

APPENDIX 8-1

Standard Cure Letter

SAMPLE

VIA FACSIMILE AND REGISTERED MAIL

License No.

Dear XXXXXXXX:

Upon reviewing the Licensee's Form 468 for the quarter ended XXXXXX, the Office of SBIC Operations ("Operations") has identified the following issue:

The Licensee's Capital Impairment Percentage ("CIP") increased to XXXX% for the period ended XXXXXXXX due to realized portfolio losses and increased unrealized losses. Under 13 CFR §§107.1830 - 1850, the maximum permissible CIP for the Licensee is 60%. Accordingly, Operations has determined that a condition of Capital Impairment exists. The Licensee is hereby directed to cure this impairment to SBA's satisfaction within 15 days of the date of this letter. To cure the impairment, the Licensee will need to increase its Regulatory Capital by an amount not less than \$XXXXXXXX, plus an amount equal to any additional unrealized depreciation and operating expenses incurred subsequent to XXXXXXXX.

Otherwise, pursuant to 13 CFR §107.1820(f), upon expiration of the 15 day period, Operations will place the Licensee in Restricted Operations until the Restricted Operations condition is cured to SBA's satisfaction. Under Restricted Operations, SBA will take all of the following actions:

1. The Licensee will be required to call any remaining unfunded commitments of the General Partner and the Private Limited Partners to meet all liquidity needs before consideration is given to the use of additional SBA leverage.
2. Within 15 days of being placed in Restricted Operations, the Licensee must submit a twelve-month operating budget to SBA. SBA will review the budget and re-determine the Licensee's management fee. Effective the date Licensee is placed in Restricted Operations and until SBA has reviewed and re-determined the Licensee's management fee, the Licensee will be required to reduce the management fee to 50% of the approved management fee contained in the Licensee's limited partnership agreement, unless the fee being paid currently is less than such reduced fee. The Licensee may elect to defer the payment of that portion of the management fee contained in the Licensee's limited partnership agreement that exceeds the reduced amount. However, payment of all

deferred fees in excess of the reduced amount must be subordinated to all amounts payable to SBA. In addition, the Licensee will be required to minimize other expenses including professional service fees and other miscellaneous expenses.

3. The Licensee will be prohibited from making Distributions to any party other than SBA, its agent, or Trustee.
4. No new portfolio investments will be permitted except for investments under existing binding commitments previously disclosed to SBA. Follow-on investments will be permitted only if they are pursuant to existing binding commitments previously disclosed to SBA or, with SBA's prior written approval, if they are necessary to protect the Licensee's investments. The request for SBA approval should include the amount, terms and current financials on the company as well as what the Licensee expects to realize on the follow-on investment and how this follow-on investment will enhance the Licensee's financial condition.

In addition, while under Restricted Operations, the Licensee is required to provide the following information to SBA on a monthly basis:

- a. Status of each portfolio investment, including progress toward exit. The Licensee will be required to include any change in its assessment of the environment or market conditions regarding the industries that portfolio concerns are in and that may affect the value or exit strategy.
- b. A cash report, which must include demand deposits and time deposits.
- c. Additional liquidity requirements needed to meet follow-on investments or current operating expenses.

Your primary focus should be on maturing the portfolio with an emphasis placed on generating liquidity for the fund while at the same time maximizing the sales proceeds for each investment. Every effort should be made to minimize the risk of additional financial losses.

Finally, SBA strongly suggests that the Licensee contact its counsel regarding any duty it may have to notify its limited partners.

The foregoing restrictions are made without prejudice to any other rights of SBA and SBA specifically reserves the right to seek and impose further remedies upon the Licensee as warranted.

If you have questions you may contact the Licensee's Area Chief, XXXXXXXX at 202-XXX-XXXX or Financial Analyst, XXXXXXXX, at 202-XXX-XXXX. Please acknowledge receipt of this letter by signing below and faxing to XXXXXXXX at 202-XXX-XXXX.

Sincerely,

XXXXXXXXXX
Director of Operations
Office of SBIC Operations

Receipt Acknowledged for XXXXXXXXXXXX:

By _____

Title _____

Date _____

APPENDIX 9-1

Transfer Timing Guidance

Consideration Date	Immediately (Next Payment Date)	Quarter 1	Quarter 2	Quarter 3
Consider which licensees in RO should be transferred to LIO	Transfer on this payment date if the following transfer conditions exist:	Transfer on this payment date if:	Transfer on this payment date if:	Transfer on this payment date if:

Licensee commits fraud

Licensee was given a stay of transfer on the "immediate" date but now meets the transfer conditions

Licensee was given a stay of transfer on the "immediate" date and Quarter 1, but now meets the transfer conditions or simply remains impaired

Licensee was given a stay on the "immediate" date and Quarters 1 and 2, but meets the transfer conditions or remains impaired

Licensee no longer has prospects for a qualified management team

Licensee is insolvent

Licensee has impairment that will persist beyond Quarter 3

Licensee's ability to repay appears significantly unlikely as determined by SBA

Stay transfer if the licensee is impaired and the following mitigating conditions exist:

Continue to stay transfer if:

Continue to stay transfer if:

Continue to stay transfer if:

Licensee has net unrealized appreciation that, if counted, would reduce the CIP below the maximum allowable threshold

Upon analysis, it can be determined that the mitigating conditions remain in place and the Licensee's RO condition (presumably impairment) will be cured within 2 quarterly payment dates (by Quarter 3).

Analyst is able to make a compelling case for granting the Licensee more time in Restricted Operations

Not applicable. All Licensees in RO given a stay on the "immediate," Quarter 1 and Quarter 2 payment dates should be transferred on the first day of Quarter 3

Licensee presents evidence satisfactory to SBA of a liquidity event due within 3 quarterly payment dates (by Quarter 3) that will reduce the CIP below the maximum allowable percentage

Licensee is only marginally impaired (within five percentage points of the maximum allowable CIP) and is not in the forbearance period

Licensee is only marginally impaired (within five percentage points of the maximum allowable CIP), is subject to the 85% CIP maximum and still has substantial time remaining in the forbearance period

Licensee has pending valuation issues

Licensee is in the process of raising new capital

Note: This spread sheet contains guidelines only, and does not constitute an agreement with any licensee concerning any specific action. Transfers to the Office of SBIC Liquidation are made at the discretion of the Associate Administrator for Investment.

APPENDIX 10-1

Audited Annual Report on SBA Form 468

10-4
10/10-2

**ANNUAL FINANCIAL REPORT
ON SBA FORM 468
(PARTNERSHIP SBICs)**

OMB Approval No 3245-0063
Expiration Date 7/31/2004

NAME OF LICENSEE:

LICENSE NUMBER:

STREET ADDRESS:

CITY, STATE, AND ZIP CODE:

COUNTY:

EMPLOYER ID NUMBER:

FOR THE REPORTING PERIOD ENDED:

MONTHS:

A - TOTAL ASSETS AT COST

B - OWNERSHIP

C - INDUSTRY CONCENTRATION

SIC CODE

Please Note: The estimated burden for completing this form is 17 hours per response. You will not be required to respond to this information collection if a valid OMB approval number is not displayed. If you have questions or comments concerning this estimate or other aspects of this information collection, please contact the US Small Business Administration, Chief, Administrative Information Branch, Washington, D.C. 20416 and/or Office of Management and Budget, Clearance Officer, Paperwork Reduction Project (3425-0063), Washington, D.C. 20503.

