

109TH CONGRESS  
1ST SESSION

# S. 1923

To address small business investment companies licensed to issue participating debentures, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 26, 2005

Ms. SNOWE (for herself, Mr. TALENT, and Mr. BOND) introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

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## A BILL

To address small business investment companies licensed to issue participating debentures, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Small Business Invest-  
5       ment and Growth Act of 2005”.

6       **SEC. 2. PARTICIPATING DEBENTURE COMPANIES.**

7       Part A of title III of the Small Business Investment  
8       Act of 1958 (15 U.S.C. 681 et seq.) is amended by adding  
9       at the end the following:

1 **“SEC. 321. PARTICIPATING DEBENTURE COMPANIES.**

2 “(a) DEFINITIONS.—As used in this section, the fol-  
3 lowing definitions shall apply:

4 “(1) GENERAL PARTNER.—The term ‘general  
5 partner’ means an investor in a small business in-  
6 vestment company that participates in the daily  
7 management of the small business investment com-  
8 pany, and may include a managing partner in a lim-  
9 ited liability company.

10 “(2) GROSS RECEIPTS.—The term ‘gross re-  
11 ceipts’ means any cash received by a small business  
12 investment company, including investment proceeds  
13 (both return of capital and profit), interest, divi-  
14 dends, and fees, other than capital contributed by a  
15 partner, the proceeds of the issuance of participating  
16 debentures, and other money (if any) borrowed by  
17 the small business investment company.

18 “(3) INTERIM FUNDING PROVIDER.—The term  
19 ‘interim funding provider’ means any entity that  
20 provides funding guaranteed by the Administration  
21 to a licensed company in between the periodic pools  
22 created by any trustee.

23 “(4) LICENSED COMPANY.—The term ‘licensed  
24 company’ means a small business investment com-  
25 pany authorized to issue participating debentures by  
26 a license issued under section 301 for that purpose.

1           “(5) LIMITED PARTNER.—The term ‘limited  
2 partner’ means an investor in a small business in-  
3 vestment company, other than the Administrator,  
4 that does not participate in the daily management of  
5 the small business investment company.

6           “(6) PARTICIPATING DEBENTURE.—The term  
7 ‘participating debenture’ means a debt security that  
8 is—

9                   “(A) in a form prescribed by the Adminis-  
10 trator that obligates the issuing company to  
11 pay—

12                           “(i) on the fifth anniversary of the  
13 date of issuance of the debenture, all ac-  
14 crued interest on that debenture that has  
15 not previously been paid;

16                           “(ii) semiannually thereafter, interest  
17 accruing after the fifth anniversary of the  
18 date of issuance of the debenture; and

19                           “(iii) any other amount required by  
20 this subsection; and

21           “(B) is subject to the terms and conditions  
22 set forth in this subsection and to any addi-  
23 tional terms and conditions as may be pre-  
24 scribed by the Administrator that are consistent  
25 with this subsection.

1           “(7) PRIVATE COLLATERAL.—The term ‘private  
2 collateral’ means any money that any private part-  
3 ner has contractually committed to invest in a li-  
4 censed company during the most recent licensing of  
5 the licensed company, but that has not yet been paid  
6 to the licensed company.

7           “(8) TRUSTEE.—The term ‘trustee’ means an  
8 entity that combines any securities, interests, or ob-  
9 ligations from licensed companies in the partici-  
10 pating debenture program under subsection (b) into  
11 pools and issues trust certificates.

12           “(9) TRUST CERTIFICATE.—The term ‘trust  
13 certificate’ means a certificate issued by the trustee  
14 that represents an interest in a particular pool of  
15 any securities, interests, or obligations from licensed  
16 companies in the participating debenture program.

17           “(10) TRUST CERTIFICATE HOLDER.—The  
18 term ‘trust certificate holder’ means an investor that  
19 purchases a trust certificate.

