

AUTHORIZING STATUTORY AND REGULATORY PROVISIONS

INFORMATION COLLECTION 3245-0062

SBA FORM 2181

SBIC MANAGEMENT ASSESSMENT QUESTIONNAIRE AND LICENSE APPLICATION

- **Section 310(b) of the Small Business Investment Act of 1958, codified at 15 U.S.C §681-682**

§681. ORGANIZATION

(a) Incorporation and charter under State law, period of succession; area of operations

A small business investment company shall be an incorporated body, a limited liability company, or a limited partnership organized and chartered or otherwise existing under State law solely for the purpose of performing the functions and conducting the activities contemplated under this subchapter, which, if incorporated, has succession for a period of not less than thirty years unless sooner dissolved by its shareholders, and if a limited partnership, has succession for a period of not less than ten years, and possesses the powers reasonably necessary to perform such functions and conduct such activities. The area in which the company is to conduct its operations, and the establishment of branch offices or agencies (if authorized by the articles), shall be subject to the approval of the Administration.

(b) Articles of incorporation; approval

The articles of any small business investment company shall specify in general terms the objects for which the company is formed, the name assumed by such company, the area or areas in which its operations are to be carried on, the place where its principal office is to be located, and the amount and classes of its shares of capital stock. Such articles may contain any other provisions not inconsistent with this chapter that the company may see fit to adopt for the regulation of its business and the conduct of its affairs. Such articles and any amendments thereto adopted from time to time shall be subject to the approval of the Administration.

(c) Issuance of license

(1) Submission of application

Each applicant for a license to operate as a small business investment company under this chapter shall submit to the Administrator an application, in a form and including such documentation as may be prescribed by the Administrator.

(2) Procedures

(A) Status

Not later than 90 days after the initial receipt by the Administrator of an application under this subsection, the Administrator shall provide the applicant with a written report detailing the status of the application and any requirements remaining for completion of the application.

(B) Approval or disapproval Within a reasonable time after receiving a completed application submitted in accordance with this subsection and in accordance with such requirements as the Administrator may prescribe by regulation, the Administrator shall—

(i) approve the application and issue a license for such operation to the applicant if the requirements of this section are satisfied; or

(ii) disapprove the application and notify the applicant in writing of the disapproval.

(3) Matters considered In reviewing and processing any application under this subsection, the Administrator—

- (A) shall determine whether—
 - (i) the applicant meets the requirements of subsections (a) and (c) of SECTION 682 OF THIS TITLE; and
 - (ii) the management of the applicant is qualified and has the knowledge, experience, and capability necessary to comply with this chapter;
 - (B) shall take into consideration—
 - (i) the need for and availability of financing for small business concerns in the geographic area in which the applicant is to commence business;
 - (ii) the general business reputation of the owners and management of the applicant; and
 - (iii) the probability of successful operations of the applicant, including adequate profitability and financial soundness;
 - (C) shall not take into consideration any projected shortage or unavailability of leverage; and
 - (D) shall give first priority to an applicant that is located in an underlicensed State with below median financing, as determined by the Administrator.
- (4) Exception
- (A) In general Notwithstanding any other provision of this chapter, the Administrator may, in the discretion of the Administrator and based on a showing of special circumstances and good cause, approve an application and issue a license under this subsection with respect to any applicant that—
 - (i) has private capital of not less than \$3,000,000;
 - (ii) would otherwise be issued a license under this subsection, except that the applicant does not satisfy the requirements of SECTION 682(A) OF THIS TITLE; and
 - (iii) has a viable business plan reasonably projecting profitable operations and a reasonable timetable for achieving a level of private capital that satisfies the requirements of SECTION 682(A) OF THIS TITLE.
 - (B) Leverage An applicant licensed pursuant to the exception provided in this paragraph shall not be eligible to receive leverage as a licensee until the applicant satisfies the requirements of SECTION 682(A) OF THIS TITLE, unless the applicant—
 - (i) is located in a State that—(I) is not served by a licensee; or (II) is an underlicensed State; and
 - (ii) agrees to be limited to 1 tier of leverage available under SECTION 682(B) OF THIS TITLE, until the applicant meets the requirements of SECTION 682(A) OF THIS TITLE.

