U.S. Small Business Administration

The Small Business Investment Company Program (SBIC)

Annual Report
Fiscal Year 2014

Helping Meet the Capital Needs of America's Small Business Since 1958

"This matters to us because encouraging the spirit of entrepreneurship can help us tackle some of the greatest challenges we face around the world."

"We've got to be relentless in our efforts to support small businesses who are creating jobs and helping to grow the economy. "

- President Barack Obama

Maria Contreras-Sweet
Administrator

U.S. Small Business Administration

Message from the Administrator

I am proud to deliver this comprehensive analysis of the Small Business Administration's (SBA) Small Business Investment Company (SBIC) program as part of our continued effort to deliver transparency, accountability and robust reporting on all of SBA's activities. Today, the SBIC program serves as a model for public-private partnerships across the nation.

The report highlights the success and progress the SBA has made in the past few years to streamline, simplify and strengthen its core programs.

SBICs use privately raised capital plus SBA-guaranteed leverage to make investments in small businesses. Over the past 5 years, for every $1 of SBA-guaranteed debenture leverage issued, SBICs provided over $2 in financings. The SBIC program provides these financings at expected zero subsidy cost to the taxpayer.

By the end of Fiscal Year (FY) 2014, Operating SBICs managed almost $23 billion in private capital and SBA guaranteed leverage and commitments to small businesses.

In FY 2014, SBA licensed 30 SBICs with over $1.3 billion in private investor capital, the highest private capital amount for a licensing cohort in the history of the program.

In FY 2014, Congress increased the annual authorization from $3 to $4 billion. The SBA continues to support raising the leverage limit for funds under common control from $225 to $350 million.

As SBA Administrator, one of my overarching goals is to ensure that the Agency serves Americans from all communities and walks of life. Today, roughly one quarter of the busineses in which SBICs invest are located in low or moderate income (LMI) areas and/or are majority owned by women, minorities, or veterans. We are encouraged by that record and committed to doing even more to ensure that historically underserved populations have access to the capital and services required to successfully join the ranks of America's entrepreneurs.

The SBIC program has served as a vital source of capital to our nation's small businesses since 1958. We remain committed to building on the success of this impactful program in the years to come.

Sincerely,

Maria Contreras-Sweet
Administrator
U.S. Small Business Administration

Javier Saade
Associate Administrator for
Investment and Innovation

U.S. Small Business Administration

Message from the Associate Administrator

The Office of Investment and Innovation of the U.S. Small Business Administration is proud to present the results of the SBIC program for FY 2014. We continue to reach small businesses throughout the country, supporting U.S. jobs across diverse industries, including manufacturing, consumer and business services, transportation, technology, and life sciences.

In FY 2014, SBICs reported almost $5.5 billion in financings to over a thousand small businesses, creating and sustaining jobs. That number represents a 92% increase in financing dollars from three years ago and the highest amount of financings in over ten years.

Also in FY 2014, we refreshed the SBIC program's impact investing policy and renamed the initiative Startup America launched, the SBIC Impact Investment Fund. There are 7 Impact SBICs licensed collectively managing over $600 million in assets. Visit www.sba.gov/inv/impact to learn more.

SBA licensed 30 funds in 2014. They became part of about 300 principal investment funds licensed as SBICs that collectively have invested and continue to capitalize thousands of American small businesses.

As a government program, SBA is committed to improving transparency and accountability. We hope the information in this report will help all stakeholders understand the SBIC program better.

Sincerely,

Javier Saade
Associate Administrator for Investment and Innovation
U.S. Small Business Administration

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SBIC Mission

"It is to be the policy of the Congress and purpose of this Act to improve and stimulate the national economy in general and the small-business segment thereof in particular by establishing a program to stimulate and supplement the flow of private equity capital and long-term loan funds which small-business concerns need for the sound financing of their business operations and for their growth, expansion, and modernization, and which are not available in adequate supply: Provided, however, that this policy shall be carried out in such a manner as to insure the maximum participation of private financing sources."

(Section 102 of the Small Business Investment Act of 1958)

Goals

- Partner with privately owned and professionally managed funds.
- Increase access to private equity capital and long term loans for small businesses.
- Promote growth, expansion, and modernization in small businesses.
- Increase outreach to underserved markets.

1. Executive Summary

The Small Business Investment Company (SBIC) program guarantees leverage to licensed investment funds that in turn make loans and invest equity in small businesses. For over 57 years, SBICs have provided financing to tens of thousands of small businesses, sustaining and creating millions of jobs across the United States.

SBA accomplishes its mission by partnering with privately owned and professionally managed funds that provide financings, using privately raised capital and SBA-guaranteed leverage, to small businesses seeking growth capital, especially in markets where such capital is not adequately available. The program accomplishes these goals at expected zero subsidy cost[1] to the taxpayer.

Over the past few years, SBA has invested in technology and focused on streamlining, simplifying and strengthening the SBIC program to better meet the needs of both investors and entrepreneurs. As part of this effort, SBA has been winding down the less effective Participating Securities program and expanding the Debenture SBIC program that has proven effective both economically and financially.

In FY 2014, the SBIC program grew to $11.8 billion in Private Capital and $10.7 billion in outstanding SBA leverage and commitments to 294 operating SBICs. Other program highlights for FY 2014 are noted below.

Exhibit 1-1 FY 2014 SBIC Program lights High

Licensing	Operating / Execution	Impact
• Initial Review: SBA issued 28 Green Light[2] Letters to applicants • SBA licensed 30 SBICs, representing over $1.3 billion in Private Capital - 18 First-time SBICs - 12 Subsequent SBICs (managers of prior or existing SBICs)	• Approved $2.5 billion in Debenture commitments to 70 SBICs • Examined 200 SBICs • Streamlined processes by launching web-based Capital Certificate. • Recovered over $350 million in SBA leverage in the Office of SBIC Liquidation and decreased the amount of outstanding leverage by 16% between FY 2013 and FY 2014.	• SBICs provided almost $5.5 billion in financings to 1,085 small businesses • Over 25% of businesses were women, minority, or veteran owned or in low or moderate income (LMI) areas • SBIC 2014 Financings created or sustained an estimated 113,022 jobs.

[1] The SBIC program has administrative costs, which are not part of the subsidy calculations. These administrative costs are partially offset by SBIC licensing and examination fees.

[2] SBICs are licensed via a 3-phase process: 1) Initial Review; 2) Capital Raise; and 3) Final Licensing. Applicants approved in Phase 1 by the Investment Committee are issued a "Green Light" letter, which authorizes an applicant, after raising sufficient capital, to submit an application for final licensing.

2014 SBIC of the Year
The Riverside Company
New York, NY

The Riverside Company provides capital and partners with small businesses at the lower end of the middle market. Riverside's first SBIC fund, RMCF II, has invested in 27 U.S. companies since its inception in 2011, and its second SBIC fund, Riverside Micro-Cap Fund III, L.P. , has backed 14 companies since 2014. These two SBICs have supported approximately 6,600 jobs, including roughly 1,000 created during

"The 2014 Small Business Investment Company of the Year award exemplifies our more than 25 years of dedication to buying and building fast-growing companies," said co-CEO Stewart Kohl. "Our innovative partnership with the SBA has been instrumental in our efforts to help U.S. companies add jobs and become bigger and better." Riverside Capital manages more than $4.6 billion in assets and has invested in more than 390 transactions since its founding in 1988.

2. Introduction

In 1958, Congress created the SBIC program to "stimulate and supplement the flow of private equity capital and long-term loan funds" in order to bridge the financing gap between entrepreneurs' need for capital and traditional financing sources. Through the SBIC program SBA provides SBA-guaranteed leverage to privately owned and professionally managed for-profit investment funds licensed by SBA. SBA does not invest directly in small businesses."These licensed funds in turn make loans and investments into qualifying small businesses.

Exhibit 2-1: SBIC Public-Private Partnership Model

**SBICs may access leverage up to 3 times private capital (but typically 2 times), up to a maximum of $150 million for a single SBIC and $225 million for multiple SBICs under common control, subject to SBIC regulations and SBA credit policies.*

This public-private partnership aligns the interests of all stakeholders to promote successful SBICs and financial and economic growth in the small businesses financed through the program. The SBIC program's website (www.sba.gov/inv) provides further information about the SBIC program.

This report discusses the SBIC operating portfolio, the economic impact of SBIC financings, SBA's efforts to manage its SBIC portfolio, and the financial performance of the program and its portfolio. Although the report contains financial data, it has not been audited or peer reviewed. The intent is to increase program transparency and accountability to the public. Appendix A describes the methodology and sources for all charts and tables in this report.

2015 SBIC of the Year
NewSpring Capital
Radnor, PA

NewSpring Capital provides capital and partners with growth stage companies at the lower end of the middle market. NewSpring's first SBIC fund backed 27 companies, and its two active SBIC funds have invested in 38 to date. Together, the three SBIC funds have supported approximately 40,000

"NewSpring has been a proud member of the SBIC program since our founding 16 years ago," said managing general partner Michael DiPiano, and "we work hard every day to help businesses succeed and continue providing jobs and innovation that drive this country forward."

NewSpring has launched nine funds representing over $1 billion in assets under management and over 100 portfolio companies.

3. SBIC Operating Portfolio Overview

In FY 2014, SBA licensed 30 new SBICs with over $1.3 billion in private capital, bringing the SBIC operating portfolio to 294 funds with $11.8 billion in Private Capital and almost $10.7 billion in SBA outstanding leverage and commitments for a total of $22.5 billion of capital under management. These operating SBICs hold investments in thousands of companies in their portfolio, creating and sustaining thousands of jobs across the United States. The exhibit below provides a snapshot of the SBIC Program Operating Portfolio as of the end of FY 2014 by the type of SBA-guaranteed leverage security issued by the SBICs.

