

## Interest Rates Fall for SBICs: September 2024 Standard Debenture Pooling

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The September 2024 pooling of Small Business Investment Company (SBIC) debentures was priced at 4.38%. This most recent semiannual pricing of SBIC debentures reflected a decrease to the rate set in March 2024 of 5.035%. The September 2024 pricing reflects the lowest pricing for SBIC debentures since March 2023.

The SBIC debenture rate is set based on a market-driven premium to 10-Year Treasury Notes. The increase in the interest rate is a function of a higher 10-Year Treasury rate since the prior pooling period, and almost a doubling of the premium above the 10-Year Treasury Note.

SBICs that drew down debentures between the March 2024 and September 2024 poolings locked in the 4.38% interest rate for the 10-year term of the debentures. Debenture interest payments are due semiannually, and a balloon payment of the entire principal amount of the debentures is due on the tenth anniversary of the pooling. The SBIC program also imposes an annual fee on the debentures, which is currently set at 0.129%. A new rate for the annual fee will be set after September 30, 2024. SBIC debentures may be prepaid in whole or in part at any time, without premium or penalty.

This pricing is limited to those SBICs that drew down standard debentures. Accrual debentures drawn down by SBICs during the period will be pooled and marketed separately from standard debentures, and therefore may be priced differently.

If you have questions regarding pricing of debentures or the SBIC program in general, please contact your SBIC counsel at Winston & Strawn LLP.

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