20           “(b) PARTICIPATING DEBENTURES PROGRAM.—

21           “(1) GUARANTEE OF PARTICIPATING DEBEN-  
22 TURES.—

23           “(A) REDEMPTION PRICE AND INTER-  
24 EST.—The Administrator is authorized to guar-  
25 antee the payment of the redemption price and

1 interest on a participating debenture issued by  
2 a licensed company to the interim funding pro-  
3 vider under such terms and conditions as the  
4 Administrator shall establish by regulation.

5 “(B) REPAYMENT IN DEFAULT.—The Ad-  
6 ministration is authorized to guarantee the re-  
7 payment to the interim funding provider in the  
8 event of a default by a licensed company, of the  
9 funds advanced by the interim funding provider  
10 to the licensed company pursuant to the agree-  
11 ment between the Administration and the li-  
12 censed company, under such terms and condi-  
13 tions as the Administrator shall establish by  
14 regulation.

15 “(C) TRUST CERTIFICATES.—The Admin-  
16 istrator is authorized to guarantee the payment  
17 of the redemption price and interest on a trust  
18 certificate issued by the trustee to the trust cer-  
19 tificate holders under such terms and conditions  
20 as the Administrator shall establish by regula-  
21 tion.

22 “(2) GUARANTEE FEE.—The Administration is  
23 authorized to charge a separate fee—

24 “(A) under paragraph (1)(A), to the in-  
25 terim funding provider;

1           “(B) under paragraph (1)(B), to the li-  
2           censed company; and

3           “(C) under paragraph (1)(C), to the trust-  
4           ee.

5           “(3) ZERO-SUBSIDY.—Each of the fees author-  
6           ized under paragraph (2) shall be sufficient to re-  
7           duce the cost of each corresponding guarantee in  
8           paragraph (1) to zero, as that term is defined under  
9           the Federal Credit Reform Act of 1990.

10          “(4) MATCHING PAYMENT STREAMS.—With re-  
11          spect to any participating debenture issued by a li-  
12          censed company, or with respect to any security  
13          issued representing an interest in a pool of such se-  
14          curities, the amount and schedule of—

15               “(A) the interest payment obligations of  
16               the Administration to the trust certificate hold-  
17               ers shall be equal to the amount and schedule  
18               of the interest obligations of the licensed com-  
19               pany to the Administration; and

20               “(B) the principal redemption obligations  
21               of the Administration to the trust certificate  
22               holders shall be the same as the amount and  
23               schedule of the licensed company’s principal re-  
24               demption obligations to the Administration.

1           “(5) INTEREST TO INTERIM FUNDING PRO-  
2       VIDER.—

3           “(A) RIGHT TO RECEIVE INTEREST.—For  
4       the advancing of monies to a licensed company  
5       pursuant to the license of that company, the in-  
6       terim funding provider shall have the right to  
7       receive interest from the licensed company.

8           “(B) AMOUNTS.—The interest authorized  
9       under subparagraph (A) shall be calculated  
10      based on the time period beginning on the date  
11      on which the interim funding provider advances  
12      the funding, and ending when the interim fund-  
13      ing provider provides the securities of the li-  
14      censed company to a trustee for the purpose of  
15      pooling those securities and selling interests in  
16      that pool.

17          “(C) COLLECTION OF INTEREST.—The in-  
18      terim funding provider may collect interest re-  
19      ferred to in this paragraph by withholding  
20      money from the money advanced to the licensed  
21      company by the interim funding provider.

22          “(6) MAXIMUM LEVERAGE.—Notwithstanding  
23      any other provision of this subsection, the Adminis-  
24      trator may not guarantee a new participating deben-  
25      ture to be issued by a small business investment

1 company, and the company shall not make any dis-  
 2 tribution to its private investors, if immediately after  
 3 such issuance or distribution the aggregate unpaid  
 4 principal balance of the participating debentures  
 5 issued by the company would exceed 200 percent of  
 6 the leverageable capital of the licensed company.

