



Comptroller of the Currency
Administrator of National Banks



Executive Summary

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Small Business Investment Companies: An Investment Option for Banks

Welcome by:

John Walsh
Acting Comptroller of the Currency

Presented by:

Sean Greene
Carl Kopfinger
Robert McE. Stewart
Barry Wides



Small Business Investment Companies: An Investment Option for Banks

Welcome by: **John Walsh**, Acting Comptroller of the Currency

Moderated by: **Barry Wides**, Deputy Comptroller for Community Affairs, Office of the Comptroller of the Currency

Presented by: **Sean Greene**, Associate Administrator for Investment and Special Advisor for Innovation, US Small Business Administration (SBA)
Carl Kopfinger, Senior Vice President, TD Bank
Robert McE. Stewart, General Partner, Spring Capital Partners II, LP

Overview

Small Business Investment Companies (SBICs) are privately owned and managed investment firms that are licensed and regulated by the Small Business Administration. SBICs provide capital to small businesses, which stimulates growth and creates jobs.

These investments can earn a good return for private investors while providing banks with Community Reinvestment Act (CRA) credit. Also, investments in SBICs are permitted covered fund investments under the Volker Rule.

"For many bankers, SBICs offer a way to earn a good return, while earning positive Community Reinvestment Act consideration and helping their local economy create jobs."

—John Walsh

Context

After opening remarks by John Walsh, the presenters shared their perspectives. Barry Wides then provided an overview of the regulatory and risk considerations for banks interested in investing in SBICs.

Key Points (Government Sponsor – Greene)

Mr. Greene described what the SBIC program is, how it works, what the economics are, how SBICs have performed, and what the future holds for this program.

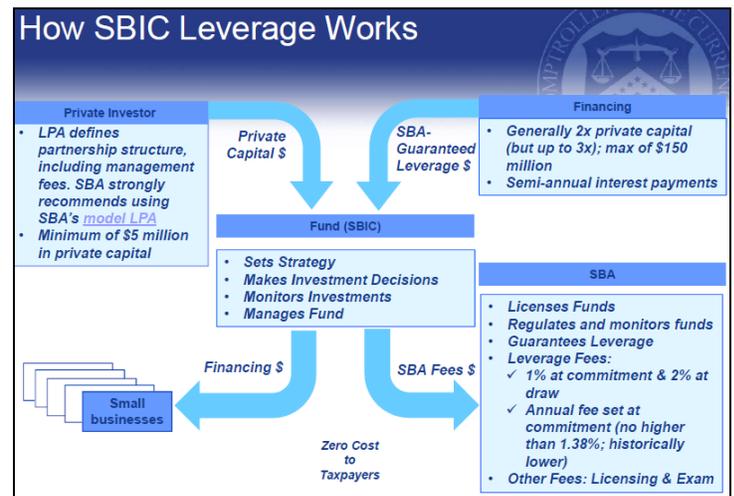
The SBIC Program in Brief

The Small Business Investment Company Program was created in 1958 to bridge the gap between entrepreneurs' need for capital and traditional sources of capital. The basic idea is that private investors would raise funds to invest in small businesses, with the Small Business Administration (SBA) providing leverage, while also licensing and regulating them. Once capitalized, SBICs would make debt and equity investments in qualified small businesses to help them grow.

Over the past 50 years the core SBIC program has grown to represent over \$17 billion of capital under management. And SBICs have helped some of America's most promising small businesses grow into very large businesses, including Apple, HP, Intel, Amgen, Staples, AOL, FedEx, and Costco.

How it Works

As the diagram below shows, the SBIC funds are at the center. Each fund sets its own investment strategy, makes its own investment decisions, and manages and monitors its investment portfolio.



