

Small Business Investment Company (SBIC) Program Overview

as of December 31, 2018

PROGRAM COMPOSITION

Program Composition of Operating SBICs

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 12/31/18
Total Number of Licensees	303	313	315	305	305
Debenture	205	216	227	227	227
Participating Security	46	41	33	25	25
Bank-Owned/Non-Leveraged	43	47	47	47	47
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	\$15,819.7
Debenture	10,414.2	11,357.7	12,259.3	13,252.8	13,068.7
Participating Security	887.8	716.8	504.6	352.3	350.9
Other	1,693.0	2,040.8	2,250.8	2,203.1	2,400.1
b. Leverageable Private Capital	\$ 7,930.5	\$ 8,897.1	\$9,565.1	\$10,015.0	\$10,050.0
Debenture	6,413.4	7,309.8	7,974.6	8,533.4	8,534.9
Participating Security	684.7	571.1	383.5	262.5	261.1
Other	832.4	1,015.5	1,207.1	1,219.1	1,254.0
c. Unfunded Private Commitments	\$5,064.4	\$ 5,218.2	\$5,449.6	\$ 5,793.1	\$5,769.7
Debenture	4,000.8	4,047.9	4,284.8	4,719.4	4,533.8
Participating Security	203.1	145.0	121.2	89.8	89.8
Other	860.6	1,025.3	1,043.7	983.9	1,146.2

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	\$14,491.2
Debenture	11,883.6	13,356.3	13,810.2	14,203.4	14,413.8
Participating Security	392.6	249.5	96.8	18.0	18.0
Other	75.0	90.9	89.4	59.3	59.3
e. Outstanding SBA Leverage	\$ 9,157.2	\$10,330.4	\$10,708.9	\$10,860.5	\$ 11,267.2
Debenture	8,712.0	10,010.8	10,525.3	10,785.8	11,192.5
Participating Security	384.6	244.6	96.8	18.0	18.0
Other	60.6	75.0	86.8	56.7	56.7
f. Outstanding SBA Commitments	\$ 3,194.0	\$3,366.3	\$3,287.6	\$3,420.2	\$3,224.0
Debenture	3,171.6	3,345.5	3,285.0	3,417.6	3,221.4
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	\$0.1

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	\$30,310.8
Debenture	22,297.8	24,714.0	26,069.5	27,456.2	27,482.5
Participating Security	1,280.4	966.3	601.5	370.3	368.9
Other	1,768.0	2,131.7	2,340.2	2,262.4	2,459.4

as of December 31, 2018

Program Composition in Liquidation (\$ in Millions) *					
	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 12/31/18
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	\$413.0	\$408.4
Participating Security	697.5	571.1	451.8	255.0	250.6
Other	261.7	239.4	219.9	158.0	157.8

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

* Figures for FY 2018 and 12/31/18 Program Composition in Liquidation (\$ in Millions) are subject to adjustment upon final SBA accounting reconciliation.
Information developed and maintained by Office of the Business Operations Officer, Office of Investment and Innovation

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 12/31/18	Chg. from 12/31/17
Financing Amount Reported (\$ in millions)	\$6,285.5	\$5,991.7	\$5,727.3	\$5,502.6	\$1,493.2	76%
Type of Financing (\$ in millions)						
Straight Debt	3,810.5	3,791.7	3,720.2	3,543.0	987.4	71%
Debt with Equity Features	1,351.2	1,157.1	859.8	807.3	176.3	76%
Equity Only	1,124.8	1,042.9	1,147.4	1,152.2	329.5	92%
Number of Companies Financed	1,210	1,201	1,077	1,151	407	66%
Special Competitive Opportunity Gap	288	332	308	315	92	104%
Businesses Located in LMI Areas*	229	284	262	265	74	147%
Women, Minority, Veteran Owned*	73	61	68	66	25	67%
Number of Jobs Created or Sustained**	129,749	122,382	112,865	106,021	28,909	73%