STATEMENT OF FINANCIAL POSITION
AS OF
(Amounts rounded to nearest dollar)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee: _____

License No.: _____

ASSETS

LOANS AND INVESTMENTS:

	<u>COST</u>	<u>UNREALIZED DEPRECIATION</u>	<u>UNREALIZED APPRECIATION</u>	<u>VALUE (1)</u>
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
Portfolio Securities:				
1 Loans	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
2 Debt Securities	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
3 Equity Securities	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4 TOTAL PORTFOLIO SECURITIES:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Assets Acquired in Liquidation of Portfolio Securities:				
5 Receivables from Sale of Assets Acquired	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
6 Assets Acquired	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
7 TOTAL ASSETS ACQUIRED	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
8 Operating Concerns Acquired	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
9 Notes and Other Securities Received	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
10 TOTAL LOANS AND INVESTMENTS	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
11 Less Current Maturities				<input type="text"/>
12 Loans and Investments Net of Current Maturities				<input type="text"/>
Investment in 301(d) Licensee (2):				
13 Name <input type="text"/>				<input type="text"/>
License No. <input type="text"/>				

CURRENT ASSETS

14 Cash and Cash Equivalents	<input type="text"/>			
15 Invested Idle Funds			<input type="text"/>	
16 Interest and Dividends Receivable	<input type="text"/>			
17 Notes and Accounts Receivable	<input type="text"/>			
18 Receivables from Parent or Other Associates	<input type="text"/>			
19 Less: Allowance for Losses (lines 16, 17 & 18)				<input type="text"/>
20 Current Maturities of Portfolio Securities	<input type="text"/>			
21 Current Maturities of Assets Acquired	<input type="text"/>			
22 Current Maturities of Operating Concerns Acquired	<input type="text"/>			
23 Current Maturities of Other Securities	<input type="text"/>			<input type="text"/>
24 Other (specify) <input type="text"/>				<input type="text"/>
25 Other (specify) <input type="text"/>				<input type="text"/>

OTHER ASSETS

26 a. Furniture and Equipment	<input type="text"/>			
b. Less: Accumulated Depreciation	<input type="text"/>			
27 Other (specify) <input type="text"/>				<input type="text"/>
28 Other (specify) <input type="text"/>				<input type="text"/>
29 TOTAL ASSETS				<input type="text"/>

(1) Column Headings apply to items 1 through 12 only. (Cost - Unrealized Depreciation + Unrealized Appreciation = Value)

(2) Note to item 13 should include percent owned, cost basis and changes resulting from equity method of accounting.

STATEMENT OF FINANCIAL POSITION
AS OF
(Amounts rounded to nearest dollar)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

LIABILITIES AND CAPITAL

LONG-TERM DEBT (Net of Current Maturities)

30 Notes and Debentures Payable to or Guaranteed by SBA	<input type="text"/>	
31 Notes and Debentures Payable to Others	<input type="text"/>	<input type="text"/>

CURRENT LIABILITIES

32 Accounts Payable		<input type="text"/>
33 Due to Parent or Other Associates		<input type="text"/>
34 Accrued Interest Payable		<input type="text"/>
35 Accrued Taxes Payable		<input type="text"/>
36 a. Current Maturities of Line 30	<input type="text"/>	
b. Current Maturities of Line 31	<input type="text"/>	<input type="text"/>
37 Distributions Payable		<input type="text"/>
38 Short-term Notes Payable/Lines of Credit		<input type="text"/>
39 Other (specify) <input type="text"/>		<input type="text"/>
40 Other (specify) <input type="text"/>		<input type="text"/>

OTHER LIABILITIES

41 Deferred Credits		<input type="text"/>
42 Other (specify) <input type="text"/>		<input type="text"/>
43 Other (specify) <input type="text"/>		<input type="text"/>
44 TOTAL LIABILITIES		<input type="text"/>

REDEEMABLE SECURITIES (guaranteed or purchased by SBA)

45 a. 4% Redeemable Preferred Securities (301(d) Licensees only)	<input type="text"/>	
b. Cumulative Unpaid 4% Distributions	<input type="text"/>	<input type="text"/>
46 a. Participating Securities	<input type="text"/>	
b. Earned Prioritized Payments Allocated for Distribution	<input type="text"/>	
c. SBA Profit Participation Allocated for Distribution	<input type="text"/>	<input type="text"/>
47 TOTAL REDEEMABLE SECURITIES		<input type="text"/>

PARTNERS' CAPITAL

48 Private Partners' Contributed Capital:		
a. General Partner(s)	<input type="text"/>	
b. Limited Partner(s)	<input type="text"/>	<input type="text"/>
49 Other (specify) <input type="text"/>		<input type="text"/>
50 Unrealized Gain (Loss) on Securities Held		<input type="text"/>
51 Non-Cash Gains/Income	<input type="text"/>	
52 Undistributed Net Realized Earnings (Partners' Earned Capital)	<input type="text"/>	
53 Undistributed Realized Earnings (51 plus 52)		<input type="text"/>
54 TOTAL PARTNERS' CAPITAL		<input type="text"/>

**55 TOTAL LIABILITIES, REDEEMABLE SECURITIES AND
PARTNERS' CAPITAL (lines 44 plus 47 plus 54)**

STATEMENT OF OPERATIONS REALIZED
FOR MONTHS ENDED
(Amounts rounded to nearest dollar)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

INVESTMENT INCOME

1 Interest Income	<input type="text"/>	
2 Dividend Income	<input type="text"/>	
3 Income (Loss) from Investments in Partnerships/Flow-through Entities	<input type="text"/>	
4 Income (Loss) from Investment in Section 301(d) Licensee	<input type="text"/>	
5 Fees for Management Services	<input type="text"/>	
6 Application, Closing and Other Fees	<input type="text"/>	
7 Interest on Cash Equivalents and Invested Idle Funds	<input type="text"/>	
8 Income from Assets Acquired in Liquidation of Loans and Investments (net of \$ <input type="text"/> expenses)	<input type="text"/>	
9 Other Income	<input type="text"/>	

10 GROSS INVESTMENT INCOME

EXPENSES

11 Interest Expense	<input type="text"/>	
12 Commitment Fees	<input type="text"/>	
13 Other Financial Costs	<input type="text"/>	
14 Partners' Compensation and Benefits	<input type="text"/>	
15 Employee Compensation and Benefits	<input type="text"/>	
16 Investment Advisory and Management Services	<input type="text"/>	
17 Partners' Meetings	<input type="text"/>	
18 Advertising and Promotion	<input type="text"/>	
19 Appraisal and Investigation	<input type="text"/>	
20 Communication	<input type="text"/>	
21 Travel	<input type="text"/>	
22 Cost of Space Occupied	<input type="text"/>	
23 Depreciation and Amortization	<input type="text"/>	
24 Insurance	<input type="text"/>	
25 Payroll Taxes	<input type="text"/>	
26 Other Taxes	<input type="text"/>	
27 Provision for Losses on Receivables (excluding loans receivable)	<input type="text"/>	
28 Legal Fees	<input type="text"/>	
29 Audit and Examination Fees	<input type="text"/>	
30 Miscellaneous Expenses (attach schedule)	<input type="text"/>	

31 TOTAL EXPENSES

32 NET INVESTMENT INCOME (LOSS)

33 NET REALIZED GAIN (LOSS) ON INVESTMENTS (1)

34 NET INCOME (LOSS) BEFORE NONRECURRING ITEMS

35 Extraordinary Item

36 Cumulative Effect of Change in Accounting Principle

37 NET INCOME (LOSS)

(1) Provide supporting detail for all realized gains and losses on Page 14P of this form.

STATEMENT OF CASH FLOWS
 FOR MONTHS ENDED
 (page 1 of 2)
 (Amounts rounded to nearest dollar)

OMB Approval No. 3245-0063
 Expiration Date 7/31/2004

Name of Licensee:

License No.:

OPERATING ACTIVITIES:

Cash Inflows:

- 1 Interest Received from Portfolio Concerns
- 2 Dividends Received from Portfolio Concerns
- 3 Other Income Received from Portfolio Concerns
- 4 Management Services and Other Fees Received
- 5 Interest on Cash Equivalents and Invested Idle Funds
- 6 Cash Received from Assets Acquired in Liquidation
- 7 Other Operating Cash Receipts

Cash Outflows:

- 8 Interest Paid
- 9 Commitment Fees and Other Financial Costs
- 10 Investment Advisory and Management Fees
- 11 Partners' and Employees' Compensation and Benefits
- 12 Operating Expenditures (excluding compensation and benefits)
- 13 Other Operating Cash Disbursements

14 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

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INVESTING ACTIVITIES:

Cash Inflows:

- 15 Loan Principal Payments Received from Portfolio Concerns
- 16 Returns of Capital Received from Portfolio Concerns
- 17 Net Proceeds from Disposition of Portfolio Securities
- 18 Liquidation of Idle Funds Investments
- 19 Other (Specify)

Cash Outflows:

- 20 Purchase of Portfolio Securities
- 21 Loans to Portfolio Concerns
- 22 Idle Funds Investments
- 23 Other (Specify)

24 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

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FINANCING ACTIVITIES:

Cash Inflows:

- 25 Proceeds from Issuance of SBA-Guaranteed Debentures
- 26 Proceeds from Issuance of Participating Securities
- 27 Proceeds from Non-SBA Borrowing
- 28 Partners' Capital Contribution
- 29 Other (Specify)

Cash Outflows:

- 30 SBA Leverage Fees
- 31 Principal Payments on SBA-Guaranteed Debentures
- 32 Principal Payments on Non-SBA Borrowing
- 33 Redemption of Participating Securities
- 34 Redemption of 4% Preferred Securities
- 35 Redemption of Private Partnership Interests
- 36 Prioritized Payments Paid
- 37 Other Distributions Paid
- 38 Other (Specify)