(d) Repealed. PUB. L. 104–208, DIV. D, TITLE II, § 208(B)(3)(A), Sept. 30, 1996, 110 STAT. 3009–742

(e) Fees

- (1) In general

The Administration may prescribe fees to be paid by each applicant for a license to operate as a small business investment company under this chapter.
- (2) Use of amounts Fees collected under this subsection—
 - (A) shall be deposited in the account for salaries and expenses of the Administration; and
 - (B) are authorized to be appropriated solely to cover the costs of licensing examinations.

§682. CAPITAL REQUIREMENTS

(a) Amount

- (1) In general

Except as provided in paragraph (2), the private capital of each licensee shall be not less than—

(A) \$5,000,000; or

(B) \$10,000,000, with respect to each licensee authorized or seeking authority to issue participating securities to be purchased or guaranteed by the Administration under this chapter.

(2) Exception

The Administrator may, in the discretion of the Administrator and based on a showing of special circumstances and good cause, permit the private capital of a licensee authorized or seeking authorization to issue participating securities to be purchased or guaranteed by the Administration to be less than \$10,000,000, but not less than \$5,000,000, if the Administrator determines that such action would not create or otherwise contribute to an unreasonable risk of default or loss to the Federal Government.

(3) Adequacy

In addition to the requirements of paragraph (1), the Administrator shall—

(A) determine whether the private capital of each licensee is adequate to assure a reasonable prospect that the licensee will be operated soundly and profitably, and managed actively and prudently in accordance with its articles; and

(B) determine that the licensee will be able both prior to licensing and prior to approving any request for financing, to make periodic payments on any debt of the company which is interest bearing and shall take into consideration the income which the company anticipates on its contemplated investments, the experience of the company's owners and managers, the history of the company as an entity, if any, and the company's financial resources.

(4) Exemption from capital requirements

The Administrator may, in the discretion of the Administrator, approve leverage for any licensee licensed under subsection (c) or (d) of SECTION 681 OF THIS TITLE before September 30, 1996, that does not meet the capital requirements of paragraph (1), if—

(A) the licensee certifies in writing that not less than 50 percent of the aggregate dollar amount of its financings after September 30, 1996, will be provided to smaller enterprises; and

(B) the Administrator determines that such action would not create or otherwise contribute to an unreasonable risk of default or loss to the United States Government.

(b) Financial institution investments

(1) Certain banks

Notwithstanding the provisions of section 1845(a)(1) 2of title 12, any national bank, or any member bank of the Federal Reserve System or nonmember insured bank to the extent permitted under applicable State law, may invest in any 1 or more small business investment companies, or in any entity established to invest solely in small business investment companies, except that in no event shall the total amount of such investments of any such bank exceed 5 percent of the capital and surplus of the bank.

(2) Certain savings associations

Notwithstanding any other provision of law, any Federal savings association may invest in any one or more small business investment companies, or in any entity established to invest solely in small business investment companies, except that in no event may the total amount of such investments by any such Federal savings association exceed 5 percent of the capital and surplus of the Federal savings association.

(c) Diversification of ownership

The Administrator shall ensure that the management of each licensee licensed after September 30, 1996, is sufficiently diversified from and unaffiliated with the ownership of the licensee in a manner that ensures independence and objectivity in the financial management and oversight of the investments and operations of the licensee.

• **13 CFR §107 Subpart C – Qualifying for an SBIC License**

§107.100 Organizing a Section 301(c) Licensee.

Section 301(c) Licensee means a company licensed under section 301(c) of the Act. It may be organized as a for-profit corporation or as a limited partnership created in accordance with the special rules of [§ 107.160](#).