Exhibit 3-1: SBIC Program Operating Portfolio

As of September 30, 2014 (Dollar Amounts in Billions)

Operating SBICs		
SBICs:	294	
Capital[1]		
Private	$	11.8
SBA	$	10.7
Total	$	22.5

Debenture		
SBICs:	187	
Capital[1]		
Private	$	8.9
SBA	$	9.9
Total	$	18.8

Non-leveraged[2]		
SBICs:	45	
Capital[1]		
Private	$	1.6
SBA	$	-
Total	$	1.6

Other Funds[3]		
SBICs:	62	
Capital[1]		
Private	$	1.2
SBA	$	0.7
Total	$	1.9

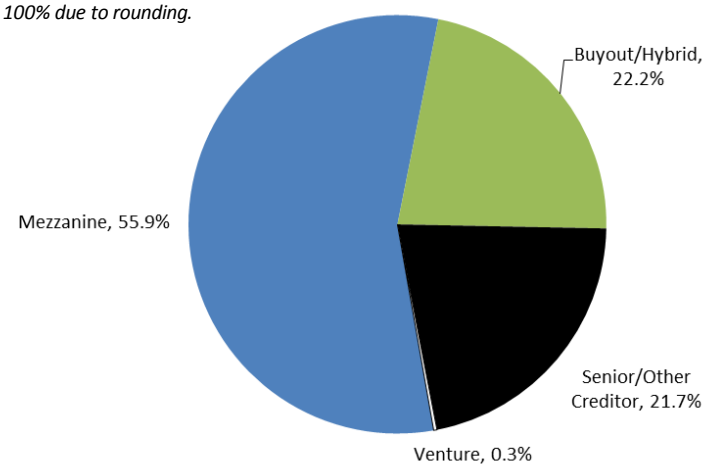
Notes: (1) Capital includes both outstanding balances and unfunded commitments from Institutional Investors and SBA. (2) "Non-leveraged" SBICs are licensed funds that use only privately raised capital for financing small businesses. (3) "Other Funds" includes SBICs no longer licensed by SBA. These include specialized SBICs, some of which hold outstanding Debenture leverage, and SBICs that issued Participating Securities leverage. As of October 1, 2004, SBA no longer issued new commitments for Participating Securities leverage.

As shown above, the majority of capital is held by SBICs that issue Debentures (Debenture SBICs). The above numbers reflect SBA's efforts to increase capital to small businesses via its core Debenture program and responsibly wind-down the Participating Securities program.

Debenture SBICs make primarily mezzanine debt investments, senior loans, buyouts, and later stage or growth equity financings. The next chart provides a breakdown of outstanding SBA-guaranteed leverage for Operating Debenture SBICs by strategy as of September 30, 2014.

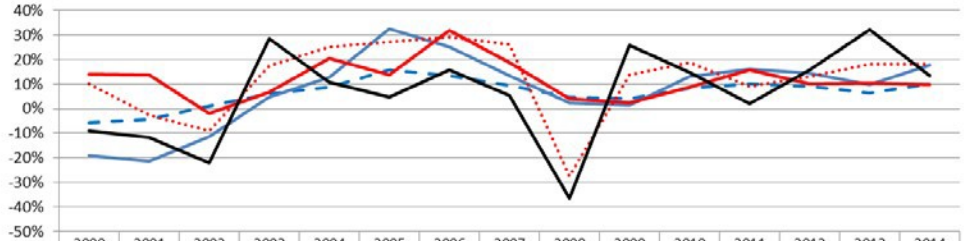
Exhibit 3-2: Outstanding Leverage for Operating Debenture SBICs by Strategy ($7 billion)
As of September 30, 2014[3]

** Numbers will not add to 100% due to rounding.*



Despite periodic downturns in the capital markets over the past 20 years, the Debenture program remains strong. The following chart shows pooled one year rolling horizon internal rate of returns (IRRs) for Debenture SBICs licensed between calendar years 1998 and 2014 benchmarked against both Preqin U.S. Private Equity, Preqin Mezzanine, and the Standard & Poor's (S&P) 500 Index.[4]

Exhibit 3-3: Pooled One Year Rolling Horizon IRRs for Debenture SBICs Licensed 1998-2014 (n=216)
As of December 31, 2014



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debenture SBICs - Unleveraged	-5.6%	-4.3%	0.8%	5.9%	8.6%	15.6%	13.6%	9.3%	4.8%	4.0%	8.4%	9.9%	9.0%	6.4%	10.0%
Debenture SBICs - Private Investors	-19.1%	-21.3%	-11.4%	4.6%	12.7%	32.6%	25.0%	13.5%	2.5%	1.2%	13.0%	16.2%	14.4%	9.7%	17.7%
Preqin All Funds	10.1%	-2.7%	-9.1%	17.5%	25.0%	27.0%	29.1%	26.0%	-27.6%	13.8%	18.8%	9.2%	12.9%	18.0%	18.1%
Preqin Mezzanine	14.0%	13.8%	-2.1%	6.8%	20.4%	13.6%	31.7%	18.8%	4.0%	2.3%	8.6%	15.7%	10.0%	10.4%	9.8%
S&P 500 Index	-9.0%	-11.8%	-22.0%	28.4%	10.7%	4.8%	15.6%	5.5%	-36.6%	25.9%	14.9%	2.1%	15.8%	32.1%	13.5%

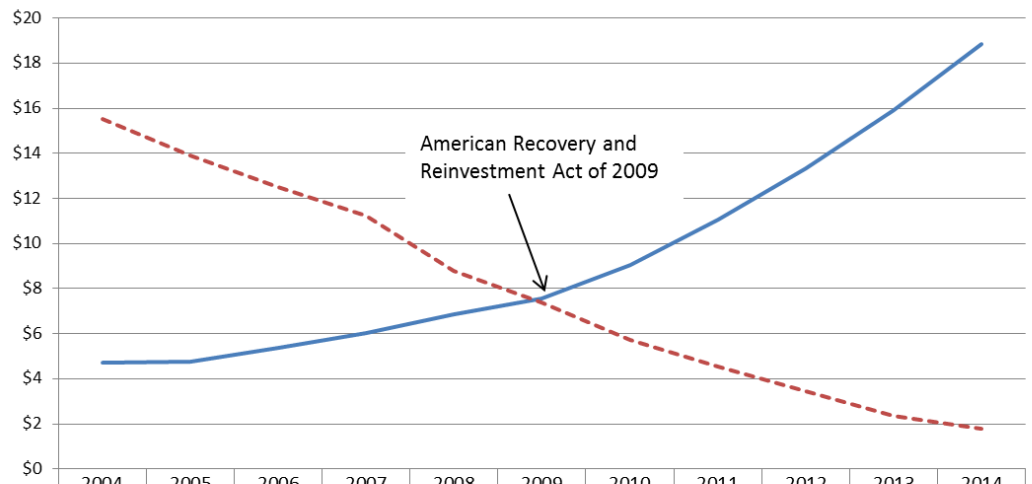
[3] Leverage from OII's Data Management Branch's ("Data Management's") directory as of end of FY 2014. Strategies are based on last year's benchmark data with new licensee strategies identified in consultation with the Licensing Unit in OII's Office of Licensing and Program Standards.

[4] SBIC unleveraged and private investor IRRs were calculated using the methodology described in Appendix A. S&P data was from http://www.stern.nyu.edu/~adamodar/New_Home_Page/data.html .

The previous chart shows that the pooled Debenture SBIC performance on both an unleveraged and leveraged basis has generally followed industry trends since 2003. As a result of this performance and the structure of the Debenture security, the program continues to operate at expected zero subsidy cost to the taxpayer.

Given this robust performance, SBA has focused on growing its core Debenture program to continue to help entrepreneurs access needed growth capital. As shown in the next chart, SBA more than tripled the total capital under management[5] of the Debenture program from $4.7 billion in FY 2004 to $18.9 billion by the end of FY 2014. Since the American Recovery and Reinvestment Act of 2009, when the maximum leverage for multiple funds under common control was raised to $225 million, the Debenture SBIC total capital under management has grown by an average of 20% per year. To further encourage more capital investment into small businesses, SBA is supportive of Congress raising the leverage limits for funds under common control from $225 to $350 million.

Exhibit 3-4: SBIC Program Total Capital under Management (Private & SBA) For Operating SBICs (In Billions of $)[6]



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debenture	$4.7	$4.8	$5.4	$6.0	$6.9	$7.6	$9.1	$11.1	$13.3	$15.9	$18.9
Participating	$15.5	$13.9	$12.5	$11.2	$8.8	$7.4	$5.7	$4.5	$3.5	$2.4	$1.8

Fiscal Year End

Another reason for this growth may be due to the attractive economics of the SBA Debenture in recent years. The coupon rate on SBA-guaranteed Trust Certificates, which determines the interest rates SBICs pay on SBA-guaranteed leverage, typically tracks the yield on the U.S. 10-year Treasury note. As shown in the next chart, although these rates have been at historic lows in recent years, they rose slightly by the end of FY 2014.

[5] Capital under management includes regulatory capital (generally, private capital and unfunded commitments from Institutional Investors) and SBA outstanding leverage and commitments.

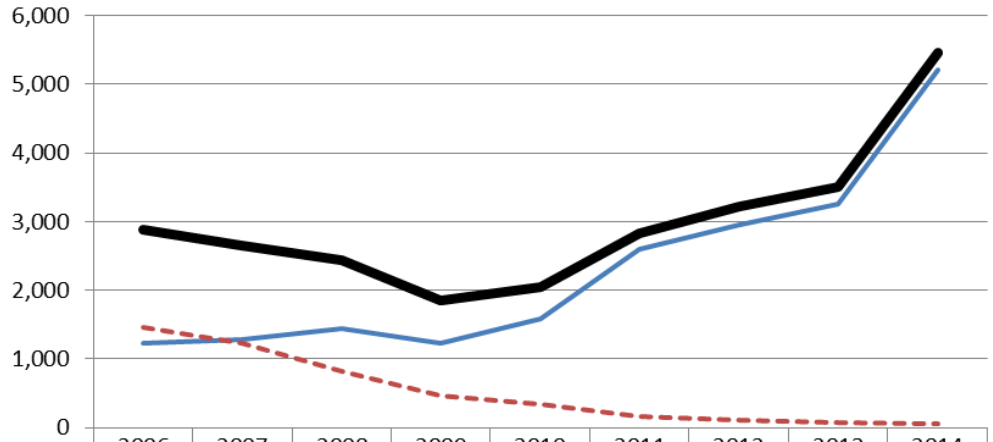
[6] This information was derived from Data Management directory tables as of the end of FY 2014. "Debenture" refers to all SBICs that were licensed to issue Debentures only "Participating" refers to all SBICs licensed to issue Participating Securities.