STATEMENT OF CASH FLOWS
 FOF MONTHS ENDED
 (page 2 of 2)
 (Amount rounded to nearest dollar)

OMB Approval No. 3245-0063
 Expiration Date 7/31/2004

Name of Licensee:

License No.:

39 NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

40 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

41 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

42 CASH AND CASH EQUIVALENTS AT END OF PERIOD (line 14, page 2P)

RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:

43 Net Income (Loss) (page 4P, line 37)

Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:

44 Depreciation and Amortization

45 Provision for Losses on Accounts Receivable

46 (Income) Loss from Investments in Partnerships/Flow-through Entities (excluding income received in cash)

47 Realized (Gain) Losses on Investments

48 Other (Specify)

**Changes in Operating Assets and Liabilities
 Net of Noncash Items:**

49 (Increase) Decrease in Interest and Dividends Receivable

50 (Increase) Decrease in Other Current Assets

51 Increase (Decrease) in Accounts Payable

52 Increase (Decrease) in Accrued Interest Payable

53 Increase (Decrease) in Accrued Taxes Payable

54 Increase (Decrease) in Distributions Payable

55 Increase (Decrease) in Other Current Liabilities

56 Other (Specify)

57 Other (Specify)

58 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (total must agree with line 14, page 5P)

Supplemental disclosure of non-cash financing and investing activities may be required. See FASB Statement No. 95, paragraph 32.

STATEMENT OF PARTNERS' CAPITAL
AS OF
(page 1 of 2)
(Amount rounded to nearest dollar)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

PART I PRIVATE PARTNERS' CONTRIBUTED CAPITAL

	GENERAL PARTNER(S) <small>(page 3P, line 48a)</small>	LIMITED PARTNER(S) <small>(page 3P, line 48b)</small>	TOTAL
1 BALANCE AT BEGINNING OF PERIOD	[]	[]	[]
2 ADDITIONS:			
a. Partnership interests sold for cash	[]	[]	[]
b. Partnership interests issued for services rendered	[]	[]	[]
c. Partnership interests issued for non-cash assets	[]	[]	[]
d. Capitalization of Retained Earnings Available for Distribution	[]	[]	[]
e. Other credits (specify) []	[]	[]	[]
3 Total additions (sum of 2a through 2e)	[]	[]	[]
4 Subtotal (line 1 plus line 3)	[]	[]	[]
5 DEDUCTIONS:			
a. Complete liquidation of partnership interests	[]	[]	[]
b. Partial liquidation of partnership interests	[]	[]	[]
c. Partial liquidation of all partnership interests	[]	[]	[]
d. Other debits (specify) []	[]	[]	[]
6 Total deductions (sum of 5a through 5d)	[]	[]	[]
7 BALANCE AT END OF PERIOD (line 4 minus line 6)-- total must agree with lines 48a and 48b, page 3P	[]	[]	[]

PART II UNDISTRIBUTED REALIZED EARNINGS

	NON-CASH GAINS/ INCOME <small>(1)</small>	UNDISTRIBUTED NET REALIZED EARNINGS <small>(2)</small>	UNDISTRIBUTED REALIZED EARNINGS <small>(1)+(2)</small>
1 BALANCE AT BEGINNING OF PERIOD	[]	[]	[]
2 ADDITIONS:			
a. Net investment income	[]	[]	[]
b. Realized gain (loss) on investments	[]	[]	[]
c. Gain on appreciation of securities distributed in kind	[]	[]	[]
d. Other (specify) []	[]	[]	[]
3 Total additions (sum of 2a through 2d)	[]	[]	[]
4 Subtotal (line 1 plus line 3)	[]	[]	[]
5 DEDUCTIONS:			
a. Cash Distributions	[]	[]	[]
b. Distributions allocated but not paid	[]	[]	[]
c. In-Kind Distributions (at fair value)	[]	[]	[]
d. Capitalization of Retained Earnings Available for Distribution	[]	[]	[]
e. Other (specify) []	[]	[]	[]
6 Total deductions (sum of 5a through 5e)	[]	[]	[]
7 Total before collection of non-cash gains/income (line 4 minus line 6)	[]	[]	[]
8 Collection of non-cash gains/income	[]	[]	[]
9 BALANCE AT END OF PERIOD (line 7 plus line 8)-- totals must agree with lines 51, 52 and 53, page 3P	[]	[]	[]

STATEMENT OF PARTNERS' CAPITAL
AS OF
(page 2 of 2)
(Amount rounded to nearest dollar)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

PART III. UNREALIZED GAIN (LOSS) ON SECURITIES HELD

1 BALANCE AT BEGINNING OF PERIOD

2 INCREASE (DECREASE) IN UNREALIZED APPRECIATION

a. Portfolio securities:

(i) Increases

(ii) Decreases due to revaluation of securities

(iii) Decreases due to sale of securities

(iv) Decreases due to charge-off of securities

b. Assets acquired in liquidation of portfolio securities

c. Operating concerns acquired

d. Notes and other securities received

3 TOTAL (sum of 2a through 2d)

4 Subtotal (line 1 plus line 3)

5 (INCREASE) DECREASE IN UNREALIZED DEPRECIATION

a. Portfolio securities

(i) Increases

(ii) Decreases due to revaluation of securities

(iii) Decreases due to sale of securities/repayment of principal

(iv) Decreases due to charge-off of securities

b. Assets acquired in liquidation of portfolio securities

c. Operating concerns acquired

d. Notes and other securities received

6 TOTAL (sum of 5a through 5d)

**7 UNREALIZED GAIN (LOSS) ON SECURITIES HELD --
total must agree with line 50, page 3P**

I. RETAINED EARNINGS AVAILABLE FOR DISTRIBUTION
 II. REGULATORY AND LEVERAGEABLE CAPITAL
 AS OF
 (Amounts rounded to nearest dollar)

OMB Approval No. 3245-0063
 Expiration Date 7/31/2004

Name of Licensee:

License No.:

PART I. RETAINED EARNINGS AVAILABLE FOR DISTRIBUTION OR CAPITALIZATION

- 1 Undistributed Net Realized Earnings (line 52, page 3P)
- 2 LESS: Unrealized Depreciation (line 10, column 2, page 2P)
- 3 ADD: Cumulative Unpaid Distributions on 4% Redeemable Preferred Securities--Section 301(d) Licensees only (line 45b, page 3P)
- 4 RETAINED EARNINGS AVAILABLE FOR DISTRIBUTION OR CAPITALIZATION**

PART II. SCHEDULE OF REGULATORY AND LEVERAGEABLE CAPITAL

- 1 Private Partners' Contributed Capital (line 48, page 3P)
- 2 ADD: Unfunded binding commitments from Institutional Investors
- 3 LESS: Regulatory Deductions
 - a. Organization Expenses Not Approved by SBA (1)
 - b. Partnership Interests Issued for Services
 - c. Partnership Interests Issued for Non-cash Assets (unless approved by SBA for inclusion in Regulatory Capital or converted to cash)
 - d. Investment in 301(d) Licensee
 - e. Other (specify)
- 4 Total Regulatory Deductions (Sum of 3a through 3e)
- 5 Other Adjustments (specify)
- 6 REGULATORY CAPITAL (sum of lines 1, 2, 4, and 5)**
- 7 LESS: Unfunded binding commitments from Institutional Investors
- 8 LESS: Non-cash assets included in Regulatory Capital, other than eligible investments in Small Concerns
- 9 LESS: Other deductions (specify)
- 10 LEVERAGEABLE CAPITAL (sum of lines 6 through 9)**

PART IIa. ADJUSTMENT TO REGULATORY CAPITAL FOR OVERLINE PURPOSES

COMPLETE THIS PART IIa ONLY IF LICENSEE WISHES TO INCREASE ITS OVERLINE LIMITATION BY THE AMOUNT OF ITS NET UNREALIZED GAINS ON MARKETABLE SECURITIES PURSUANT TO 13 CFR 107.740 (c). NOTE: Licensee must have positive Retained Earnings Available for Distribution at the time the increased overline limit is established.