§ 107.115 1940 Act and 1980 Act Companies.

A 1940 Act or 1980 Act Company is eligible to apply for an SBIC license, and an existing Licensee is eligible to apply for SBA's approval to convert to a 1940 Act or 1980 Act Company. In either case, the 1940 Act or 1980 Act Company may elect to be taxed as a regulated investment company under section 851 of the Internal Revenue Code of 1986, as amended ([26 U.S.C. 851](#)). However, a Licensee making such election may make Distributions only as permitted under the applicable sections of this part (see the definition of Retained Earnings Available for Distribution, [§ 107.585](#), and [§§ 107.1540 through 107.1580](#)).

§ 107.120 Special rules for a Section 301(d) Licensee owned by another Licensee.

With SBA's prior written approval, a Section 301(d) Licensee may operate as the subsidiary of one or more Licensees (participant Licensees), subject to the following:

- (a) Each participant Licensee must own at least 20 percent of the voting securities of the Section 301(d) Licensee.
- (b) A participant Licensee must treat its entire capital contribution to the subsidiary as a reduction of its Leverageable Capital. The participant Licensee's remaining Leverageable Capital must be sufficient to support its outstanding Leverage.
- (c) A participant Licensee may not transfer its Leverage to a subsidiary Section 301(d) Licensee.

§ 107.130 Requirement for qualified management.

When applying for a license, and while you have a license, you must show, to the satisfaction of SBA, that your current or proposed management team is qualified and has the knowledge, experience and capability necessary for investing in the types of businesses contemplated by the Act, the regulations in this part 107, and your business plan. You must designate at least one individual as the official responsible for contact with SBA.

§ 107.140 SBA approval of initial Management Expenses.

If you plan to obtain Leverage, you must have your Management Expenses approved by SBA at the time of licensing. (See [§ 107.520](#) for the definition of Management Expenses.)

§ 107.150 Management-ownership diversity requirement.

(a) **Diversity requirement.** You must satisfy the requirements in [paragraphs \(b\), \(c\) and \(d\)](#) of this section:

- (1) In order to obtain an SBIC license (unless you do not plan to obtain Leverage),
- (2) If at the time you were licensed you did not plan to obtain Leverage, but you now wish to be eligible for Leverage, or
- (3) If SBA so requires as a condition of approval of your transfer of Control under [§ 107.440](#).

(b) **Percentage ownership requirement.**

(1) Except as provided in [paragraph \(b\)\(2\)](#) of this section, no Person or group of Persons who are Affiliates of one another may own or control, directly or indirectly, more than 70 percent of your Regulatory Capital or your Leverageable Capital.

(2) **Exception.** An investor that is a traditional investment company, as determined by SBA, may own and control more than 70 percent of your Regulatory Capital and your Leverageable Capital. For purposes of this section, a traditional investment company must be a professionally managed firm organized exclusively to pool capital from more than one source for the purpose of investing in businesses that are expected to generate substantial returns to the firm's investors. In determining whether a firm is a traditional investment company for purposes of this section, SBA will also consider:

(i) Whether the managers of the firm are unrelated to and unaffiliated with the investors in the firm;

(ii) Whether the managers of the firm are authorized and motivated to make investments that, in their independent judgment, are likely to produce significant returns to all investors in the firm;

(iii) Whether the firm benefits from the use of the SBIC only through the financial performance of the SBIC; and

(iv) Other related factors.

(c) Non-affiliation requirement —

(1) **General rule.** At least 30 percent of your Regulatory Capital and Leverageable Capital must be owned and controlled by three Persons unaffiliated with your management and unaffiliated with each other, and whose investments are significant in dollar and percentage terms as determined by SBA. Such Persons must not be your Associates (except for their status as your shareholders, limited partners, or members) and must not Control, be Controlled by, or be under Common Control with any of your Associates. A single “acceptable” Institutional Investor may be substituted for two or three of the three Persons who are otherwise required under this paragraph. The following Institutional Investors are “acceptable” for this purpose:

(i) Entities whose overall activities are regulated and periodically examined by state, Federal or other governmental authorities satisfactory to SBA;

(ii) Entities listed on the New York Stock Exchange;

(iii) Entities that are publicly-traded and that meet both the minimum numerical listing standards and the corporate governance listing standards of the New York Stock Exchange;

(iv) Public or private employee pension funds;

(v) Trusts, foundations, or endowments, but only if exempt from Federal income taxation; and

(vi) Other Institutional Investors satisfactory to SBA.

