

Mastering the Leveraged Draw Process: Operational Best Practices



Presenters



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Agenda

Leverage Process Overview
 Commitment Application
 Leverage Draw
 Leverage Repayment



•••••• 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

 $_{\circ}~$ 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		e drawn, withheld from eeds of the draw
Underwriter's fee	proceeds	drawn, withheld from the of the draw (only for debentures)
Selling agent fee	proceeds	drawn, withheld from the of the draw (only for debentures)
Interest rates and other fees	withheld	ee 0.01% of leverage drawn, from the proceeds of the ly 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

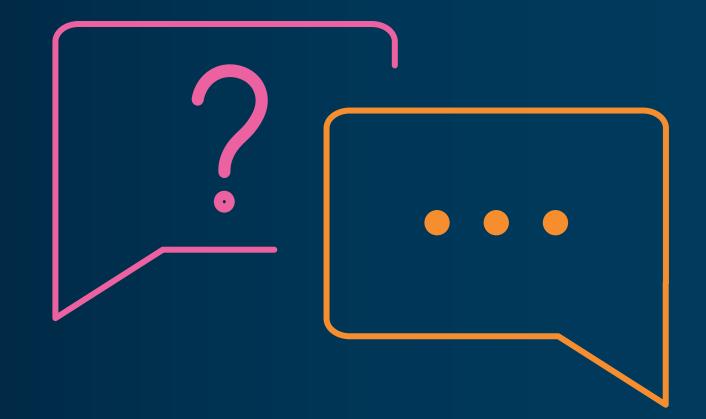
• Timing and method of wire payment







Questions?



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Thank you.

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