- 11 REGULATORY CAPITAL (Part II, line 6)**
- 12 ADD: Net Unrealized Gains on Marketable Securities (2)
- 13 ADJUSTED REGULATORY CAPITAL FOR OVERLINE PURPOSES (line 11 plus line 12)**

- (1) Deduct only those organizational expenses which were not accepted as reasonable by SBA.
- (2) As defined in 13 CFR 107.740(c). Attach a schedule showing the following for each marketable security: name of Small Business Concern, Market in which traded, names of market makers for companies not listed on a stock exchange or NASDAQ, class of security, cost, valuation, and unrealized gain or loss in accordance with the requirements of Section 107.740(c).

SCHEDULE OF COMMITMENTS
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:		License No.:				
1	2	3	4	5	6	7
Name of Small Business	Amount of Commitment	Date Made	Expiration Date	Loan, Debt, or Equity?	New investment or follow-on?	If follow-on, is existing investment a Portfolio Security, Asset Acquired, or Operating Concern Acquired?
TOTAL						

SCHEDULE OF GUARANTEES
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

1	2	3	4	5	6	7
Name of Small Business	Guarantee Amount	Date Made	Expiration Date	Name of Guaranteed Party	Is guarantee collateralized? If so, by what?	Description of underlying obligation of Small Business
TOTAL						

SCHEDULE 1

SCHEDULE OF LOANS AND INVESTMENTS
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:		License No.:						
1	2	3	4	5	6	7	8	9
Description of Investment	See Note (1) Below	Security Type- See Note (2) Below	Cost at Beginning of Period	Additions/ (Deductions)	Description of Addition/Deduction	Cost at End of Period	Unrealized Appreciation (Depreciation)	Fair Value as Determined by General Partners
	(a) (b) (c)	(a) (b) (c)						

Employer ID No.: LMI Investment:

Invest Date: Invest Amt

Interest Rate:

Mat. Date:

No. Shares: % Total Equity:

% of Total Voting:

NAICS Code: Address:

Repayment Terms:

Collateral:

Type of Shares:

Equity Features:

Other Comments:

- (1) (a): Put a "D" in this column if the financing has become delinquent as to interest and/or principal.
- (b): Put a "P" in this column if the financing is a participation or a joint financing with an Associate as defined in the instructions for Schedule 5.
- (c): Put an "S" in this column if this is a financing of a "Smaller Enterprise" in accordance with section 107.710(a).
- (2) (a): Indicate the category of Loans and Investments in which the financing is included on page 2P: L=Loans; D=Debt; E=Equity; R=Receivables from sale of assets acquired; AA=Assets acquired; OC=Operating concerns acquired; NS=Notes and other securities received
- (b): P=Publicly Traded and Marketable (as defined in section 107.50); PR=Public-Restricted; PE=Public-Encumbered; NP=Nonpublic
- (c): EC=Equity Capital Investment (as defined in section 107.50); V=Venture Capital Financing (as defined in section 107.1160(f))

Name of Licensee:

License No.:

1 A. SUMMARY OF LOANS AND INVESTMENTS

1 Investment Category	2 Cost at Beginning of Period	3 Additions/ (Deductions)	4 Cost at End of Period	5 Unrealized Appreciation (Depreciation)	6 Fair Value as Determined by General Partner
TOTAL LOANS (line 1, page 2P)					
TOTAL DEBT SECURITIES (line 2, page 2P)					
TOTAL EQUITY SECURITIES (line 3, page 2P)					
TOTAL PORTFOLIO SECURITIES (line 4, page 2P)					
TOTAL ASSETS ACQUIRED (line 7, page 2P)					
TOTAL OPERATING CONCERNS ACQUIRED (line 8, page 2P)					
TOTAL NOTES AND OTHER SECS. RECEIVED (line 9, page 2P)					
TOTAL LOANS AND INVESTMENTS (line 10, page 2P)					
1 B. SUMMARY OF EQUITY CAPITAL INVESTMENTS					

1 C. SMALLER ENTERPRISE FINANCINGS

- 1 Cumulative dollar amount of Smaller Enterprise Financings extended between April 25, 1994 and close of reporting fiscal year.
- 2 Cumulative dollar amount of all Financings extended between April 25, 1994 and close of reporting fiscal year.
- 3 Percentage of total Financings extended to Smaller Enterprises (line 1 divided by line 2)

SEE 13 CFR 107.710 FOR PERCENTAGE OF TOTAL FINANCINGS WHICH MUST BE IN SMALLER ENTERPRISES.

SCHEDULE 3

SCHEDULE OF NON-CASH GAINS/INCOME
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.

1	2	3	4	5	6	7
Name of Small Business	Description of Non-cash Gains/Income (1)	Balance at Beginning of Period	Additions During Period	Collections During Period	Balance at End of Period	Amount of "Includible Non-cash Gain" for Capital Impairment Purposes
TOTAL						

(1) Examples of non-cash gains and income include the following:

- Non-cash gains on sale or exchange of securities
- Interest income accrued on deferred interest notes; zero coupon bonds or similar instruments
- Dividends received in kind
- Accrued interest converted into a new note or added to principal of an existing note. The amount of any such interest which was previously included in Undistributed Net Realized Earnings must be reclassified to Non-cash Gains/Income.

SCHEDULE 4

SCHEDULE OF DELINQUENT LOANS AND INVESTMENTS
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:															
License No.															
1	2	3		4		5		6		7	8	9		10	11
		Delinquent Principal:	Amount Past Due	Days Past Due	Delinquent Interest:	Amount Past Due	Days Past Due	Date of Last Payment	Principal			Interest	Amount of Last Payment		
Name of Small Business	Outstanding Principal Balance	Delinquent Principal:	Amount Past Due	Days Past Due	Delinquent Interest:	Amount Past Due	Days Past Due	Date of Last Payment	Principal	Interest	Amount of Last Payment	Principal	Interest	Fair Market Value of Collateral	
TOTAL															

SCHEDULE 5 SCHEDULE OF PARTICIPATIONS AND JOINT FINANCINGS
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee: License No. 04/74-0266

PART I PARTICIPATIONS AND JOINT FINANCINGS INITIATED BY LICENSEE

1	2	3	4	5	6	7	8
Name of Small Business	L/D/E (1)	P/J (2)	Total Amount of Financing-original cost	Financing provided by Licensee-original cost	Financing provided by Licensee-current balance	Name of Co-investors	Did Licensee sell any interest with recourse? (3)

PART II PARTICIPATION AND JOINT FINANCINGS INITIATED BY OTHER INVESTORS

1	2	3	4	5	6	7	8
Name of Small Business	L/D/E (1)	P/J (2)	Total Amount of Financing-original cost	Financing provided by Licensee-original cost	Financing provided by Licensee-current balance	Names of Co-investors (identify initiating investor)	Does Licensee have recourse to any co-investor? (3)

- (1) Indicate "L" for Loan, "D" for Debt, "E" for Equity.
- (2) Indicate "P" for Participation, "J" for Joint Financing (see "Instructions for Preparation of SBA Form 468" for definitions).
- (3) If yes, provide details on a separate sheet of paper.

SCHEDULE 6	SCHEDULE OF CASH AND INVESTED IDLE FUNDS AS OF	OMB Approval No. 3245-0063 Expiration Date 7/31/2004
Name of Licensee:		License No.
COMPLETE SCHEDULE ONLY IF LICENSEE HAS, OR PLANS TO APPLY FOR, SBA LEVERAGE		

I. U.S. GOVERNMENT OBLIGATIONS (direct or guaranteed)

Description	Maturity Date	Amount

II. REPURCHASE AGREEMENTS WITH FEDERALLY-INSURED INSTITUTIONS

Name and Location of Financial Institution	Maturity Date	Amount

III. CERTIFICATES OF DEPOSIT ISSUED BY FEDERALLY - INSURED INSTITUTIONS

Name and Location of Financial Institution	Maturity Date	Amount

IV. DEMAND DEPOSIT, MONEY MARKET, AND SAVINGS ACCOUNTS IN FEDERALLY - INSURED INSTITUTIONS

Name and Location of Financial Institution	Description	Amount

V. OTHER CASH AND INVESTED IDLE FUNDS

Description	Maturity Date (if applicable)	Amount

TOTAL CASH, CASH EQUIVALENTS AND IDLE FUNDS
(total must agree with sum of lines 14 and 15, page 2P)

--

Name of Licensee:

License No.:

PART I. FIRST ACTIVITY TEST

- 1. Cash & cash equivalents (page 2P, line 14)
- 2. Invested idle funds (page 2P, line 15)
- 3. Total cash and idle funds
- 4. Total Assets at Cost:
 - a. Total Assets (page 2P, line 29)
 - b. ADD: Unrealized Depreciation (page 2P, line 10, col. 2)
 - c. LESS: Unrealized Appreciation (page 2P, line 10, col. 3)
 - d. Total Assets at cost
- 5. Line 3 Divided by Line 4d (expressed as a percentage)

IF LINE 5 IS LESS THAN OR EQUAL TO 20 PERCENT, LICENSEE IS NOT INACTIVE--
DO NOT COMPLETE PART II
IF LINE 5 IS GREATER THAN 20%, COMPLETE THE SECOND ACTIVITY TEST IN PART II

PART II SECOND ACTIVITY TEST

- 6. Financings during past 18 months:
 - a. Loans
 - b. Debt
 - c. Equity
 - d. Guarantees
- 7. Total (lines 6a through 6d)
- 8. Regulatory Capital
- 9. Line 7 divided by line 8 (expressed as a percentage)

IF LINE 9 IS LESS THAN 20%, LICENSEE MAY BE INACTIVE UNDER SECTION 107.590-
ATTACH EXPLANATION OF INACTIVITY AND PLANNED CORRECTIVE ACTION.