(2) **Look-through for traditional investment company investors.** SBA, in its sole discretion, may consider the requirement in [paragraph \(c\)\(1\)](#) of this section to be satisfied if at least 30 percent of your Regulatory Capital and Leverageable Capital is owned and controlled indirectly, through a traditional investment company, by Persons unaffiliated with your management.

(d) Voting requirement.

(1) Except as provided in [paragraph \(d\)\(2\)](#) of this section, the investors required for you to satisfy diversity may not delegate their voting rights to any Person who is your Associate, or who Controls, is Controlled by, or is under Common Control with any of your Associates, without prior SBA approval.

(2) **Exception.** [Paragraph \(d\)\(1\)](#) of this section does not apply to investors in publicly-traded Licensees, to proxies given to vote in accordance with specific instructions for single specified meetings, or to any delegation of voting rights to a Person who is neither a diversity investor in the Licensee nor affiliated with management of the Licensee.

(e) Requirement to maintain diversity. If you were required to have management-ownership diversity at any time, you must maintain such diversity while you have outstanding Leverage or Earmarked Assets. To maintain management-ownership diversity, you may continue to satisfy the

diversity requirement as in effect at the time it was first applicable to you or you may satisfy the management-ownership diversity requirement as currently in effect. If, at any time, you no longer have the required management-ownership diversity, you must:

- (1) Notify SBA within 10 days; and
- (2) Re-establish diversity within six months. For the consequences of failure to re-establish diversity, see §§ [107.1810\(g\)](#) and [107.1820\(f\)](#).

§ 107.160 Special rules for Licensees formed as limited partnerships.

A limited partnership organized under State law solely for the purpose of performing the functions and conducting the activities contemplated under the Act may apply for a license under section 301(c) or section 301 (d) of the Act (“Partnership Licensee”).

(a) **Number of Licensee’s General Partners.** If you are a Partnership Licensee, you must have as your general partner(s) at least two individuals, or at least one corporation, partnership, or limited liability company (LLC), or any combination of individuals, corporations, partnerships, or LLCs.

(b) **Entity General Partner of Licensee.** A general partner which is a corporation, limited liability company or partnership (an “Entity General Partner”) shall be organized under state law solely for the purpose of serving as the general partner of one or more Licensees.

(1) SBA must approve any person who will serve as an officer, director, manager, or general partner of the Entity General Partner. This provision must be stated in an Entity General Partner’s Certificate of Incorporation, member agreement, Limited Partnership Agreement or other similar governing instrument which must, in each case, accompany the license application.

(2) An Entity General Partner is subject to the same examination and reporting requirements as a Licensee under section 310(b) of the Act. The restrictions and obligations imposed upon a Licensee by §§ [107.1800](#) through [107.1820](#), and [107.30](#), [107.410](#) through [107.450](#), [107.470](#), [107.475](#), [107.500](#), [107.510](#), [107.585](#), [107.600](#), [107.680](#), [107.690](#) through [107.692](#), [107.865](#), and [107.1910](#) apply also to an Entity General Partner of a Licensee.

(3) The general partner(s) of your Entity General Partner(s) will be considered your general partner.

(4) If your Entity General Partner is a limited partnership, its limited partners may be considered your Control Person(s) if they meet the definition for Control Person in § [107.50](#).

(5) If your Entity General Partner is a limited partnership, it is subject to [paragraph \(a\)](#) of this section.

