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1ST SESSION

S. 1923

To address small business investment companies licensed to issue participating debentures, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 26, 2005

Ms. SNOWE (for herself, Mr. TALENT, and Mr. BOND) introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

A BILL

To address small business investment companies licensed to issue participating debentures, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Small Business Invest-
5 ment and Growth Act of 2005”.

6 **SEC. 2. PARTICIPATING DEBENTURE COMPANIES.**

7 Part A of title III of the Small Business Investment
8 Act of 1958 (15 U.S.C. 681 et seq.) is amended by adding
9 at the end the following:

1 **“SEC. 321. PARTICIPATING DEBENTURE COMPANIES.**

2 “(a) DEFINITIONS.—As used in this section, the fol-
3 lowing definitions shall apply:

4 “(1) GENERAL PARTNER.—The term ‘general
5 partner’ means an investor in a small business in-
6 vestment company that participates in the daily
7 management of the small business investment com-
8 pany, and may include a managing partner in a lim-
9 ited liability company.

10 “(2) GROSS RECEIPTS.—The term ‘gross re-
11 ceipts’ means any cash received by a small business
12 investment company, including investment proceeds
13 (both return of capital and profit), interest, divi-
14 dends, and fees, other than capital contributed by a
15 partner, the proceeds of the issuance of participating
16 debentures, and other money (if any) borrowed by
17 the small business investment company.

18 “(3) INTERIM FUNDING PROVIDER.—The term
19 ‘interim funding provider’ means any entity that
20 provides funding guaranteed by the Administration
21 to a licensed company in between the periodic pools
22 created by any trustee.

23 “(4) LICENSED COMPANY.—The term ‘licensed
24 company’ means a small business investment com-
25 pany authorized to issue participating debentures by
26 a license issued under section 301 for that purpose.

1 “(5) LIMITED PARTNER.—The term ‘limited
2 partner’ means an investor in a small business in-
3 vestment company, other than the Administrator,
4 that does not participate in the daily management of
5 the small business investment company.

6 “(6) PARTICIPATING DEBENTURE.—The term
7 ‘participating debenture’ means a debt security that
8 is—

9 “(A) in a form prescribed by the Adminis-
10 trator that obligates the issuing company to
11 pay—

12 “(i) on the fifth anniversary of the
13 date of issuance of the debenture, all ac-
14 crued interest on that debenture that has
15 not previously been paid;

16 “(ii) semiannually thereafter, interest
17 accruing after the fifth anniversary of the
18 date of issuance of the debenture; and

19 “(iii) any other amount required by
20 this subsection; and

21 “(B) is subject to the terms and conditions
22 set forth in this subsection and to any addi-
23 tional terms and conditions as may be pre-
24 scribed by the Administrator that are consistent
25 with this subsection.

1 “(7) PRIVATE COLLATERAL.—The term ‘private
2 collateral’ means any money that any private part-
3 ner has contractually committed to invest in a li-
4 censed company during the most recent licensing of
5 the licensed company, but that has not yet been paid
6 to the licensed company.

7 “(8) TRUSTEE.—The term ‘trustee’ means an
8 entity that combines any securities, interests, or ob-
9 ligations from licensed companies in the partici-
10 pating debenture program under subsection (b) into
11 pools and issues trust certificates.

12 “(9) TRUST CERTIFICATE.—The term ‘trust
13 certificate’ means a certificate issued by the trustee
14 that represents an interest in a particular pool of
15 any securities, interests, or obligations from licensed
16 companies in the participating debenture program.

17 “(10) TRUST CERTIFICATE HOLDER.—The
18 term ‘trust certificate holder’ means an investor that
19 purchases a trust certificate.

20 “(b) PARTICIPATING DEBENTURES PROGRAM.—

21 “(1) GUARANTEE OF PARTICIPATING DEBEN-
22 TURES.—

23 “(A) REDEMPTION PRICE AND INTER-
24 EST.—The Administrator is authorized to guar-
25 antee the payment of the redemption price and

1 interest on a participating debenture issued by
2 a licensed company to the interim funding pro-
3 vider under such terms and conditions as the
4 Administrator shall establish by regulation.

5 “(B) REPAYMENT IN DEFAULT.—The Ad-
6 ministration is authorized to guarantee the re-
7 payment to the interim funding provider in the
8 event of a default by a licensed company, of the
9 funds advanced by the interim funding provider
10 to the licensed company pursuant to the agree-
11 ment between the Administration and the li-
12 censed company, under such terms and condi-
13 tions as the Administrator shall establish by
14 regulation.