Exhibit 3-5: SBA Debenture Coupon and Annual Charge Rates

See *http://www.sba.gov/content/trust-certificate-rates-annual-charge-debenture-program* **for data.**

Most importantly, due to increased capital in the program, the amount of SBIC financings to small businesses has grown significantly, with total SBIC financing dollars in FY 2014 outpacing any other fiscal year in over 10 years.

Exhibit 3-6: Amount of SBIC Financings Reported by Fund Type and Fiscal Year (In Millions of $)



	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debenture	$1,228	$1,287	$1,450	$1,234	$1,585	$2,589	$2,950	$3,256	$5,218
Participating	$1,460	$1,225	$827	$456	$336	$165	$102	$76	$51
All SBICs	$2,889	$2,644	$2,431	$1,856	$2,047	$2,834	$3,227	$3,498	$5,465

The next section provides further information on SBIC financings and the program's economic impact.

Making an Impact

Morgan Stanley Impact SBIC LP
New York, NY

Morgan Stanley Community Investments ("MSCI") has a mandate to help translate Morgan Stanley's stated commitment to sustainable investing into action. MSCI saw in the SBA's Impact Investment SBIC initiative an opportunity to provide mezzanine capital to innovative enterprises that address the needs of underserved communities, and successfully applied for an SBIC Impact Fund license.

Morgan Stanley Impact SBIC LP ("MS Impact"), licensed in 2015, is capitalized by Morgan Stanley and is supported by the Morgan Stanley infrastructure. The fund will develop investment opportunities from multiple sources including businesses served by Community Development Financial Institutions and Community Development Corporations. MS Impact plans to deploy its capital in the form of loan and debt investments.

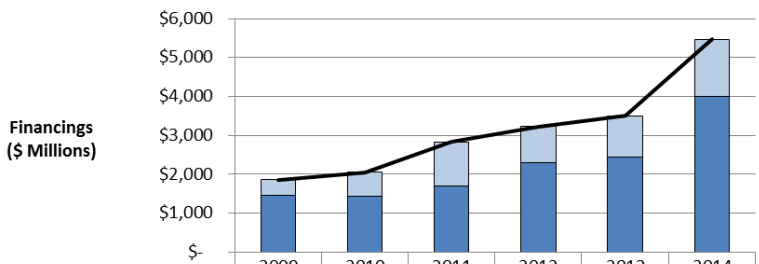
MS Impact is primarily focused on impact industries, such as education, health care and businesses that serve, employ, train or are located in low- to moderate-income ("LMI") areas across the United States.

4. SBIC Financings and Economic Impact

a. SBIC Financing Trends

As shown in the chart below, the amount of SBIC financings to small businesses has grown rapidly since FY 2009.

Exhibit 4-1: Amount of SBIC Financings by Fiscal Year ($ Millions)



	2009	2010	2011	2012	2013	2014
BDC-SBIC Financings	$407	$618	$1,143	$920	$1,051	$1,456
Non-BDC Financings	$1,449	$1,429	$1,691	$2,307	$2,447	$4,009
Total SBIC Financings	$1,856	$2,047	$2,833	$3,227	$3,498	$5,465

Part of the reason for this increase is due to SBICs whose private capital is funded by publicly owned Business Development Companies (BDCs). Because these BDCs are public, they are able to access capital quickly. Consequently, "BDC-SBICs" average $49.8 million in private capital per SBIC while other SBICs averaged $39.1 million per SBIC as of the end of FY 2014.

As a result of increased interest by BDCs, since FY 2009 BDC-SBIC financings have grown 258% versus 194% for the overall program. By the end of FY 2014, 27 BDC-SBICs held over 26% of SBA's outstanding Debenture leverage and provided over 26% of SBIC financing dollars.

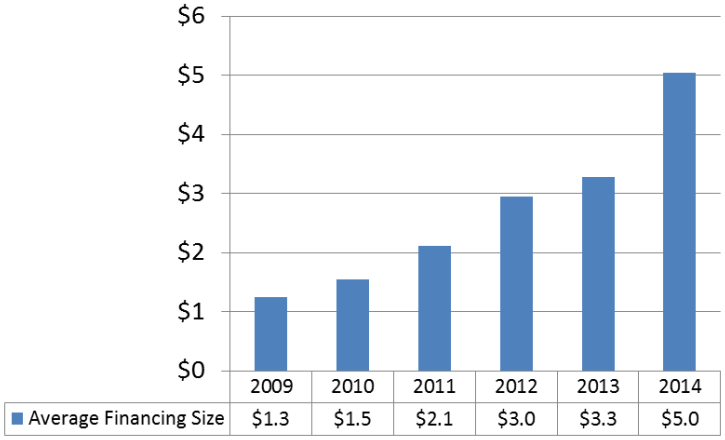
Although SBIC financing amounts increased, the number of small businesses financed by SBICs has slightly decreased since 2009, as shown in the next chart.

Exhibit 4-2: Number of Small Businesses Financed by SBICs by Fiscal Year Reported

** "SBIC Types Currently Licensed" includes Debenture SBICs (and non-leveraged SBICs. This excludes SBICs that issued Participating Securities and Specialized SBICs, which SBA no longer licenses. The intent is to separate core SBIC program performance from programs winding down or no longer being licensed.*

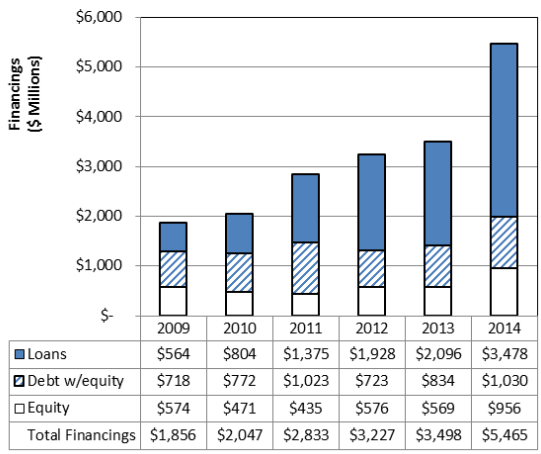
While most of this decrease is due to the wind-down of the Participating Securities program, the number of businesses funded by Debenture SBICs and non-leveraged SBICs has also decreased since 2009. Despite this decrease, the average financing dollars to a small business in a fiscal year has quadrupled from $1.3 million in FY 2009 to $5 million in FY 2014.

Exhibit 4-3: Average SBIC Financing Amount to a Small Business by Fiscal Year Reported ($ Millions)

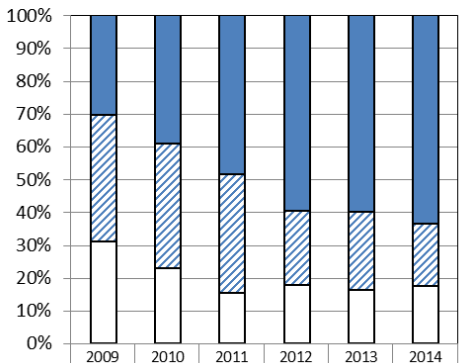


SBICs provide loans (senior and sub-debt), as well as mezzanine debt with equity features such as warrants or convertible debt, and equity. As shown in the chart below, although the amount of mezzanine debt has grown 43% and equity has grown 67% between FY 2009 and FY 2014, the amount of loans in FY 2014 is over six times the loan amount in FY 2009. As a result, the percent of SBIC financing dollars in loans has grown from 30% in FY 2009 to 64% in FY 2014.

Exhibit 4-4: SBIC Financings by Financing Type and Fiscal Year Reported ($ Millions)



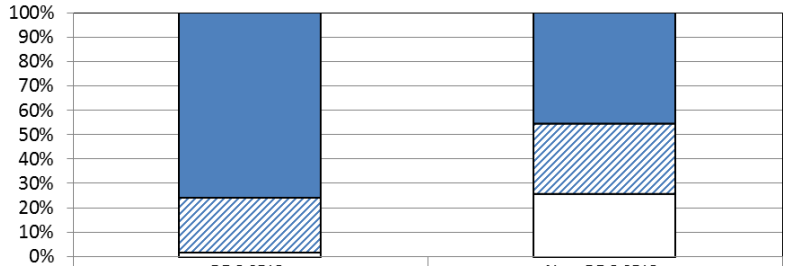
	2009	2010	2011	2012	2013	2014
Loans	$564	$804	$1,375	$1,928	$2,096	$3,478
Debt w/equity	$718	$772	$1,023	$723	$834	$1,030
Equity	$574	$471	$435	$576	$569	$956
Total Financings	$1,856	$2,047	$2,833	$3,227	$3,498	$5,465



	2009	2010	2011	2012	2013	2014
Loans	30%	39%	49%	60%	60%	64%
Debt w/equity	39%	38%	36%	22%	24%	19%
Equity	31%	23%	15%	18%	16%	17%

This increase in SBIC loan financings is partly due to the increased participation by BDC SBICs that provided over 75% of their financing dollars in the forms of loans, versus less than 45% by non-BDC SBICs, as shown in the chart below.

