Program Overview

The Small Business Investment Company (SBIC) Program, administered by the U.S. Small Business Administration (SBA), is a multi-billion investment program created in 1958 to bridge the gap between entrepreneurs' need for capital and traditional sources of financing. Over the past seven years, the program has channeled $25 billion of capital to more than 6,990 U.S. small businesses representing a variety of industries across the country. These results were achieved through a proven public-private partnership that leverages the full faith and credit of the U.S. government to increase the pool of investment capital available to small businesses.

From FY2010 through FY2016:

- *Over $25 billion in financing was invested in small businesses*
- *Over 6,990 businesses received investments*
- *In 2016, 33.3% of the small businesses financed were located in competitive opportunity gaps—which include LMI, women, minority or veteran owned companies or companies led by a woman or minority*

The SBIC Public-Private Partnership at Work

The SBIC Program harnesses the talent of professional investment fund managers to identify and finance promising small businesses. Qualified fund managers that complete the SBIC Program's rigorous application process are granted a license to operate their fund as an SBIC. The SBIC can then leverage capital raised from private investors, such as banks, pension funds or high net-worth individuals, with government-guaranteed debt obtained through the program. For every $1 the fund raises from investors, SBA will commit up to $2 of debt, subject to a cap of $150 million. The SBIC manager can then assemble a portfolio of long-term investments in American small businesses. 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.

Flexible Financing for the Lower-Middle Market

Most applicants to the SBIC Program seek a Standard License, which accommodates a wide range of investment strategies.

Standard License

Strategy: *For SBIC applicants seeking the broadest investment mandate, with no limits beyond the basic set of SBIC investment criteria (see next page)*

Application Process: *Rolling*

Processing Time: *Normal*

SBA-Guaranteed Leverage:

- *Up to 2x private capital*
- *$150M cap*

Learn How to Participate at www.sba.gov/inv or e-mail asksbic@sba.gov

Fund Managers:

Take advantage of our "Pre-Screening" process and consult with an SBIC Program Investment Officer to assess your fit with the SBIC Program.

Fund Investors:

SBICs deliver multiple benefit to its investors such as CRA credit for banks, exemption from the Volcker Rule and the potential for enhanced returns.

Small Business Owners:

Visit our online directory of active SBICs and review our articles on how best to approach an SBIC for financing.

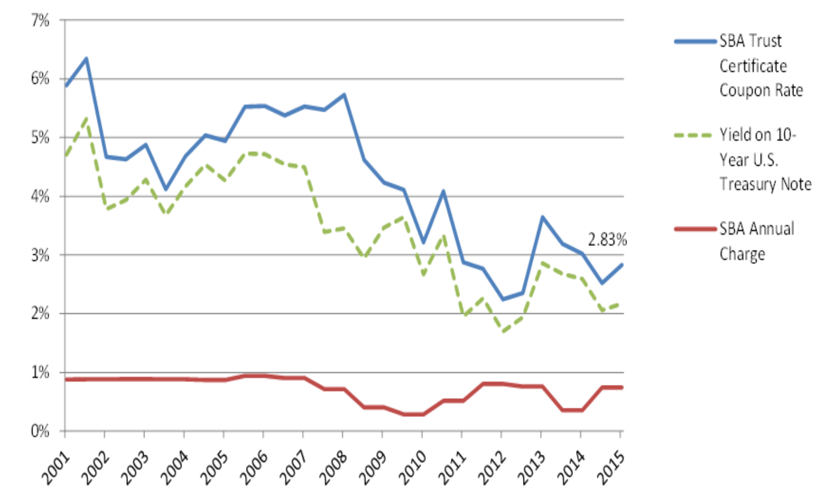
Investment Criteria

Fund managers are solely responsible for making investment decisions, without any interference from SBA. However, SBIC fund managers must adhere to a basic set of investment criteria:

- ✓ SBICs ***must*** invest in "small" businesses, which are defined as those with less than $19.5 million in tangible net worth AND average net income for the preceding two years of less than $6.5 million; OR, businesses qualifying as "small" under SBA's N.A.I.C.S. Industry Code standards (generally based on annual sales or number of employees)
- ✓ SBICs ***may*** invest in businesses located anywhere in the U.S. or its territories
- ✓ SBICs ***may*** control small businesses for up to seven years, or longer with SBA approval
- ✓ SBICs ***may*** invest using debt, equity or debt with equity features
- ✗ SBICs ***may not*** invest in businesses with over 49% of their employees located outside the U.S. or its territories
- ✗ SBICs ***may not*** invest in project finance, real estate, financial intermediaries or passive businesses
- ✗ SBICs ***may not*** invest more than 10% of the total fund in a single business

Terms, Pricing & Structure of SBA Capital

SBA makes capital available to licensed SBICs through two financing instruments: a standard debenture and a discounted debenture. A just-in-time financing process allows fund managers to draw SBA capital as frequently as twice a month.



Standard Debenture

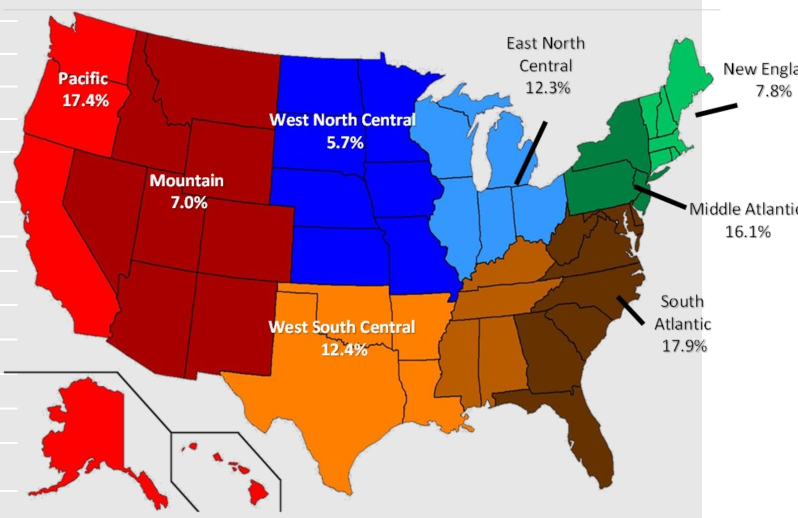
- 10-year term with no pre-payment penalty
- Semi-annual interest with bullet payment at maturity
- Fixed rate set at a small premium over the 10-year Treasury
- Available for all financings that meet the basic SBIC Program investment criteria
- 1% Commitment Fee, 2% Draw Fee, Annual Charge

Discounted Debenture

- 10- or 5- year term; no-penalty prepayment option after 1 year
- Issued at a discount to face value
- No interest due on first 5 years of debenture
- Only for use in Low-to-Moderate Income, Energy-Savings or Early Stage financings
- 1% Commitment Fee, 2% Draw Fee, Annual Charge

The SBIC Program Portfolio

($ in billions)	**As of Sept. 30, 2016**
Number of Funds in Portfolio:	313
SBA Capital:	$13.7
Private Capital:	$14.1
Total Assets Under Management:	$27.8
	Oct. 1, 2015 to Sept. 30, 2016
Number of Financings Reported:	2,962
Amount of Financings Reported:	$5.99 billion
% Debt	63%
% Equity	17%
% Debt with Equity Features	19%
Average Size of Investments:	$2.02 million
% Located in LMI Areas:	23.6%
	Rate on Standard Debenture
Rate fixed on September 16, 2015	2.83%



** SBA's Participating Securities Program, which ended in 2004, currently represents just 7.9% of assets under management*

*** Percentages may not sum to 100% due to rounding*