Source of Capital

Capital comes into an SBIC fund via two sources:

- **Private investors.** SBICs raise capital from private investors, including banks who become limited partners (LPs). The SBA has a model limited partnership agreement that sets the structure for the relationship between the LPs and the funds. SBICs must raise a minimum of \$5 million in private capital prior to having their license application approved.
- **SBA.** The SBA matches the private capital by providing leverage of two to three times the amount raised up to \$150 million. So, for example, an SBIC that raised \$40 million in private capital might obtain SBA financing of \$80 to \$120 million.
- The SBA provides leverage to SBICs through a pooled offering of debentures sold in the bond market. The term of these debentures is 10 years, with the principal payment due at maturity, and there is no prepayment penalty. Interest must be paid by the SBIC semi-annually, and the rate of interest is typically a small margin above the 10-year Treasury note.
- The SBA's role is to license an SBIC initially, after performing diligence, and then to regulate and monitor the fund. The SBA also guarantees that the debentures will be repaid to the bondholders. SBICs pay the SBA a 1% commitment fee and a 2%



drawdown fee. These fees create a reserve against any potential default. The SBIC program is managed to be zero cost to taxpayers.

Use of Capital

SBICs use their capital to invest in qualified small businesses that fit with their investment strategy.

SBA Licensing and Oversight of an SBIC

Licensing

This process consists of the following steps:

- Initial review (2-3 months)*. Initially a fund presents an application in the form of a Management Assessment Questionnaire. The SBA reviews the application, looking at the fund's strategy and track record, and performing due diligence on the fund. The review ends with a go/no-go decision. SBICs that pass the review process receive a "Green Light Letter."
- Raise private capital (up to 18 months)*. SBICs proceed to raise at least \$5 million in private capital.
- Licensing (6 months)*. After having raised the minimum private capital, an SBIC submits a formal licensing application. The SBA then performs final due diligence, background checks, and a detailed legal review. Funds passing this step are approved and licensed.

Oversight

The SBA remains involved by monitoring SBICs. SBA executes leverage commitments and draws, processes various requests, and monitors SBIC compliance and financial health. In particular, SBA reviews a set of quarterly and annual reports, conducts examinations and audits, and monitors ongoing metrics in areas such as portfolio company performance, value, and capital impairment percentage.

Program Data

An analysis of SBIC program data shows a low cost of capital, strong historical returns, and investments in a variety of industries, geographies, and fund strategies.

- Cost of capital*. Debentures are pooled and sold on the bond market every six months. Going back to 2001, the coupon rate on SBA Trust Certificates has averaged about 80 basis points above the 10-year Treasury rate. The most recent coupon was set at just 2.88%, providing an exceptionally low cost of capital for SBICs.
- Returns*. The returns for SBICs have been good. For example, for the vintage years 1999-2003, the last period for which the analysis has been done, the pooled levered net IRR was higher than unlevered net IRR and averaged between 12% to 16%.

"We want to catalyze private investment, with the incremental upside [from leverage] going to the LPs."

—Sean Greene

- Industries*. SBICs have invested in a wide range of industries. Data from 2007 to 2011 shows that more than 20% of all SBIC funds went to manufacturing companies, but SBICs also funded consumer-related businesses, transportation, business services,

communications, computers, health care businesses, financial services, construction, and other industries.

- Geography*. While investments by the venture capital and private equity industries tend to focus on the coasts, investments by SBICs are occurring throughout the country.
- Fund strategies*. The nature of the debenture program, which requires ongoing repayment of interest, tends to encourage the financing of later-stage investments that produce cash flow. An analysis of the portfolio financing strategies used by SBICs shows that 45% were straight debt and 43% were a combination of debt and equity. Just 12% were pure equity. Increasingly SBIC funds are adopting a "one stop" strategy of providing debt and equity.

The SBIC Debenture Program Past and Future

In recent years the SBIC Debenture Program has shown tremendous growth, which has been important for small businesses especially in light of their difficulty in accessing capital. A few metrics tell the story:

- SBA commitment to funds*. From FY06 to FY09, the SBA's average commitment to funds for SBICs was \$750 million. That grew to \$1.2 billion in FY10 and \$1.8 billion in FY11.
- Financing for small business*. From FY06 to FY09, SBICs provided, on average, \$1.3 billion to small businesses. In FY11, SBICs provided \$2.6 billion.

To assist SBICs and small businesses, the SBA has dramatically streamlined the SBIC licensing process from 15 months to less than 6 months. Also, over the past few years, the percentage of applicants for SBIC funds who are women and minorities has increased significantly, from 11% in 2007 to 26% in 2011.

"Fiscal years 2010 and 2011 have been record years for the SBIC program. More capital has been committed to SBICs and more dollars have been channeled to small businesses than at any other point in the program's 53-year history."