Exhibit 4-5: Percent of Financing Dollars by BDC SBIC and Non-BDC SBIC by Financing Security For FYs 2009-2010



	BDC SBICs	Non-BDC SBICs
Loans	76%	45%
Debt w/equity	22%	29%
Equity	2%	26%

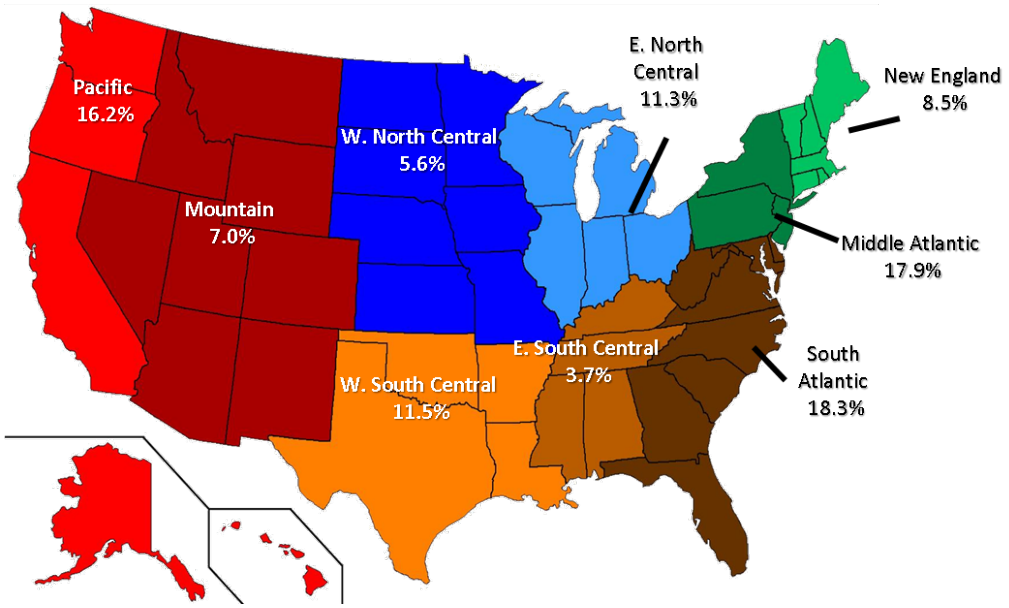
Another reason for the increase may be due to market conditions and the lack of available loans from traditional sources during these years. The Pepperdine Private Capital Markets Project Capital Markets Report -2014 indicated that based on a survey of 141 Investment Bankers, "*Respondents indicated a general difficulty with arranging senior debt for businesses with less than or equal to $5 million in EBITDA [Earnings before Interest, Tax, Depreciation and Amortization].*" [7] The National Small Business Association June 2014 Mid-Year Economic Report indicated that although 72 percent of small businesses reported that they have been able to

[7] Everett, Craig, Dr. (2014), Pepperdine University Graziadio School of Business and Management, Pepperdine Private Capital Markets Project Report - 2014 , page 15, Retrieved from http://bschool.pepperdine.edu/about/people/faculty/appliedresearch/research/pcmsurvey/content/ppcmp_2014_report.pdf.

obtain adequate financing, up from 65 percent from the prior year, *"one-in-four (28 percent) are not able to get the financing they need."*[8] SBICs targeted this gap in the capital markets.

For the five year period FY 2010-2014, SBICs provided financings across the United States, with highest concentrations in the South Atlantic.

Exhibit 4-6: Distribution of SBIC Financing Dollars by Geography Reported FY 2010-2014
Total SBIC Financings = $17.1 Billion



Portfolio Company Spotlight

Atomic Learning
Little Falls, MN

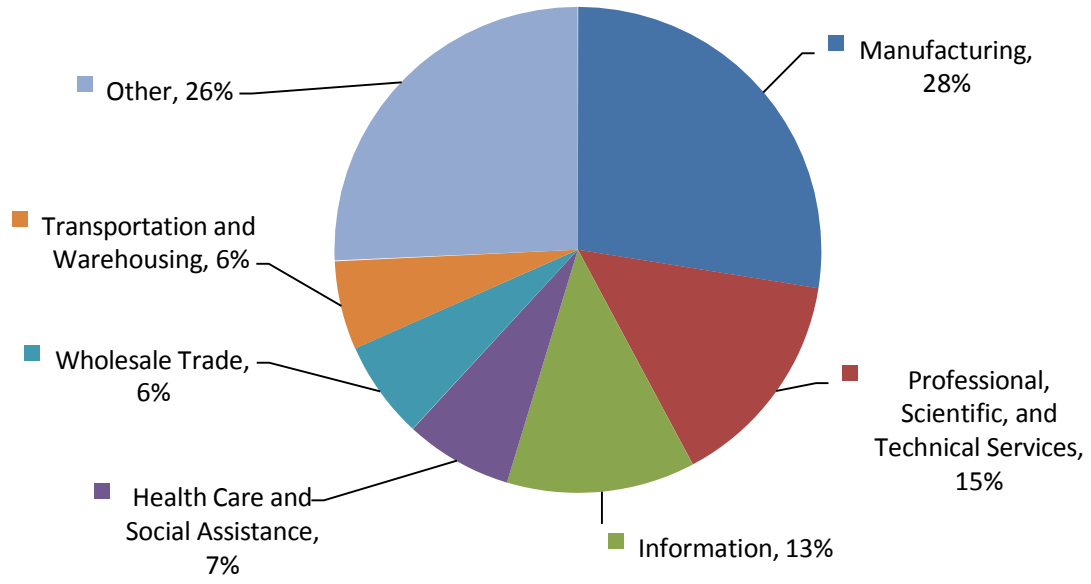
SBIC Investors
Boathouse Capital
Renovus Capital

Atomic Learning is an education provider that offers powerful data analytics and professional eLearning. Boathouse Capital and Renovus Capital Partners, two SBICs, acquired Atomic Learning in April 2012. The SBICs' investment initially funded Atomic Learning's investment in new technology advancements in mobile learning training and environments and the training to support common core standards adoption in the U.S. Most recently, the investment funded the company's acquisition of Versifit Technologies, LLC, a Wisconsin-based educator provider of data warehousing and data analytics solutions, helping to shape the future of education. ***Atomic Learning is an important employer for Little Falls, MN population 8,000, with a full-time workforce of 70 employees.*** Versifit Technologies is a key technology employer in Appleton, WI, population 74,000. The combined workforce of the two companies now exceeds 100.

[8] National Small Business Association (July 2014), "2014 Mid-Year Economic Report", page 10, Retrieved from nsba.biz/docs/Mid-Year-Report-2014.pdf.

Between FY 2010 and 2014, SBICs continued to provide financing in small businesses across diverse industries with the largest concentration in small U.S. manufacturers.

Exhibit 4-7: Distribution of SBIC Financing Dollars by Industry Reported FY 2010-2014
Total SBIC Financings = $17.1 Billion



** Numbers will not add to 100% due to rounding.*

Portfolio Company Spotlight

Uncle Charley's Sausage Company, LLC *Vandergrift, Pennsylvania*

SBIC Investor
F.N.B. Capital Partners

Uncle Charley's was founded in 1988 by Charles Armitage Sr. in a small facility just a few miles away from its current location in Vandergrift, Pennsylvania. The start-up's 11 employees produced about 2,000 pounds of sausage per week. Based on quick and reliable delivery and a reputation for high quality product, the business continued to grow. As Mr. Armitage planned for retirement, he wanted to pass the business along to a partner committed to preserving the company's roots. He ultimately chose SBIC fund F.N.B. Capital Partners largely because of its commitment to keeping Uncle Charley's in western Pennsylvania. Since making its initial investment in Uncle Charley's in January 2014, F.N.B. has built strong relationships with its employees. Employees were given raises on day one and have been provided greater opportunities for personal development. Today, the Uncle Charley's team has grown to 45-plus employees producing 80,000 pounds of sausage per week.

b. SBIC Financings Meeting the Needs of Underserved Markets

The SBIC program's mission is to stimulate and supplement the flow of private equity capital and long term loan funds for the growth, expansion, and modernization of small businesses, which capital and loan funds are not available in adequate supply.

Businesses in "competitive opportunity gaps", defined as low and moderate income areas and businesses majority owned by women, minorities, and veterans, have traditionally had problems accessing capital. As shown in the chart below, both the number and percentage of SBIC financings to these groups have *decreased* in recent years. This is partially due to fewer operating Specialized SBICs, which targeted disadvantaged groups but which SBA no longer has authority to license. By the end of FY 2014, there were only 9 Specialized SBICs with less than $170 million in private capital and SBA leverage and commitments.

Exhibit 4-8: Small Businesses in "Competitive Opportunity Gaps" Financed by SBICs by Fiscal Year

* *"Competitive Opportunity Gaps" is defined as small businesses in low and moderate income areas or majority owned by women, minorities, or veterans. Data is based on information reported by the SBICs on the small businesses and is not verified by SBA.*

Portfolio Company Spotlight

Hoffman Media, LLC
Birmingham, AL

SBIC Investor
BIA Digital Partners, LP

Hoffman Media, LLC ("Hoffman Media"), founded in 1983, publishes women-targeted brands such as Victoria, Phyllis Hoffman Celebrate, Southern Lady, and The Cottage Journal Seasons. Starting in 2004, BIA Digital Partners, LP ("BIA"), an SBIC, provided acquisition and growth capital to Hoffman Media. In addition, BIA recruited board members and provided guidance to Hoffman Media management on mergers & acquisitions and capital raising activities. Under the SBIC's guidance Hoffman Media expanded its publishing to print, online and interactive media, including launching a digital publishing division, and added a consumer event business and an ancillary products division. BIA exited in 2012. According to founder, president and CEO Phyllis Hoffman DePiano, during BIA's tenure revenue grew by 500 percent and the size of the Hoffman Media workforce ***more than tripled to 150 full-time employees, 87% of whom are women.***

However, "competitive opportunity gap" businesses are not the only businesses suffering from problems in accessing capital. The Pepperdine Private Capital Markets Project Report 2014 indicated a "*general imbalance between companies worthy of financing and capital available for the same. There is a reported shortage of capital for those with less than $10 million in EBITDA [but a general surplus for companies with $10 million in EBITDA or more].*"[9] Since SBICs make investments in small businesses, SBICs naturally fill this gap.

For FY 2014, SBA estimates that over 70% of SBIC financing dollars in FY 2014 went to small businesses with under $10 million in EBITDA. (Note: This data only became available in May 2015. Last year SBA used net income.)

