

Small Business Investment Company (SBIC) Program Overview

as of March 31, 2019

PROGRAM COMPOSITION

Program Composition of Operating SBICs

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 03/31/19
Total Number of Licensees	303	313	315	305	304
Debenture	205	216	227	227	227
Participating Security	46	41	33	25	23
Bank-Owned/Non-Leveraged	43	47	47	47	48
Specialized SBICs	9	9	8	6	6

Private Capital of Operating SBICs by Fund Type (\$ in millions)

a. Regulatory Private Capital	\$12,995.0	\$14,115.3	\$ 15,014.7	\$15,808.2	\$16,203.3
Debenture	10,414.2	11,357.7	12,259.3	13,252.8	13,234.2
Participating Security	887.8	716.8	504.6	352.3	340.7
Other	1,693.0	2,040.8	2,250.8	2,203.1	2,628.5
b. Leverageable Private Capital	\$ 7,930.5	\$ 8,897.1	\$9,565.1	\$10,015.0	\$10,167.9
Debenture	6,413.4	7,309.8	7,974.6	8,533.4	8,638.1
Participating Security	684.7	571.1	383.5	262.5	250.9
Other	832.4	1,015.5	1,207.1	1,219.1	1,278.8
c. Unfunded Private Commitments	\$5,064.4	\$ 5,218.2	\$5,449.6	\$ 5,793.1	\$6,035.5
Debenture	4,000.8	4,047.9	4,284.8	4,719.4	4,596.1
Participating Security	203.1	145.0	121.2	89.8	89.8
Other	860.6	1,025.3	1,043.7	983.9	1,349.6

Leverage from SBA of Operating SBICs by Fund Type (\$ in millions)

d. SBA Capital at Risk (e+f)	\$12,351.2	\$13,696.7	\$13,996.5	\$14,280.7	\$13,887.1
Debenture	11,883.6	13,356.3	13,810.2	14,203.4	13,838.1
Participating Security	392.6	249.5	96.8	18.0	5.8
Other	75.0	90.9	89.4	59.3	43.2
e. Outstanding SBA Leverage	\$ 9,157.2	\$10,330.4	\$10,708.9	\$10,860.5	\$ 10,829.5
Debenture	8,712.0	10,010.8	10,525.3	10,785.8	10,783.1
Participating Security	384.6	244.6	96.8	18.0	5.8
Other	60.6	75.0	86.8	56.7	40.6
f. Outstanding SBA Commitments	\$ 3,194.0	\$3,366.3	\$3,287.6	\$3,420.2	\$3,057.6
Debenture	3,171.6	3,345.5	3,285.0	3,417.6	3,055.0
Participating Security	8.0	4.9	0.0	0.0	0.0
Other	14.4	15.9	2.6	2.6	2.6
g. Unreimbursed Prioritized Payments	\$142.2	\$113.1	\$55.5	\$0.1	\$0.0

Combined Private Capital and SBA Capital at Risk of Operating SBICs (\$ in millions)

h. Total Capital at Risk (a+d)	\$25,346.1	\$27,812.0	\$29,011.2	\$30,088.8	\$30,090.4
Debenture	22,297.8	24,714.0	26,069.5	27,456.2	27,072.2
Participating Security	1,280.4	966.3	601.5	370.3	346.5
Other	1,768.0	2,131.7	2,340.2	2,262.4	2,671.7

as of March 31, 2019

Program Composition in Liquidation (\$ in Millions)

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 03/31/19
Total Number of Licensees	115	104	97	87	87
Participating Security	81	76	72	66	66
Other	34	28	25	21	21
Leverage Balance	\$959.2	\$810.5	\$671.7	\$413.1	\$419.5
Participating Security	697.5	571.1	451.8	257.1	253.3
Other	261.7	239.4	219.9	156.0	166.2

Program Funding (\$ in millions)