—Sean Greene

Going forward, the SBA is authorized to make commitments for SBIC funds up to \$3 billion. The SBA is focused on making internal improvements to further streamline the approval process and to engage in better outreach. In addition, SBA is also pursuing three new initiatives:

- Unleveraged licensees*. Some licenses will be available for investors who don't need access to the SBA's leverage, but want to participate in an SBIC for CRA or Volcker Rule benefits.
- Impact Investing Program*. This is a \$1 billion commitment over five years focused on funds committed to investing in underserved communities or national priority sectors, such as energy.
- Early Stage Program*. This is also a \$1 billion program over five years that is focused on funds for early stage ventures.

Advantages of an SBIC

Mr. Greene recapped his comments by summarizing the many advantages of SBICs. They include:

- Low cost of capital*



- Favorable returns
- Access to leverage, which improves a fund's returns
- CRA and Volcker Rule exemption benefits
- Assisting small businesses and communities

Key Points (Fund Manager - Stewart)

Providing the perspective of an SBIC fund manager, Mr. Stewart shared his fund's investment philosophy and performance, and described how the fund operates.

Spring Capital Partners (SCP)

SCP was founded in 1999 to contribute materially to the success of small businesses by providing critical investment capital and to generate superior risk-adjusted returns for the fund's limited partners.

SCP's first fund was \$75 million (with \$25 million in private capital and \$50 million in leverage from the SBA) and the second fund is \$113 million (\$38 million of private capital and \$75 million in SBA leverage). For its first fund, the weighted average cost of capital was 5.36%; the cost of capital for the second fund is 4.77%.

To date SCP has invested more than \$148 million in 39 portfolio companies. These companies have been in manufacturing, aviation services, IT outsourcing, telecom, and several other industries.

Investment Strategy and Philosophy

SCP's investment strategy is to provide debt financing (typically enterprise-value mezzanine or second lien funds) with equity upside through warrants. Other SBICs may have different strategies, which can include senior debt, debt financing for capital expenditures, or equity-oriented, unsecured investments.

Several factors go into SCP's investment decisions, but most important is the quality of a company's management team and the alignment of management's incentives through a significant equity stake. SCP also prefers to invest in companies that have a sound credit position. Also, SCP looks at the potential exit strategy of a firm, so that SCP can realize value from its investment. SCP excludes investments in startups, turnarounds, real estate companies, investment companies, and foreign companies.

Regarding the use of proceeds, SCP looks for firms with revenue of at least \$10 million that are in need of growth or expansion capital. (Other SBICs may prefer funding acquisitions, debt refinancing, or recapitalizations.) In the first fund, 65% of proceeds were for change of control, with 29% for expansion. The average revenue of portfolio companies was \$26 million, EBITDA was \$1.9 million, and the average investment was \$3 million. In the second fund, the average revenue of portfolio companies was \$41.5 million, EBITDA was \$4.5 million, and the average investment was \$4.5 million.

Fund Operations

SCP thinks of its operations in a series of steps, beginning with deal origination and ending with reporting to LPs.

- Origination.* SCP receives many referrals for potential portfolio companies in which to invest. These referrals come from equity investors, investment banks, commercial banks, business brokers, companies themselves, and a range of other sources. Yet SCP invests in only about 1.5% of the referrals it receives.

Despite that fact, SCP still actively cultivates referrals by participating in industry associations and by working with various strategic partners.

- Deal structuring.* Once SCP decides on a potential investment, it proceeds to structure the deal. SCP's standard structure is subordinated debt with warrants. The debt has a five-year maturity and a 12% to 14% interest rate. The warrants, which come with a put right, allow SCP to achieve an expected return of 20+% over five years. SCP also charges a 2% closing fee. Alternative structures include coupon-only subordinated debt with no equity; in this instance the rate on the coupon might be 18%, or a minority equity position.

"We want significant current return and redeemable equity upside on all investments."

