

Small Business Investment Company (SBIC) Program Overview

as of March 31, 2018

PROGRAM COMPOSITION

Program Composition of Operating SBICs

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 03/31/18
Total Number of Licensees	294	303	313	315	308
Debenture	187	205	216	227	226
Participating Security	53	46	41	33	30
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)

a. Regulatory Private Capital	\$11,789.5	\$12,995.0	\$14,115.3	\$15,014.7	\$15,261.9
Debenture	8,923.4	10,414.2	11,357.7	12,259.3	12,696.7
Participating Security	1,096.1	887.8	716.8	504.6	464.9
Other	1,770.1	1,693.0	2,040.8	2,250.8	2,100.2
b. Leverageable Private Capital	\$7,070.2	\$7,930.5	\$8,897.1	\$9,565.1	\$9,744.9
Debenture	5,292.8	6,413.4	7,309.8	7,974.6	8,280.2
Participating Security	874.8	684.7	571.7	383.5	348.2
Other	902.6	832.4	1,015.5	1,207.1	1,116.5
c. Unfunded Private Commitments	\$4,719.3	\$5,064.4	\$5,218.2	\$5,449.6	\$5,517.0
Debenture	3,630.6	4,000.8	4,047.9	4,284.8	4,416.6
Participating Security	221.3	203.1	145.0	121.2	116.7
Other	867.4	860.6	1,025.3	1,043.7	983.7

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

d. SBA Capital at Risk (e+f)	\$10,947.1	\$12,351.2	\$13,696.7	\$13,996.5	\$14,217.3
Debenture	10,211.9	11,883.6	13,356.3	13,810.2	14,081.2
Participating Security	693.2	392.6	249.5	96.8	76.8
Other	42.0	75.0	90.9	89.4	59.3
e. Outstanding SBA Leverage	\$7,921.4	\$9,157.2	\$10,330.4	\$10,708.9	\$11,110.2
Debenture	7,209.9	8,712.0	10,010.8	10,525.3	10,976.7
Participating Security	681.2	384.6	244.6	96.8	76.8
Other	30.3	60.6	75.0	86.8	56.7
f. Outstanding SBA Commitments	\$3,025.7	\$3,194.0	\$3,366.3	\$3,287.6	\$3,107.1
Debenture	3,002.0	3,171.6	3,345.5	3,285.0	3,104.5
Participating Security	12.0	8.0	4.9	0.0	0.0
Other	11.7	14.4	15.9	2.6	2.6
g. Unreimbursed Prioritized Payments	\$201.7	\$142.2	\$113.1	\$55.5	\$54.5

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

h. Total Capital at Risk (a+d)	\$22,736.6	\$25,346.1	\$27,812.0	\$29,011.2	\$29,479.2
Debenture	19,135.2	22,297.8	24,714.0	26,069.5	26,777.9
Participating Security	1,789.3	1,280.4	966.3	601.5	541.8
Other	1,812.1	1,768.0	2,131.7	2,340.2	2,159.5

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Program Composition in Liquidation (\$ in Millions) *

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 03/31/18
Total Number of Licensees	121	115	104	97	98
Participating Security	83	81	76	72	73
Other	38	34	28	25	25
Leverage Balance	\$1,137.6	\$959.2	\$810.5	\$671.7	\$565.3
Participating Security	785.2	697.5	571.1	451.8	374.8
Other	352.4	261.7	239.4	219.9	190.5

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	0.355%	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 03/31/18 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 2014	FY End 2015	FY End 2016	FY End 2017	as of 03/31/18	Chg. from 03/31/17
Financing Amount Reported (\$ in millions)	\$5,464.6	\$6,285.5	\$5,991.7	\$5,727.3	\$2,543.2	(18%)
Type of Financing (\$ in millions)						
Straight Debt	3,478.5	3,810.5	3,791.7	3,720.2	1,706.6	(18%)
Debt with Equity Features	1,030.4	1,351.2	1,157.9	859.8	330.5	(16%)
Equity Only	955.6	1,124.8	1,042.9	1,147.4	506.1	(18%)
Number of Companies Financed	1,085	1,210	1,201	1,077	621	(6%)
Special Competitive Opportunity Gap	281	288	332	308	146	(19%)
Businesses Located in LMI Areas*	229	229	284	262	114	(25%)
Women, Minority, Veteran Owned*	70	73	61	68	42	2%
Number of Jobs Created or Sustained**	113,022	129,749	122,382	112,865	51,359	(18%)