Debenture Authorization (\$ in Millions)	\$4,000.0	\$4,000.0	\$4,000.0	\$4,000.0	\$4,000.0
<i>Annual Charge</i>	0.742%	0.672%	0.347%	0.222%	0.094%
<i>Average Debenture Pooled Interest Rate</i>	2.68%	2.29%	2.70%	3.35%	N/A

ECONOMIC IMPACT: SBIC FINANCINGS TO SMALL BUSINESS REPORTED *

Total SBIC Program

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 03/31/19	Chg. from 03/31/18
Financing Amount Reported (\$ in millions)	\$6,285.5	\$5,991.7	\$5,727.3	\$5,502.6	\$2,887.2	14%
Type of Financing (\$ in millions)						
Straight Debt	3,810.5	3,791.7	3,720.2	3,543.0	1,799.8	5%
Debt with Equity Features	1,351.2	1,157.1	859.8	807.3	405.2	23%
Equity Only	1,124.8	1,042.9	1,147.4	1,152.2	682.1	35%
Number of Companies Financed	1,210	1,201	1,077	1,151	701	13%
Special Competitive Opportunity Gap	288	332	308	315	170	16%
Businesses Located in LMI Areas*	229	284	262	265	142	25%
Women, Minority, Veteran Owned*	73	61	68	66	36	(14%)
Number of Jobs Created or Sustained**	129,749	122,382	112,865	106,021	55,672	8%

Debenture SBICs

Financing Amount Reported (\$ in millions)	\$5,939.6	\$5,653.8	\$5,353.8	\$5,159.0	\$2,641.9	9%
Type of Financing (\$ in millions)						
Straight Debt	3,701.8	3,665.5	3,617.6	3,422.1	1,737.5	4%
Debt with Equity Features	1,265.9	1,110.6	835.4	791.8	388.3	19%
Equity Only	971.9	877.7	900.9	945.0	516.1	21%
Number of Companies Financed	1,010	986	904	940	586	14%
Special Competitive Opportunity Gap	226	260	245	238	142	30%
Businesses Located in LMI Areas*	182	232	212	206	117	34%
Women, Minority, Veteran Owned*	51	35	47	39	31	15%

as of March 31, 2019

Number of Jobs Created or Sustained**	122,608	115,481	105,505	99,400	50,943	4%
--	---------	---------	---------	--------	--------	----

Non-Leveraged, Bank-Owned, and Specialized SBICs

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 03/31/19	Chg. from 03/31/18
Financing Amount Reported (\$ in millions)	\$300.1	\$307.0	\$357.7	\$328.0	\$228.6	102%
Type of Financing (\$ in millions)						
Straight Debt	98.8	116.5	94.1	111.9	56.6	80%
Debt with Equity Features	72.6	38.2	23.4	13.4	15.5	216%
Equity Only	128.8	152.3	240.1	202.6	156.5	103%
Number of Companies Financed	147	203	189	236	129	10%
Special Competitive Opportunity Gap	48	70	67	84	32	(18%)
Businesses Located in LMI Areas*	34	50	54	66	29	0%
Women, Minority, Veteran Owned*	21	26	22	27	5	(67%)
Number of Jobs Created or Sustained**	6,196	6,271	7,048	6,319	4,408	99%

Participating Security SBICs

Financing Amount Reported (\$ in millions)	\$46.8	\$30.9	\$15.8	\$15.7	\$16.7	114%
Type of Financing (\$ in millions)						
Straight Debt	9.9	9.7	8.6	9.0	5.7	16%
Debt with Equity Features	12.8	8.3	0.9	2.0	1.5	1400%
Equity Only	24.1	12.9	6.3	4.6	9.5	252%
Number of Companies Financed	53	40	23	15	10	25%
Special Competitive Opportunity Gap	14	9	6	3	1	0%
Businesses Located in LMI Areas*	13	9	6	3	1	0%
Women, Minority, Veteran Owned*	1	0	0	0	0	0%
Number of Jobs Created or Sustained**	945	630	312	302	321	104%

* The Office of Investment and Innovation reports financing information based on data collected on the SBA Form 1031. Information is aggregated, by fiscal year, based on the date of the submission of the form and not on the date of the financing to the small business.