Exhibit 4-9: Distribution of Reported FY 2014 SBIC Financing Dollars by Portfolio Company EBITDA *

* *SBA does not collect EBITDA at the time of financing. Portfolio Company EBITDA is derived from SBIC data provided in Schedule 8 of the SBA Form 468 Annual Financial Report for calendar year 2014. EBITDA may have changed between the time of financing and when the SBICs submitted the Form 468. The distribution only includes those portfolio companies in which SBICs reported EBITDA data. Approximately 11% of the financing dollars were associated with financings that did not report EBITDA. SBA does not verify that EBITDA is reported correctly.*

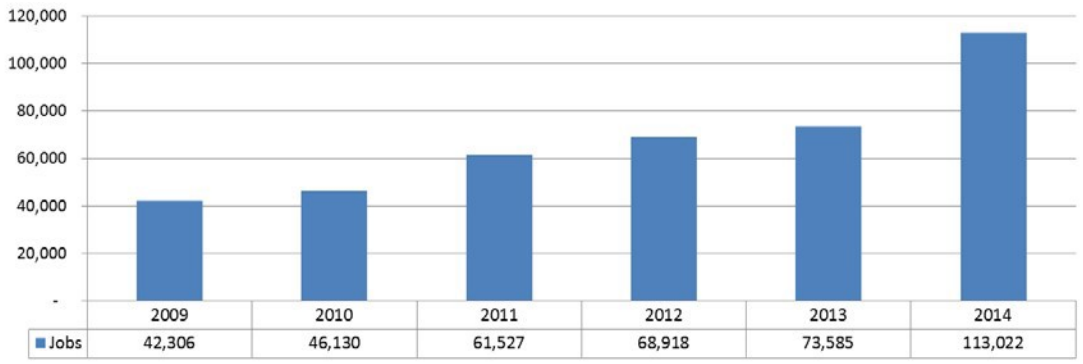
Numbers will not add to 100% due to rounding.

[9] Everett, Craig (2014), Pepperdine University Graziadio School of Business and Management, "**Pepperdine Private Capital Markets Project Report 2014",** page 16, Retrieved from http://bschool.pepperdine.edu/about/people/faculty/appliedresearch/research/pcmsurvey/content/ppcmp_2014_report.pdf.

c. Jobs

The SBIC program addresses the need for growth capital and proves how capital translates to jobs. The chart below indicates that based on SBA estimates, jobs created or sustained by SBIC Financings in FY 2014 increased by 54% from FY 2013.

Exhibit 4-10: SBIC Estimated Jobs Created or Sustained



**SBA estimates jobs created or sustained using the results of two studies on the impact of venture capital on employment. These studies estimate that one job is created or sustained for every $36,000 invested (adjusted for inflation). Studies: 1) DRI -WEFA, "Measuring the Importance of Venture Capital and Its Benefits to the United States Economy," June 19, 2002. 2) Cook & Nevins. The Zermatt Group. "The 1999 Arizona Venture Capital Impact Study," March, 1999.*

As noted in the chart, SBA estimates jobs using a 1999 study on venture capital. SBA is currently working with the Federal Research Division of the Library of Congress and academic experts in the private equity industry to evaluate the program's job impact.

Portfolio Company Spotlight

G.E.T. Enterprises, LLC
Houston, TX

SBIC Investors
GMB Mezzanine Capital II
Valesco Commerce Street Capital

Glenn and Eve Hou built **G.E.T. Enterprises** from a from a "garage business" selling ten products to one customer into a supplier of tabletop products to a diverse base of customers worldwide in the commercial foodservice and hospitality industries. In 2011, SBIC funds Valesco Commerce Street Capital, L.P. and GMB Mezzanine Capital II, L.P. joined other investors to acquire G.E.T., and, upon the Hou's retirement, transitioned the company to a new management team with six executive women, including the CEO, CMO, and CFO. According to the SBICs, the new management team has transitioned every area of G.E.T. to a greater level of professionalism and organizational discipline, while preserving the legacy culture and brand established by the Hous. Today, G.E.T. offers 3,500-plus SKUs to 2,500-plus customers, and provides value-added services, including launches of customized products. Since SBIC funds Valesco and GMB's initial investment, the company ***has grown its workforce by 25 percent***.

2015 SBIC of the Year
Monroe Capital
Chicago, IL

Monroe Capital's three SBIC funds have provided capital to small businesses across the U.S. since the inception of its first SBIC fund, Monroe Capital Partners Fund, LP. Since 2011, Monroe's first SBIC fund has invested $260 million in 33 small businesses that employ, in total, more than 11,000 people. More than 80% of these businesses qualify as "smaller enterprises" and more than 35% are owned or managed by minorities.

"We are extremely honored that the SBA has recognized Monroe Capital as SBIC of the Year," noted CEO Ted Koenig, "this award exemplifies our experience and dedication to helping growing small businesses in the middle market throughout the U.S."

Since 2004, the Monroe family of funds, together with co-investment partners, has invested $2.5 billion in more than 500 middle market companies.

5. SBIC Program Execution

The SBA's Office of Investment and Innovation (OII) administers the SBIC program throughout the SBIC lifecycle as shown in the chart below.

Exhibit 5-1: SBA Key Activities in SBIC Lifecycle

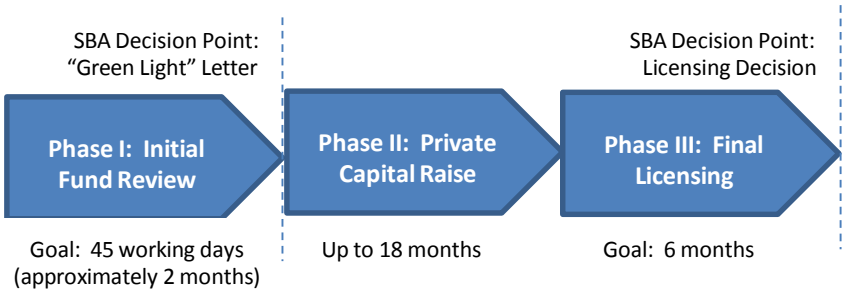
Licensing →	Operating →	Fund Resolution
• Initial Review • SBIC Regulations Class • Final Licensing	• Funding (Leverage) • Monitoring • Regulatory Approvals • Examinations	• Leverage Repayment and SBIC Surrender • Liquidation Activities (in case of defaults)

This section discusses key SBA activities in FY 2014 to grow and oversee the program.

a. Licensing Activities

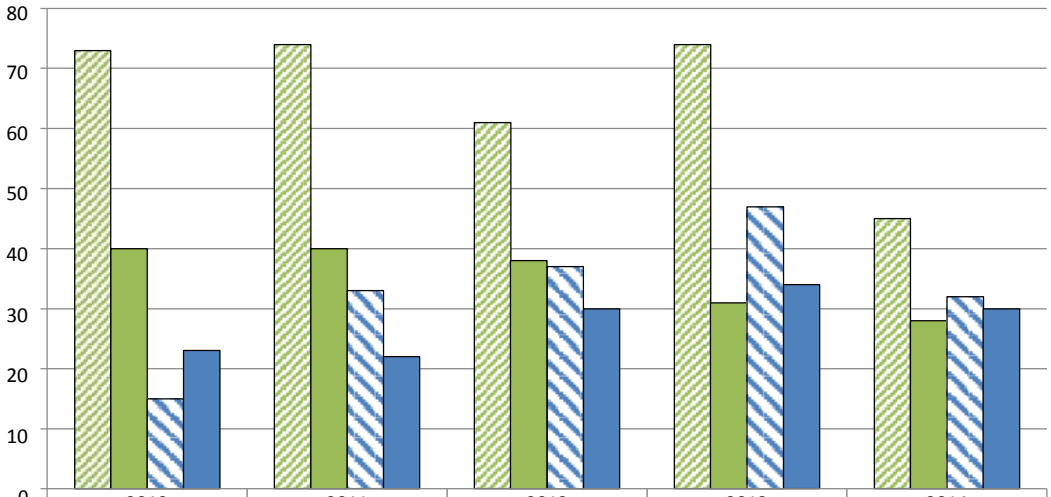
The chart below shows the phases and timeframes in the SBIC licensing process.

Exhibit 5-2: SBIC Licensing Process



SBIC program growth is due to increased interest in the SBIC program by qualified fund managers. As shown in the following chart, following the American Recovery and Reinvestment Act of 2009, which increased the amount of leverage to SBICs under common control to $225 million, the number of SBIC applications received by SBA increased by over 50% in FY 2010, but has returned to 2009 levels. As a result of declining applications, SBA approved the lowest number of green light letters in 2014 since prior to 2009.

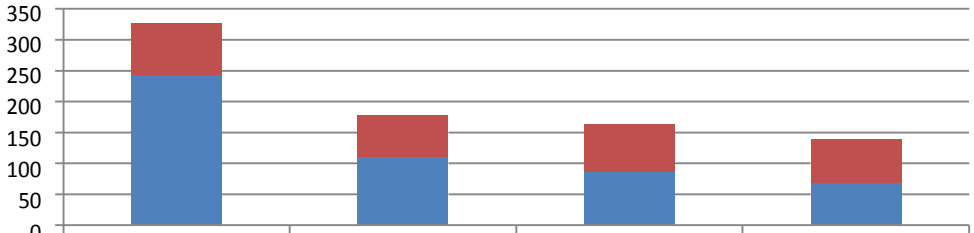
Exhibit 5-3: SBIC Licensing Pipeline Volume by Fiscal Year



	2010	2011	2012	2013	2014
Applications Received in Phase I - Initial Fund Review	73	74	61	74	45
Green Light Letters Issued	40	40	38	31	28
Applications Received In Phase III - Final Licensing	15	33	37	47	32
New SBIC Licensees	23	22	30	34	30

The chart below shows the breakdown for these applicants by first time SBIC and subsequent SBIC applicants. As shown, although 74% of applicants in Phase I were first time SBIC applicants, only 50% of new licensees were first time SBICs.

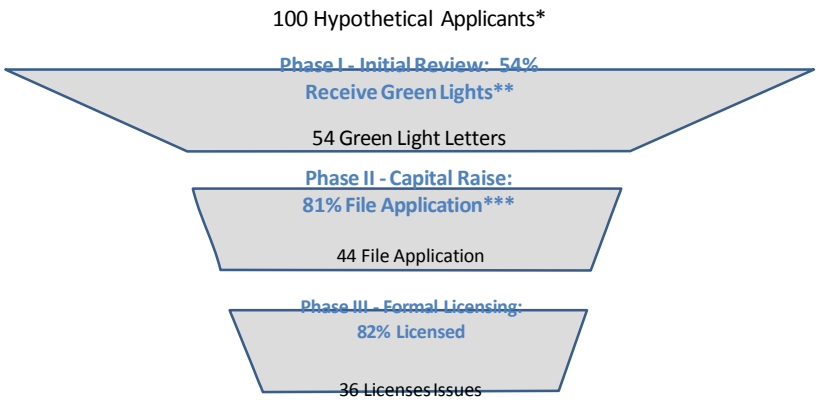
Exhibit 5-4: Licensing by 1st Time and Subsequent SBIC Applicants (FY 2010-FY 2014)



	Phase I Applications Received	Green Light Letters Issued	Phase III Applications Received	New Licensees
Subsequent Fund Applicants	84	66	77	70
1st Time SBIC Applicants	243	111	87	69
Total Applicants	327	177	164	139
Percentage 1st Time SBIC	74%	63%	53%	50%

The following chart below provides estimated success rates based on the applications between FY 2010 and FY 2014.