— Robert McE. Stewart

- Due diligence.* After the deal structure has been agreed by SCP and the portfolio company, a rigorous due diligence process ensues. This includes site visits and management interviews; extensive business and legal due diligence; background checks of key managers; review of audited financials; and customer calls.
- Investment approval.* At SCP all new deals require unanimous approval by the firm's investment committee, which is comprised of the fund's principals and two outside members. The outsiders along with a 5-7 person advisory board have proven particularly valuable at providing an external perspective. In addition to reviewing and approving new investments, the investment committee has quarterly meetings where current portfolio companies are reviewed.
- Investment monitoring.* After an investment has been approved, a deal typically takes 60-90 days to close. After a deal has closed, SPC monitors its investments closely. The fund reviews the financials of its portfolio companies, observes board meetings, and serves as a company advisor as needed.
- LP communications/reporting.* Among SPC's principals, there is daily communication about deals and biweekly partners' meetings. The investment committee meets as necessary. The fund has quarterly board meetings, reports to all limited partners each quarter, and has an annual meeting of limited partners.

Case Study

SCP learned about a software government contractor that had underutilized Intellectual Property. The management team wanted to buy this business but needed capital, and was willing to invest alongside an investor.

After conducting due diligence, SCP decided to invest \$3.75 million in subordinated debt and provided \$750,000 in equity financing. The company's management team and employees invested \$2.5 million. At the time, the company had revenue of about \$17 million with EBITDA of \$1 million.

After the transaction the company grew dramatically. It developed new products, expanded internationally, and doubled its base of employees. SCP provided an additional \$2 million in growth capital. Revenue increased to \$60 million and EBITDA grew to \$3 million.



SCP then exited when a Fortune 100 firm acquired the company. SCP realized an IRR in excess of 33% and a cash-on-cash gain of 1.5x.

Key Points (Investor - Kopfinger)

TD Bank has been investing in the SBIC asset class for more than a decade. Carl Kopfinger, who leads TD Bank's SBIC investments, explained how his bank thinks about SBIC opportunities and risks.

"SBA and OCC have a tremendous opportunity to educate the banking sector about this investment class."

—Carl Kopfinger

Investment Considerations

Mr. Kopfinger identified several factors that TD Bank considers related to SBIC investments. These factors include:

- Expected returns.* TD Bank looks at the expected economic returns for the bank's shareholders. Historically, mezzanine investments have had good long-term returns.
- CRA and Volcker Rule benefits.* TD Bank definitely sees CRA and Volcker Rule benefits as attractions of SBICs.
- Relationships.* By participating in SBICs, banking relationships can develop with the fund, the fund manager, the general partners, and the fund's portfolio companies.
- Fund managers.* An important factor in any SBIC decision is the strength and dependability of the fund manager. TD Bank looks for strong investment managers with a dependable track record of delivering solid results.
- Asset diversification.* Investing in SBIC funds is part of TD Bank's asset diversification strategy.

Due Diligence

Mr. Kopfinger advised banks that are considering SBIC investments to perform their own due diligence; not to rely on others. Items on his due diligence checklist included:

- Track record.* Banks should evaluate the investment track record of fund managers. This includes assessing prior IRR returns and comparing a team's deal underwriting to its stated strategy.
- Management.* Any investment requires confidence in the SBIC fund's management team. A bank should look at team tenure, cohesiveness, departures, and changes. Due diligence should include face-to-face meetings and background checks. Also, understand how a fund communicates with its limited partners.

"This will be a 10- to 15-year relationship. So, you have to be comfortable with the fund management team."

—Carl Kopfinger

- Investment process.* A bank should understand an SBIC's fund's investment process. How does it find investments and what are the fund's competitive differentiators? What is its decision-making process and what is its thought process about

exit strategy? How does it manage risk? What lessons have the principals learned from past failed deals?

- Partnership terms.* As part of the diligence process, a bank should learn about the limited partnership terms and the fund's capitalization. This includes learning how much is being personally invested by general partners. Do they have "skin in the game?" (Mr. Kopfinger said that funds where general partners put in 1% to 5% of the fund are typical, and more is better.) Due diligence should also examine any preferred return to the limited partners, how losses or gains are distributed, and the workings of the investment committee.
- Background references.* In its due diligence process, TD Bank speaks with co-investors and other limited partners (including those who are not returning), as well as former partners, employees, and portfolio company CEOs, particularly CEOs of failed portfolio companies.
- Document checklist.* Mr. Kopfinger provided a checklist of documents that are part of the due diligence process. This includes a limited partnership agreement, a subscription agreement, a private placement memo, a management assessment questionnaire, the fund's most recent PowerPoint presentation, and audited financials, if available.