(c) **Other requirements for Partnership Licensees.** If you are a Partnership Licensee:

(1) You must have a minimum duration of ten years or two years following the maturity of your last-maturing Leverage security, whichever is longer. After 10 years, if all Leverage has been repaid or redeemed and all amounts due SBA, its agent, or Trustee have been paid, the Partnership Licensee may be terminated by a vote of your partners. (For purposes of this provision SBA is not considered a partner.);

(2) None of your general partner(s) may be removed or replaced by your limited partners without prior written approval of SBA;

(3) Any transferee of, or successor in interest to, your general partner shall have only the rights and liabilities of a limited partner pending SBA’s written approval of such transfer or succession; and

(4) You must incorporate all the provisions in this [paragraph \(c\)](#) in your Limited Partnership Agreement.

(d) **Obligations of a Control Person.** All Control Persons are bound by the disciplinary provisions of sections 313 and 314 of the Act and by the conflict-of-interest rules under section 312 of the Act. The term Licensee, as used in §§ [107.30](#), [107.460](#), and [107.680](#) includes all of the Licensee’s Control Persons. The term Licensee as used in § [107.670](#) includes only the Licensee’s general partner(s). The conditions specified in §§ [107.1800](#) through [107.1820](#) and § [107.1910](#) apply to all general partners.

(e) **Liability of general partner for partnership debts to SBA.** Subject to section 314 of the Act, your general partner is not liable solely by reason of its status as a general partner for repayment

of any Leverage or debts you owe to SBA unless SBA, in the exercise of reasonable investment prudence, and with regard to your financial soundness, determines otherwise prior to the purchase or guaranty of your Leverage.

(f) **Reorganization of Licensee.** A corporate Licensee wishing to reorganize as a Partnership Licensee, or a Partnership Licensee wishing to reorganize as a Corporate Licensee, may apply to SBA for approval under [§ 107.470](#).

(g) **Special Leverage requirement.** Before your first issuance of Leverage, you must furnish SBA with evidence that you qualify as a partnership for tax purposes, either by a ruling from the Internal Revenue Service, or by an opinion of counsel.

§ 107.200 Adequate capital for Licensees.

You must meet the requirements of this [§ 107.200](#) to qualify for a license, to continue as a Licensee, and to receive Leverage.

- (a) You must have enough Regulatory Capital to provide reasonable assurance that:
- (1) You will operate soundly and profitably over the long term; and
 - (2) You will be able to operate actively in accordance with your Articles and within the context of your business plan, as approved by SBA.
- (b) In SBA's sole discretion, you must be economically viable, taking into consideration actual and anticipated income and losses on your Loans and Investments, and the experience and qualifications of your owners and managers.

§ 107.210 Minimum capital requirements for Licensees.

(a) **Companies licensed on or after October 1, 1996.** A company licensed on or after October 1, 1996, must have Leverageable Capital of at least \$2,500,000 and must meet the applicable minimum Regulatory Capital requirement in this [paragraph \(a\)](#), unless lower Leverageable Capital and Regulatory Capital amounts are approved by SBA as part of a Wind-Up Plan in accordance with [§ 107.590\(c\)](#):

(1) **Licensees other than Participating Securities issuers and Early Stage SBICs.**

Except for Participating Securities issuers and Early Stage SBICs, a Licensee must have Regulatory Capital of at least \$5,000,000. As an exception to this general rule, SBA in its sole discretion and based on a showing of special circumstances and good cause may license an applicant with Regulatory Capital of at least \$3,000,000, but only if the applicant:

- (i) Has satisfied all licensing standards and requirements except the minimum capital requirement, as determined solely by SBA;
- (ii) Has a viable business plan reasonably projecting profitable operations; and
- (iii) Has a reasonable timetable for achieving Regulatory Capital of at least \$5,000,000.

