

**Small Business Administration**

**§ 107.305**

**§ 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 time-frame 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.

[82 FR 52184, Nov. 13, 2017]

**§ 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

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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.

[77 FR 25052, Apr. 27, 2012]

### **§ 107.310 When and how to apply for licensing as an Early Stage SBIC.**

From time to time, SBA will publish a Notice in the FEDERAL REGISTER, inviting the submission of applications for licensing as an Early Stage SBIC. SBA will not consider an application from an Early Stage SBIC applicant that is under Common Control with another Early Stage SBIC applicant or an existing Early Stage SBIC (unless it has no outstanding Leverage or Leverage commitments and will not seek additional Leverage in the future). Applicants must comply with both the regulations in this part 107 and any requirements specified in the Notice, including submission deadlines. The Notice will specify procedures for a particular application period.

[77 FR 25052, Apr. 27, 2012]

### **§ 107.320 Evaluation of Early Stage SBICs.**

SBA will evaluate an Early Stage SBIC license applicant based on the same factors applicable to other license applicants, as set forth in §107.305, with particular emphasis on managers' skills and experience in evaluating and investing in early stage companies. In addition, SBA reserves the right to maintain diversification among Early Stage SBICs with respect to:

- (a) The year in which they commence operations, and
- (b) Their geographic location.

[77 FR 25052, Apr. 27, 2012]

## 13 CFR Ch. I (1–1–21 Edition)

### **Subpart D—Changes in Ownership, Control, or Structure of Licensee; Transfer of License**

#### **CHANGES IN CONTROL OR OWNERSHIP OF LICENSEE**

### **§ 107.400 Changes in ownership of 10 percent or more of Licensee but no change of Control.**

(a) *Prior approval requirements.* You must obtain SBA's prior written approval for any proposed transfer or issuance of ownership interests that results in the ownership (beneficial or of record) by any Person, or group of Persons acting in concert, of at least 10 percent of any class of your stock or partnership capital.

(b) *Fee.* A processing fee of \$200 must accompany each such request for approval of a change of ownership.

### **§ 107.410 Changes in Control of Licensee (through change in ownership or otherwise).**

(a) *Prior approval requirements.* You must obtain SBA's prior written approval for any proposed transaction or event that results in Control by any Person(s) not previously approved by SBA.

(b) *Fee.* A processing fee equal to the combined Licensing Fee (Initial Licensing Fee plus the Final Licensing Fee then in effect) defined in §107.300 must accompany any application for approval of one or more transactions or events that will result in a transfer of Control.

[61 FR 3189, Jan. 31, 1996, as amended at 82 FR 52185, Nov. 13, 2017]

### **§ 107.420 Prohibition on exercise of ownership or Control rights in Licensee before SBA approval.**

Without prior written SBA approval, no change of ownership or Control may take effect and no officer, director, employee or other Person acting on your behalf shall:

(a) Register on your books any transfer of ownership interest to the proposed new owner(s);

(b) Permit the proposed new owner(s) to exercise voting rights with respect to such ownership interest (including