



May 20, 2021

The Honorable John Hickenlooper
U.S. Senate
Washington, DC 20515

The Honorable James Risch
U.S. Senate
Washington, DC 20515

Dear Senators Hickenlooper and Risch:

For over 60 years, the Small Business Investor Alliance (SBIA) has been the voice of Small Business Investment Companies (SBICs). We write to express our enthusiastic support for MicroCap Small Business Investing Act of 2021, a bipartisan bill that would strengthen the SBA's Small Business Investment Company (SBIC) program by creating a pathway to increase not only the breadth of participants in the program, but also the geographic reach of investment capital, especially to small businesses located in regions with limited capital access.

The MicroCap SBIC legislation would authorize the licensing of a smaller fund within the parameters of the current SBIC program. The goal of the legislation is to broaden the pool of fund managers in the SBIC program by providing a wider on-ramp to talented underrepresented people in geographies that currently have limited access to participating in this successful small business program, while directing much needed capital to smaller markets.

Under the bill, fund managers who have a documented record of business experience relevant to the investing strategy being pursued would become eligible for a license to manage a smaller SBIC fund with access to much less SBA leverage than other SBICs. This maximum leverage ratio would be 1:1 (up to \$25 million) relative to the private capital that the fund raises. This significantly lower leverage cap for MicroCap SBIC funds would lower taxpayer risk while increasing capital access.

To provide further safeguards and promote successful investments, each fund must have two independent members of their investment committee who are licensed SBIC fund managers and who are required to approve each investment made by the fund. In this advisory capacity, the independent investment committee members serve as mentors to the MicroCap SBIC fund managers.

MicroCap SBIC funds are also required to invest at least 25 percent of their capital in a combination of the following: small businesses in underserved areas, low-to-moderate income areas, Qualified Opportunity Zones, and rural areas, or businesses in research & development and manufacturing.

This legislation would deliver a powerful addition to the SBIC program and thereby help domestic small businesses. We believe it would encourage more diversity in the SBIC program, and we urge the Committee to support it.

SBIA thanks you for your leadership on small business issues and looks forward to working with you to move more commonsense legislation like the MicroCap Small Business Investing Act of 2021 and strengthen the SBIC program.

Sincerely,

A handwritten signature in blue ink that reads "Brett Palmer". The signature is written in a cursive style with a large initial "B" and a long, sweeping underline.

Brett Palmer
President