

MorAmerica Capital will have only one equity holder. Accordingly, applicants request an order under the Exchange Act exempting MorAmerica Capital from the reporting requirements of section 13(a) of the Exchange Act to permit it to file consolidated reports with Private Equities.

#### *Standards for Relief*

1. Section 6(c) of the Investment Company Act permits the SEC to exempt any person or transaction from any provision of the Act, if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy of the Act. Applicants state that the operation of Private Equities as a BDC with a wholly-owned SBIC subsidiary is intended to permit Private Equities to expand the scope of its operations beyond that which would be permitted to it as an SBIC. Applicants further state that the requested exemptions would permit Private Equities and MorAmerica Capital to operate effectively as one company even though they will be divided into two legal entities. Accordingly, applicants believe that the requested exemptions from sections 12(d), 18(a), and 61(a) meet the section 6(c) standards.

2. Section 57(c) permits the SEC to grant an order permitting a transaction otherwise prohibited by sections 57(a)(1), (2), and (3) if it finds that the participation of such investment company is consistent with the provisions, policies, and purposes of the Act and the extent to which such participation is on a basis different from or less advantageous than that of other participants. Applicants believe that the requested exemptions meet these standards.

3. Section 57(i) of the Investment Company Act provides that the rules and regulations of the SEC under sections 17 (a) and (d) applicable to registered closed-end investment companies shall apply to transactions subject to sections 57(a) and (d) in the absence of rules under sections 57(a) and (d). No rules with respect to joint transactions have been adopted under sections 57(a) and (d). Rule 17d-1 under the Act prohibits affiliated persons of a registered investment company from entering into joint transactions with the investment company unless the SEC has granted an order permitting the transaction. Applicants believe that the requested authorization under sections 57(a)(4) and (d) and rule 17d-1 is appropriate.

4. Section 12(h) of the Exchange Act provides that the SEC may exempt an

issuer from section 13 of the Exchange Act if the SEC finds that by reason of the number of public investors, amount of trading interest in the securities, the nature and extent of the activities of the issuer, income or assets of the issuer, or otherwise, that such action is not inconsistent with the public interest or the protection of investors. Private Equities is the sole equity holder of MorAmerica Capital and applicants represent that there will be no trading in MorAmerica securities. Further, applicants state that the nature and extent of MorAmerica Capital's activities are such that its activities will be fully reported through consolidated reporting in accordance with normal accounting rules. Accordingly, applicants believe that the requested exemption meets the Exchange Act's section 12(h) standards.

#### *Applicants' Conditions*

Applicants agree that the following conditions will govern transactions under the requested order:

##### *Capital Structure Conditions*

1. Private Equities will at all times own and hold beneficially and of record all of the outstanding capital stock of MorAmerica Capital.

2. MorAmerica Capital will have the same fundamental investment policies as Private Equities, as set forth in Private Equities' registration statement; MorAmerica Capital will not engage in any other activities described in section 13(a) of the Investment Company Act, except in each case as authorized by the vote of a majority of the outstanding voting securities of Private Equities.

3. No person shall serve or act as investment adviser to MorAmerica Capital unless the directors and shareholders of Private Equities shall have taken the action with respect thereto also required to be taken by the directors and shareholders of MorAmerica Capital.

4. No person shall serve as a director of MorAmerica Capital unless elected as a director of Private Equities at its most recent annual meeting, as contemplated by section 16(a) of the Investment Company Act. Vacancies on Private Equities' board of directors will be filled in the manner provided for in section 16(a). Notwithstanding the foregoing, the board of directors of MorAmerica Capital will be elected by Private Equities as the sole shareholder of MorAmerica Capital, and such board will be composed of the same persons that serve as directors of Private Equities.

5. Private Equities will not itself issue or sell any senior security and Private

Equities will not cause or permit MorAmerica Capital to issue or sell any senior security of which Private Equities or MorAmerica Capital is the issuer except to the extent permitted by section 18 (as modified for BDCs by section 61) of the Investment Company Act; provided that immediately after the issuance or sale of any such notes or evidences of indebtedness by either Private Equities or MorAmerica Capital, Private Equities and MorAmerica Capital on a consolidated basis, and Private Equities individually, shall have the required asset coverage, except that, in determining whether Private Equities and MorAmerica Capital on a consolidated basis have the asset coverage required by section 61(a), any borrowings by MorAmerica Capital from Private Equities, for purposes of the definition of "asset coverage" in section 18(h), shall be treated as indebtedness not represented by senior securities.

6. Private Equities will acquire securities of MorAmerica Capital representing indebtedness only if, in each case, the prior approval of the SBA has been obtained. In addition, Private Equities and MorAmerica Capital will purchase and sell portfolio securities between themselves only if, in each case, the prior approval of the SBA has been obtained.

##### *Co-Investing Conditions*

1. a. To the extent that Private Equities and MorAmerica Capital are considering new investments, InvestAmerica will review investment opportunities on their behalf, including investments being considered on behalf of the Managed Affiliates. InvestAmerica will determine whether a particular investment is eligible for investment by Private Equities and/or MorAmerica, as the case may be.

b. If InvestAmerica deems an investment eligible for investment by Private Equities and/or MorAmerica Capital (the "Investing Company"), InvestAmerica will determine what it considers to be an appropriate amount that the Investing Company should invest in the particular investment. Where the aggregate amount recommended for the Investing Company and that sought by the Managed Affiliates is greater than the amount available for investment, the amount available for purchase by the Investing Company shall be determined on a *pro rata* basis determined by dividing the net assets of the Investing Company by the sum of the net assets of the Investing Company and each of the Managed Affiliates seeking to make the investment.