Name of Licensee:

License No.:

1	2	3	4	5	
Name and Address	General Partner/ Limited Partner/ Manager -- give exact title(s)	Are partnership interests legally owned, beneficially owned, or controlled?	Number of Partnership Units Owned or Controlled	Percent Owned or Controlled of Total Interests Outstanding	
				Beginning of Period	End of Period

INSTRUCTIONS

Any Licensee which has SBA leverage outstanding, or which expects to apply for leverage in the current fiscal year, must prepare an annual update of its plan of operations. The update must be submitted to SBA as an addendum to the Licensee's Annual Financial Report on Form 468. SBA will consider the information provided as part of its evaluation of the financial soundness of the Licensee, in accordance with the provisions of Section 406 of the Small Business Equity Enhancement Act.

The plan update must include analysis and discussion of key events of the past year, as well as expectations for the current year. SBA expects that most Licensees will be able to provide the required information in a narrative of no more than 3 pages.

Content of Report

1. For the fiscal year ended, the Licensee should discuss the following:
 - a. Major positive and negative events which affected overall performance during the year; highlight any significant differences between last year's plan and actual performance
 - b. Any significant changes in the operations of the Licensee, such as changes in organizational structure, scope of operations, level or phase of investment activity, or types of investments being made
 - c. Any management changes
 - d. Any lawsuits or other events giving rise to contingent liabilities
2. For the current fiscal year, the Licensee should discuss the following:
 - a. Levels of new and follow-on investment anticipated
 - b. Anticipated exits from investments
 - c. Any material changes expected in investment strategy or portfolio composition
 - d. Any material changes expected in overhead expenditures
 - e. Any changes expected in management
 - f. Any other anticipated events which may have a significant effect on Licensee's performance

ECONOMIC DATA FOR PORTFOLIO CONCERNS
(unaudited)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:		License No.						
1	2	3	4		5	6	7	8
Name of Portfolio Concern and Employer ID Number	Most recent fiscal year end (Mo./Year)	Full-time equivalent employees at fiscal year end	Income taxes paid during most recent fiscal year:		Total employee income tax withholding for fiscal year:		Gross revenue for most recent fiscal year	After-tax profit/(loss) for most recent fiscal year
Emp. ID:			Federal	State and Local	Federal	State and Local		

CERTIFICATIONS

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.

I, [_____, a General Partner of _____ (Licensee),]
[_____, a General Partner of _____, the General Partner of
_____ (Licensee),]
[_____, a Managing Member of _____,
the General Partner of _____ (Licensee),]
[_____, the President of _____,
the General Partner of _____ (Licensee),] do hereby certify as follows:

1. The audited Annual Financial Report for the fiscal year ended _____ submitted by _____ (Licensee) to the Small Business Administration on SBA Form 468 is true and correct in all respects. The statements and schedules listed below have been omitted from the submission.
2. The General Partner of _____ (Licensee) has reviewed and approved the audited Annual Financial Report of such company for the fiscal year ended _____.
3. _____ (Licensee) has filed all federal, state and local tax returns through the date hereof, including but not limited to payroll tax returns and informational returns for income tax purposes.
4. _____ (Licensee) is in good standing under the laws of the State of _____.

STATEMENTS AND SCHEDULES OMITTED:

Date: _____

By: _____

Name:
Title:

Title 18, Sections 1001 and 1006 of the U.S. Code subjects to punishment by fine and/or imprisonment any person who makes any oral or written statement, entry or representation to SBA, knowing it to be false, or willfully conceals a material fact, in a matter within SBA's jurisdiction or who with intent to defraud shares, directly or indirectly, any benefits derived from any act of an SBIC. Title 15, Section 645(a) subjects to punishment by fine and/or imprisonment any person making a false statement or willfully overvaluing any security, for the purpose of obtaining for himself or another any loan, extension thereof, or the acceptance, release or substitution of security therefor, or for the purpose of influencing in any way the action of SBA, or for the purpose of obtaining money or anything of value.

APPENDIX 10-2

Short Form SBA Form 468

SBA FORM 468
(PARTNERSHIP SBICs)

OMB Approval No 3245-0063
Expiration Date 7/31/2004

SHORT FORM

NAME OF LICENSEE:

LICENSE NUMBER:

STREET ADDRESS:

CITY, STATE, AND ZIP CODE:

COUNTY:

EMPLOYER ID NUMBER:

FOR THE REPORTING PERIOD ENDED:

MONTHS:

A - TOTAL ASSETS AT COST

B - OWNERSHIP

C - INDUSTRY CONCENTRATION

SIC CODE

Please Note: The estimated burden for completing this form is 15 hours per response. You will not be required to respond to this information collection if a valid OMB approval number is not displayed. If you have questions or comments concerning this estimate or other aspects of this information collection, please contact the US Small Business Administration, Chief, Administrative Information Branch, Washington, D.C. 20416 and/or Office of Management and Budget, Clearance Officer, Paperwork Reduction Project (3425-0063), Washington, D.C. 20503.

STATEMENT OF FINANCIAL POSITION
AS OF
(Amounts rounded to nearest dollar)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

ASSETS

LOANS AND INVESTMENTS:

	<u>COST</u> (Col. 1)	<u>UNREALIZED DEPRECIATION</u> (Col. 2)	<u>UNREALIZED APPRECIATION</u> (Col. 3)	<u>VALUE (1)</u> (Col. 4)
Portfolio Securities:				
1 Loans	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
2 Debt Securities	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
3 Equity Securities	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4 TOTAL PORTFOLIO SECURITIES:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Assets Acquired in Liquidation of Portfolio Securities:				
5 Receivables from Sale of Assets Acquired	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
6 Assets Acquired	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
7 TOTAL ASSETS ACQUIRED	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
8 Operating Concerns Acquired	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
9 Notes and Other Securities Received	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
10 TOTAL LOANS AND INVESTMENTS	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
11 Less Current Maturities				<input type="text"/>
12 Loans and Investments Net of Current Maturities				<input type="text"/>
Investment in 301(d) Licensee (2):				
13 Name <input type="text"/>				<input type="text"/>
License No. <input type="text"/>				<input type="text"/>

CURRENT ASSETS

14 Cash and Cash Equivalents	<input type="text"/>		<input type="text"/>	
15 Invested Idle Funds	<input type="text"/>		<input type="text"/>	
16 Interest and Dividends Receivable	<input type="text"/>			
17 Notes and Accounts Receivable	<input type="text"/>			
18 Receivables from Parent or Other Associates	<input type="text"/>			
19 Less: Allowance for Losses (lines 16, 17 & 18)	<input type="text"/>		<input type="text"/>	
20 Current Maturities of Portfolio Securities	<input type="text"/>			
21 Current Maturities of Assets Acquired	<input type="text"/>			
22 Current Maturities of Operating Concerns Acquired	<input type="text"/>			
23 Current Maturities of Other Securities	<input type="text"/>		<input type="text"/>	
24 Other (specify) <input type="text"/>			<input type="text"/>	<input type="text"/>
25 Other (specify) <input type="text"/>			<input type="text"/>	<input type="text"/>

OTHER ASSETS

26 a. Furniture and Equipment	<input type="text"/>		<input type="text"/>	
b. Less: Accumulated Depreciation	<input type="text"/>		<input type="text"/>	
27 Other (specify) <input type="text"/>			<input type="text"/>	<input type="text"/>
28 Other (specify) <input type="text"/>			<input type="text"/>	<input type="text"/>
29 TOTAL ASSETS				<input type="text"/>

(1) Column Headings apply to items 1 through 12 only. (Cost - Unrealized Depreciation + Unrealized Appreciation = Value)

(2) Note to item 13 should include percent owned, cost basis and changes resulting from equity method of accounting.

