

# Small Business Investment Company (SBIC) Program Overview

as of June 30, 2018

## PROGRAM COMPOSITION

### Program Composition of Operating SBICs

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 06/30/18
<b>Total Number of Licensees</b>	<b>294</b>	<b>303</b>	<b>313</b>	<b>315</b>	<b>301</b>
Debenture	187	205	216	227	224
Participating Security	53	46	41	33	25
Bank-Owned/Non-Leveraged	45	43	47	47	46
Specialized SBICs	9	9	9	8	6

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

<b>a. Regulatory Private Capital</b>	<b>\$11,789.5</b>	<b>\$12,995.0</b>	<b>\$14,115.3</b>	<b>\$15,014.7</b>	<b>\$15,327.4</b>
Debenture	8,923.4	10,414.2	11,357.7	12,259.3	12,898.4
Participating Security	1,096.1	887.8	716.8	504.6	352.7
Other	1,770.1	1,693.0	2,040.8	2,250.8	2,076.3
<b>b. Leverageable Private Capital</b>	<b>\$7,070.2</b>	<b>\$7,930.5</b>	<b>\$8,897.1</b>	<b>\$9,565.1</b>	<b>\$9,754.8</b>
Debenture	5,292.8	6,413.4	7,309.8	7,974.6	8,392.4
Participating Security	874.8	684.7	571.7	383.5	263.0
Other	902.6	832.4	1,015.5	1,207.1	1,099.4
<b>c. Unfunded Private Commitments</b>	<b>\$4,719.3</b>	<b>\$5,064.4</b>	<b>\$5,218.2</b>	<b>\$5,449.6</b>	<b>\$5,572.6</b>
Debenture	3,630.6	4,000.8	4,047.9	4,284.8	4,506.0
Participating Security	221.3	203.1	145.0	121.2	89.8
Other	867.4	860.6	1,025.3	1,043.7	976.9

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

<b>d. SBA Capital at Risk (e+f)</b>	<b>\$10,947.1</b>	<b>\$12,351.2</b>	<b>\$13,696.7</b>	<b>\$13,996.5</b>	<b>\$14,737.4</b>
Debenture	10,211.9	11,883.6	13,356.3	13,810.2	14,651.4
Participating Security	693.2	392.6	249.5	96.8	26.7
Other	42.0	75.0	90.9	89.4	59.3
<b>e. Outstanding SBA Leverage</b>	<b>\$7,921.4</b>	<b>\$9,157.2</b>	<b>\$10,330.4</b>	<b>\$10,708.9</b>	<b>\$11,523.3</b>
Debenture	7,209.9	8,712.0	10,010.8	10,525.3	11,441.9
Participating Security	681.2	384.6	244.6	96.8	26.7
Other	30.3	60.6	75.0	86.8	56.7
<b>f. Outstanding SBA Commitments</b>	<b>\$3,025.7</b>	<b>\$3,194.0</b>	<b>\$3,366.3</b>	<b>\$3,287.6</b>	<b>\$3,212.1</b>
Debenture	3,002.0	3,171.6	3,345.5	3,285.0	3,209.5
Participating Security	12.0	8.0	4.9	0.0	0.0
Other	11.7	14.4	15.9	2.6	2.6
<b>g. Unreimbursed Prioritized Payments</b>	<b>\$201.7</b>	<b>\$142.2</b>	<b>\$113.1</b>	<b>\$55.5</b>	<b>\$0.8</b>

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

<b>h. Total Capital at Risk (a+d)</b>	<b>\$22,736.6</b>	<b>\$25,346.1</b>	<b>\$27,812.0</b>	<b>\$29,011.2</b>	<b>\$30,064.8</b>
Debenture	19,135.2	22,297.8	24,714.0	26,069.5	27,549.8
Participating Security	1,789.3	1,280.4	966.3	601.5	379.5
Other	1,812.1	1,768.0	2,131.7	2,340.2	2,135.6

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## Program Composition in Liquidation (\$ in Millions) \*

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 06/30/18
<b>Total Number of Licensees</b>	<b>121</b>	<b>115</b>	<b>104</b>	<b>97</b>	<b>97</b>
Participating Security	83	81	76	72	73
Other	38	34	28	25	24
<b>Leverage Balance</b>	<b>\$1,137.6</b>	<b>\$959.2</b>	<b>\$810.5</b>	<b>\$671.7</b>	<b>\$559.1</b>
Participating Security	785.2	697.5	571.1	451.8	374.3
Other	352.4	261.7	239.4	219.9	184.8