Debenture SBICs						
Financing Amount Reported (\$ in millions)	\$5,939.6	\$5,653.8	\$5,353.8	\$5,159.0	\$1,413.7	74%
Type of Financing (\$ in millions)						
Straight Debt	3,701.8	3,665.5	3,617.6	3,422.1	971.2	71%
Debt with Equity Features	1,265.9	1,110.6	835.4	791.8	170.7	71%
Equity Only	971.9	877.7	900.9	945.0	271.8	91%
Number of Companies Financed	1,010	986	904	940	351	67%
Special Competitive Opportunity Gap	226	260	245	238	82	122%
Businesses Located in LMI Areas*	182	232	212	206	66	164%
Women, Minority, Veteran Owned*	51	35	47	39	21	75%

as of December 31, 2018

Number of Jobs Created or Sustained**	122,608	115,481	105,505	99,400	27,369	71%
--	---------	---------	---------	--------	--------	-----

Non-Leveraged, Bank-Owned, and Specialized SBICs

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 12/31/18	Chg. from 12/31/17
Financing Amount Reported (\$ in millions)	\$300.1	\$307.0	\$357.7	\$328.0	\$75.6	114%
Type of Financing (\$ in millions)						
Straight Debt	98.8	116.5	94.1	111.9	13.3	115%
Debt with Equity Features	72.6	38.2	23.4	13.4	4.6	2200%
Equity Only	128.8	152.3	240.1	202.6	57.7	100%
Number of Companies Financed	147	203	189	236	57	68%
Special Competitive Opportunity Gap	48	70	67	84	11	38%
Businesses Located in LMI Areas*	34	50	54	66	9	80%
Women, Minority, Veteran Owned*	21	26	22	27	4	33%
Number of Jobs Created or Sustained**	6,196	6,271	7,048	6,319	1,464	110%

Participating Security SBICs

Financing Amount Reported (\$ in millions)	\$46.8	\$30.9	\$15.8	\$15.7	\$3.9	77%
Type of Financing (\$ in millions)						
Straight Debt	9.9	9.7	8.6	9.0	2.9	45%
Debt with Equity Features	12.8	8.3	0.9	2.0	1.0	900%
Equity Only	24.1	12.9	6.3	4.6	0.0	0%
Number of Companies Financed	53	40	23	15	8	33%
Special Competitive Opportunity Gap	14	9	6	3	1	100%
Businesses Located in LMI Areas*	13	9	6	3	1	100%
Women, Minority, Veteran Owned*	1	0	0	0	0	0%
Number of Jobs Created or Sustained**	945	630	312	302	76	77%

* 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).

Information developed and maintained by the Office of the Business Operations Officer, Office of Investment and Innovation

PROGRAM OFFICE ACTIVITIES

New Licensees

New Licensees by Fund Type	25	21	15	25	0	(100%)
Debenture	22	17	11	21	0	(100%)
Bank-Owned/Non-Leveraged	3	4	4	4	0	0%
Initial Private Capital (\$ in millions)	\$1,236.4	\$1,188.0	\$831.7	\$1,224.2	\$0.0	(100%)
Debenture	1,204.1	893.0	656.5	1,137.9	0.0	(100%)
Bank-Owned/Non-Leveraged	32.3	295.0	175.2	86.2	0.0	0%

as of December 31, 2018

Licensing Pipeline *

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 12/31/18	Chg. from 12/31/17
Total in Pipeline	37	49	62	53	54	(7%)
In Applicant Review/Program Development	13	20	22	20	20	(5%)
In Capital Raising	14	22	26	23	22	22%
In Licensing	10	7	14	10	11	(42%)

Program Development and Licensing Activity **

Applicant Initial Review/Program Development

Received during FY	48	57	55	39	6	(25%)
1st Time SBIC Applicants	24	30	27	17	3	(40%)
Subsequent Fund Applicants	24	27	28	22	3	0%
Processed in FY	44	50	52	41	4	(56%)
Green Light Letters Issued	25	32	31	28	3	(25%)
<i>% of Processed Receiving Green Light</i>	<i>57%</i>	<i>64%</i>	<i>60%</i>	<i>68%</i>	<i>75%</i>	<i>70%</i>
1st Time SBIC Applicants	11	10	18	10	2	100%
Subsequent Fund Applicants	14	22	13	18	1	(67%)
Number Denied -- 1st Time and Subsequent	17	15	15	7	1	(50%)
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	3	50%
Total, Capital Raising Completed/Terminated	25	24	22	24	1	(90%)
<i>% in Capital Raising Completed/Terminated Submitting Applications</i>	<i>35</i>	<i>24</i>	<i>27</i>	<i>31</i>	<i>4</i>	<i>(67%)</i>
	71%	100%	81%	77%	25%	(70%)