15 “(C) TRUST CERTIFICATES.—The Admin-
16 istrator is authorized to guarantee the payment
17 of the redemption price and interest on a trust
18 certificate issued by the trustee to the trust cer-
19 tificate holders under such terms and conditions
20 as the Administrator shall establish by regula-
21 tion.

22 “(2) GUARANTEE FEE.—The Administration is
23 authorized to charge a separate fee—

24 “(A) under paragraph (1)(A), to the in-
25 terim funding provider;

1 “(B) under paragraph (1)(B), to the li-
2 censed company; and

3 “(C) under paragraph (1)(C), to the trust-
4 ee.

5 “(3) ZERO-SUBSIDY.—Each of the fees author-
6 ized under paragraph (2) shall be sufficient to re-
7 duce the cost of each corresponding guarantee in
8 paragraph (1) to zero, as that term is defined under
9 the Federal Credit Reform Act of 1990.

10 “(4) MATCHING PAYMENT STREAMS.—With re-
11 spect to any participating debenture issued by a li-
12 censed company, or with respect to any security
13 issued representing an interest in a pool of such se-
14 curities, the amount and schedule of—

15 “(A) the interest payment obligations of
16 the Administration to the trust certificate hold-
17 ers shall be equal to the amount and schedule
18 of the interest obligations of the licensed com-
19 pany to the Administration; and

20 “(B) the principal redemption obligations
21 of the Administration to the trust certificate
22 holders shall be the same as the amount and
23 schedule of the licensed company’s principal re-
24 demption obligations to the Administration.

1 “(5) INTEREST TO INTERIM FUNDING PRO-
2 VIDER.—

3 “(A) RIGHT TO RECEIVE INTEREST.—For
4 the advancing of monies to a licensed company
5 pursuant to the license of that company, the in-
6 terim funding provider shall have the right to
7 receive interest from the licensed company.

8 “(B) AMOUNTS.—The interest authorized
9 under subparagraph (A) shall be calculated
10 based on the time period beginning on the date
11 on which the interim funding provider advances
12 the funding, and ending when the interim fund-
13 ing provider provides the securities of the li-
14 censed company to a trustee for the purpose of
15 pooling those securities and selling interests in
16 that pool.

17 “(C) COLLECTION OF INTEREST.—The in-
18 terim funding provider may collect interest re-
19 ferred to in this paragraph by withholding
20 money from the money advanced to the licensed
21 company by the interim funding provider.

22 “(6) MAXIMUM LEVERAGE.—Notwithstanding
23 any other provision of this subsection, the Adminis-
24 trator may not guarantee a new participating debenture
25 to be issued by a small business investment

1 company, and the company shall not make any dis-
2 tribution to its private investors, if immediately after
3 such issuance or distribution the aggregate unpaid
4 principal balance of the participating debentures
5 issued by the company would exceed 200 percent of
6 the leverageable capital of the licensed company.

7 “(7) PURCHASE OF PARTICIPATING DEBEN-
8 TURES.—The Administrator may authorize a trust
9 or pool acting on behalf of the Administration to
10 purchase participating debentures issued by a small
11 business investment company, under such terms and
12 conditions as the Administrator shall establish by
13 regulation.

14 “(8) REDEMPTION.—Not later than 10 years
15 after the date on which it is issued, a participating
16 debenture shall be redeemed for an amount equal to
17 its outstanding principal balance plus any accrued
18 but unpaid interest on such participating debenture
19 as of the date on which it is redeemed.

20 “(9) INTEREST.—

21 “(A) IN GENERAL.—Interest on a partici-
22 pating debenture is preferred and cumulative
23 and is prepayable out of any gross receipts
24 available for distribution and is in any event

1 payable at the scheduled or accelerated matu-
2 rity of the participating debenture.

3 “(B) INTEREST ON PRINCIPAL BAL-
4 ANCE.—Interest on the principal balance out-
5 standing of a participating debenture shall ac-
6 crue on a daily basis, and unpaid accrued inter-
7 est shall compound semiannually from the date
8 of issuance of the debenture, at a rate deter-
9 mined by the Secretary of the Treasury, taking
10 into consideration the current average market
11 yield on outstanding marketable obligations of
12 the United States with remaining periods to
13 maturity comparable to the average maturities
14 on such securities, adjusted to the nearest $\frac{1}{8}$ of
15 1 percent, plus an additional charge, in an
16 amount established annually by the Adminis-
17 trator, as necessary to reduce to zero the cost
18 (as defined in section 502 of the Federal Credit
19 Reform Act of 1990 (2 U.S.C. 661a)) to the
20 Administration of purchasing and guaranteeing
21 participating debentures under this Act, which
22 rate may not exceed 1.5 percent per annum,
23 and which shall be paid to and retained by the
24 Administration.