7 “(7) PURCHASE OF PARTICIPATING DEBEN-  
 8 TURES.—The Administrator may authorize a trust  
 9 or pool acting on behalf of the Administration to  
 10 purchase participating debentures issued by a small  
 11 business investment company, under such terms and  
 12 conditions as the Administrator shall establish by  
 13 regulation.

14 “(8) REDEMPTION.—Not later than 10 years  
 15 after the date on which it is issued, a participating  
 16 debenture shall be redeemed for an amount equal to  
 17 its outstanding principal balance plus any accrued  
 18 but unpaid interest on such participating debenture  
 19 as of the date on which it is redeemed.

20 “(9) INTEREST.—

21 “(A) IN GENERAL.—Interest on a partici-  
 22 pating debenture is preferred and cumulative  
 23 and is prepayable out of any gross receipts  
 24 available for distribution and is in any event



1 payable at the scheduled or accelerated matu-  
2 rity of the participating debenture.

3 “(B) INTEREST ON PRINCIPAL BAL-  
4 ANCE.—Interest on the principal balance out-  
5 standing of a participating debenture shall ac-  
6 crue on a daily basis, and unpaid accrued inter-  
7 est shall compound semiannually from the date  
8 of issuance of the debenture, at a rate deter-  
9 mined by the Secretary of the Treasury, taking  
10 into consideration the current average market  
11 yield on outstanding marketable obligations of  
12 the United States with remaining periods to  
13 maturity comparable to the average maturities  
14 on such securities, adjusted to the nearest  $\frac{1}{8}$  of  
15 1 percent, plus an additional charge, in an  
16 amount established annually by the Adminis-  
17 trator, as necessary to reduce to zero the cost  
18 (as defined in section 502 of the Federal Credit  
19 Reform Act of 1990 (2 U.S.C. 661a)) to the  
20 Administration of purchasing and guaranteeing  
21 participating debentures under this Act, which  
22 rate may not exceed 1.5 percent per annum,  
23 and which shall be paid to and retained by the  
24 Administration.

25 “(10) PAYMENT DEFAULTS.—

1           “(A) IN GENERAL.—In the event of a fail-  
2           ure of a small business investment company to  
3           pay any principal or interest on a participating  
4           debenture when due (including any mandatory  
5           prepayment out of gross receipts), the licensed  
6           company shall be in default, and shall be sub-  
7           ject to the provisions of subparagraphs (B)  
8           through (D).

9           “(B) ACCELERATION.—The Administra-  
10          tion, in addition to any other remedies it may  
11          have, may demand immediate payment of the  
12          principal balance and accrued interest on any  
13          or all participating debentures issued by the de-  
14          faulting company.

15          “(C) DEFAULT RATE OF INTEREST.—The  
16          interest rate on the participating debenture  
17          with respect to which the payment default oc-  
18          curred may increase, at the discretion of the  
19          Administrator, by not greater than 50 basis  
20          points from the date of the payment default,  
21          and by not greater than an additional 50 basis  
22          points on each 6-month anniversary of that  
23          date, up to a maximum total increase of 300  
24          basis points, until all of the payment defaults of

1 the defaulting company have been cured or  
2 waived.

3 “(D) PRIVATE COLLATERAL.—The Admin-  
4 istration may apply the private collateral of the  
5 licensed company to pay any interest or prin-  
6 cipal payment that has not been paid on time  
7 according to the payment schedule for the li-  
8 censed company.

9 “(11) LIQUIDATION OF LICENSED COMPANY.—  
10 In the event of the liquidation of a licensed company  
11 issuing participating debentures under this sub-  
12 section, a participating debenture shall be senior in  
13 priority for all purposes to any interest in the  
14 issuing company, whenever created. In liquidation,  
15 the private collateral of the licensed company may,  
16 at the option of the Administrator, be applied to pay  
17 accrued interest and principal of outstanding partici-  
18 pating debentures.

