

**INTERPRETIVE LETTER 86-2 (OCTOBER 24, 1986)**

**State bank may be limited partner in Small Business Investment Corporation and invest up to 5% of its capital and surplus in it.**

Your fundamental question is whether it is permissible for an Illinois state-chartered bank to become a limited partner in a small business investment company ("SBIC"). Subject to the following restrictions, this Office will offer no objection to [Bank #1], [Bank #2], and [Bank #3] becoming limited partners in a SBIC.

1. In the past, this Office has offered no objection to an Illinois state bank investing in a SBIC, up to a maximum investment of 5% of that bank's capital and surplus. An Illinois state bank's capital contributions to a limited partnership would be subject to this same (5%) ceiling.
2. Illinois state banks may become limited partners in a SBIC only if the banks do not participate in the management or operation of the partnership or in any way control the partnership's activities.
3. The limited role which the banks have must not be misrepresented to the public in a manner which would suggest that the banks are anything more than limited partners.
4. As a limited partner, the banks cannot be held personally liable for any obligations of the partnership.
5. The banks must take whatever measures are necessary to prevent additional liability exposure, including withdrawal from the partnership, if any of the preceding restrictions are breached in a manner which jeopardizes the banks' position as limited partners and the limited liability which accompanies that position.

**[NOTE: Paragraph no. 1 of this letter may be superceded as to the authority to invest in certain community development ventures by Section 5(21) of the Illinois Banking Act and Section 24 of the Federal Deposit Insurance Act.]**