25 “(10) PAYMENT DEFAULTS.—

1 “(A) IN GENERAL.—In the event of a fail-
2 ure of a small business investment company to
3 pay any principal or interest on a participating
4 debenture when due (including any mandatory
5 prepayment out of gross receipts), the licensed
6 company shall be in default, and shall be sub-
7 ject to the provisions of subparagraphs (B)
8 through (D).

9 “(B) ACCELERATION.—The Administra-
10 tion, in addition to any other remedies it may
11 have, may demand immediate payment of the
12 principal balance and accrued interest on any
13 or all participating debentures issued by the de-
14 faulting company.

15 “(C) DEFAULT RATE OF INTEREST.—The
16 interest rate on the participating debenture
17 with respect to which the payment default oc-
18 curred may increase, at the discretion of the
19 Administrator, by not greater than 50 basis
20 points from the date of the payment default,
21 and by not greater than an additional 50 basis
22 points on each 6-month anniversary of that
23 date, up to a maximum total increase of 300
24 basis points, until all of the payment defaults of

1 the defaulting company have been cured or
2 waived.

3 “(D) PRIVATE COLLATERAL.—The Admin-
4 istration may apply the private collateral of the
5 licensed company to pay any interest or prin-
6 cipal payment that has not been paid on time
7 according to the payment schedule for the li-
8 censed company.

9 “(11) LIQUIDATION OF LICENSED COMPANY.—
10 In the event of the liquidation of a licensed company
11 issuing participating debentures under this sub-
12 section, a participating debenture shall be senior in
13 priority for all purposes to any interest in the
14 issuing company, whenever created. In liquidation,
15 the private collateral of the licensed company may,
16 at the option of the Administrator, be applied to pay
17 accrued interest and principal of outstanding partici-
18 pating debentures.

19 “(12) DEFAULT OF A LICENSED COMPANY.—In
20 the event of the default of a licensed company
21 issuing participating debentures under this sub-
22 section—

23 “(A) a participating debenture shall be
24 senior in priority for all purposes to any inter-

1 est in the issuing company, whenever created;
2 and

3 “(B) at the option of the Administrator,
4 the private collateral of the licensed company
5 may be applied to pay accrued interest and
6 principal on outstanding participating debentures.
7

8 “(13) INVESTMENT OBLIGATION.—

9 “(A) IN GENERAL.—Any company issuing
10 a participating debenture under this Act shall
11 invest or commit to invest an amount equal to
12 the outstanding face value of such participating
13 debenture solely in equity capital.

14 “(B) EQUITY CAPITAL.—In this subpara-
15 graph, the term ‘equity capital’ means common
16 or preferred stock or a similar instrument, in-
17 cluding subordinated debt with equity features
18 which is not amortized and which provides for
19 interest payments from appropriate sources, as
20 determined by the Administrator.

21 “(14) OTHER DEBT.—A licensed company
22 issuing a participating debenture under this sub-
23 section shall have no debt other than leverage ob-
24 tained in accordance with this Act, and temporary

1 debt in an amount equal to not more than 50 per-
2 cent of the private capital of the company.

3 “(15) USE OF PROCEEDS.—Unless otherwise
4 determined by the Administration, a licensed com-
5 pany may use the proceeds of a participating debenture
6 issued by the company to pay the principal
7 amount and accrued interest due on outstanding
8 participating debentures issued by that company, if
9 the company has outstanding equity capital invested
10 in an amount equal to the amount being refinanced.

11 “(16) DISTRIBUTION OF GROSS RECEIPTS.—

12 “(A) IN GENERAL.—Except as otherwise
13 provided in this subsection, gross receipts, from
14 any source or however categorized for generally
15 accepted accounting principles or tax account-
16 ing purposes, shall be utilized first for the pay-
17 ment of accrued interest on participating debentures,
18 then for repayment of participating debenture
19 principal and contributed private capital, and finally
20 for profit distributions, as provided in subparagraphs
21 (B) through (G).

