must be sent to SBA in advance of a transfer approval request and will not be considered if submitted in conjunction with a transfer approval request.

If you have questions, please contact your analyst.

Respectfully,



Javier E. Saade  
Associate Administrator  
Office of Investment and Innovation