Exhibit 5-5: SBIC Licensing Funnel Success Rates
Based on Average Licensing Statistics from FY 2010-2014



** This chart shows what would happen to a hypothetical group of 100 applicants based on average success rates between FY 2010-2014.*

***SBA processed 327 SBIC applicants between FY 2010-2014 issued 177 green lights letters. 1st-time applicants had a lower success rate with 46% receiving a green light. SBICs seeking a subsequent license had a success rate of 78%.*

**** Estimate based on number of applications submitted and expired between FY 2010 and 2014.*

As shown, about 54% of those that applied to phase 1 of SBA's licensing process were given a green light letter; of those, approximately 81% submitted a formal application and approximately 82% of formal applications were approved for licenses. This licensing funnel translates into approximately 36 SBIC licenses for every 100 initial applicants. However, because subsequent SBICs have a much higher approval rate in Phase I, subsequent fund applicants have had over a 50% success rate in receiving a subsequent license.

Only about a third of applicants to phase 1 of SBA's licensing process ultimately receive an SBIC license for a variety of reasons, including that a fund may decide not to submit a formal license application or SBA may determine that an applicant poses an unjustifiable credit risk. The quality of SBA's licensing process can be measured by the SBIC program's financial health and how its portfolio tracks to relevant industry metrics, discussed in Section 6.

In FY 2014, SBA processing times improved in program development but increased in licensing. SBA continually seeks ways to streamline its processes, but must also maintain its standards of quality in analysis and due diligence. SBA notes that licensing times depend on many factors involving SBIC applicants and their investors, as well as SBA. In FY 2015 SBA instituted more detailed tracking of the various components of the license review process to provide better information on licensing times.

Exhibit 5-6: SBIC Licensing Process Times by FY

* SBA sets two processing time goals for Phase I – Initial Review. Because SBA is familiar with the performance of current or prior SBIC managers seeking a subsequent SBIC license, SBA's processing time goal is 1 month. For 1st time SBIC applicants, SBA's goal is 2 months since more due diligence and analysis is required. No such distinction is made in Phase III Final Licensing since SBA must perform diligence on the legal and operational issues unique to each applicant.

Most importantly, the amount of private capital associated with new SBICs more than tripled between FY 2009 and FY 2014, making it the highest in any licensing year in the history of the program. The chart below shows the initial private capital for SBICs licensed in the past 16 years.

Exhibit 5-7: Initial Private Capital for New SBIC Licensees by FY Licensed (In $ Million)

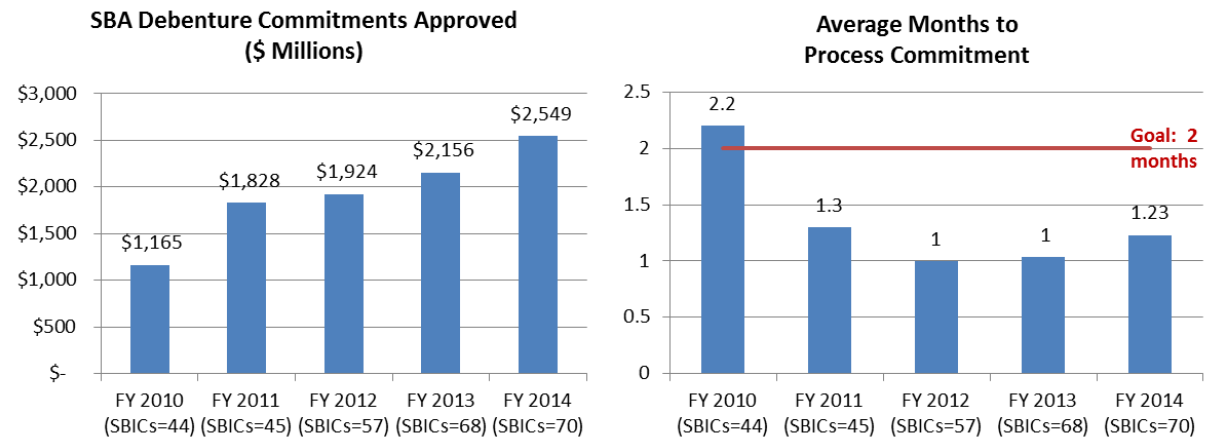
** Numbers may not add to totals shown due to rounding.*

b. Operating

Once a fund receives its SBIC license, SBA assigns an analyst from OII's Office of SBA Operations (Operations) who serves as the primary point of contact for the SBIC, answering any questions, monitoring fund performance, handling leverage requests, and processing any approvals required by regulation.

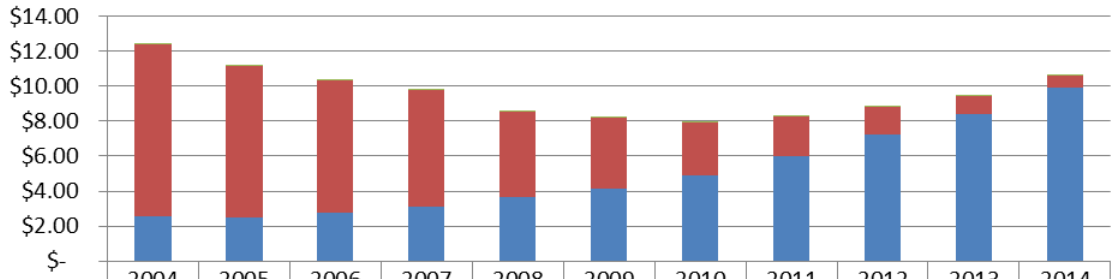
SBA processed over $2.5 billion in aggregate SBA leverage commitments in FY 2014 to 70 SBICs, up 18% from the prior year and more than double the amount of commitments five years ago. SBA's improved commitment processing times contributed to this growth. As shown below, SBA's time to process a commitment has dropped since FY 2010, with SBA processing all FY 2014 commitment applications within its 2 month goal.

Exhibit 5-8: SBA Leverage Commitment Metrics



This increase in commitments has led to the highest SBA outstanding leverage and commitment amounts in SBA's operating portfolio since 2005. By the end of FY 2014, Operations monitored 294 SBICs with over $10.7billion in outstanding SBA guaranteed leverage and commitments.

Exhibit 5-9: SBIC Operating Portfolio Outstanding SBA Leverage & Commitments by FY ($ Millions)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Specialized	$0.07	$0.07	$0.03	$0.03	$0.02	$0.02	$0.01	$0.02	$0.02	$0.06	$0.04
Participating	$9.81	$8.67	$7.60	$6.69	$4.84	$4.03	$3.01	$2.24	$1.57	$1.02	$0.69
Debentures	$2.57	$2.48	$2.74	$3.10	$3.67	$4.15	$4.89	$6.00	$7.23	$8.40	$9.94
Total	$12.45	$11.22	$10.38	$9.81	$8.53	$8.20	$7.91	$8.25	$8.82	$9.48	$10.67

Given the number of new licensees in recent years, SBA expects this upward trend to continue in FY 2015, particularly if Congress increases the family of fund leverage maximum. With this amount of capital at risk, SBA closely monitors the portfolio's financial health (see Section 6).

To help SBA monitor the financial health of its SBIC portfolio, in FY 2014 OII's Data Management launched a web-based system to collect and analyze important financial information. During 2014, SBA continued its work by adding an electronic version of the SBA Form 2182 (SBIC Capital Certificate). This new functionality represented the first time that the capital certificate report would be electronically completed and submitted by SBIC users. In addition to the submission of these reports, the capability to download PDF copies of submitted capital certificates and an approval process was developed for SBICs and for OII staff members.

Another important monitoring tool SBA uses is examinations performed by OII's Office of SBIC Examinations. In FY 2014 SBA examined 200 leveraged licensees (SBICs with outstanding leverage, commitments, or earmarked assets) and 38 licensees without leverage. Although the Small Business Investment Act of 1958, as amended, requires SBA to examine licensees at least every two years, SBA's goal is to examine leveraged SBICs on a 12-month cycle and those without leverage on an 18-month cycle. As shown in the next chart, in FY 2014 SBA maintained its goal for leveraged SBICs, but slightly exceeded its non-leveraged SBIC goal.

Exhibit 5-10- SBIC Examination Cycle by FY (in Months)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Leveraged	12.9	11.7	11.7	11.6	11.5
Non-Leveraged	18.2	15.6	15.6	16.5	18.2
Leveraged Goal: 12 months	12.0	12.0	12.0	12.0	12.0
Non-Leveraged Goal: 18 months	18.0	18.0	18.0	18.0	18.0

In order to help SBICs avoid problems in exams, SBA publishes a list of common exam findings at http://www.sba.gov/content/sbic-examination-faqs#commonfindings.

c. Fund Resolution

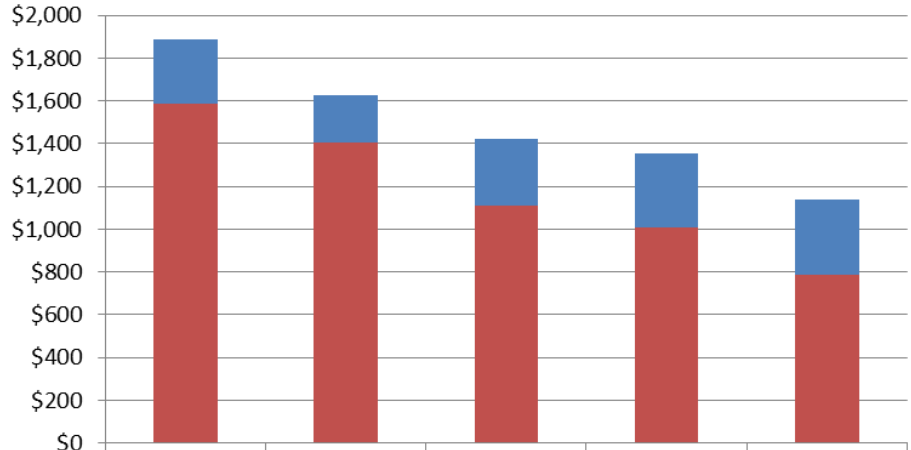
Most SBIC funds are structured as limited partnerships that surrender their license after the SBIC repays its SBA-guaranteed leverage,[10] typically 10-15 years after licensing. In FY 2014, 18 SBICs surrendered their SBIC license, leaving a total of 294 SBIC in the Operating portfolio at the end of FY 2014, representing a slight net increase from the previous year.

