SBIC Transcript

Introduction

Click Begin to learn about how Small Business Investment Companies are helping finance Small Businesses across America.

What is the SBIC program?

Founded in 1958, Small Business Investment Company (SBIC) is a multi-billion dollar, government-sponsored investment fund program within the Office of Investment and Innovation (OII) that was created to deliver access to financial capital in order to bridge the gap between entrepreneurs' need for capital and traditional sources of financing.

What is the SBIC program?

SBICs are privately owned and managed investment funds that are licensed and regulated by SBA. SBICs actually use their own capital, along with funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small businesses.

You might be surprised to know that successful corporations like Costco, FedEx, Apple, Staples, and Intel received financing from SBICs during their early stages of growth!

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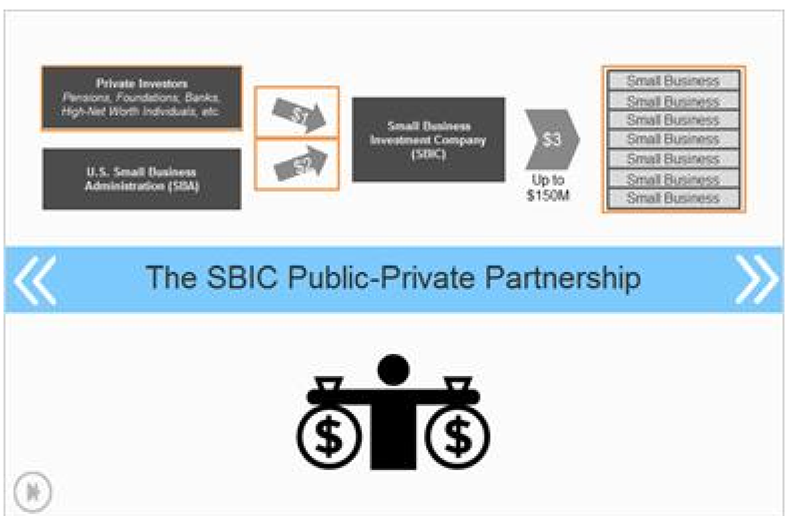

Let’s take a look at how the SBIC program works.

The SBIC Program leverages private investors and the full faith and credit of the U.S. government to increase the pool of investment capital available to small businesses. And they do that by providing up to 2 dollars of government-guaranteed debt for every 1 dollar of private capital up to a maximum of 150 million dollars per SBIC.

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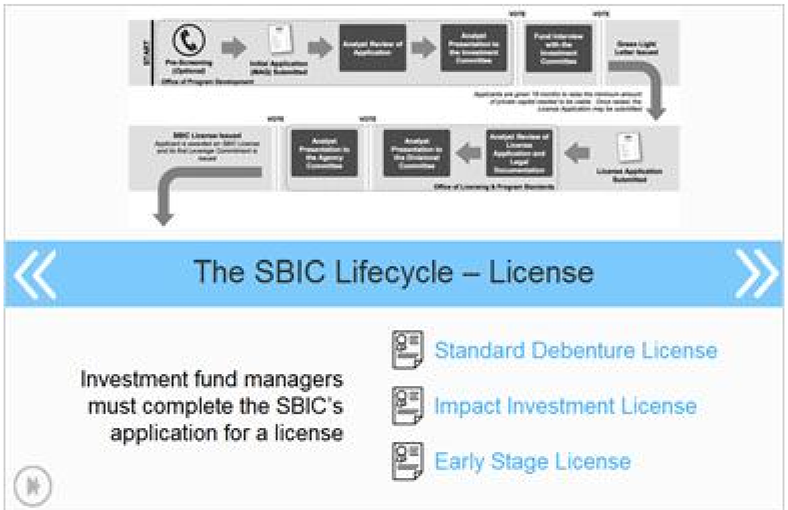

By now, you know that the SBIC program harnesses the talent of professional investment fund managers to identify and finance promising small businesses. What you may not know is that the SBA does this by granting licenses to qualified fund managers to operate their fund as an SBIC.