STATEMENT OF FINANCIAL POSITION
AS OF
(Amounts rounded to nearest dollar)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

LIABILITIES AND CAPITAL

LONG-TERM DEBT (Net of Current Maturities)

30 Notes and Debentures Payable to or Guaranteed by SBA		
31 Notes and Debentures Payable to Others		

CURRENT LIABILITIES

32 Accounts Payable		
33 Due to Parent or Other Associates		
34 Accrued Interest Payable		
35 Accrued Taxes Payable		
36 a. Current Maturities of Line 30		
b. Current Maturities of Line 31		
37 Distributions Payable		
38 Short-term Notes Payable/Lines of Credit		
39 Other (specify) 		
40 Other (specify) 		

OTHER LIABILITIES

41 Deferred Credits		
42 Other (specify) 		
43 Other (specify) 		
44 TOTAL LIABILITIES		

REDEEMABLE SECURITIES (guaranteed or purchased by SBA)

45 a. 4% Redeemable Preferred Securities (301(d) Licensees only)		
b. Cumulative Unpaid 4% Distributions		
46 a. Participating Securities		
b. Earned Prioritized Payments Allocated for Distribution		
c. SBA Profit Participation Allocated for Distribution		
47 TOTAL REDEEMABLE SECURITIES		

PARTNERS' CAPITAL

48 Private Partners' Contributed Capital:		
a. General Partner(s)		
b. Limited Partner(s)		
49 Other (specify) 		
50 Unrealized Gain (Loss) on Securities Held		
51 Non-Cash Gains/Income		
52 Undistributed Net Realized Earnings (Partners' Earned Capital)		
53 Undistributed Realized Earnings (51 plus 52)		
54 TOTAL PARTNERS' CAPITAL		

55 TOTAL LIABILITIES, REDEEMABLE SECURITIES AND PARTNERS' CAPITAL (lines 44 plus 47 plus 54)		
---	--	--

STATEMENT OF OPERATIONS REALIZED
FOR MONTHS ENDED
(Amounts rounded to nearest dollar)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

INVESTMENT INCOME

1 Interest Income	<input type="text"/>	
2 Dividend Income	<input type="text"/>	
3 Income (Loss) from Investments in Partnerships/Flow-through Entities	<input type="text"/>	
4 Income (Loss) from Investment in Section 301(d) Licensee	<input type="text"/>	
5 Fees for Management Services	<input type="text"/>	
6 Application, Closing and Other Fees	<input type="text"/>	
7 Interest on Cash Equivalents and Invested Idle Funds	<input type="text"/>	
8 Income from Assets Acquired in Liquidation of Loans and Investments (net of \$ <input type="text"/> expenses)	<input type="text"/>	
9 Other Income	<input type="text"/>	
10 GROSS INVESTMENT INCOME		<input type="text"/>

EXPENSES

11 Interest Expense	<input type="text"/>	
12 Commitment Fees	<input type="text"/>	
13 Other Financial Costs	<input type="text"/>	
14 Partners' Compensation and Benefits	<input type="text"/>	
15 Employee Compensation and Benefits	<input type="text"/>	
16 Investment Advisory and Management Services	<input type="text"/>	
17 Partners' Meetings	<input type="text"/>	
18 Advertising and Promotion	<input type="text"/>	
19 Appraisal and Investigation	<input type="text"/>	
20 Communication	<input type="text"/>	
21 Travel	<input type="text"/>	
22 Cost of Space Occupied	<input type="text"/>	
23 Depreciation and Amortization	<input type="text"/>	
24 Insurance	<input type="text"/>	
25 Payroll Taxes	<input type="text"/>	
26 Other Taxes	<input type="text"/>	
27 Provision for Losses on Receivables (excluding loans receivable)	<input type="text"/>	
28 Legal Fees	<input type="text"/>	
29 Audit and Examination Fees	<input type="text"/>	
30 Miscellaneous Expenses (attach schedule)	<input type="text"/>	
31 TOTAL EXPENSES		<input type="text"/>
32 NET INVESTMENT INCOME (LOSS)		<input type="text"/>
33 NET REALIZED GAIN (LOSS) ON INVESTMENTS (1)		<input type="text"/>
34 NET INCOME (LOSS) BEFORE NONRECURRING ITEMS		<input type="text"/>
35 Extraordinary Item <input type="text"/>		<input type="text"/>
36 Cumulative Effect of Change in Accounting Principle		<input type="text"/>
37 NET INCOME (LOSS)		<input type="text"/>

(1) Provide supporting detail for all realized gains and losses on Page 14P of this form.

STATEMENT OF CASH FLOWS
 FOR MONTHS ENDED
 (page 1 of 2)
 (Amounts rounded to nearest dollar)

OMB Approval No. 3245-0063
 Expiration Date 7/31/2004

Name of Licensee:

License No.:

OPERATING ACTIVITIES:

Cash Inflows:

- 1 Interest Received from Portfolio Concerns
- 2 Dividends Received from Portfolio Concerns
- 3 Other Income Received from Portfolio Concerns
- 4 Management Services and Other Fees Received
- 5 Interest on Cash Equivalents and Invested Idle Funds
- 6 Cash Received from Assets Acquired in Liquidation
- 7 Other Operating Cash Receipts

Cash Outflows:

- 8 Interest Paid
- 9 Commitment Fees and Other Financial Costs
- 10 Investment Advisory and Management Fees
- 11 Partners' and Employees' Compensation and Benefits
- 12 Operating Expenditures (excluding compensation and benefits)
- 13 Other Operating Cash Disbursements

14 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

--

INVESTING ACTIVITIES:

Cash Inflows:

- 15 Loan Principal Payments Received from Portfolio Concerns
- 16 Returns of Capital Received from Portfolio Concerns
- 17 Net Proceeds from Disposition of Portfolio Securities
- 18 Liquidation of Idle Funds Investments
- 19 Other (Specify)

Cash Outflows:

- 20 Purchase of Portfolio Securities
- 21 Loans to Portfolio Concerns
- 22 Idle Funds Investments
- 23 Other (Specify)

24 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

--

FINANCING ACTIVITIES:

Cash Inflows:

- 25 Proceeds from Issuance of SBA-Guaranteed Debentures
- 26 Proceeds from Issuance of Participating Securities
- 27 Proceeds from Non-SBA Borrowing
- 28 Partners' Capital Contribution
- 29 Other (Specify)

Cash Outflows:

- 30 SBA Leverage Fees
- 31 Principal Payments on SBA-Guaranteed Debentures
- 32 Principal Payments on Non-SBA Borrowing
- 33 Redemption of Participating Securities
- 34 Redemption of 4% Preferred Securities
- 35 Redemption of Private Partnership Interests
- 36 Prioritized Payments Paid
- 37 Other Distributions Paid
- 38 Other (Specify)

STATEMENT OF CASH FLOWS
FOF MONTHS ENDED
(page 2 of 2)
(Amount rounded to nearest dollar)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

39 NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

40 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

41 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

42 CASH AND CASH EQUIVALENTS AT END OF PERIOD (line 14, page 2P)

**RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED
BY (USED IN) OPERATING ACTIVITIES:**

43 Net Income (Loss) (page 4P, line 37)

**Adjustments to Reconcile Net Income (Loss) to Net
Cash Provided by (Used in) Operating Activities:**

44 Depreciation and Amortization

45 Provision for Losses on Accounts Receivable

46 (Income) Loss from Investments in Partnerships/Flow-through
Entities (excluding income received in cash)

47 Realized (Gain) Losses on Investments

48 Other (Specify)

**Changes in Operating Assets and Liabilities
Net of Noncash Items:**

49 (Increase) Decrease in Interest and Dividends Receivable

50 (Increase) Decrease in Other Current Assets

51 Increase (Decrease) in Accounts Payable

52 Increase (Decrease) in Accrued Interest Payable

53 Increase (Decrease) in Accrued Taxes Payable

54 Increase (Decrease) in Distributions Payable

55 Increase (Decrease) in Other Current Liabilities

56 Other (Specify)

57 Other (Specify)

**58 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (total must agree
with line 14, page 5P)**

Supplemental disclosure of non-cash financing and investing activities may be required. See FASB
Statement No. 95, paragraph 32.

