

Small Business Investment Company (SBIC) Program Overview

as of December 31, 2019

PROGRAM COMPOSITION

Program Composition of Operating SBICs

	FY End 2016	FY End 2017	FY End 2018	FY End 2019	as of 12/31/19
Total Number of Licensees	313	315	305	300	299
Debenture	216	227	227	224	224
Participating Security	41	33	25	22	21
Bank-Owned/Non-Leveraged	47	47	47	48	48
Specialized SBICs	9	8	6	6	6

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

a. Regulatory Private Capital	\$14,115.3	\$15,014.7	\$ 15,808.2	\$16,717.9	\$17,009.7
Debenture	11,357.7	12,259.3	13,252.8	13,500.0	13,977.3
Participating Security	716.8	504.6	352.3	323.8	321.7
Other	2,040.8	2,250.8	2,203.1	2,894.1	2,710.7
b. Leverageable Private Capital	\$ 8,897.0	\$ 9,565.2	\$10,015.0	\$10,231.2	\$10,395.4
Debenture	7,309.8	7,974.6	8,533.4	8,564.9	8,747.9
Participating Security	571.7	383.5	262.5	234.4	232.3
Other	1,015.2	1,207.1	1,219.1	1,431.9	1,415.2
c. Unfunded Private Commitments	\$5,218.2	\$ 5,449.7	\$5,793.1	\$ 6,486.7	\$6,614.5
Debenture	4,047.9	4,284.8	4,719.4	4,935.1	5,229.5
Participating Security	145.0	121.2	89.8	89.4	89.4
Other	1,025.3	1,043.7	983.9	1,462.2	1,295.6

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

d. SBA Capital at Risk (e+f)	\$13,696.7	\$13,996.4	\$14,280.7	\$13,827.4	\$14,561.4
Debenture	13,356.3	13,810.2	14,203.4	13,785.0	14,519.0
Participating Security	249.5	96.8	18.0	4.0	4.0
Other	90.9	89.4	59.3	38.4	38.4
e. Outstanding SBA Leverage	\$ 10,330.4	\$10,708.9	\$10,860.5	\$10,780.5	\$11,294.1
Debenture	10,010.8	10,525.3	10,785.8	10,740.7	11,254.3
Participating Security	244.6	96.8	18.0	4.0	4.0
Other	75.0	86.8	56.7	35.8	35.8
f. Outstanding SBA Commitments	\$ 3,366.3	\$3,287.6	\$3,420.2	\$3,046.9	\$3,267.3
Debenture	3,345.5	3,285.0	3,417.6	3,044.3	3,264.7
Participating Security	4.9	0.0	0.0	0.0	0.0
Other	15.9	2.6	2.6	2.6	2.6
g. Unreimbursed Prioritized Payments	\$113.1	\$55.5	\$0.1	\$0.0	\$0.0

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

h. Total Capital at Risk (a+d)	\$27,812.0	\$29,011.1	\$30,088.9	\$30,545.3	\$31,571.1
Debenture	24,714.0	26,069.5	27,456.2	27,285.0	28,496.3
Participating Security	966.3	601.4	370.3	327.8	325.7
Other	2,131.7	2,340.2	2,262.4	2,932.5	2,749.1

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Program Composition in Liquidation (\$ in Millions) *

	FY End 2016	FY End 2017	FY End 2018	FY End 2019	as of 12/31/19
Total Number of Licensees	104	97	87	79	79
Participating Security	76	72	66	57	57
Other	28	25	21	22	22
Leverage Balance	\$810.5	\$671.7	\$413.1	\$499.0	\$488.8
Participating Security	571.1	451.8	257.1	216.3	213.4
Other	239.4	219.9	156.0	282.7	275.4

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>	0.672%	0.347%	0.222%	0.094%	0.275%
<i>Average Debenture Pooled Interest Rate</i>	2.29%	2.70%	3.35%	2.70%	n/a

ECONOMIC IMPACT: SBIC FINANCINGS TO SMALL BUSINESS REPORTED *

Total SBIC Program

	FY End 2016	FY End 2017	FY End 2018	FY End 2019	as of 12/31/19	Chg. from 12/31/18
Financing Amount Reported (\$ in millions)	\$5,991.7	\$5,727.3	\$5,502.6	\$5,865.7	\$1,455.2	(3%)
Type of Financing (\$ in millions)						
Straight Debt	3,791.7	3,720.2	3,543.0	3,594.4	901.8	(9%)
Debt with Equity Features	1,157.1	859.8	807.3	792.0	149.9	(15%)
Equity Only	1,042.9	1,147.4	1,152.2	1,479.3	403.5	22%
Number of Companies Financed	1,201	1,077	1,151	1,191	392	(4%)
Special Competitive Opportunity Gap	332	308	315	292	85	(8%)
Businesses Located in LMI Areas*	284	262	265	245	75	1%
Women, Minority, Veteran Owned*	61	68	66	59	18	(28%)
Number of Jobs Created or Sustained**	122,382	112,865	106,021	111,201	27,512	(5%)