Debenture SBICs

Financing Amount Reported (\$ in millions)	\$5,217.6	\$5,939.6	\$5,653.8	\$5,353.8	\$2,422.0	(16%)
Type of Financing (\$ in millions)						
Straight Debt	3,418.1	3,701.8	3,665.5	3,617.6	1,670.3	(18%)
Debt with Equity Features	978.6	1,265.9	1,110.6	835.4	325.5	(14%)
Equity Only	820.9	971.9	877.7	900.9	426.3	(11%)
Number of Companies Financed	908	1,010	986	904	513	(8%)
Special Competitive Opportunity Gap	232	226	260	245	109	(25%)
Businesses Located in LMI Areas*	191	182	232	212	87	(31%)
Women, Minority, Veteran Owned*	56	51	35	47	27	(4%)

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Number of Jobs Created or Sustained**	107,913	122,608	115,481	105,505	48,912	(16%)
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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 03/31/18	Chg. from 03/31/17
Financing Amount Reported (\$ in millions)	\$195.7	\$300.1	\$307.0	\$357.7	\$113.4	(46%)
Type of Financing (\$ in millions)						
Straight Debt	51.3	98.8	116.5	94.1	31.4	(46%)
Debt with Equity Features	41.5	72.6	38.2	23.4	4.9	(66%)
Equity Only	102.9	128.8	152.3	240.1	77.1	(43%)
Number of Companies Financed	102	147	203	189	117	4%
Special Competitive Opportunity Gap	36	48	70	67	39	3%
Businesses Located in LMI Areas*	24	34	50	54	29	0%
Women, Minority, Veteran Owned*	15	21	26	22	15	15%
Number of Jobs Created or Sustained**	4,047	6,196	6,271	7,048	2,220	(47%)

Participating Security SBICs

Financing Amount Reported (\$ in millions)	\$51.3	\$46.8	\$30.9	\$15.8	\$7.8	(6%)
Type of Financing (\$ in millions)						
Straight Debt	9.1	9.9	9.7	8.6	4.9	(4%)
Debt with Equity Features	10.4	12.8	8.3	0.9	0.1	(80%)
Equity Only	31.8	24.1	12.9	6.3	2.7	0%
Number of Companies Financed	93	53	40	23	8	(53%)
Special Competitive Opportunity Gap	16	14	9	6	1	(67%)
Businesses Located in LMI Areas*	16	13	9	6	1	(67%)
Women, Minority, Veteran Owned*	0	1	0	0	0	0%
Number of Jobs Created or Sustained**	1,062	945	630	312	157	(7%)

* 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	30	25	21	15	11	22%
Debenture	24	22	17	11	9	29%
Bank-Owned/Non-Leveraged	6	3	4	4	2	0%
Initial Private Capital (\$ in millions)	\$1,319.0	\$1,236.4	\$1,188.0	\$831.7	\$555.5	8%
Debenture	1,131.2	1,204.1	893.0	656.5	479.7	16%
Bank-Owned/Non-Leveraged	187.8	32.3	295.0	175.2	75.8	(23%)

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Licensing Pipeline *

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 03/31/18	Chg. from 03/31/17
Total in Pipeline	43	37	49	62	60	(3%)
In Applicant Review/Program Development	9	13	19	22	24	0%
In Capital Raising	17	14	21	26	20	(20%)
In Licensing	17	10	7	14	16	23%

Program Development and Licensing Activity **

Applicant Initial Review/Program Development

Received during FY	45	48	57	55	20	(46%)
1st Time SBIC Applicants	35	24	30	27	9	(53%)
Subsequent Fund Applicants	10	24	27	28	11	(39%)
Processed in FY	48	44	50	52	18	(45%)
Green Light Letters Issued	28	25	31	32	12	(43%)
<i>% of Processed Receiving Green Light</i>	<i>58%</i>	<i>57%</i>	<i>62%</i>	<i>62%</i>	<i>67%</i>	<i>5%</i>
1st Time SBIC Applicants	17	11	9	19	4	(64%)
Subsequent Fund Applicants	11	14	22	13	8	(20%)
Number Denied -- 1st Time and Subsequent	15	17	15	15	2	(80%)
Number Withdrawn -- 1st Time and Subsequent	5	2	3	6	4	100%

Capital Raising Completed/Terminated

Green Light Letters Expired/Other Licensing Applications Submitted	7	10	0	5	3	100%
Total, Capital Raising Completed/Terminated	32	25	24	22	15	25%
<i>% in Capital Raising Completed/Terminated Submitting Applications</i>	<i>82%</i>	<i>71%</i>	<i>100%</i>	<i>81%</i>	<i>83%</i>	<i>(17%)</i>

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Licensing

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 03/31/18	Chg. from 03/31/17
Received during FY	32	25	24	22	15	25%
1st Time SBIC Applicants	13	15	2	9	5	67%
Subsequent Fund Applicants	19	10	22	13	10	11%
Otherwise Resolved During FY	4	7	6	0	2	100%
FY Number of New Licensees	30	25	21	15	11	22%
1st Time SBIC Applicants	18	12	8	1	3	100%
Subsequent Fund Applicants	12	13	13	14	8	(11%)
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.