## Program Funding (\$ in millions)

<b>Debenture Authorization (\$ in Millions)</b>	<b>\$4,000.0</b>	<b>\$4,000.0</b>	<b>\$4,000.0</b>	<b>\$4,000.0</b>	<b>\$4,000.0</b>
Annual Charge	0.355%	0.742%	0.672%	0.347%	0.222%
Average Debenture Pooled Interest Rate	3.10%	2.68%	2.29%	2.70%	n/a

\* Figures for 06/30/18 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 2014	FY End 2015	FY End 2016	FY End 2017	as of 06/30/18	Chg. from 06/30/17
<b>Financing Amount Reported (\$ in millions)</b>	<b>\$5,464.6</b>	<b>\$6,285.5</b>	<b>\$5,991.7</b>	<b>\$5,727.3</b>	<b>\$4,029.8</b>	<b>(15%)</b>
<b>Type of Financing (\$ in millions)</b>						
Straight Debt	3,478.5	3,810.5	3,791.7	3,720.2	2,585.4	(17%)
Debt with Equity Features	1,030.4	1,351.2	1,157.9	859.8	602.2	(16%)
Equity Only	955.6	1,124.8	1,042.9	1,147.4	842.1	(10%)
<b>Number of Companies Financed</b>	<b>1,085</b>	<b>1,210</b>	<b>1,201</b>	<b>1,077</b>	<b>905</b>	<b>(4%)</b>
<b>Special Competitive Opportunity Gap</b>	<b>281</b>	<b>288</b>	<b>332</b>	<b>308</b>	<b>241</b>	<b>(9%)</b>
Businesses Located in LMI Areas*	229	229	284	262	210	(7%)
Women, Minority, Veteran Owned*	70	73	61	68	42	(26%)
<b>Number of Jobs Created or Sustained**</b>	<b>113,022</b>	<b>129,749</b>	<b>122,382</b>	<b>112,865</b>	<b>78,068</b>	<b>(17%)</b>

## Debenture SBICs

<b>Financing Amount Reported (\$ in millions)</b>	<b>\$5,217.6</b>	<b>\$5,939.6</b>	<b>\$5,653.8</b>	<b>\$5,353.8</b>	<b>\$3,796.7</b>	<b>(14%)</b>
<b>Type of Financing (\$ in millions)</b>						
Straight Debt	3,418.1	3,701.8	3,665.5	3,617.6	2,507.1	(16%)
Debt with Equity Features	978.6	1,265.9	1,110.6	835.4	592.1	(15%)
Equity Only	820.9	971.9	877.7	900.9	697.5	(1%)
<b>Number of Companies Financed</b>	<b>908</b>	<b>1,010</b>	<b>986</b>	<b>904</b>	<b>738</b>	<b>(6%)</b>
<b>Special Competitive Opportunity Gap</b>	<b>232</b>	<b>226</b>	<b>260</b>	<b>245</b>	<b>178</b>	<b>(13%)</b>
Businesses Located in LMI Areas*	191	182	232	212	157	(12%)
Women, Minority, Veteran Owned*	56	51	35	47	27	(27%)

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<b>Number of Jobs Created or Sustained**</b>	<b>107,913</b>	<b>122,608</b>	<b>115,481</b>	<b>105,505</b>	<b>73,552</b>	<b>(16%)</b>
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## Non-Leveraged, Bank-Owned, and Specialized SBICs

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 06/30/18	Chg. from 06/30/17
<b>Financing Amount Reported (\$ in millions)</b>	<b>\$195.7</b>	<b>\$300.1</b>	<b>\$307.0</b>	<b>\$357.7</b>	<b>\$222.2</b>	<b>(32%)</b>
Type of Financing (\$ in millions)						
Straight Debt	51.3	98.8	116.5	94.1	72.5	(18%)
Debt with Equity Features	41.5	72.6	38.2	23.4	9.7	(57%)
Equity Only	102.9	128.8	152.3	240.1	140.1	(36%)
<b>Number of Companies Financed</b>	<b>102</b>	<b>147</b>	<b>203</b>	<b>189</b>	<b>181</b>	<b>7%</b>
<b>Special Competitive Opportunity Gap</b>	<b>36</b>	<b>48</b>	<b>70</b>	<b>67</b>	<b>65</b>	<b>3%</b>
Businesses Located in LMI Areas*	24	34	50	54	55	8%
Women, Minority, Veteran Owned*	15	21	26	22	15	(25%)
<b>Number of Jobs Created or Sustained**</b>	<b>4,047</b>	<b>6,196</b>	<b>6,271</b>	<b>7,048</b>	<b>4,305</b>	<b>(34%)</b>