19 “(12) DEFAULT OF A LICENSED COMPANY.—In  
20 the event of the default of a licensed company  
21 issuing participating debentures under this sub-  
22 section—

23 “(A) a participating debenture shall be  
24 senior in priority for all purposes to any inter-

1 est in the issuing company, whenever created;  
2 and

3 “(B) at the option of the Administrator,  
4 the private collateral of the licensed company  
5 may be applied to pay accrued interest and  
6 principal on outstanding participating debentures.  
7

8 “(13) INVESTMENT OBLIGATION.—

9 “(A) IN GENERAL.—Any company issuing  
10 a participating debenture under this Act shall  
11 invest or commit to invest an amount equal to  
12 the outstanding face value of such participating  
13 debenture solely in equity capital.

14 “(B) EQUITY CAPITAL.—In this subpara-  
15 graph, the term ‘equity capital’ means common  
16 or preferred stock or a similar instrument, in-  
17 cluding subordinated debt with equity features  
18 which is not amortized and which provides for  
19 interest payments from appropriate sources, as  
20 determined by the Administrator.

21 “(14) OTHER DEBT.—A licensed company  
22 issuing a participating debenture under this sub-  
23 section shall have no debt other than leverage ob-  
24 tained in accordance with this Act, and temporary

1       debt in an amount equal to not more than 50 per-  
2       cent of the private capital of the company.

3           “(15) USE OF PROCEEDS.—Unless otherwise  
4       determined by the Administration, a licensed com-  
5       pany may use the proceeds of a participating deben-  
6       ture issued by the company to pay the principal  
7       amount and accrued interest due on outstanding  
8       participating debentures issued by that company, if  
9       the company has outstanding equity capital invested  
10      in an amount equal to the amount being refinanced.

11          “(16) DISTRIBUTION OF GROSS RECEIPTS.—

12           “(A) IN GENERAL.—Except as otherwise  
13       provided in this subsection, gross receipts, from  
14       any source or however categorized for generally  
15       accepted accounting principles or tax account-  
16       ing purposes, shall be utilized first for the pay-  
17       ment of accrued interest on participating deben-  
18       tures, then for repayment of participating de-  
19       benture principal and contributed private cap-  
20       ital, and finally for profit distributions, as pro-  
21       vided in subparagraphs (B) through (G).

22           “(B) PAST DUE INTEREST AND PRIN-  
23       CIPAL.—Gross receipts shall first be used, with-  
24       in 10 days of receipt—

1 “(i) to pay any past due interest on  
 2 participating debentures issued by the li-  
 3 censed company; and

4 “(ii) when there is no past due inter-  
 5 est outstanding, to repay any past due  
 6 principal on such debentures (whether such  
 7 interest and principal are past due by their  
 8 terms or by acceleration).

9 “(C) MANDATORY INTEREST PREPAY-  
 10 MENT.—If no unpaid accrued interest or past  
 11 due principal is outstanding on any partici-  
 12 pating debenture issued by a licensed company,  
 13 the company shall use its gross receipts, not  
 14 later than the end of the calendar quarter in  
 15 which they were received (or the following cal-  
 16 endar quarter, if received within 15 days before  
 17 the end of a calendar quarter) to prepay ac-  
 18 crued interest on the participating debentures  
 19 issued by the company, which prepayments will  
 20 be applied to such accrued interest in the order  
 21 in which such interest would otherwise become  
 22 due and payable.

23 “(D) AMORTIZATION DISTRIBUTIONS.—If  
 24 no unpaid accrued interest or past due principal  
 25 is outstanding on any participating debenture

1 issued by a licensed company, the company  
2 shall distribute its gross receipts—

3 “(i) to the Administration to amortize  
4 outstanding participating debenture lever-  
5 age; and

6 “(ii) to its private investors, pro rata  
7 according to the ratio of outstanding par-  
8 ticipating debenture leverage to out-  
9 standing leverageable capital at the time of  
10 distribution.