Fund managers must complete the SBIC Program's rigorous application process. SBICs are typically organized as limited partnerships and are encouraged to use the SBA-approved Model Limited Partnership Agreement, or LPA.

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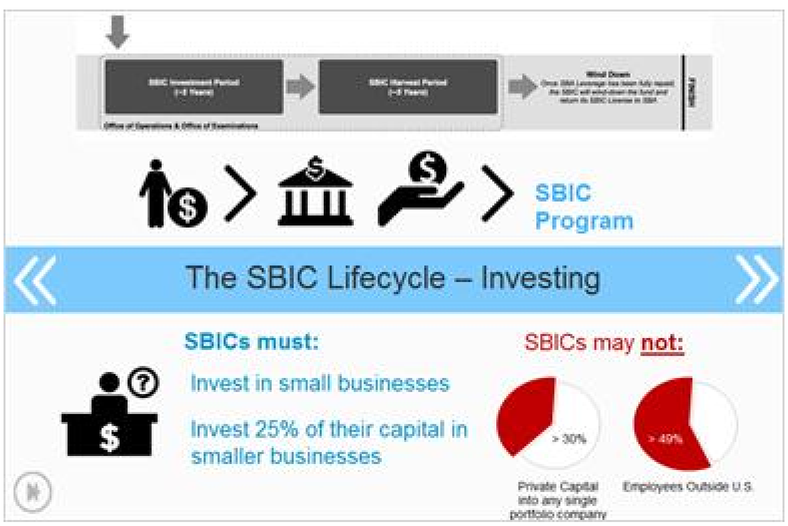

Once the license is granted, the SBIC can leverage capital raised from private investors, such as banks, pension funds or high net-worth individuals, with government-guaranteed debt obtained through the program. It is worth noting that fund managers are solely responsible for making investment decisions, without any interference from SBA. However, there are specific investment criteria fund managers must follow. For instance, SBICs must invest only in Small Businesses and must invest at least 25 percent of their capital in a subset of smaller businesses.

There is also guidance about what SBICs may not invest in. For example, SBICs may not invest an amount greater than 30 percent of the SBICs private capital in any single portfolio company nor may they invest in businesses with more than 49 percent of their employees or assets located outside the U.S. Check out SBA.gov for a more complete list of the criteria. https://www.sba.gov/content/sbic-program-overview

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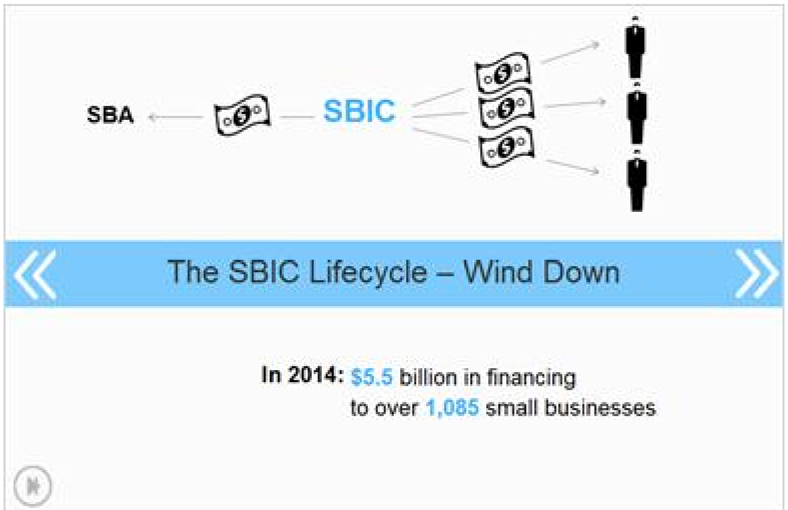

When the investments are realized and the fund begins to wind down, the SBIC will repay its SBA-guaranteed debt and share the profits from its investments with the private investors that backed the fund. You might be interested to know that in 2014 SBA reported that SBICs provided almost $5.5 billion in financing for over 1,085 small businesses across the United States.

Learn More about the SBIC.

If you'd like to learn more about the SBIC Program, be sure to check out these other resources on the SBA Partner Training Portal, or visit SBA.gov's SBIC Program Page!