## Participating Security SBICs

<b>Financing Amount Reported (\$ in millions)</b>	<b>\$51.3</b>	<b>\$46.8</b>	<b>\$30.9</b>	<b>\$15.8</b>	<b>\$10.9</b>	<b>(30%)</b>
Type of Financing (\$ in millions)						
Straight Debt	9.1	9.9	9.7	8.6	5.8	(33%)
Debt with Equity Features	10.4	12.8	8.3	0.9	0.5	(44%)
Equity Only	31.8	24.1	12.9	6.3	4.6	(25%)
<b>Number of Companies Financed</b>	<b>93</b>	<b>53</b>	<b>40</b>	<b>23</b>	<b>13</b>	<b>(43%)</b>
<b>Special Competitive Opportunity Gap</b>	<b>16</b>	<b>14</b>	<b>9</b>	<b>6</b>	<b>3</b>	<b>(50%)</b>
Businesses Located in LMI Areas*	16	13	9	6	3	(50%)
Women, Minority, Veteran Owned*	0	1	0	0	0	0%
<b>Number of Jobs Created or Sustained**</b>	<b>1,062</b>	<b>945</b>	<b>630</b>	<b>312</b>	<b>212</b>	<b>(32%)</b>

\* 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

<b>New Licensees by Fund Type</b>	<b>30</b>	<b>25</b>	<b>21</b>	<b>15</b>	<b>16</b>	<b>33%</b>
Debenture	24	22	17	11	13	63%
Bank-Owned/Non-Leveraged	6	3	4	4	3	(25%)
<b>Initial Private Capital (\$ in millions)</b>	<b>\$1,319.0</b>	<b>\$1,236.4</b>	<b>\$1,188.0</b>	<b>\$831.7</b>	<b>\$837.1</b>	<b>28%</b>
Debenture	1,131.2	1,204.1	893.0	656.5	755.8	59%
Bank-Owned/Non-Leveraged	187.8	32.3	295.0	175.2	81.2	(54%)

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## Licensing Pipeline \*

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 06/30/18	Chg. from 06/30/17
<b>Total in Pipeline</b>	<b>43</b>	<b>37</b>	<b>49</b>	<b>62</b>	<b>59</b>	<b>(9%)</b>
In Applicant Review/Program Development	9	13	19	22	22	(27%)
In Capital Raising	17	14	21	26	22	(4%)
In Licensing	17	10	7	14	15	25%

## Program Development and Licensing Activity \*\*

### Applicant Initial Review/Program Development

<b>Received during FY</b>	<b>45</b>	<b>48</b>	<b>57</b>	<b>55</b>	<b>28</b>	<b>(43%)</b>
1st Time SBIC Applicants	35	24	30	27	12	(52%)
Subsequent Fund Applicants	10	24	27	28	16	(33%)
<b>Processed in FY</b>	<b>48</b>	<b>44</b>	<b>50</b>	<b>52</b>	<b>28</b>	<b>(28%)</b>
<b>Green Light Letters Issued</b>	<b>28</b>	<b>25</b>	<b>31</b>	<b>32</b>	<b>19</b>	<b>(21%)</b>
<i>% of Processed Receiving Green Light</i>	<i>58%</i>	<i>57%</i>	<i>62%</i>	<i>62%</i>	<i>68%</i>	<i>10%</i>
1st Time SBIC Applicants	17	11	9	19	8	(43%)
Subsequent Fund Applicants	11	14	22	13	11	10%
Number Denied -- 1st Time and Subsequent	15	17	15	15	5	(62%)
Number Withdrawn -- 1st Time and Subsequent	5	2	3	6	4	100%

### Capital Raising Completed/Terminated

<b>Green Light Letters Expired/Other Licensing Applications Submitted</b>	<b>7</b>	<b>10</b>	<b>0</b>	<b>5</b>	<b>4</b>	<b>300%</b>
Total, Capital Raising Completed/Terminated	32	25	24	22	19	12%
<i>% in Capital Raising Completed/Terminated Submitting Applications</i>	<i>39</i>	<i>35</i>	<i>24</i>	<i>27</i>	<i>23</i>	<i>28%</i>
	82%	71%	100%	81%	83%	(12%)

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## Licensing

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 06/30/18	Chg. from 06/30/17
<b>Received during FY</b>	<b>32</b>	<b>25</b>	<b>24</b>	<b>22</b>	<b>19</b>	<b>12%</b>
1st Time SBIC Applicants	13	15	2	9	6	20%
Subsequent Fund Applicants	19	10	22	13	13	8%
Otherwise Resolved During FY	4	7	6	0	2	100%
<b>FY Number of New Licensees</b>	<b>30</b>	<b>25</b>	<b>21</b>	<b>15</b>	<b>16</b>	<b>33%</b>
1st Time SBIC Applicants	18	12	8	1	6	100%
Subsequent Fund Applicants	12	13	13	14	10	(17%)
Average Months to Process	7.4	8.4	5.8	5.1	7.6	62%