11 “(E) POST-AMORTIZATION DISTRIBUTIONS.—If no accrued interest or principal is  
12 outstanding on any participating debenture  
13 issued by a licensed company, and the company  
14 has no outstanding leverageable capital, the  
15 gross receipts of the company shall—

16 “(i) until aggregate distributions to  
17 private investors under this subparagraph  
18 equal aggregate contributions to the cap-  
19 ital of the company previously made by  
20 private investors, be distributed to the Ad-  
21 ministration, an amount equal to the initial  
22 profit participation percentage of the total  
23 amount being distributed with the remain-  
24

ing gross receipts distributed to the private investors;

“(ii) if aggregate distributions to private investors under this subparagraph equal or exceed aggregate contributions to the capital of the company previously made by private investors, be distributed to the Administration an amount equal to the final profit participation percentage of the total amount being distributed, with the remaining gross receipts distributed to the private investors; and

“(iii) in the case of any post-amortization distributions to the Administration pursuant to this subparagraph, be deemed to constitute ‘additional’ interest (not ‘accrued’ interest).

“(F) MANAGEMENT EXPENSES.—For purposes of calculating the amount to be distributed to the Administration pursuant to subparagraph (E), except as otherwise prescribed by the Administration, the management expenses of any company which issues participating debentures under this subsection shall not be greater than 2.5 percent of the combined



capital of the company per year, plus, in the case of a company with combined capital of less than \$20,000,000, an additional \$125,000.

“(G) DEFINITIONS.—In this paragraph—

“(i) the term ‘combined capital’ means the aggregate amount of private capital and outstanding leverage;

“(ii) the term ‘final profit participation percentage’ means 50 percent of the leverage ratio, reduced by the weighted average interest rate on the financing commitments issued by the company;

“(iii) the term ‘initial profit participation percentage’ means 25 percent of the leverage ratio, reduced by the weighted average interest rate on the financing commitments issued by the company;

“(iv) the term ‘leverage ratio’ means the ratio of the aggregate amount of financing commitment leverage previously drawn by the company (including leverage that has been repaid, and not solely the maximum amount at any one time outstanding, if different) to the aggregate amount of capital previously contributed to

1 the company by private investors (not sole-  
2 ly the maximum amount at any one time  
3 outstanding, if different);

4 “(v) the term ‘management expenses’  
5 includes management fees and any addi-  
6 tional salaries, office expenses, travel, busi-  
7 ness development costs, office and equip-  
8 ment rental, bookkeeping, and the develop-  
9 ment, investigation, and monitoring of in-  
10 vestments paid by the licensed company,  
11 but does not include the cost of services  
12 provided by specialized outside consultants,  
13 outside lawyers and outside auditors, who  
14 perform services not generally expected of  
15 a venture capital company nor does such  
16 term include the cost of services provided  
17 by any affiliate of the company which are  
18 not part of the normal process of making  
19 and monitoring venture capital invest-  
20 ments; and

21 “(vi) the term ‘outstanding  
22 leverageable capital’ means any aggregate  
23 capital contributions received by a licensed  
24 company from private investors which ex-

1           ceed aggregate distributions received by  
2           the private investors from the company.

3           “(17) EXCEPTIONS TO ORDER OF DISTRIBUTIONS.—  
4

5           “(A) IN GENERAL.—Notwithstanding para-  
6           graph (16)(D), if no unpaid accrued interest  
7           (whether or not past due) and no past due prin-  
8           cipal is outstanding on any participating debenture  
9           issued by the licensed company subparagraph (B) through (D) of this paragraph shall  
10          apply.  
11

12          “(B) TAX DISTRIBUTIONS.—

13           “(i) IN GENERAL.—The company may  
14           make a special distribution of gross receipts or other cash to its private investors  
15           without a corresponding distribution to the  
16           Administration while principal is out-  
17           standing on participating debentures  
18           issued by the company, if—  
19

20           “(I) the licensed company has an  
21           investment in a business (referred to  
22           in this subparagraph as the ‘portfolio  
23           company’) organized as a limited liability company (referred to in this  
24