Debenture SBICs

Financing Amount Reported (\$ in millions)	\$5,653.8	\$5,353.8	\$5,159.0	\$5,450.4	\$1,341.9	(5%)
Type of Financing (\$ in millions)						
Straight Debt	3,665.5	3,617.6	3,422.1	3,464.1	861.9	(11%)
Debt with Equity Features	1,110.6	835.4	791.8	760.3	145.8	(15%)
Equity Only	877.7	900.9	945.0	1,226.0	334.2	23%
Number of Companies Financed	986	904	940	987	317	(10%)
Special Competitive Opportunity Gap Businesses	260	245	238	227	69	(16%)
Businesses Located in LMI Areas*	232	212	206	192	60	(9%)
Women, Minority, Veteran Owned Businesses*	35	47	39	41	14	(33%)

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Number of Jobs Created or Sustained** 115,481 105,505 994,400 103,326 25,369 (7%)

Non-Leveraged, Bank-Owned, and Specialized SBICs

	FY End 2016	FY End 2017	FY End 2018	FY End 2019	as of 12/31/19	Chg. from 12/31/18
Financing Amount Reported (\$ in millions)	\$307.0	\$357.7	\$328.0	\$397.3	\$110.5	46%
Type of Financing (\$ in millions)						
Straight Debt	116.5	94.1	111.9	120.4	37.8	184%
Debt with Equity Features	38.2	23.4	13.4	27.6	4.1	(11%)
Equity Only	152.3	240.1	202.6	249.3	68.6	19%
Number of Companies Financed	203	189	236	244	90	58%
Special Competitive Opportunity Gap	70	67	84	70	19	73%
Businesses Located in LMI Areas*	50	54	66	58	18	100%
Women, Minority, Veteran Owned*	26	22	27	17	4	0%
Number of Jobs Created or Sustained**	6,271	7,048	6,319	7,532	2,089	43%

Participating Security SBICs

Financing Amount Reported (\$ in millions)	\$30.9	\$15.8	\$15.7	\$18.1	\$2.9	(26%)
Type of Financing (\$ in millions)						
Straight Debt	9.7	8.6	9.0	9.9	2.2	(24%)
Debt with Equity Features	8.3	0.9	2.0	4.1	0	(100%)
Equity Only	12.9	6.3	4.6	4.1	0.7	100%
Number of Companies Financed	40	23	15	14	3	(63%)
Special Competitive Opportunity Gap	9	6	3	3	0	(100%)
Businesses Located in LMI Areas*	9	6	3	3	0	(100%)
Women, Minority, Veteran Owned*	0	0	0	1	0	0%
Number of Jobs Created or Sustained**	630	312	302	342	54	(29%)

* 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	21	15	25	18	3	100%
Debenture	17	11	21	15	1	100%
Bank-Owned/Non-Leveraged	4	4	4	3	2	100%
Initial Private Capital (\$ in millions)	\$1,188.0	\$831.7	\$1,224.1	\$1,234.0	\$517.8	100%
Debenture	893.0	656.5	1,137.9	986.5	986.5	100%
Bank-Owned/Non-Leveraged	295.0	175.2	86.2	247.5	247.5	100%

Licensing Pipeline *

	FY End 2016	FY End 2017	FY End 2018	FY End 2019	as of 12/31/19	Chg. from 12/31/18
Total in Pipeline	49	62	53	46	50	(7%)
In Applicant Review	20	22	20	15	22	10%
In Capital Raising	22	26	23	25	16	(27%)
In Licensing	7	14	10	6	12	9%

Licensing Activity **

Applicant Initial Review

Received during FY	57	55	39	26	9	50%
1st Time SBIC Applicants	30	27	17	8	3	0%
Subsequent Fund Applicants	27	28	22	18	6	100%
Processed in FY	50	52	41	31	6	50%
Green Light Letters Issued	32	31	28	24	5	67%
<i>% of Processed Receiving Green Light</i>	64%	60%	68%	77%	83%	11%
1st Time SBIC Applicants	10	18	10	11	3	50%
Subsequent Fund Applicants	22	13	18	13	2	100%
Number Denied -- 1st Time and Subsequent	15	15	7	3	1	0%
Number Withdrawn -- 1st Time and Subsequent	3	6	6	4	0	0%

Capital Raising Completed/Terminated

Green Light Letters Expired/Other Licensing Applications Submitted	0	5	7	7	2	(33%)
Total, Capital Raising Completed/Terminated	24	22	24	14	9	800%
<i>% in Capital Raising Completed/Terminated Submitting Applications</i>	24	27	31	21	11	175%
	100%	81%	77%	67%	82%	227%