\* 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	\$2,548.9	\$2,553.0	\$2,514.3	\$1,959.8	\$1,575.0	(5%)
Draws	\$2,064.6	\$2,337.4	\$2,157.6	\$1,901.8	\$1,620.4	7%
Redemptions (Pre-Paid and at Maturity)	\$660.8	\$806.1	\$807.8	\$1,372.0	\$733.9	32%
Transfers to Liquidation	\$127.8	\$26.5	\$38.6	\$42.4	\$0.0	(100%)
% of Beginning Leverage Transferred	2%	<1%	<1%	<1%	0%	0%

## Participating Securities Leverage

Prioritized Payments (PP) Advanced	\$43.9	\$28.4	\$15.5	\$8.9	\$3.1	(58%)
<b>SBA Distributions</b>	<b>\$264.3</b>	<b>\$201.6</b>	<b>\$137.4</b>	<b>\$73.1</b>	<b>\$38.5</b>	<b>(28%)</b>
Prioritized Payments	\$37.0	\$24.8	\$13.1	\$1.8	\$3.9	129%
Adjustments and Annual Fees	\$10.2	\$3.7	\$4.0	\$0.4	\$4.1	925%
Profit Participation	\$11.1	\$13.3	\$5.1	\$11.3	\$12.1	25%
PS Redemptions--Operating SBICs	\$206.1	\$159.8	\$115.2	\$59.6	\$18.4	(56%)
Transfers to Liquidation	\$129.3	\$109.2	\$22.8	\$49.3	\$51.7	5%
% of Beginning Leverage Transferred	14%	18%	7%	25%	60%	140%
Prioritized Payments at Transfer	\$49.7	\$42.8	\$11.1	\$49.6	\$54.2	59%

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## SBIC Examination Activities

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 06/30/18	Chg. from 06/30/17
<b>Exam Reports Issued</b>	<b>200</b>	<b>222</b>	<b>186</b>	<b>167</b>	<b>84</b>	<b>25%</b>
Exam Cycle (months)	12.7	12.7	13.0	16.3	18.0	5%
% of Reports with Findings	11%	19%	19%	17%	27%	29%
<b>Licensees with Leverage</b>	<b>163</b>	<b>173</b>	<b>137</b>	<b>126</b>	<b>62</b>	<b>32%</b>
Exam Cycle (months)	11.5	11.2	11.5	15.4	11.0	(34%)
% of Reports with Findings	9%	21%	19%	19%	29%	71%
<b>Licensees without Leverage</b>	<b>37</b>	<b>49</b>	<b>49</b>	<b>41</b>	<b>22</b>	<b>10%</b>
Exam Cycle (months)	18.2	18.1	17.1	19.2	20.0	8%
% of Reports with Findings	19%	8%	18%	12%	23%	130%

## Surrenders and Transfers to Liquidation

<b>SBIC License Surrenders</b>	<b>18</b>	<b>13</b>	<b>7</b>	<b>7</b>	<b>26</b>	<b>420%</b>
Debenture	9	4	3	0	16	100%
Participating Security	3	4	4	3	5	150%
Bank-Owned/Non-Leveraged	5	5	0	4	4	33%
Specialized SBICs	1	0	0	0	1	100%
<b>SBIC Licensee Transfers to Liquidation</b>	<b>11</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>(20%)</b>
Debenture and Specialized SBICs	4	0	1	1	1	0%
Participating Security	7	3	1	5	3	(25%)

## Activities in the Office of Liquidation \*

### Participating Security Leverage

<b>Total Leverage Collections</b>	<b>\$273.3</b>	<b>\$170.7</b>	<b>\$98.6</b>	<b>\$118.4</b>	<b>\$115.9</b>	<b>87%</b>
Collections as % of Beginning Leverage	27%	22%	14%	21%	26%	136%
Leverage Write-offs	\$87.7	\$34.4	\$52.5	\$51.4	\$15.6	(5300%)
Prioritized Payments Collections	\$0.8	\$14.1	\$2.7	\$0.4	\$6.4	1500%
Prioritized Payments Write-offs	\$20.7	\$55.9	\$15.7	\$14.0	\$0	0%

### Debenture Leverage

<b>Total Leverage Collections</b>	<b>\$77.3</b>	<b>\$83.6</b>	<b>\$54.0</b>	<b>\$37.8</b>	<b>\$32.2</b>	<b>112%</b>
Collections as % of Beginning Leverage	23%	24%	21%	16%	15%	150%
Leverage Write-offs	\$42.2	\$36.0	\$7.1	\$24.7	\$7.8	(7900%)

\* Figures for 06/30/18 Activities in the Office of Liquidation are subject to adjustment upon final SBA accounting reconciliation.

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