Once a bank completes its due diligence and decides to invest in a fund, it should speak with the fund managers regularly and meet with them at least annually. It should also review audited financials quarterly.

Risks

Also important in deciding whether to invest in an SBIC fund is consideration of the risks involved. Key risks include:

- Loss of capital.* This by far is the greatest risk. However, in Mr. Kopfinger's experience investing in SBICs, TD Bank has not experienced losses in the debenture fund.
- Timing of returns.* SBIC investments are illiquid and require patient, long-term capital. Investors should not expect returns during the first few years.

Risks are mitigated through meticulous due diligence, by only funding experienced fund managers with a proven track record, and by investing in SBIC funds that focus on safer, later-stage investments.

Key Points (Regulator - Wides)

Barry Wides discussed regulatory considerations for banks related to investing in SBICs.

SBIC Investment Authority

National banks and federal savings associations (FSA) may invest up to 5% of capital and surplus in SBICs. SBICs are also eligible public welfare investments for national banks under 12 CFR Part 24 and for FSAs under 12 CFR 160.36. FSAs are also authorized to invest in service corporations engaged in a broad range of preapproved activities, including investments in SBICs.

Capital Considerations

Specific and detailed capital rules apply to SBIC investments under both the general risk-based capital rules (for national banks) and



the advanced approaches capital rules. Generally, investments in SBICs will be assigned a risk-weight of 100%, requiring 8% capital against such investments, so long as the aggregate amount of the investments are less than 15% of a bank's Tier 1 capital (general risk based capital rules for national banks) or 10% of Tier 1 and Tier 2 capital (advance approaches rule).

SBIC Investments Under CRA

For large and intermediate small banks, investments in organizations that promote economic development by financing small businesses, including SBICs, are qualified investments under CRA. Whether an SBIC meets the CRA's geographic requirements for a particular bank depends on the SBIC's coverage as well as the bank's assessment area. There is some flexibility here. A bank's SBIC investment would be considered a qualified CRA investment if it supports an organization or activity that covers an area that is larger than but includes the institution's assessment areas. Also, an institution's assessment areas need not receive an immediate or direct benefit from an SBIC investment. A bank making an investment can rely on the SBIC fund manager's documentation that the SBIC will use its best efforts to invest in businesses aligning with the bank's assessment areas.

Small banks can request that examiners review their performance in making qualified investments such as in SBICs to enhance a satisfactory rating.

Also, while the agencies have not yet issued final rules implementing the Volcker Rule set forth in 619 of the Dodd-Frank Act, Section 619 expressly authorizes banks to make investments in SBICs that fall within the statutory definition of a private equity fund or hedge fund. The proposed rule adopted this statutory exemption for SBIC investments and further clarified that banks may sponsor SBIC investments. However, a bank that manages, sponsors, or provides investment advice to a SBIC that qualifies as a hedge fund or private equity fund is not permitted to engage in a so-called "covered transaction" with the SBIC, such as extend credit, make a guarantee, or purchase assets.

Next Steps

To learn more about SBICs, contact the SBA to find out which SBICs are raising funds. Also, interested investors should review their bank's investment strategy to ensure that an SBIC has an investment strategy consistent with that of the bank. There should be alignment around industry, geography, risk profile, and risk/return. Participants are encouraged to contact their bank examiners with any questions.

Due Diligence

Once a bank has identified a fund seeking investments that matches its investment profile, the bank should conduct rigorous due diligence, as outlined by Mr. Kopfinger. This due diligence process should include a review of the investment performance of the SBIC's previous funds. Banks should contact their risk management departments to validate prior performance.

Managing Investments

After investing in an SBIC, a bank must establish a sound process for monitoring the SBIC's investment activities. This includes reviewing the investment valuation, the performance reviews, the financial statements, and various SBIC reports, such as the capital account statement which tracks capital inflows and outflows.