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Licensing ***

	FY End 2016	FY End 2017	FY End 2018	FY End 2019	as of 12/31/19	Chg. from 12/31/18
Received during FY	24	22	24	14	9	800%
1st Time SBIC Applicants	2	9	8	5	4	100%
Subsequent Fund Applicants	22	13	16	9	5	400%
Otherwise Resolved During FY	6	0	3	1	1	100%
FY Number of New Licensees	21	15	25	18	3	100%
1st Time SBIC Applicants	8	1	11	4	3	100%
Subsequent Fund Applicants	13	14	14	14	0	0%
Average Months to Process	5.8	5.1	8.2	6.8	4.8	100%

*OII re-evaluated the data collection and also identified several historical data discrepancies. Consequently, some data was updated and therefore may not be consistent with previously issued Program Overview reports. Additionally, FY 2019 activity reflects a lapse in appropriation.

Leverage Activities in Operations

Debenture Leverage

Commitments Issued	\$2,514.3	\$1,959.8	\$2,521.9	\$1,614.1	\$881.9	161%
Draws	\$2,157.6	\$1,901.8	\$2,118.7	\$1,927.2	\$498.1	7%
Redemptions (Pre-Paid and at Maturity)	\$807.8	\$1,372.0	\$1,893.5	\$1,816.4	\$9.3	(22%)
Transfers to Liquidation	\$38.6	\$42.4	\$0.0	\$179.9	\$0.0	0%
% of Beginning Leverage Transferred	<1%	<1%	0%	2%	0%	0%

Participating Securities Leverage

Prioritized Payments (PP) Advanced	\$15.5	\$8.9	\$3.3	\$0.3	\$0.0	(100%)
SBA Distributions	\$137.4	\$73.1	\$56.6	\$12.1	\$0.0	(100%)
Prioritized Payments	\$13.1	\$1.8	\$4.0	\$0.5	\$0.0	0%
Adjustments and Annual Fees	\$4.0	\$0.4	\$17.0	\$0.2	\$0.0	0%
Profit Participation	\$5.1	\$11.3	\$13.6	\$3.1	\$0.0	(100%)
PS Redemptions--Operating SBICs	\$115.2	\$59.6	\$21.9	\$11.0	\$0.0	0%
Transfers to Liquidation	\$22.8	\$49.3	\$51.7	\$1.2	\$0.0	0%
% of Beginning Leverage Transferred	7%	25%	60%	10%	0%	0%
Prioritized Payments at Transfer	\$11.1	\$49.6	\$59.2	\$0.3	\$0.0	0%

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SBIC Examination Activities

	FY End 2016	FY End 2017	FY End 2018	FY End 2019	as of 12/31/19	Chg. from 12/31/18
Exam Reports Issued	186	167	177	206	21	24%
Exam Cycle (months)	13.0	16.3	17.3	15.2	15.1	(20%)
% of Reports with Major Findings	19%	17%	24%	17%	14%	(22%)
Licensees with Leverage	137	126	139	151	17	13%
Exam Cycle (months)	11.5	15.4	16.9	14.2	14.4	(25%)
% of Reports with Major Findings	19%	19%	26%	19%	18%	(10%)
Licensees without Leverage	49	41	38	55	4	100%
Exam Cycle (months)	17.1	19.2	18.8	18.1	18.3	10%
% of Reports with Major Findings	18%	12%	16%	15%	0%	0%

Surrenders and Transfers to Liquidation

SBIC License Surrenders	9	7	31	18	4	100%
Debenture	5	0	21	14	4	100%
Participating Security	4	3	5	2	0	0%
Bank-Owned/Non-Leveraged	0	4	4	2	0	0%
Specialized SBICs	0	0	1	0	0	0%
SBIC Licensee Transfers to Liquidation	2	6	4	4	0	0%
Debenture and Specialized SBICs	1	1	1	3	0	0%
Participating Security	1	5	3	1	0	0%

Activities in the Office of Liquidation

Participating Security Leverage						
Total Leverage Collections	\$98.6	\$118.4	\$200.0	\$11.3	\$2.8	(39%)
Collections as % of Beginning Leverage	14%	21%	44%	4%	1%	(50%)
Leverage Write-offs	\$52.5	\$51.4	\$89.9	\$31.3	\$0.0	0%
Prioritized Payments Collections	\$2.7	\$0.4	\$50.7	\$1.4	\$0.0	(100%)
Prioritized Payments Write-offs	\$15.7	\$14.0	\$14.6	\$3.6	\$0.0	0%
Debenture Leverage						
Total Leverage Collections	\$54.0	\$37.8	\$9.2	\$36.3	\$3.1	182%
Collections as % of Beginning Leverage	21%	16%	4%	23%	1%	100%
Leverage Write-offs	\$7.1	\$24.7	\$12.7	\$14.9	\$4.3	530%