22 “(B) PAST DUE INTEREST AND PRINCIPAL.—Gross receipts shall first be used,
23 within 10 days of receipt—
24

1 “(i) to pay any past due interest on
2 participating debentures issued by the li-
3 censed company; and

4 “(ii) when there is no past due inter-
5 est outstanding, to repay any past due
6 principal on such debentures (whether such
7 interest and principal are past due by their
8 terms or by acceleration).

9 “(C) MANDATORY INTEREST PREPAY-
10 MENT.—If no unpaid accrued interest or past
11 due principal is outstanding on any partici-
12 pating debenture issued by a licensed company,
13 the company shall use its gross receipts, not
14 later than the end of the calendar quarter in
15 which they were received (or the following cal-
16 endar quarter, if received within 15 days before
17 the end of a calendar quarter) to prepay ac-
18 crued interest on the participating debentures
19 issued by the company, which prepayments will
20 be applied to such accrued interest in the order
21 in which such interest would otherwise become
22 due and payable.

23 “(D) AMORTIZATION DISTRIBUTIONS.—If
24 no unpaid accrued interest or past due principal
25 is outstanding on any participating debenture

1 issued by a licensed company, the company
2 shall distribute its gross receipts—

3 “(i) to the Administration to amortize
4 outstanding participating debenture lever-
5 age; and

6 “(ii) to its private investors, pro rata
7 according to the ratio of outstanding par-
8 ticipating debenture leverage to out-
9 standing leverageable capital at the time of
10 distribution.

11 “(E) POST-AMORTIZATION DISTRIBUTIONS.—If no acerued interest or principal is
12 outstanding on any participating debenture
13 issued by a licensed company, and the company
14 has no outstanding leverageable capital, the
15 gross receipts of the company shall—

16 “(i) until aggregate distributions to
17 private investors under this subparagraph
18 equal aggregate contributions to the cap-
19 ital of the company previously made by
20 private investors, be distributed to the Ad-
21 ministration, an amount equal to the initial
22 profit participation percentage of the total
23 amount being distributed with the remain-
24

1 ing gross receipts distributed to the private
2 investors;

3 “(ii) if aggregate distributions to pri-
4 vate investors under this subparagraph
5 equal or exceed aggregate contributions to
6 the capital of the company previously made
7 by private investors, be distributed to the
8 Administration an amount equal to the
9 final profit participation percentage of the
10 total amount being distributed, with the
11 remaining gross receipts distributed to the
12 private investors; and

13 “(iii) in the case of any post-amortiza-
14 tion distributions to the Administration
15 pursuant to this subparagraph, be deemed
16 to constitute ‘additional’ interest (not ‘ac-
17 crued’ interest).

18 “(F) MANAGEMENT EXPENSES.—For pur-
19 poses of calculating the amount to be distrib-
20 uted to the Administration pursuant to sub-
21 paragraph (E), except as otherwise prescribed
22 by the Administration, the management ex-
23 penses of any company which issues partici-
24 pating debentures under this subsection shall
25 not be greater than 2.5 percent of the combined

1 capital of the company per year, plus, in the
2 case of a company with combined capital of less
3 than \$20,000,000, an additional \$125,000.

4 “(G) DEFINITIONS.—In this paragraph—

5 “(i) the term ‘combined capital’
6 means the aggregate amount of private
7 capital and outstanding leverage;

8 “(ii) the term ‘final profit participa-
9 tion percentage’ means 50 percent of the
10 leverage ratio, reduced by the weighted av-
11 erage interest rate on the financing com-
12 mitments issued by the company;

13 “(iii) the term ‘initial profit participa-
14 tion percentage’ means 25 percent of the
15 leverage ratio, reduced by the weighted av-
16 erage interest rate on the financing com-
17 mitments issued by the company;

18 “(iv) the term ‘leverage ratio’ means
19 the ratio of the aggregate amount of fi-
20 nancing commitment leverage previously
21 drawn by the company (including leverage
22 that has been repaid, and not solely the
23 maximum amount at any one time out-
24 standing, if different) to the aggregate
25 amount of capital previously contributed to

1 the company by private investors (not sole-
2 ly the maximum amount at any one time
3 outstanding, if different);

4 “(v) the term ‘management expenses’
5 includes management fees and any addi-
6 tional salaries, office expenses, travel, busi-
7 ness development costs, office and equip-
8 ment rental, bookkeeping, and the develop-
9 ment, investigation, and monitoring of in-
10 vestments paid by the licensed company,
11 but does not include the cost of services
12 provided by specialized outside consultants,
13 outside lawyers and outside auditors, who
14 perform services not generally expected of
15 a venture capital company nor does such
16 term include the cost of services provided
17 by any affiliate of the company which are
18 not part of the normal process of making
19 and monitoring venture capital invest-
20 ments; and

21 “(vi) the term ‘outstanding
22 leverageable capital’ means any aggregate
23 capital contributions received by a licensed
24 company from private investors which ex-

1 ceed aggregate distributions received by
2 the private investors from the company.