STATEMENT OF PARTNERS' CAPITAL
AS OF
(page 1 of 2)
(Amount rounded to nearest dollar)

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

PART I PRIVATE PARTNERS' CONTRIBUTED CAPITAL

	<u>GENERAL PARTNER(S)</u> (page 3P, line 48a)	<u>LIMITED PARTNER(S)</u> (page 3P, line 48b)	<u>TOTAL</u>
1 BALANCE AT BEGINNING OF PERIOD			
2 ADDITIONS:			
a. Partnership interests sold for cash			
b. Partnership interests issued for services rendered			
c. Partnership interests issued for non-cash assets			
d. Capitalization of Retained Earnings Available for Distribution			
e. Other credits (specify) _____			
3 Total additions (sum of 2a through 2e)			
4 Subtotal (line 1 plus line 3)			
5 DEDUCTIONS:			
a. Complete liquidation of partnership interests			
b. Partial liquidation of partnership interests			
c. Partial liquidation of all partnership interests			
d. Other debits (specify) _____			
6 Total deductions (sum of 5a through 5d)			
7 BALANCE AT END OF PERIOD (line 4 minus line 6)-- total must agree with lines 48a and 48b, page 3P			

PART II UNDISTRIBUTED REALIZED EARNINGS

	<u>NON-CASH GAINS/ INCOME</u> (1)	<u>UNDISTRIBUTED NET REALIZED EARNINGS</u> (2)	<u>UNDISTRIBUTED REALIZED EARNINGS</u> (1)+(2)
1 BALANCE AT BEGINNING OF PERIOD			
2 ADDITIONS:			
a. Net investment income			
b. Realized gain (loss) on investments			
c. Gain on appreciation of securities distributed in kind			
d. Other (specify) _____			
3 Total additions (sum of 2a through 2d)			
4 Subtotal (line 1 plus line 3)			
5 DEDUCTIONS:			
a. Cash Distributions			
b. Distributions allocated but not paid			
c. In-Kind Distributions (at fair value)			
d. Capitalization of Retained Earnings Available for Distribution			
e. Other (specify) _____			
6 Total deductions (sum of 5a through 5e)			
7 Total before collection of non-cash gains/income (line 4 minus line 6)			
8 Collection of non-cash gains/income			
9 BALANCE AT END OF PERIOD (line 7 plus line 8)-- totals must agree with lines 51, 52 and 53, page 3P			

STATEMENT OF PARTNERS' CAPITAL
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

(page 2 of 2)

(Amount rounded to nearest dollar)

Name of Licensee:

License No.:

PART III. UNREALIZED GAIN (LOSS) ON SECURITIES HELD

1 BALANCE AT BEGINNING OF PERIOD

2 INCREASE (DECREASE) IN UNREALIZED APPRECIATION

a. Portfolio securities:

(i) Increases

(ii) Decreases due to revaluation of securities

(iii) Decreases due to sale of securities

(iv) Decreases due to charge-off of securities

b. Assets acquired in liquidation of portfolio securities

c. Operating concerns acquired

d. Notes and other securities received

3 TOTAL (sum of 2a through 2d)

4 Subtotal (line 1 plus line 3)

5 (INCREASE) DECREASE IN UNREALIZED DEPRECIATION

a. Portfolio securities

(i) Increases

(ii) Decreases due to revaluation of securities

(iii) Decreases due to sale of securities/repayment of principal

(iv) Decreases due to charge-off of securities

b. Assets acquired in liquidation of portfolio securities

c. Operating concerns acquired

d. Notes and other securities received

6 TOTAL (sum of 5a through 5d)

7 UNREALIZED GAIN (LOSS) ON SECURITIES HELD --

total must agree with line 50, page 3P

I. RETAINED EARNINGS AVAILABLE FOR DISTRIBUTION
 II. REGULATORY AND LEVERAGEABLE CAPITAL
 AS OF
 (Amounts rounded to nearest dollar)

OMB Approval No. 3245-0063
 Expiration Date 7/31/2004

Name of Licensee: _____

License No.: _____

PART I. RETAINED EARNINGS AVAILABLE FOR DISTRIBUTION OR CAPITALIZATION

- 1 Undistributed Net Realized Earnings (line 52, page 3P) _____
- 2 LESS: Unrealized Depreciation (line 10, column 2, page 2P) _____
- 3 ADD: Cumulative Unpaid Distributions on 4% Redeemable Preferred Securities--Section 301(d) Licensees only (line 45b, page 3P) _____
- 4 RETAINED EARNINGS AVAILABLE FOR DISTRIBUTION OR CAPITALIZATION** _____

PART II. SCHEDULE OF REGULATORY AND LEVERAGEABLE CAPITAL

- 1 Private Partners' Contributed Capital (line 48, page 3P) _____
- 2 ADD: Unfunded binding commitments from Institutional Investors _____
- 3 LESS: Regulatory Deductions
 - a. Organization Expenses Not Approved by SBA (1) _____
 - b. Partnership Interests Issued for Services _____
 - c. Partnership Interests Issued for Non-cash Assets (unless approved by SBA for inclusion in Regulatory Capital or converted to cash) _____
 - d. Investment in 301(d) Licensee _____
 - e. Other (specify) _____ _____
- 4 Total Regulatory Deductions (Sum of 3a through 3e) _____
- 5 Other Adjustments (specify) _____ _____
- 6 REGULATORY CAPITAL (sum of lines 1, 2, 4, and 5)** _____
- 7 LESS: Unfunded binding commitments from Institutional Investors _____
- 8 LESS: Non-cash assets included in Regulatory Capital, other than eligible investments in Small Concerns _____
- 9 LESS: Other deductions (specify) _____ _____
- 10 LEVERAGEABLE CAPITAL (sum of lines 6 through 9)** _____

PART IIa. ADJUSTMENT TO REGULATORY CAPITAL FOR OVERLINE PURPOSES

COMPLETE THIS PART IIa ONLY IF LICENSEE WISHES TO INCREASE ITS OVERLINE LIMITATION BY THE AMOUNT OF ITS NET UNREALIZED GAINS ON MARKETABLE SECURITIES PURSUANT TO 13 CFR 107.740 (c). NOTE: Licensee must have positive Retained Earnings Available for Distribution at the time the increased overline limit is established.

- 11 REGULATORY CAPITAL (Part II, line 6)** _____
- 12 ADD: Net Unrealized Gains on Marketable Securities (2)** _____
- 13 ADJUSTED REGULATORY CAPITAL FOR OVERLINE PURPOSES (line 11 plus line 12)** _____

(1) Deduct only those organizational expenses which were not accepted as reasonable by SBA.
 (2) As defined in 13 CFR 107.740(c). Attach a schedule showing the following for each marketable security: name of Small Business Concern, Market in which traded, names of market makers for companies not listed on a stock exchange or NASDAQ, class of security, cost, valuation, and unrealized gain or loss in accordance with the requirements of Section 107.740(c).

SCHEDULE OF COMMITMENTS
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

1 Name of Small Business	2 Amount of Commitment	3 Date Made	4 Expiration Date	5 Loan, Debt, or Equity?	6 New investment or follow-on?	7 If follow-on, is existing investment a Portfolio Security, Asset Acquired, or Operating Concern Acquired?
TOTAL						

SCHEDULE OF GUARANTEES
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.:

1	2	3	4	5	6	7
Name of Small Business	Guarantee Amount	Date Made	Expiration Date	Name of Guaranteed Party	Is guarantee collateralized? If so, by what?	Description of underlying obligation of Small Business
TOTAL						

SCHEDULE 1
SCHEDULE OF LOANS AND INVESTMENTS
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:		License No.:						
1	2	3	4	5	6	7	8	9
Description of Investment	See Note (1) Below (a) (b) (c)	Security Type- See Note (2) Below (a) (b) (c)	Cost at Beginning of Period	Additions/ (Deductions)	Description of Addition/Deduction	Cost at End of Period	Unrealized Appreciation (Depreciation)	Fair Value as Determined by General Partners

Employer ID No.: _____ LMI Investment: _____ Interest Rate: _____

Invest Date: _____ Invest Amt: _____

Mat. Date: _____

No. Shares: _____ % Total Equity: _____ % of Total Voting: _____

NAICS Code: _____ Address: _____

Repayment Terms: _____

Collateral: _____

Type of Shares: _____

Equity Features: _____

Other Comments: _____

- (1) (a): Put a "D" in this column if the Financing has become delinquent as to interest and/or principal.
- (b): Put a "P" in this column if the Financing is a participation or a joint financing with an Associate as defined in the instructions for Schedule 5.
- (c): Put an "S" in this column if this is a Financing of a "Smaller Enterprise" in accordance with section 107.710(a).
- (2) (a): Indicate the category of Loans and Investments in which the financing is included on page 2P. L=Loans; D=Debt; E=Equity; R=Receivables from sale of assets acquired; AA=Assets acquired; OC=Operating concerns acquired; NS=Notes and other securities received
- (b): P=Publicly Traded and Marketable (as defined in section 107.50); PR=Public-Restricted; PE=Public-Encumbered; NP=Nonpublic
- (c): EC=Equity Capital Investment (as defined in section 107.50); V=Venture Capital Financing (as defined in section 107.1160(D))

SCHEDULE 2

SCHEDULE OF REALIZED GAINS AND
LOSSES ON LOANS AND INVESTMENTS
FOR MONTHS ENDED

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of licensee:

License No.

