



Mastering the Leveraged Draw Process: Operational Best Practices



Presenters



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Agenda

- 1 Leverage Process Overview
- 2 Commitment Application
- 3 Leverage Draw
- 4 Leverage Repayment
- 5 Q&A



Leverage Draw Process Overview

- Receive a licensing letter
- Request and receive a commitment from SBA
- Submit a leverage draw package
- Request the actual disbursement amount
- Debenture prepayment and repayment



Commitment Process

Commitment Package includes the following:

- Letter requesting the commitment amount
- 13 - 14 certifications
- Form 25 – Board of directors or GP resolution
- Form 652 – Assurance of compliance for nondiscrimination
- Form 1065 – Licensee’s Assurance of Compliance
- Form 1846 – Statement Regarding Lobbying (Loan guarantees and insurance)
- Form 2181 Exhibit G – Transferor’s Liability Contract
- Form 34 – Bank identification
- Debit Authorization – ACH authorization
- Up to date Capital Certificate (do not submit, file in the SBIC-WEB)
- Investment Plan –Forecast the use of funds for investments (not required after 8/17/23)
- Opinion of Counsel – from SBIC’s counsel (not required after 8/17/23)



Fees, Timing, and Expiration

- Fees

- Commitment fee 1.000% payable with in 30 days

- Timing

- Submit any time during the year, but no more than 2 times per calendar year

- Expiration

- Commitments expire on the September 30th, 4 years after the issue date



Leverage Draw Timing

- Draw requests
- Submitted at any time
- Only processed on the first and third Wednesdays of each month
- Cutoff is 10:30 am on Wednesday
- Dates may change - consult the SBA calendar
- SBA issues approval notice the following Wednesday
- The approval notice is valid for 58 days



Leverage Draw Application Process

- Leverage Draw package includes:
 - Leverage Security Instruments
 - Form 468 Certificates
 - Statement of Compliance
 - Statement of Need
 - Opinion of Counsel
 - Smaller Business Financing Certification
 - Up-to-date capital certificate (filed in SBIC-Web)
 - Bank letter (if applicable)
- Increments of \$5K
- Max of 5 debentures



Statement of Need

- Cash forecast
- Roll forward cash balance from the last Form 468 using actual cash inflows/outflows
- Estimate all of cash inflows/outflows for the next ~60 days
- Ending estimated cash balance should be less than \$1 million and less than one quarter of management fees

Capital Certificate & Draw Limitations

- Must be current
- SBA suggest updates be submitted a week before intended draw

- Key terms:
 - Leverageable Capital
 - Regulatory Capital

Name of Licensee:	License Number
ABC SBIC, L.P.	12/34-5678

Certificate as of Date	MM/DD/YYYY
Leverageable Capital	
Regulatory Capital	
Management Fee	
Overline Limit	



Drawdown Limitations

- Tiers range from 1X to 3X of Regulatory Capital
- Draw based on Leverageable Capital
- Max per fund - \$175M
- Max per fund family - \$350M

Leverage Fees

Draw fee	2.000%	Leverage drawn, withheld from the proceeds of the draw
Underwriter's fee	0.375%	Leverage drawn, withheld from the proceeds of the draw (only for standard debentures)
Selling agent fee	0.050%	Leverage drawn, withheld from the proceeds of the draw (only for standard debentures)
Interest rates and other fees	0.010%	Trustee fee 0.01% of leverage drawn, withheld from the proceeds of the draw (only for standard debentures)
Total fees	2.435%	

Leverage Interest

- Annual Charge – Minimum annual charge will be phased in:
 - FY24 – 10 bps
 - FY25 – 20 bps
 - FY26 – 25 bps
 - FY27 – 30 bps
 - FY28 – 35 bps
 - FY29 – 40 bps (capped floor)
- Interim interest rate (only for standard debentures)
- Long-term interest – rate is fixed at the time of each debenture pooling, payable semi-annually

Debenture Prepayment and Repayment

- Regular Prepayment / Advanced Prepayment
- Timing of Prepayment Notice
- Regular Prepayment / Advanced Prepayment Notice Template
- SBA Confirmation
- Timing and method of wire payment





Questions?





Thank you.