** SBA estimates jobs created or sustained using "The 1999 Arizona Venture Capital Impact Study" (confirmed by the DRI-WEFA study of 2001) indicating that 1 job is created for every \$36,000 of SBIC Program investment (adjusted for inflation).

PROGRAM OFFICE ACTIVITIES

New Licensees

New Licensees by Fund Type	25	21	15	25	5	(55%)
Debenture	22	17	11	21	3	(67%)
Bank-Owned/Non-Leveraged	3	4	4	4	2	0%
Initial Private Capital (\$ in millions)	\$1,236.4	\$1,188.0	\$831.7	\$1,224.2	\$490.1	(12%)
Debenture	1,204.1	893.0	656.5	1,137.9	252.5	(47%)
Bank-Owned/Non-Leveraged	32.3	295.0	175.2	86.2	237.6	213%

Licensing Pipeline *

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 03/31/19	Chg. from 03/31/18
Total in Pipeline	37	49	62	53	53	(12%)
In Applicant Review/Program Development	13	20	22	20	22	(8%)
In Capital Raising	14	22	26	23	21	5%
In Licensing	10	7	14	10	10	(38%)

Program Development and Licensing Activity **

Applicant Initial Review/Program Development

Received during FY	48	57	55	39	11	(45%)
1st Time SBIC Applicants	24	30	27	17	5	(44%)
Subsequent Fund Applicants	24	27	28	22	6	(45%)
Processed in FY	44	50	52	41	9	(50%)
Green Light Letters Issued	25	32	31	28	7	(42%)
<i>% of Processed Receiving Green Light</i>	57%	64%	60%	68%	78%	16%
1st Time SBIC Applicants	11	10	18	10	4	0%
Subsequent Fund Applicants	14	22	13	18	3	(63%)
Number Denied -- 1st Time and Subsequent	17	15	15	7	2	0%
Number Withdrawn -- 1st Time and Subsequent	2	3	6	6	0	(100%)

Capital Raising Completed/Terminated

Green Light Letters Expired/Other Licensing Applications Submitted	10	0	5	7	4	33%
Total, Capital Raising Completed/Terminated	25	24	22	24	5	(67%)
<i>% in Capital Raising Completed/Terminated Submitting Applications</i>	35	24	27	31	9	(50%)
	71%	100%	81%	77%	56%	(33%)

as of March 31, 2019

Licensing ***

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 03/31/19	Chg. from 03/31/18
Received during FY	25	24	22	24	5	(67%)
1st Time SBIC Applicants	15	2	9	8	0	(100%)
Subsequent Fund Applicants	10	22	13	16	5	(50%)
Otherwise Resolved During FY	7	6	0	3	0	(100%)
FY Number of New Licensees	25	21	15	25	5	(55%)
1st Time SBIC Applicants	12	8	1	11	1	(67%)
Subsequent Fund Applicants	13	13	14	14	4	(50%)
Average Months to Process	8.4	5.8	5.1	8.2	7.7	1%

* OII re-evaluated the data collection in the Office of Program Development. Consequently, the content of Licensing Pipeline, for previous years, was updated and therefore may not be consistent with previously issued Program Overview reports.

** OII identified several historical data discrepancies. Consequently, the content of Program Development and Licensing Activity, for previous years, was updated and therefore may not be consistent with previously issued Program Overview reports.