(2) **Participating Securities issuers.** A Licensee that wishes to be eligible to apply for Participating Securities must have Regulatory Capital of at least \$10,000,000, unless it demonstrates to SBA's satisfaction that it can be financially viable over the long term with a lower amount. Under no circumstances can the Licensee have Regulatory Capital of less than \$5,000,000.

(3) **Early Stage SBICs.** An Early Stage SBIC must have Regulatory Capital of at least \$20 million.

(b) **Companies licensed before October 1, 1996.** A company licensed before October 1, 1996 must meet the minimum capital requirements applicable to such company, as required by the regulations in effect on September 30, 1996. See [§ 107.1120\(c\)\(2\)](#) for Leverage eligibility requirements.

[[63 FR 5866](#), Feb. 5, 1998, as amended at [77 FR 25051](#), Apr. 27, 2012; [82 FR 39340](#), Aug. 18, 2017]

§ 107.230 Permitted sources of Private Capital for Licensees.

Private Capital means the contributed capital of a Licensee, plus unfunded binding commitments by Institutional Investors (including commitments evidenced by a promissory note) to contribute capital to a Licensee.

(a) **Contributed capital.** For purposes of this section, contributed capital means the paid-in capital and paid-in surplus of a Corporate Licensee, or the partners' contributed capital of a Partnership Licensee, in either case subject to the limitations in [paragraph \(b\)](#) of this section.

(b) **Exclusions from Private Capital.** Private Capital does not include:

- (1) Funds borrowed by a Licensee from any source.
- (2) Funds obtained through the issuance of Leverage.
- (3) Funds obtained directly or indirectly from any Federal, State, or local government agency or instrumentality, except for:
 - (i) Funds invested by a public pension fund;
 - (ii) Funds obtained from the business revenues (excluding any governmental appropriation) of any federally chartered or government-sponsored corporation established before October 1, 1987, to the extent that such revenues are reflected in the retained earnings of the corporation; and
 - (iii) "Qualified Non-private Funds" as defined in [paragraph \(d\)](#) of this section.
- (4) Any portion of a commitment from an Institutional Investor with a net worth of less than \$10 million that exceeds 10 percent of such Institutional Investor's net worth and is not backed by a letter of credit from a State or National bank acceptable to SBA.

(c) **Non-cash capital contributions.** Capital contributions in a form other than cash are subject to the limitations in [§ 107.240](#).

(d) **Qualified Non-private Funds.** Private Capital includes "Qualified Non-private Funds" as defined in this [paragraph \(d\)](#); however, investors of Qualified Non-private Funds must not control, directly or indirectly, a Licensee's management, or its board of directors or general partner(s). Qualified Non-private Funds are:

- (1) Funds directly or indirectly invested in any Licensee on or before August 16, 1982 by any Federal agency except SBA, under a statute explicitly mandating the inclusion of such funds in "Private Capital";
- (2) Funds directly or indirectly invested in any Licensee by any Federal agency under a statute that is enacted after September 4, 1992, explicitly mandating the inclusion of such funds in "Private Capital";
- (3) Funds invested in any Licensee or license applicant by one or more State or local government entities (including any guarantee extended by such entities) in an aggregate amount that does not exceed 33 percent of Regulatory Capital; and
- (4) Funds invested in or committed in writing to any Section 301(d) Licensee prior to October 1, 1996, from the following sources:
 - (i) A State financing agency, or similar agency or instrumentality, if the funds invested are derived from such agency's net income and not from appropriated State or local funds; and
 - (ii) Grants made by a state or local government agency or instrumentality into a nonprofit corporation or institution exercising discretionary authority with respect to such funds, if SBA determines that such funds have taken on a private character and the nonprofit corporation or institution is not a mere conduit.

(e) You may not accept any capital contribution made with funds borrowed by a Person seeking to own an equity interest (whether direct or indirect, beneficial or of record) of at least 10 percent of your Private Capital. This exclusion does not apply if:

- (1) Such Person's net worth is at least twice the amount borrowed; or
- (2) SBA gives its prior written approval of the capital contribution.