Resources

- Panelist emails: The panelists provided their email addresses and encouraged individuals to contact them with any questions:
 - Sean Greene: sean.greene@sba.gov
 - Carl Kopfinger: carl.kopfinger@td.com
 - Robert McE. Stewart: rms@springcap.com
 - Barry Wides: barry.wides@occ.treas.gov
- Frequently Asked Questions About Small Business Finance, Office of Advocacy, Small Business Administration, September 2011
<http://www.sba.gov/sites/default/files/Finance%20FAQ%208-25-11%20FINAL%20for%20web.pdf>
- Office of the Comptroller of the Currency, Community Affairs, Small Business Resource Directory <http://www.occ.gov/topics/community-affairs/resource-directories/small-business/index-smallbusiness.html>
- Part 107 Small Business Investment Companies, Code of Federal Regulations, Title 13, Volume 1, Revised as of January 1, 2009, can be accessed from http://www.access.gpo.gov/nara/cfr/waisidx_09/13cfr107_09.html
- Guidance on Equity Investment and Merchant Banking Activities of Financial Holding Companies and Other Banking Organizations Supervised by the Federal Reserve, June 22, 2000
<http://www.federalreserve.gov/boarddocs/SRLetters/2000/sr0009a1.pdf>
- Private Equity Glossary of Terms
<http://mba.tuck.dartmouth.edu/pecenter/resources/glossary.html>
- Small Business Administration Office of Investment
<http://www.sba.gov/about-offices-content/1/2890>
- Small Business Investor Alliance <http://www.nasbic.org/>
- Staebler, Michael B., "Overview of the Small Business Investment Company Program", Pepper Hamilton, LLP, January 6, 2012
http://www.pepperlaw.com/publications_article.aspx?ArticleKey=13



Presenter Biographies

John Walsh

*Acting Comptroller of the Currency,
Office of the Comptroller of the Currency*

John Walsh became acting Comptroller of the Currency on August 15, 2010. The Comptroller of the Currency is the chief executive of the Office of the Comptroller of the Currency (OCC), which supervises more than 1,500 federally chartered commercial banks and about 50 federal branches and agencies of foreign banks in the United States. These institutions comprise nearly two-thirds of the assets of the commercial banking system. The Comptroller also is a director of the Federal Deposit Insurance Corporation and NeighborWorks® America. Mr. Walsh joined the OCC in October 2005 and previously served as Chief of Staff and Public Affairs.

Prior to joining the OCC, Mr. Walsh was the Executive Director of the Group of Thirty, a consultative group that focuses on international economic and monetary affairs. He joined the Group in 1992, and became Executive Director in 1995. Mr. Walsh served on the Senate Banking Committee from 1986 to 1992 and as an International Economist for the U.S. Department of the Treasury from 1984 to 1986. Mr. Walsh also served with the Office of Management and Budget as an International Program Analyst, with the Mutual Broadcasting System, and in the U.S. Peace Corps in Ghana.

Mr. Walsh holds a masters in public policy from the Kennedy School of Government, Harvard University (1978), and graduated magna cum laude from the University of Notre Dame in 1973. He lives in Catonsville, Maryland. He is married with four children.

Sean Greene

Associate Administrator for Investment and Special Advisor for Innovation, US Small Business Administration (SBA)

Sean Greene is the Associate Administrator for Investment and Special Advisor for Innovation at the US Small Business Administration (SBA). He is responsible for the Small Business Investment Company program, a growth capital program with approximately \$16 billion of assets under management, and the Small Business Investment Research program, one of the government's largest innovation programs, which provides more than \$2 billion of research and development funding to small businesses each year. He also leads SBA's efforts to stimulate high-growth entrepreneurship and has been one of the leaders in the administration's Startup America initiative.

Mr. Greene brings 20 years of experience as an entrepreneur, investor, and business strategist to the SBA. He was the founder and CEO of Away.com, an online travel company that he sold to Orbitz. He was a co-founder of Rock Creek Ventures and LaunchBox Digital, a seed-stage investment firm in Washington, D.C. Previously Mr. Greene was a management consultant with McKinsey and Co.

Mr. Greene holds a bachelor of arts degree from Princeton University and a master of business administration degree from Yale University's School of Management. He was a Fulbright Scholar at the National University of Singapore.