*** FY2019 Licensing data has been adjusted for the lapse in appropriations.

Leverage Activities in Operations

Debenture Leverage

Commitments Issued	\$2,553.0	\$2,514.3	\$1,959.8	\$2,521.9	\$690.6	(31%)
Draws	\$2,337.4	\$2,157.6	\$1,901.8	\$2,118.7	\$915.1	(21%)
Redemptions (Pre-Paid and at Maturity)	\$806.1	\$807.8	\$1,372.0	\$1,893.5	\$920.2	25%
Transfers to Liquidation	\$ 26.5	\$38.6	\$42.4	\$0	\$13.7	100%
% of Beginning Leverage Transferred	<1%	<1%	<1%	0%	.1%	100%

Participating Securities Leverage

Prioritized Payments (PP) Advanced	\$28.4	\$15.5	\$8.9	\$3.3	\$0.3	(86%)
SBA Distributions	\$201.6	\$137.4	\$73.1	\$56.6	\$1.1	(97%)
Prioritized Payments	\$24.8	\$13.1	\$1.8	\$4.0	\$0.0	(100%)
Adjustments and Annual Fees	\$3.7	\$4.0	\$0.4	\$17.0	\$0.0	(100%)
Profit Participation	\$13.3	\$5.1	\$11.3	\$13.6	\$1.1	(90%)
PS Redemptions--Operating SBICs	\$159.8	\$115.2	\$59.6	\$21.9	\$0.0	(100%)
Transfers to Liquidation	\$109.2	\$22.8	\$49.3	\$51.7	\$1.2	(25%)
% of Beginning Leverage Transferred	18%	7%	25%	60%	10%	429%
Prioritized Payments at Transfer	\$42.8	\$11.1	\$49.6	\$59.2	\$0.3	275%

as of March 31, 2019

SBIC Examination Activities

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 03/31/19	Chg. from 03/31/18
Exam Reports Issued	222	186	167	177	54	17%
Exam Cycle (months)	12.7	13.0	16.3	17.3	17.6	(7%)
<i>% of Reports with Major Findings</i>	19%	19%	17%	24%	13%	(63%)
Licensees with Leverage	173	137	126	139	44	19%
Exam Cycle (months)	11.2	11.5	15.4	16.9	16.2	(13%)
<i>% of Reports with Major Findings</i>	21%	19%	19%	26%	16%	(58%)
Licensees without Leverage	49	49	41	38	10	11%
Exam Cycle (months)	18.1	17.1	19.2	18.8	21.0	2%
<i>% of Reports with Major Findings</i>	8%	18%	12%	16%	0%	(100%)

Surrenders and Transfers to Liquidation

SBIC License Surrenders	13	7	7	31	4	(75%)
Debenture	4	3	0	21	2	(85%)
Participating Security	4	4	3	5	1	(50%)
Bank-Owned/Non-Leveraged	5	0	4	4	1	100%
Specialized SBICs	0	0	0	1	0	(100%)
SBIC Licensee Transfers to Liquidation	3	2	6	4	2	0%
Debenture and Specialized SBICs	0	1	1	1	1	0%
Participating Security	3	1	5	3	1	0%

Activities in the Office of Liquidation

Participating Security Leverage						
Total Leverage Collections	\$170.7	\$98.6	\$118.4	\$200.0	\$5.9	(93%)
<i>Collections as % of Beginning Leverage</i>	22%	14%	21%	44%	2%	(88%)
Leverage Write-offs	\$34.4	\$52.5	\$51.4	\$89.9	\$0	0%
Prioritized Payments Collections	\$14.1	\$2.7	\$0.4	\$50.7	\$0.8	(86%)
Prioritized Payments Write-offs	\$55.9	\$15.7	\$14.0	\$14.6	\$0	0%
Debenture Leverage						
Total Leverage Collections	\$83.6	\$54.0	\$37.8	\$9.2	\$3.5	(85%)
<i>Collections as % of Beginning Leverage</i>	24%	21%	16%	4%	2%	(80%)
Leverage Write-offs	\$36.0	\$7.1	\$24.7	\$12.7	\$0	(100%)