If SBICs have regulatory problems that cannot be resolved in Operations, SBA has the authority to transfer the SBIC to the Office of SBIC Liquidation (Liquidation) where Liquidation personnel proceed to recover SBA leverage and minimize losses.

In FY 2014 Operations transferred 11 SBICs, representing $257 million in SBA leverage, down 38% from the prior year. Half of the leverage transferred was held by Debenture SBICs. Liquidation collected over $350 million in leverage and charged off approximately $130 million in leverage in FY 2014, decreasing the overall leverage balance in Liquidation by 16% year over year, and down 40% from FY 2010. This trend is shown in the next chart.

[10] SBICs that issued Participating Securities also must liquidate all "earmarked assets".

Exhibit 5-11- Outstanding Leverage in Office of SBIC Liquidation by FY End (In Millions of $)



	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Debenture & Preferred Stock	$300.1	$222.8	$310.8	$343.1	$352.4
Participating	$1,585.0	$1,406.5	$1,111.7	$1,011.1	$785.2

In FY 2014, Liquidation collected over $350 million, bringing the five year recovery total since FY 2010 to over $1.4 billion in recoveries. These recoveries are critical to keeping the program at zero cost to the taxpayer.

SBA activities, including licensing good fund managers, monitoring activities, and recovering leverage in Liquidation contribute to the financial health of the SBIC portfolio, discussed in the next section.

SBIC Financial Risk and Performance FY 2014 Highlights

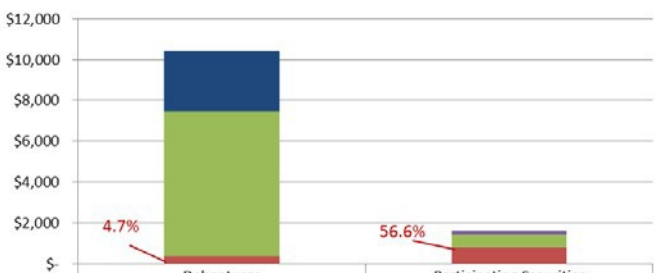
- *Debenture SBIC program continues to operate at expected zero subsidy cost to the taxpayer.*
- *Percentage of Debenture leverage out of regulatory compliance (in Liquidation or capitally impaired) declined to 5% in FY 2014.*
- *Private Investor Debenture SBIC pooled performance commensurate with industry private equity benchmarks (Preqin)*
  - *Private Investor Debenture SBIC 10 year horizon pooled returns for SBICs Licensed 1998-2014 (as of 12/31/2014): 13.9%*
- *Percentage of Debenture SBICs in top half of industry based on unleveraged performance has generally increased since 1998.*

6. SBIC Financial Risk and Performance

a. SBA's Financial Risk and Performance

SBA's Office of the Chief Financial Officer (OCFO) performs estimates for the SBIC program each fiscal year and analyzes the SBIC program's loan performance to determine whether the program is performing within original estimates and to formulate models that determine the annual fee charged to SBICs for the program. As of FY 2014, the Debenture program continues to perform within estimates on a lifetime basis, while, in its wind-down phase, the Participating Securities program is expected to produce significant losses.[11] This performance disparity is reflected by SBA's capital at risk as of September 30, 2014.

Exhibit 6-1- SBA Capital at Risk by Leverage Type As of September 30, 2014 (In Millions of $)



	Debentures	Participating Securities
Unreimbursed Prioritized Payments in Operations	$-	$201.8
Unfunded SBA Leverage Commitments	$2,953.3	$-
Leverage in Operations	$7,116.3	$601.8
Leverage in Liquidations	$352.4	$785.2
Total Capital at Risk	$10,422.0	$1,588.8

The primary reason SBICs are transferred to Liquidation is due to significant losses in the SBIC's portfolio that result in an SBIC being capitally impaired. As shown, of the $7.5 billion in outstanding Debenture Leverage, only 4.7% is managed by Liquidation. With over half of the leverage in the Participating Securities program in Liquidation, SBA continues to wind-down that program.

Since the Participating Securities program is rapidly winding down and current authorizations for SBIC leverage only permit Debenture leverage, the remainder of the analysis in this section will focus primarily on Debenture SBICs.

[11] SBIC program re-estimates and formulation information may be found in the Federal Credit Supplement worksheets to the Federal Budget at http://www.whitehouse.gov/omb/budget/Supplemental.

SBA analysts use a variety of metrics to evaluate the performance of operating SBICs, including valuations, recoverable SBIC assets to leverage, Debenture interest coverage, and capital impairment percentage (CIP).[12] However, CIP is the primary regulatory metric by which SBA may transfer an SBIC to Liquidation. The chart below shows the status of outstanding Debentures and Preferred Stock for Operating Debenture and Specialized SBICs[13] for the past several years.

Exhibit 6-2- Status of Outstanding Leverage for Debenture SBICs
As of 9/30/2014 (Leverage in Millions of $)

** "Out of Compliance" includes leverage associated with SBICs in Liquidation and SBICs in Operations over their maximum CIP (capitally impaired).*

As shown above, in recent years the amount of leverage associated with SBICs out of compliance (capitally impaired SBICs and SBICs in Liquidation) has decreased from 9% in FY 2010 to 5% in FY 2014. It typically takes several years of operation for a Debenture fund becomes capitally impaired and the median age of transfer to Liquidation for Debenture SBICs is 10 years.[14] As a result, the SBIC program's significant growth in the past five years may be contributing to this low percentage since younger funds are typically too early in their lifecycle to become capitally impaired. As of the end of September 30, 2014, over two-thirds of outstanding leverage held by Debenture SBICs was held by funds licensed in the past five years.

The next chart shows the status of all leverage issued by SBICs licensed since 1994. This chart shows both the growth in the program in recent years and the natural progression of repayment and impairment by age.

[12] CIP measures the losses incurred by a fund relative to its Regulatory Capital, as defined under 13 CFR 107.50. SBIC regulations establish a maximum allowable CIP. If an SBIC exceeds its maximum, SBA has the right to transfer the SBIC to Liquidation.
[13] As of September 30, 2014, Specialized SBICs had approximately $30 million in outstanding Debenture leverage and preferred stock.
[14] This number is based on the age of all Debenture SBICs transferred to Liquidation and licensed after 1980.

Exhibit 6-3- Status of all Debenture Leverage Issued by Debenture SBICs Licensed since FY 1990 by Age
As of 9/30/2014 (In $ Millions)

Numbers may not add to "Total Issued" due to rounding.

One can see from the above chart that SBICs less than 5 years old are still in their Investment stage and continue to draw leverage to make investments. They typically begin to harvest their investments after 5 years and wind-up after 10 years. After 15 years, most SBICs either repaid their leverage or were transferred to the Liquidation.

The chart also shows transfer rates both as a percent of total leverage issued and as a percent of resolved leverage (leverage repaid in Operations or transferred to Liquidation). The second metric takes out the effect of outstanding leverage. One can see that for these years, transfer rates have generally declined for funds licensed in the past 15 years, but that leverage remains unresolved. This may be due to the favorable economic climate during this timeframe. As shown previously in Exhibit 3-3, SBIC performance generally follows the private equity industry and the stock markets.

Although the economy can impact SBIC performance, the most critical factor to keeping the program at expected zero subsidy cost is the underlying performance of each fund, as discussed in the next section.

b. Debenture SBIC Performance

The table below shows the capitalization, distributions and residual values for Debenture SBICs licensed since 1998 by vintage year[15] that issued Debenture SBIC leverage prior to 12/31/2014. Appendix B describes the methodology in developing the figures and metrics in this section.

Exhibit 6-4- Capitalization and Fund Value for Debenture SBICs Vintage Years 1998-2014
As of 12/31/2014 (In $ Millions)