1                   subparagraph as an ‘LLC’) or as a  
2                   partnership;

3                   “(II) the portfolio company has  
4                   income which will be taxable to its  
5                   members or partners;

6                   “(III) the portfolio company  
7                   makes a distribution to its members  
8                   or partners in an amount equal to  
9                   their assumed tax liability on the  
10                  portfolio company’s taxable income  
11                  (referred to in this subparagraph as a  
12                  ‘tax distribution’); or

13                  “(IV) the small business invest-  
14                  ment company is itself a partnership  
15                  or an LLC, so that any portfolio com-  
16                  pany income allocated to it is reallo-  
17                  cated to the private investors, and it  
18                  is they who are liable for payment of  
19                  tax on that income as if it was their  
20                  own income, whether or not they re-  
21                  ceive any cash in respect of that in-  
22                  come.

23                  “(ii) AUTHORITY TO MAKE DISTRIBU-  
24                  TION.—In circumstances described in  
25                  clause (i), the issuing company may, prior

1 to April 15 of each calendar year, dis-  
2 tribute to its private investors up to an  
3 amount equal to the difference between—

4 “(I) the estimated aggregate  
5 maximum tax liability of the private  
6 investors on the income of portfolio  
7 companies organized as LLCs or part-  
8 nerships during the preceding cal-  
9 endar year; and

10 “(II) the aggregate amount dis-  
11 tributed to the private investors (other  
12 than pursuant to this subparagraph)  
13 since April 15 of the preceding cal-  
14 endar year, but in no event more than  
15 the aggregate amount of tax distribu-  
16 tions that the issuing company re-  
17 ceived from all of its portfolio compa-  
18 nies during the preceding calendar  
19 year.

20 “(C) EXPENSES.—A small business invest-  
21 ment company may use its gross receipts to pay  
22 previously incurred expenses (including manage-  
23 ment fees) and other liabilities and it may, in  
24 addition, retain additional gross receipts in an  
25 expense reserve account in an amount which,

1 added to any existing expense reserve, does not  
 2 exceed such reasonably anticipated expenses  
 3 and other liabilities for the following 12-month  
 4 period, provided such expenses and other liabil-  
 5 ities are not prohibited under regulations estab-  
 6 lished by the Administrator or other applicable  
 7 law.

8 “(D) PREPAYMENT.—Subject to any appli-  
 9 cable State law requirements, a small business  
 10 investment company may use gross receipts or  
 11 other cash to prepay outstanding participating  
 12 debenture leverage and interest in whole or in  
 13 part without penalty at any time.

14 “(18) RESTRICTIONS ON DISTRIBUTIONS.—

15 “(A) LIQUIDITY AND OTHER ADMINISTRA-  
 16 TIVE OR STATE LAW RESTRICTIONS.—A dis-  
 17 tribution under this subsection may not violate  
 18 liquidity requirements or other applicable re-  
 19 strictions on distributions in regulations issued  
 20 by the Administrator or under applicable State  
 21 law.

22 “(B) CAPITAL IMPAIRMENT OR REGU-  
 23 LATORY VIOLATION.—If a small business invest-  
 24 ment company is in restricted operations or liq-  
 25 uidation by reason of capital impairment or reg-

ulatory violation, the maturity date of the participating debentures issued by that company, including both principal and accrued interest, is subject to acceleration at the option of the Administrator, and, whether or not there has been such acceleration, up to 100 percent of all gross receipts and the private collateral of the licensed company may, at the option of the Administrator, be required to be distributed to the Administration until accrued interest and principal on the participating debentures issued by the company have been paid in full, in accordance with any terms and conditions that the Administrator may establish by regulation.