§ 107.240 Limitations on including non-cash capital contributions in Private Capital.

Non-cash capital contributions to a Licensee or license applicant are included in Private Capital only if they fall into one of the following categories:

- (a) Direct obligations of, or obligations guaranteed as to principal and interest by, the United States.

- (b) Services rendered or to be rendered to you, priced at no more than their fair market value.
- (c) Tangible assets used in your operations, priced at no more than their fair market value.
- (d) Shares in a Disadvantaged Business received by a subsidiary Section 301(d) Licensee from its parent Licensee, valued at the lower of cost or fair value.
- (e) Other non-cash assets approved by SBA.

§ 107.250 Exclusion of stock options issued by Licensee from Management Expenses.

Stock options issued by any Licensee, including a 1940 or 1980 Act Company, are not considered compensation and therefore do not count as part of a Licensee's Management Expenses.

Applying for an SBIC License

§ 107.300 License application form and fee.

SBA evaluates license applicants in two review phases (initial review and final licensing), as follows:

(a) **Initial review.** Except as provided in this paragraph, SBIC applicants must submit a MAQ and the Initial Licensing Fee. MAQ means the Management Assessment Questionnaire in the form approved by SBA and available on SBA's Web site at www.sba.gov/sbic. Initial Licensing Fee means a non-refundable fee of \$10,000. An applicant under Common Control with one or more Licensees must submit a written request to SBA, and the Initial Licensing Fee, to be considered for a license and is exempt from the requirement in this paragraph to submit a MAQ unless otherwise determined by SBA in SBA's discretion.

(b) **Final licensing.**

(1) An applicant may proceed to the final licensing phase only if notified in writing by SBA that it may do so. Following receipt of such notice, in order to proceed to the final licensing phase, the applicant must submit a complete license application, in the form approved by SBA and available on SBA's Web site at www.sba.gov/sbic, within the timeframe identified by SBA; and the Final Licensing Fee. The Final Licensing Fee means a non-refundable fee (determined as of the date SBA accepts the application) adjusted annually as follows:

Time period	Final licensing fee
December 13, 2017 to September 30, 2018	\$20,000
October 1, 2018 to September 30, 2019	25,000
October 1, 2019 to September 30, 2020	30,000
October 1, 2020 to September 30, 2021	35,000

(2) Beginning on October 1, 2021, SBA will annually adjust both the Initial Licensing Fee and Final Licensing Fee using the Inflation Adjustment and will publish a Notice prior to such adjustment in the Federal Register identifying the amount of the fee.

§ 107.305 Evaluation of license applicants.

SBA will evaluate a license applicant based on the submitted application materials, any interviews with the applicant's management team, and the results of background investigations, public record searches, and other due diligence conducted by SBA and other Federal agencies. SBA's evaluation will consider factors including the following:

- (a) Management qualifications, including demonstrated investment skills and experience as a principal investor; business reputation; adherence to legal and ethical standards; record of active involvement in making and monitoring investments and assisting portfolio companies; successful history of working as a team; and experience in developing appropriate processes for evaluating investments and implementing best practices for investment firms.
- (b) Performance of managers' prior investments, including investment returns measured both in percentage terms and in comparison to appropriate industry benchmarks; the extent to which investments have been realized as a result of sales, repayments, or other exit mechanisms; and the contribution of prior investments to the growth of portfolio company revenues and number of employees.

- (c) Applicant's proposed investment strategy, including clarity of objectives; strength of management's rationale for pursuing the selected strategy; compliance with this part 107 and applicable provisions of [part 121 of this chapter](#); fit with management's skills and experience; and the availability of sufficient resources to carry out the proposed strategy.
- (d) Applicant's proposed organizational structure and fund economics, including compliance with this part 107; soundness of financial projections and underlying assumptions; a compensation plan that provides managers with appropriate economic incentives; a reasonable basis for allocations of profits and fees to Persons not involved in management; and governance procedures that provide appropriate checks and balances.