1 Name of Small Business	2 Security Type (1)	3 Transaction Type (2)	4 Net Sales Price	5 Cost	6 Net Realized Gain (Loss)		8 Non-cash (gains only)	9 Name and Address of Purchaser (applies to sales and exchanges)
					Total	Cash		
TOTAL								

(1) Security Type: L = Loans, D = Debt, E = Equity, AA = Assets Acquired, OC = Operating concerns acquired, NS = Notes and Other Securities Received
(2) Transaction Type: S = Sale, E = Exchange, C = Charge-off

SCHEDULE 4

SCHEDULE OF DELINQUENT LOANS AND INVESTMENTS
AS OF

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.

1	2	3		4		5		6		7	8		9	10		11
		Deinquent Principal:	Deinquent Principal:	Deinquent Interest:	Deinquent Interest:	Date of Last Payment	Date of Last Payment	Amount of Last Payment	Amount of Last Payment							
Name of Small Business	Outstanding Principal Balance	Amount Past Due	Days Past Due	Amount Past Due	Days Past Due	Principal	Interest	Principal	Interest	Principal	Interest	Fair Market Value of Collateral				
TOTAL																

QUARTERLY CERTIFICATIONS

OMB Approval No. 3245-0063
Expiration Date 7/31/2004

Name of Licensee:

License No.

I, [_____, a General Partner of _____ (Licensee),]

[_____, a General Partner of _____, the General Partner of _____ (Licensee),]

[_____, a Managing Member of _____, the General Partner of _____ (Licensee),]

[_____, the President of _____, the General Partner of _____ (Licensee),] do hereby certify as follows:

1. The Financial Report for the _____ months ended _____ submitted by _____ (Licensee) to the Small Business Administration on SBA Form 468

is true and correct in all respects. The statements and schedules listed below have been omitted from the submission.

2. The General Partner of _____ (Licensee) has reviewed and approved the Financial Report of such company for the _____ months ended _____.

3. _____ (Licensee) is in good standing under the laws of the State of _____.

STATEMENTS AND SCHEDULES OMITTED:

Date:

By: _____

Name:

Title:

Title 18, Sections 1001 and 1006 of the U.S. Code subjects to punishment by fine and/or imprisonment any person who makes any oral or written statement, entry or representation to SBA, knowing it to be false, or willfully conceals a material fact, in a matter within SBA's jurisdiction or who with intent to defraud shares, directly or indirectly, any benefits derived from any act of an SBIC. Title 15, Section 645(a) subjects to punishment by fine and/or imprisonment any person making a false statement or willfully overvaluing any security, for the purpose of obtaining for himself or another any loan, extension thereof, or the acceptance, release or substitution of security therefor, or for the purpose of influencing in any way the action of SBA, or for the purpose of obtaining money or anything of value.

APPENDIX 10-3

Form 1031 “Portfolio Financing Report”

Portfolio Financing Report

Name of Licensee

License Number

Part A - Small Business Concern Data

1. Name of Small Concern 2. Employer Identification Number
3. Street Address
4. City 5. State 6. Zip Code 7. County
8. Small Business FAX 9. Contact Person for FAX
10. Date Business Established 11. Form of Business
12. NAICS Cod Industry
13. Percentage of Small Concern (if any) Owned by: Blacks % Hispanics % Native Americans %
Asian Pacific Americans % Subcontinent Asian Americans %
14. Percentage of Small Concern Owned by Women (if any) % 14a. Percentage Owned by Veterans (if any) %

Part B - Prefinancing Information

- Prefinancing Status
15. Fiscal Year End Immediately Prior to Date of Financing (Month/Day/Year)
16. Gross Revenue for Prior Fiscal Year 17. After-Tax Profit (Loss) for Prior Fiscal Year
18. Income Taxes for Prior Fiscal Year: Federal State Local
19. Employee Payroll Tax Withholdings for Prior Fiscal Year: Federal State and Local
20. Total Assets 21. Net Worth (Deficit) 22. Retained Earnings (Deficit)
23. Number of Employees

Part C - Financing Information

24. Date of Financing 25. Date of Disbursement
26. Purpose of Financing (enter appropriate number(s); 1-10): 1) 2) 3)
1. Working Capital or Inventory Purchase
2. Plant Modernization or Leasehold Improvement
3. Acquisition of All or Part of an Existing Business
4. Consolidation of Obligations or Non-SBIC Debt Refunding
5. New Building or Plant Construction
6. Acquisition of Machinery and Equipment
7. Land Acquisition or Dwelling Construction on Existing Land
8. Marketing Activities
9. Research and Development
10. Other
27. Is this the First Financing of this Small Business by the Licensee
28. Financing instruments and Applicable Amounts (for participations, include Licensee's portion only):
- | Instrument | Amount | Initial Interest Rate(s) | % Actual Ownershi |
|---------------------------|----------------------|--------------------------|------------------------|
| Loan Only | <input type="text"/> | <input type="text"/> % | |
| Debt with Equity Features | <input type="text"/> | <input type="text"/> % | |
| Equity Only | <input type="text"/> | | <input type="text"/> % |
| Total Financing | <input type="text"/> | | |
29. Comments

Part D - Transmission Verification

Transmission Date

If you have leverage or a leverage commitment, file Form 1031A (Portfolio Financing Report Certification) semiannually with your semi-annual valuation report and your year-end Form 468 (Annual Financial Report). If you do not have leverage or a leverage commitment, file Form 1031A annually with your Form 468.

Portfolio Financing Report

Name of Licensee

License Number

Part A - Small Business Concern Data

1. Name of Small Concern
2. Employer Identification Number
3. Street Address
4. City
5. State
6. Zip Code
7. County
8. Small Business FAX
9. Contact Person for FAX
10. Date Business Established
11. Form of Business #Error
12. NAICS Code
Industry
13. Percentage of Small Concern (if any) Owned by: Blacks % Hispanics % Native Americans %
Asian Pacific Americans % Subcontinent Asian Americans %
14. Percentage of Small Concern Owned by Women (if any) % 14a. Percentage Owned by Veterans (if any) %

Part B - Prefinancing Information

- Prefinancing Status
15. Fiscal Year End Immediately Prior to Date of Financing (Month/Day/Year)
16. Gross Revenue for Prior Fiscal Year
17. After-Tax Profit (Loss) for Prior Fiscal Year
18. Income Taxes for Prior Fiscal Year: Federal State Local
19. Employee Payroll Tax Withholdings for Prior Fiscal Year: Federal State and Local
20. Total Assets
21. Net Worth (Deficit)
22. Retained Earnings (Deficit)
23. Number of Employees

Part C - Financing Information

24. Date of Financing
25. Date of Disbursement
26. Purpose of Financing (enter appropriate number(s); 1-10): 1) 2) 3)
1. Working Capital or Inventory Purchase
2. Plant Modernization or Leasehold Improvement
3. Acquisition of All or Part of an Existing Business
4. Consolidation of Obligations or Non-SBIC Debt Refunding
5. New Building or Plant Construction
6. Acquisition of Machinery and Equipment
7. Land Acquisition or Dwelling Construction on Existing Land
8. Marketing Activities
9. Research and Development
10. Other
27. Is this the First Financing of this Small Business by the Licensee #Error
28. Financing instruments and Applicable Amounts (for participations, include Licensee's portion only):
- | Instrument | Amount | Initial Interest Rate(s) | % Actual Ownershi |
|---------------------------|--------|--------------------------|-------------------|
| Loan Only | | % | |
| Debt with Equity Features | | % | |
| Equity Only | | | % |
| Total Financing | | | |
29. Comments

Part D - Transmission Verification

Transmission Date

If you have leverage or a leverage commitment, file Form 1031A (Portfolio Financing Report Certification) semiannually with your semi-annual valuation report and your year-end Form 468 (Annual Financial Report). If you do not have leverage or a leverage commitment, file Form 1031A annually with your Form 468.