

Increase to Available SBA Leverage for Single SBICs Effective Immediately for SBIC Licensees

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The U.S. Small Business Administration (“SBA”) has begun accepting applications from Small Business Investment Company (“SBIC”) licensees for increased commitments of SBA leverage based on the previously announced increase of SBA leverage available to individual SBICs (the “Single SBIC Leverage Limit”). The Single SBIC Leverage Limit was increased from \$150 million to \$175 million on June 21, 2018 upon signing of the Small Business Investment Opportunity Act of 2017, Pub. L. 115-187, into law. The SBA has made clear that this increase is now available to current SBIC licensees.

In its announcement, the SBA stated that although revisions to the SBIC regulations reflecting the change to the Single SBIC Leverage Limit had not yet been published, such change is effective immediately. Any increases in an SBIC’s leverage as a result of the change to the Single SBIC Leverage Limit may not be used retroactively to increase management fees, and applications for additional leverage will be subject to the SBA’s credit policies. In addition, an SBIC whose limited partnership agreement limits the maximum amount of leverage that such SBIC can obtain from the SBA to \$150 million (or less) will need to first seek approval from the SBA to amend the limited partnership agreement in order to increase such amount.

If you are planning to apply for an increase in SBA leverage as a result of the increase to the Single SBIC Leverage Limit, you should notify your Financial Analyst as soon as possible. If you have any questions regarding the Single SBIC Leverage Limit or the application process for increasing your leverage commitment from the SBA, please contact your SBIC counsel at Winston & Strawn LLP.

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