



## PRISM CAPITAL

August 30, 2010

Federal Reserve Board  
20th Street and Constitution Avenue NW  
Washington, DC 20551

**RE: Docket No. R-1386**

Dear Federal Reserve Board of Governors:

Prism Mezzanine Fund (“Prism”) encourages you to support small business investment by ensuring that private capital commitments from financial institutions to Small Business Investment Companies (“SBICs”) will receive full Community Reinvestment Act (“CRA”) investment credit.

SBICs are highly regulated private investment funds that invest capital exclusively in domestic small businesses, primarily through long-term debt and equity investments. These small businesses, which often have difficulty accessing vital growth capital through traditional channels, are the lifeblood of the American economy and the current financial crisis has exacerbated the ability for these businesses to secure growth capital. In addition to capital, SBICs provide small businesses with corporate and business development advice, assistance in raising additional capital, strategic planning, management augmentation and introductions to strategic partners.

Prism is focused on and committed to community development as a core component of its mandate. We are licensed as a debenture SBIC by the U.S. Small Business Administration and seek to enhance the value of small businesses in the U.S. by providing them long-term subordinated debt and equity investments. We are patient investors, investing with an expected duration of up to seven years, depending on the requirements of the small business. To date, we have invested in 26 small businesses across the U.S. and each of their respective communities have benefited from job creation and increased tax revenue.

The following summaries are just a few of the many examples of how Prism’s investment activity supports U.S. small businesses:

- Braxton-Bragg, LLC – located in Knoxville, Tennessee. Braxton Bragg distributes a complete line of branded and house brand products to fabricators and installers of natural and engineered stone throughout the U.S. As a result of the weak housing market, Braxton Bragg faced serious financial distress and required additional capital to keep its work force intact and expand its product offerings. In late 2008, Prism invested \$1.125 million of subordinated debt and equity in the company to increase its liquidity and maintain its headcount of 38 full-time employees. Without Prism’s investment, it is unlikely Braxton Bragg would have survived the downturn.
- Hi-Tech Manufacturing, LLC – located in Schiller Park, Illinois. Hi-Tech manufactures low-volume, highly-engineered component machine parts for the aerospace, automation, medical and scientific and hydraulic power industries. In early 2010, Prism’s investment helped Hi-Tech finance the purchase of a long travel machine for \$600K. This machine enables the company to bid for jobs that require precision-engineered large parts. Hi-Tech’s existing customers in the scientific laboratory and oil and gas industries



had asked the company repeatedly to develop this capability. Without this machine these customers would have had to use a different supplier, resulting in a substantial revenue decline for Hi-Tech and layoffs thereafter.

- Ott-Lite Technologies, Inc. – located in Tampa, Florida. Ott-Lite is a leading designer and marketer of branded, patented natural daylight products targeted to consumers. Weak consumer spending and retail environment challenged the company in 2008 and 2009 and resulted in significant financial distress. However, the company has been successful in adding new customers and improving relationships with key retailers and is on track to increase revenue by 45% in 2010. The support of Prism and two additional SBIC investors in the company has been critical to the stability of Ott-Lite through this downturn as the company required a substantial capital infusion to provide liquidity to fund its growth opportunities. In the absence of this funding, Ott-Lite would have laid off a large portion of its workforce.

As the U.S. economy becomes stronger, small businesses will require liquidity for working capital and SBICs will play a pivotal role in filling that need. However, the financial crisis has caused many capital providers to re-evaluate their risk tolerance for small businesses, and many have exited the market, leaving a substantial gap in the availability of capital to small businesses.

SBICs rely on private capital from institutional and individual investors. One of the largest sources of capital to SBICs are financial institutions. While these financial institutions have capital to invest and an interest in supporting small businesses, they do not have the resources to provide the high level of involvement provided by SBICs. The high level of involvement is necessary for small businesses to continue growing and increase the number of jobs in their respective communities.

Without investment in small businesses, many U.S. communities will surely suffer as this would jeopardize job growth, tax revenue, and economic development overall. The highly regulated nature of SBICs ensures that all investments are made in support of the small business mission. Accordingly, by financial institutions investing in SBICs, they are investing in small businesses across the U.S. SBICs play a critical role for the US economy and we strongly believe that private capital commitments made by a financial institution to an SBIC should be considered as a qualified investment for CRA credit.

Yours truly,

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