3 “(17) EXCEPTIONS TO ORDER OF DISTRIBUTIONS.—
4 TIONS.—

5 “(A) IN GENERAL.—Notwithstanding para-
6 graph (16)(D), if no unpaid accrued interest
7 (whether or not past due) and no past due prin-
8 cipal is outstanding on any participating debenture
9 issued by the licensed company subparagraph (B) through (D) of this paragraph shall
10 apply.
11

12 “(B) TAX DISTRIBUTIONS.—

13 “(i) IN GENERAL.—The company may
14 make a special distribution of gross receipts or other cash to its private investors
15 without a corresponding distribution to the
16 Administration while principal is out-
17 standing on participating debentures
18 issued by the company, if—
19

20 “(I) the licensed company has an
21 investment in a business (referred to
22 in this subparagraph as the ‘portfolio
23 company’) organized as a limited li-
24 ability company (referred to in this

1 subparagraph as an ‘LLC’) or as a
2 partnership;

3 “(II) the portfolio company has
4 income which will be taxable to its
5 members or partners;

6 “(III) the portfolio company
7 makes a distribution to its members
8 or partners in an amount equal to
9 their assumed tax liability on the
10 portfolio company’s taxable income
11 (referred to in this subparagraph as a
12 ‘tax distribution’); or

13 “(IV) the small business invest-
14 ment company is itself a partnership
15 or an LLC, so that any portfolio com-
16 pany income allocated to it is reallo-
17 cated to the private investors, and it
18 is they who are liable for payment of
19 tax on that income as if it was their
20 own income, whether or not they re-
21 ceive any cash in respect of that in-
22 come.

23 “(ii) AUTHORITY TO MAKE DISTRIBU-
24 TION.—In circumstances described in
25 clause (i), the issuing company may, prior

1 to April 15 of each calendar year, dis-
2 tribute to its private investors up to an
3 amount equal to the difference between—

4 “(I) the estimated aggregate
5 maximum tax liability of the private
6 investors on the income of portfolio
7 companies organized as LLCs or part-
8 nerships during the preceding cal-
9 endar year; and

10 “(II) the aggregate amount dis-
11 tributed to the private investors (other
12 than pursuant to this subparagraph)
13 since April 15 of the preceding cal-
14 endar year, but in no event more than
15 the aggregate amount of tax distribu-
16 tions that the issuing company re-
17 ceived from all of its portfolio compa-
18 nies during the preceding calendar
19 year.

20 “(C) EXPENSES.—A small business invest-
21 ment company may use its gross receipts to pay
22 previously incurred expenses (including manage-
23 ment fees) and other liabilities and it may, in
24 addition, retain additional gross receipts in an
25 expense reserve account in an amount which,

1 added to any existing expense reserve, does not
2 exceed such reasonably anticipated expenses
3 and other liabilities for the following 12-month
4 period, provided such expenses and other liabil-
5 ities are not prohibited under regulations estab-
6 lished by the Administrator or other applicable
7 law.

8 “(D) PREPAYMENT.—Subject to any appli-
9 cable State law requirements, a small business
10 investment company may use gross receipts or
11 other cash to prepay outstanding participating
12 debenture leverage and interest in whole or in
13 part without penalty at any time.

14 “(18) RESTRICTIONS ON DISTRIBUTIONS.—

15 “(A) LIQUIDITY AND OTHER ADMINISTRA-
16 TIVE OR STATE LAW RESTRICTIONS.—A dis-
17 tribution under this subsection may not violate
18 liquidity requirements or other applicable re-
19 strictions on distributions in regulations issued
20 by the Administrator or under applicable State
21 law.

22 “(B) CAPITAL IMPAIRMENT OR REGU-
23 LATORY VIOLATION.—If a small business invest-
24 ment company is in restricted operations or liq-
25 uidation by reason of capital impairment or reg-

1 ulatory violation, the maturity date of the par-
2 ticipating debentures issued by that company,
3 including both principal and accrued interest, is
4 subject to acceleration at the option of the Ad-
5 ministrators, and, whether or not there has been
6 such acceleration, up to 100 percent of all gross
7 receipts and the private collateral of the li-
8 censed company may, at the option of the Ad-
9 ministrators, be required to be distributed to the
10 Administration until accrued interest and prin-
11 cipal on the participating debentures issued by
12 the company have been paid in full, in accord-
13 ance with any terms and conditions that the
14 Administrator may establish by regulation.

