

Client Advisory | July 2013

## SBA Modifies Procedures for the Prepayment of SBIC Pooled Debentures

On July 25, 2013, the U.S. Small Business Administration ("SBA") issued a notice to Small Business Investment Companies ("SBICs") that the procedures to prepay pooled debentures are being changed starting with the next semi-annual payment date on September 1, 2013.

Until now, SBICs have had the option of prepaying pooled debentures either by ACH debit with funds collected from the SBIC's designated bank account, or by wire transfer directly to the Bank of New York Mellon ("BNY"). The following modifications are being made to simplify and better control the process due to the large volume of prepayments:

- ◆ Notice of all prepayments must be provided via email to SBA, BNY and Colson Financial Services at least five (5) business days in advance of the semi-annual payment date.
- ◆ For all prepayments and maturing debentures, principal payments are to be wired directly to

BNY. Principal will no longer be collected by ACH debit.

- ◆ Only semi-annual interest payments and the SBA annual charge are to be collected by ACH debit.

The SBA has directed SBICs to contact Johnny Kitts, Funding Control Officer ([johnny.kitts@sba.gov](mailto:johnny.kitts@sba.gov)), with any questions regarding the changes to the prepayment procedures. An SBIC seeking to prepay any SBIC pooled debenture more than one month in advance of its next semi-annual payment date is also directed by the SBA to contact Mr. Kitts for special instructions.

Attached are the instructions provided by the SBA for the prepayment

of SBIC pooled debentures incorporating these changes, including relevant contact information and wiring instructions. Please note that these instructions are for the prepayment of SBIC pooled debentures only. Prepayments of LMI and other discount debentures must be made pursuant to instructions provided at each LMI/other discount debenture disbursement.

If you have questions regarding this update or the SBIC program in general, please contact any of the attorneys listed on this page.

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## **SBIC Pooled Debenture Prepayment Instruction Summary:**

- SBIC must email prepayment notice to SBA and CC, both the Bank New York Mellon (BNY) & Colson Financial Services (Colson) - this notice must include your SBIC name, license number and the Pool Series, ID Control Number, Principal Amount & Maturity Date of each debenture you plan to prepay:

SBA: [SBICFunding@sba.gov](mailto:SBICFunding@sba.gov)  
BNY: [catherine.cerilles@bnymellon.com](mailto:catherine.cerilles@bnymellon.com) &  
Colson: [samuelj@colsonservices.com](mailto:samuelj@colsonservices.com)

- Notice must be emailed **at least 5 business days** in advance of the semi-annual payment date. No advance notice is required when you are wiring the principal due on maturing debentures.

For Example: for the September 1, 2013 semi-annual payment date - prepayment notices must be emailed by no later than Monday, August 26, 2013.

- Principal must always be wired - it will no longer be collected by ACH debit. Principal due at maturity must also be wired. Combine all principal payments into one wire. Send the wire on or before the semi-annual payment date or by no later than the next business day, if the payment date falls on a weekend or holiday. The wiring instructions are as follows:

**The Bank of New York Mellon**

**ABA #: 021 000 018**

**Bank Acct #: GLA/211705**

**FFC: TAS # 776450**

**Ref: Prepayment (and/or Maturity Payment, if applicable) [SBIC Name]; [License No.]**

**Attn: Catherine Cerilles**

**Note: the bank account number “GLA/211705” and for further credit (FFC) “TAS # 776450” must be presented exactly as shown above.**

- All interest and SBA annual charge payments due will be collected by a single ACH debit of each SBIC’s designated bank account. Colson will collect these payments – including the payments due on debentures being prepaid or maturing – by a single ACH debit on the semi-annual payment date, or on the next business day, if that date falls on a weekend or holiday. Please check the Amortization Schedule(s) previously provided to you by SBA for payments due.
- Principal is payable-in-full. Semi-annual interest & SBA annual change are also payable-in-full through the semi-annual payment date.

**Please Note: These instructions are for SBIC pooled debenture only.**

**Prepayments of LMI and other Discount Debentures must be made pursuant to instructions provided at each LMI/other Discount Debenture disbursement. For LMI and other Discount Debentures a 10 business day notice is required.**