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Leverage Activities in Operations

Debenture Leverage

Commitments Issued	\$2,548.9	\$2,553.0	\$2,514.3	\$1,959.8	\$1,001.2	(32%)
Draws	\$2,064.6	\$2,337.4	\$2,157.6	\$1,901.8	\$1,155.3	19%
Redemptions (Pre-Paid and at Maturity)	\$660.8	\$806.1	\$807.8	\$1,372.0	\$733.9	33%
Transfers to Liquidation	\$127.8	\$26.5	\$38.6	\$42.4	\$0.0	0%
% 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	\$2.2	(58%)
SBA Distributions	\$264.3	\$201.6	\$137.4	\$73.1	\$37.0	(11%)
Prioritized Payments	\$37.0	\$24.8	\$13.1	\$1.8	\$3.3	450%
Adjustments and Annual Fees	\$10.2	\$3.7	\$4.0	\$0.4	\$4.0	1900%
Profit Participation	\$11.1	\$13.3	\$5.1	\$11.3	\$11.3	41%
PS Redemptions--Operating SBICs	\$206.1	\$159.8	\$115.2	\$59.6	\$18.4	(44%)
Transfers to Liquidation	\$129.3	\$109.2	\$22.8	\$49.3	\$1.6	(36%)
% of Beginning Leverage Transferred	14%	18%	7%	25%	<1%	(100%)
Prioritized Payments at Transfer	\$49.7	\$42.8	\$11.1	\$49.6	<\$1	(99%)

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SBIC Examination Activities

	FY End 2014	FY End 2015	FY End 2016	FY End 2017	as of 03/31/18	Chg. from 03/31/17
Exam Reports Issued	200	222	186	167	46	7%
Exam Cycle (months)	12.7	12.7	13.0	16.3	19.0	31%
% of Reports with Findings	11%	19%	19%	17%	35%	192%
Licensees with Leverage	163	173	137	126	37	32%
Exam Cycle (months)	11.5	11.2	11.5	15.4	18.7	46%
% of Reports with Findings	9%	21%	19%	19%	38%	171%
Licensees without Leverage	37	49	49	41	9	(40%)
Exam Cycle (months)	18.2	18.1	17.1	19.2	20.5	15%
% of Reports with Findings	19%	8%	18%	12%	22%	214%

Surrenders and Transfers to Liquidation

SBIC License Surrenders	18	13	7	7	16	300%
Debenture	9	4	3	0	13	100%
Participating Security	3	4	4	3	2	100%
Bank-Owned/Non-Leveraged	5	5	0	4	0	(100%)
Specialized SBICs	1	0	0	0	1	100%
SBIC Licensee Transfers to Liquidation	11	3	2	6	2	0%
Debenture and Specialized SBICs	4	0	1	1	1	0%
Participating Security	7	3	1	5	1	0%

Activities in the Office of Liquidation *

Participating Security Leverage

Total Leverage Collections	\$273.3	\$170.7	\$98.6	\$118.4	\$79.0	128%
Collections as % of Beginning Leverage	27%	22%	14%	21%	17%	183%
Leverage Write-offs	\$87.7	\$34.4	\$52.5	\$51.4	\$0	0%
Prioritized Payments Collections	\$0.8	\$14.1	\$2.7	\$0.4	\$5.9	1867%
Prioritized Payments Write-offs	\$20.7	\$55.9	\$15.7	\$14.0	\$0	0%

Debenture Leverage

Total Leverage Collections	\$77.3	\$83.6	\$54.0	\$37.8	\$22.8	159%
Collections as % of Beginning Leverage	23%	24%	21%	16%	10%	150%
Leverage Write-offs	\$42.2	\$36.0	\$7.1	\$24.7	\$6.8	6900%

* Figures for 03/31/18 Activities in the Office of Liquidation are subject to adjustment upon final SBA accounting reconciliation.

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