15 “(19) DISTRIBUTIONS IN KIND.—

16 “(A) ELECTION OF IN-KIND DISTRIBUTION
17 OF SECURITIES.—A small business investment
18 company that issues participating debentures
19 may elect to make an in-kind distribution of se-
20 curities at any time, subject to applicable secu-
21 rities laws and regulations, if such securities
22 are publicly traded and marketable (or ‘market-
23 able securities’). Marketable securities distrib-
24 uted in kind shall be deemed to be gross re-
25 ceipts for purposes of this subsection, and their

1 distribution shall be subject to the priorities
2 and restrictions applicable to gross receipts
3 under this subsection and to applicable regula-
4 tions issued by the Administrator.

5 “(B) TREATMENT OF ADMINISTRATION
6 SHARE.—The licensed company shall either de-
7 posit the Administration share of such securi-
8 ties with a trustee designated by the Adminis-
9 trator, or retain the Administration share, if
10 the Administrator so directs and with the
11 agreement of the company.

12 “(C) RETENTION OF ADMINISTRATION
13 SHARE.—If the company retains the Adminis-
14 tration share, it shall sell such share and
15 promptly remit the proceeds to the Administra-
16 tion.

17 “(D) VALUE OF ADMINISTRATION’S
18 SHARE.—For purposes of this paragraph, the
19 value of the Administration share is—

20 “(i) the value of the securities, as of
21 the date of distribution to the Administra-
22 tion under subparagraph (B), or as of the
23 initial date of retention under subpara-
24 graph (C); and

1 “(ii) the controlling value for the pur-
2 poses of determining the remaining liability
3 of the company to the Administration, ex-
4 cept that the Administration may receive a
5 greater or lesser amount upon its ultimate
6 sale of such share or upon the ultimate
7 sale by the company of such share on be-
8 half of the Administration.

9 “(20) TIMING OF DISTRIBUTIONS.—

10 “(A) IN GENERAL.—Subject to paragraphs
11 (16) and (18), any gross receipts received by a
12 small business investment company issuing par-
13 ticipating debentures under this subsection that
14 are not placed in an expense reserve pursuant
15 to paragraph (18)(C) shall be distributed by the
16 last day of the fiscal quarter in which such
17 gross receipts were received by the company,
18 except that gross receipts received within 15
19 days before the end of a fiscal quarter shall be
20 distributed by the last day of the subsequent
21 fiscal quarter.

22 “(B) EXCEPTIONS TO TIMING OF DIS-
23 TRIBUTIONS; MARKETABLE SECURITIES.—Gross
24 receipts consisting of marketable securities shall
25 be distributed within 6 months of the date of

1 receipt, unless the small business investment
2 company has obtained the prior consent of the
3 Administrator.

4 “(21) REINVESTMENT OF GROSS RECEIPTS.—
5 Subject to such regulations and restrictions as may
6 be prescribed by the Administrator, and by the
7 agreement of the private investors in a small busi-
8 ness investment company, any gross receipts that ex-
9 ceed the amount needed to make payments required
10 to be made to the Administration under this sub-
11 section, may at the option of the company be rein-
12 vested in qualified small businesses.

13 “(c) POST-DISTRIBUTION COMPUTATION.—After dis-
14 tributions have been made pursuant to this section, the
15 Administration share of such distributions shall not be re-
16 duced or recomputed, except as expressly provided in this
17 section.

18 “(d) NO OWNERSHIP INTEREST TO ADMINISTRA-
19 TION.—This section shall not be construed as creating in
20 the Administration any ownership interest in any small
21 business investment company which issues participating
22 debentures.

23 “(e) CONFLICT WITH OTHER PROVISIONS.—

1 “(1) IN GENERAL.—In the event of a conflict
2 between this subsection and any other provision of
3 this part A, this subsection shall apply.

4 “(2) SPECIFIC PROVISIONS.—In particular, the
5 provisions of this section supersede subsections (g)
6 and (h) of section 303 in their entirety with respect
7 to all matters pertaining to participating debentures
8 issued by a licensed company covered by this sec-
9 tion.”.

○