as of December 31, 2018

Licensing

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 12/31/18	Chg. from 12/31/17
Received during FY	25	24	22	24	1	(90%)
1st Time SBIC Applicants	15	2	9	8	0	(100%)
Subsequent Fund Applicants	10	22	13	16	1	(88%)
Otherwise Resolved During FY	7	6	0	3	0	0%
FY Number of New Licensees	25	21	15	25	0	(100%)
1st Time SBIC Applicants	12	8	1	11	0	(100%)
Subsequent Fund Applicants	13	13	14	14	0	(100%)
Average Months to Process	8.4	5.8	5.1	8.2	0	(100%)

* The Office of Investment and Innovation 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.

** The Office of Investment and Innovation identified several historical discrepancies in data. 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.

Information developed and maintained by Office of the Business Operations Officer, Office of Investment and Innovation

Leverage Activities in Operations

Debenture Leverage

Commitments Issued	\$2,553.0	\$2,514.3	\$1,959.8	\$2,521.9	\$338.4	(10%)
Draws	\$2,337.4	\$2,157.6	\$1,901.8	\$2,118.7	\$464.8	(23%)
Redemptions (Pre-Paid and at Maturity)	\$806.1	\$807.8	\$1,372.0	\$1,893.5	\$11.9	222%
Transfers to Liquidation	\$ 26.5	\$38.6	\$42.4	\$0.0	\$0.0	0%
% of Beginning Leverage Transferred	<1%	<1%	<1%	0%	0%	0%

Participating Securities Leverage

Prioritized Payments (PP) Advanced	\$28.4	\$15.5	\$8.9	\$3.3	\$0.1	(92%)
SBA Distributions	\$201.6	\$137.4	\$73.1	\$56.6	\$1.1	(94%)
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	22%
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	\$0.0	0%
% of Beginning Leverage Transferred	18%	7%	25%	60%	0%	0%
Prioritized Payments at Transfer	\$42.8	\$11.1	\$49.6	\$59.2	\$0	0%

as of December 31, 2018

SBIC Examination Activities

	FY End 2015	FY End 2016	FY End 2017	FY End 2018	as of 12/31/18	Chg. from 12/31/17
Exam Reports Issued	222	186	167	177	17	183%
Exam Cycle (months)	12.7	13.0	16.3	17.3	18.8	2%
% of Reports with Findings	19%	19%	17%	24%	18%	100%
Licensees with Leverage	173	137	126	139	15	150%
Exam Cycle (months)	11.2	11.5	15.4	16.9	19.1	4%
% of Reports with Findings	21%	19%	19%	26%	20%	100%
Licensees without Leverage	49	49	41	38	2	100%
Exam Cycle (months)	18.1	17.1	19.2	18.8	16.7	100%
% of Reports with Findings	8%	18%	12%	16%	0%	0%

Surrenders and Transfers to Liquidation

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

Activities in the Office of Liquidation *

Participating Security Leverage

Total Leverage Collections	\$170.7	\$98.6	\$118.4	\$183.2	\$4.6	(93%)
Collections as % of Beginning Leverage	22%	14%	21%	41%	2%	(85%)
Leverage Write-offs	\$34.4	\$52.5	\$51.4	\$99.1	\$0	0%
Prioritized Payments Collections	\$14.1	\$2.7	\$0.4	\$38.6	\$1	<1%
Prioritized Payments Write-offs	\$55.9	\$15.7	\$14.0	\$14.4	\$0	0%

Debenture Leverage

Total Leverage Collections	\$83.6	\$54.0	\$37.8	\$6.9	\$1.1	450%
Collections as % of Beginning Leverage	24%	21%	16%	3%	<1%	0%
Leverage Write-offs	\$36.0	\$7.1	\$24.7	\$15.4	(\$1.0)	(1100%)

* Figures for FY2018 and 12/31/18 Activities in the Office of Liquidation are subject to adjustment upon final SBA accounting reconciliation.

Information developed and maintained by Office of the Business Operations Officer, Office of Investment and Innovation