“(19) DISTRIBUTIONS IN KIND.—

“(A) ELECTION OF IN-KIND DISTRIBUTION OF SECURITIES.—A small business investment company that issues participating debentures may elect to make an in-kind distribution of securities at any time, subject to applicable securities laws and regulations, if such securities are publicly traded and marketable (or ‘marketable securities’). Marketable securities distributed in kind shall be deemed to be gross receipts for purposes of this subsection, and their

1 distribution shall be subject to the priorities  
 2 and restrictions applicable to gross receipts  
 3 under this subsection and to applicable regula-  
 4 tions issued by the Administrator.

5 “(B) TREATMENT OF ADMINISTRATION  
 6 SHARE.—The licensed company shall either de-  
 7 posit the Administration share of such securi-  
 8 ties with a trustee designated by the Adminis-  
 9 trator, or retain the Administration share, if  
 10 the Administrator so directs and with the  
 11 agreement of the company.

12 “(C) RETENTION OF ADMINISTRATION  
 13 SHARE.—If the company retains the Adminis-  
 14 tration share, it shall sell such share and  
 15 promptly remit the proceeds to the Administra-  
 16 tion.

17 “(D) VALUE OF ADMINISTRATION’S  
 18 SHARE.—For purposes of this paragraph, the  
 19 value of the Administration share is—

20 “(i) the value of the securities, as of  
 21 the date of distribution to the Administra-  
 22 tion under subparagraph (B), or as of the  
 23 initial date of retention under subpara-  
 24 graph (C); and



1 “(ii) the controlling value for the pur-  
2 poses of determining the remaining liability  
3 of the company to the Administration, ex-  
4 cept that the Administration may receive a  
5 greater or lesser amount upon its ultimate  
6 sale of such share or upon the ultimate  
7 sale by the company of such share on be-  
8 half of the Administration.

9 “(20) TIMING OF DISTRIBUTIONS.—

10 “(A) IN GENERAL.—Subject to paragraphs  
11 (16) and (18), any gross receipts received by a  
12 small business investment company issuing par-  
13 ticipating debentures under this subsection that  
14 are not placed in an expense reserve pursuant  
15 to paragraph (18)(C) shall be distributed by the  
16 last day of the fiscal quarter in which such  
17 gross receipts were received by the company,  
18 except that gross receipts received within 15  
19 days before the end of a fiscal quarter shall be  
20 distributed by the last day of the subsequent  
21 fiscal quarter.

22 “(B) EXCEPTIONS TO TIMING OF DIS-  
23 TRIBUTIONS; MARKETABLE SECURITIES.—Gross  
24 receipts consisting of marketable securities shall  
25 be distributed within 6 months of the date of

1           receipt, unless the small business investment  
2           company has obtained the prior consent of the  
3           Administrator.

4           “(21) REINVESTMENT OF GROSS RECEIPTS.—  
5           Subject to such regulations and restrictions as may  
6           be prescribed by the Administrator, and by the  
7           agreement of the private investors in a small busi-  
8           ness investment company, any gross receipts that ex-  
9           ceed the amount needed to make payments required  
10          to be made to the Administration under this sub-  
11          section, may at the option of the company be rein-  
12          vested in qualified small businesses.

13          “(c) POST-DISTRIBUTION COMPUTATION.—After dis-  
14          tributions have been made pursuant to this section, the  
15          Administration share of such distributions shall not be re-  
16          duced or recomputed, except as expressly provided in this  
17          section.

18          “(d) NO OWNERSHIP INTEREST TO ADMINISTRA-  
19          TION.—This section shall not be construed as creating in  
20          the Administration any ownership interest in any small  
21          business investment company which issues participating  
22          debentures.

23          “(e) CONFLICT WITH OTHER PROVISIONS.—

1           “(1) IN GENERAL.—In the event of a conflict  
2           between this subsection and any other provision of  
3           this part A, this subsection shall apply.

4           “(2) SPECIFIC PROVISIONS.—In particular, the  
5           provisions of this section supersede subsections (g)  
6           and (h) of section 303 in their entirety with respect  
7           to all matters pertaining to participating debentures  
8           issued by a licensed company covered by this sec-  
9           tion.”.

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