



News Release

PRESS OFFICE

Release Date: July 10, 2009
Release Number: 09-47

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Recovery Act Changes To SBIC Program Mean Increased Funding Available For Small Businesses

WASHINGTON – Effective today, small businesses that would otherwise have difficulty securing private equity or venture capital may find funding easier to get as a result of changes made as part of the American Recovery and Reinvestment Act to the U.S. Small Business Administration’s Small Business Investment Company program.

“The Recovery Act expands SBA’s venture capital program to increase the pool of investment funding available to the Small Business Investment Companies licensed by SBA,” said SBA Administrator Karen G. Mills. “We believe those companies will be better equipped by these changes to help sustain and grow small businesses for their next important growth steps.”

SBICs are privately owned and managed venture capital firms which are licensed and regulated by SBA. SBICs use a combination of funds raised from private sources and money raised through the use of SBA guarantees to make equity and mezzanine capital investments in small businesses. There are approximately 338 SBICs with \$17.4 billion in capital under management.

The changes made as part of the Recovery Act are:

- The Recovery Act makes SBICs eligible for greater SBA guaranteed funding and requires SBICs to invest 25 percent of their investment dollars into “smaller” businesses. Also, the amount of funding an SBIC may invest in a single small business is set at 10 percent of an SBIC’s total capital rather than the previous limit of 20 percent of an SBIC’s private capital only. This translates to an effective 50 percent increase in funding available to a single business by an SBIC.
- Maximum SBA funding levels to SBICs will increase up to three times the private capital raised by the SBIC, up to a maximum of \$150 million for single SBICs, or up to \$225 million for multiple SBICs that are under common control. The cap for all licensees was set at \$137.1 million before the Recovery Act.
- These limits are even higher for SBICs that are licensed after October 1, 2009, that certify that at least 50 percent of their investments will be made in small businesses located in low-income areas, up to \$175 million for single licensees and up to \$250 million for jointly controlled multiple licensees.
- Changes made to the SBIC program under the Recovery Act are permanent.

Industry associations have commended SBA for these changes and SBA continues to encourage new SBICs to apply for licensing and actively participate in the program.

The SBIC program was created to stimulate the growth of America's small businesses by supplementing the long-term debt and private-equity capital available to them. Since the SBIC program's formation in 1958 through April 2009, it has invested approximately \$56 billion in more than 106,000 small businesses in the United States. For more information about the SBA's Investment Division and SBIC program, go to www.sba.gov/INV or call 1-800-U ASK SBA.

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