Carol Kopfinger

Senior Vice President, TD Bank

Carl Kopfinger is a Senior Vice President of TD Bank, based in Philadelphia, Pennsylvania. He is responsible for managing the bank's venture capital and mezzanine investment portfolio, which comprises more than 70 funds from Maine to Florida. He joined TD Bank and its predecessor bank in 2004.

He also represents the bank as a limited partner, advisory, and/or valuation committee member in many of its venture and mezzanine fund investments, including Argosy Capital, BIA Digital, Boathouse Capital, CapitalSouth Partners, CEI Ventures, Commerce Health Ventures, Edison Ventures, First New England, Greycroft Partners, Ironwood Equity, Ironwood Mezzanine, High Peaks, Liberty Ventures, Long River Ventures, NewSpring Health Ventures, NewSpring Mezzanine, North Atlantic Capital, Pine Street Capital, Plexus Capital, Point Judith Ventures, Praesidian Opportunity Fund, Seacoast Capital, and Village *TD Bank* Ventures.

Mr. Kopfinger has more than 30 years of progressive financial experience. He has coached and judged venture-backed companies for the Mid-Atlantic Venture Conference, the Three Rivers Venture Fair, Early Stage East, and the NJ Venture Conference. Before joining TD Bank, Mr. Kopfinger worked for FleetBoston Financial, now Bank of America, and with Comerica Bank's Technology & Life Sciences Division. While with previous employers—Bank Hapoalim, PNC Bank, and Mellon Bank—he worked with Fortune 1000 companies, providing them with structured finance and other credit and non-credit products.

Mr. Kopfinger is on the board of the Small Business Investor Alliance (formerly the National Association of Small Business Investment Companies), the Delaware Tamanend Foundation, the University City Science Center, and the NJ Technology Council. His professional affiliations include the Association for Corporate Growth and the Greater Philadelphia Alliance for Capital & Technologies.

Robert McE. Stewart

General Partner, Spring Capital Partners, LP

Robert McE. Stewart is a General Partner and co-founder of Spring Capital Partners, which was started in 1999. The firm provides expansion and acquisition capital to growing and medium-size businesses. Mr. Stewart has over 20 years of experience as a commercial lender, investment banker, and merchant banker. He is responsible for generating new investment opportunities, negotiating and structuring investments, monitoring current investments, and overall fund management. The firm operates two funds—Spring Capital Partners LP and Spring Capital Partners II, LP—both Small Business Investment Company funds ("SBIC").

Mr. Stewart has initiated, invested, and closed numerous transactions involving various financing techniques, including subordinated debt with warrants, bridge loans with warrants, convertible and preferred stock, and common stock. He has closed merger and acquisition transactions ranging from \$5 million to \$350 million; completed initial public offerings and follow-on equity



offerings ranging from \$25 million to \$150 million; and conducted overall analysis, due diligence, valuation, investment negotiation, and ongoing oversight of these investments.

He has served as board observer to the firm's portfolio companies and has been a director of numerous companies. He is the Chairman of the Small Business Investor Alliance (formerly the National Association of Small Business Investment Companies), and his professional affiliations include the Association for Corporate Growth, the Mid-Atlantic Venture Association, and the Florida Venture Forum.

Mr. Stewart holds a bachelor of arts (cum laude) from Hampden-Sydney College and a master of business administration from Wake Forest University.

Barry Wides

*Deputy Comptroller for Community Affairs,
Office of the Comptroller of the Currency*

Barry Wides is the OCC's Deputy Comptroller for Community Affairs, in which capacity he leads a department of community development professionals located in Washington, DC, and the four OCC districts. The Community Affairs staff is responsible for outreach to banks and their community partners, the administration of the Public Welfare Investment Authority, the development of policy, and the creation and distribution of educational materials on community development issues.

Prior to joining the OCC in 1999, Mr. Wides was Director of Affordable Housing Sales at Freddie Mac. He led a nationwide sales team responsible for developing products and strategies to achieve the company's congressionally mandated affordable housing goals. He previously served as Deputy Director of the Resolution Trust Corporation's Affordable Housing Program. Mr. Wides began his career in Washington as a presidential management intern and budget examiner at the Office of Management and Budget.

Mr. Wides is a Certified Public Accountant and holds a BS in accounting and an MBA from Indiana University.

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