	by Status				Capitalization					SBA	L.P. Distributions & Residual Value		
Vintage Year	Total	Active	Surrendered	Transferred	Private Committed Capital	Private Paid-In Capital	Leverage Issued	Total Capital Paid-In or Issued	$ Weighted Interest & Annual Charge	Redemptions, Interest & Leverage Fees	Private Net Distributions	Private Residual Value	Private Total Value
1998	10	1	3	6	$ 194.6	$ 184.1	$ 259.4	$ 443.5	7.43%	$ 314.2	$ 122.8	$ 36.1	$ 158.9
1999	10	1	8	1	$ 275.1	$ 191.7	$ 433.3	$ 624.9	5.95%	$ 572.3	$ 342.3	$ 110.5	$ 452.8
2000	14	0	10	4	$ 255.3	$ 208.5	$ 298.7	$ 507.2	6.25%	$ 363.4	$ 306.9	$ 91.6	$ 398.5
2001	9	1	5	3	$ 169.8	$ 127.4	$ 226.8	$ 354.2	5.73%	$ 296.0	$ 147.6	$ 65.6	$ 213.2
2002	7	4	3	0	$ 170.9	$ 135.2	$ 335.3	$ 470.4	4.85%	$ 261.3	$ 228.5	$ 104.7	$ 333.2
2003	9	8	1	0	$ 422.9	$ 368.3	$ 716.3	$ 1,084.6	5.39%	$ 657.1	$ 519.0	$ 254.2	$ 773.2
2004	4	2	0	2	$ 128.4	$ 110.1	$ 195.1	$ 305.3	5.96%	$ 219.4	$ 61.9	$ 61.9	$ 123.8
2005	9	7	1	1	$ 365.6	$ 282.6	$ 486.1	$ 768.7	5.84%	$ 515.9	$ 446.2	$ 214.7	$ 660.9
2006	12	12	0	0	$ 551.0	$ 485.4	$ 963.2	$ 1,448.6	5.33%	$ 863.4	$ 350.7	$ 463.0	$ 813.7
2007	8	6	1	1	$ 448.7	$ 405.6	$ 733.2	$ 1,138.8	4.50%	$ 431.1	$ 253.3	$ 331.6	$ 584.9
2008	7	7	0	0	$ 256.8	$ 215.0	$ 389.1	$ 604.2	4.14%	$ 201.8	$ 145.8	$ 219.5	$ 365.4
2009	9	9	0	0	$ 500.2	$ 448.7	$ 786.0	$ 1,234.7	3.65%	$ 132.0	$ 127.7	$ 501.2	$ 628.9
2010	20	20	0	0	$ 1,097.5	$ 882.0	$ 1,687.0	$ 2,568.9	3.53%	$ 303.7	$ 427.0	$ 850.8	$ 1,277.9
2011	18	18	0	0	$ 1,173.7	$ 831.5	$ 1,360.6	$ 2,192.1	3.40%	$ 183.1	$ 219.1	$ 838.9	$ 1,058.1
2012	29	28	1	0	$ 1,564.4	$ 906.2	$ 1,396.9	$ 2,303.2	3.70%	$ 121.4	$ 67.3	$ 866.9	$ 934.2
2013	23	23	0	0	$ 1,515.0	$ 546.4	$ 774.3	$ 1,320.7	3.83%	$ 46.5	$ 31.2	$ 494.7	$ 525.9
2014	18	18	0	0	$ 1,123.7	$ 463.2	$ 332.5	$ 795.7	3.37%	$ 17.6	$ 2.1	$ 433.9	$ 436.0
1998-2010	**128**	**78**	**32**	**18**	**$ 4,836.8**	**$ 4,044.7**	**$ 7,509.3**	**$ 11,554.0**	**4.81%**	**$ 5,131.6**	**$ 3,479.6**	**$ 3,305.6**	**$ 6,785.2**
2011-2014	**88**	**87**	**1**	**0**	**$ 5,376.8**	**$ 2,747.3**	**$ 3,864.4**	**$ 6,611.7**	**3.59%**	**$ 368.5**	**$ 319.7**	**$ 2,634.4**	**$ 2,954.1**
All	**216**	**165**	**33**	**18**	**$ 10,213.6**	**$ 6,792.0**	**$ 11,373.7**	**$ 18,165.7**	**4.44%**	**$ 5,500.1**	**$ 3,799.4**	**$ 5,940.0**	**$ 9,739.3**

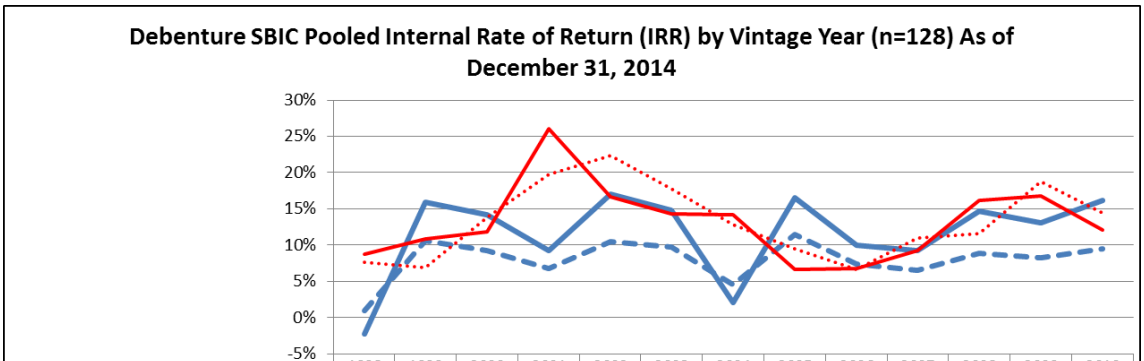
Not surprisingly, fund distributions generally follow the same pattern as leverage repayment (Exhibit 6-3).

To assess how SBICs as a class perform to industry, Debenture SBIC pooled performance is benchmarked to the private equity industry. The exhibit on the next page compares pooled Debenture SBIC internal rate of return (IRR), total value to paid in capital (TVPI) and distributions to paid in capital (DPI) metrics to industry benchmarks by vintage year. As shown, although the Debenture SBIC unleveraged[16] performance falls slightly below industry, the pooled private investor returns are commensurate with industry metrics due to the increase in leverage.

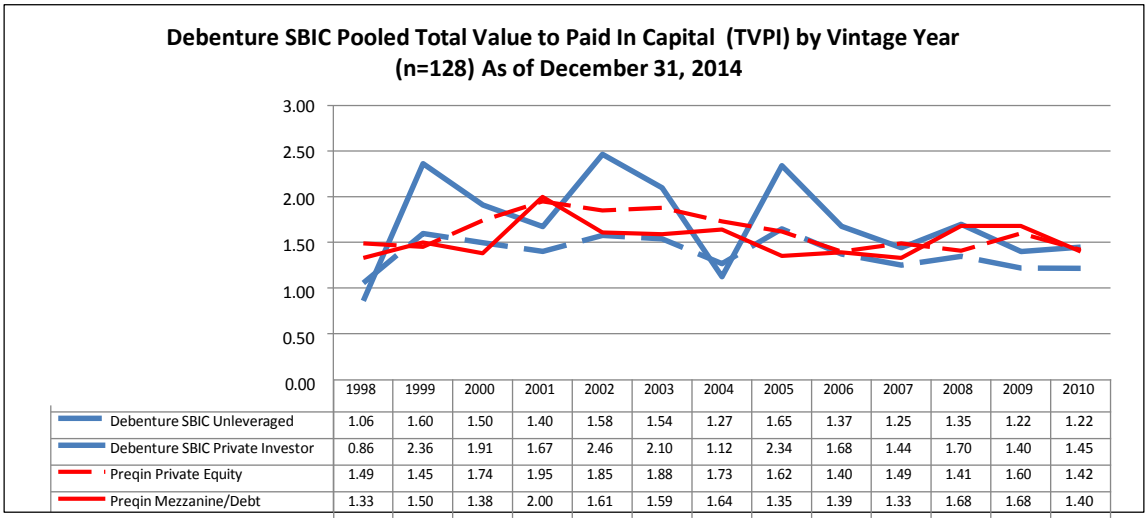
[15] For the purposes of this report, the vintage year is defined as the calendar year in which the SBIC was licensed.

[16] Unleveraged returns treat SBA leverage as part of private investor capital, in which draws are treated as paid in capital, and interest, charges, and redemptions are treated as private investor distributions. This helps SBA understand the value of leverage to the private investor and the underlying fund performance.

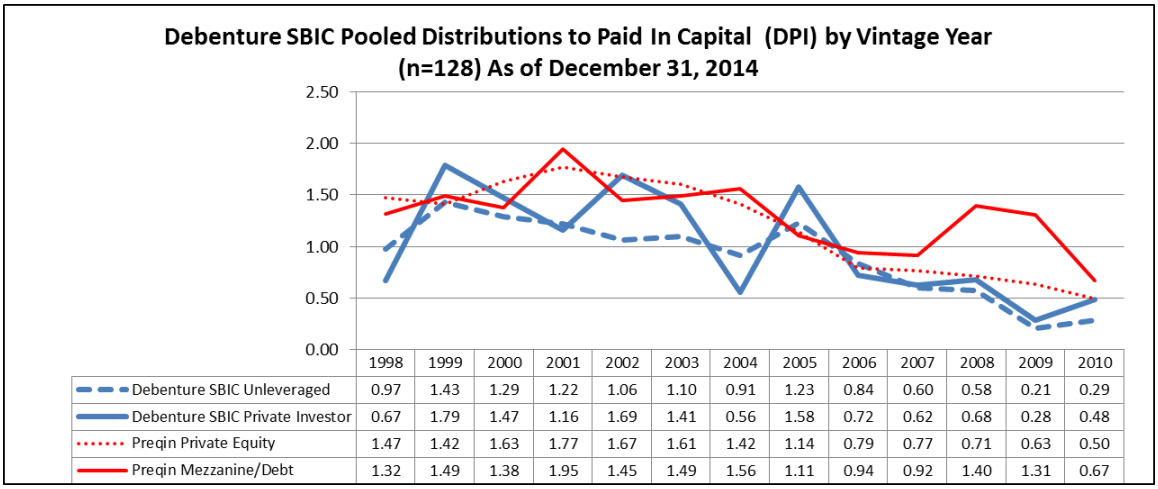
Exhibit 6-5- Comparison of Debenture SBIC Pooled Metrics to Private Equity Benchmarks by Vintage Year



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debenture SBIC Unleveraged	1.0%	10.6%	9.3%	6.8%	10.5%	9.8%	4.6%	11.4%	7.4%	6.5%	8.9%	8.3%	9.5%
Debenture SBIC Private Investor	-2.2%	15.9%	14.2%	9.2%	17.0%	14.8%	2.1%	16.5%	10.0%	9.2%	14.6%	13.0%	16.2%
Preqin Private Equity	7.7%	6.9%	13.8%	19.8%	22.3%	17.8%	12.8%	9.5%	6.7%	11.0%	11.6%	18.8%	14.4%
Preqin Mezzanine/Debt	8.8%	10.9%	11.8%	26.0%	16.6%	14.3%	14.2%	6.7%	6.8%	9.2%	16.2%	16.8%	12.1%



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debenture SBIC Unleveraged	1.06	1.60	1.50	1.40	1.58	1.54	1.27	1.65	1.37	1.25	1.35	1.22	1.22
Debenture SBIC Private Investor	0.86	2.36	1.91	1.67	2.46	2.10	1.12	2.34	1.68	1.44	1.70	1.40	1.45
Preqin Private Equity	1.49	1.45	1.74	1.95	1.85	1.88	1.73	1.62	1.40	1.49	1.41	1.60	1.42
Preqin Mezzanine/Debt	1.33	1.50	1.38	2.00	1.61	1.59	1.64	1.35	1.39	1.33	1.68	1.68	1.40



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debenture SBIC Unleveraged	0.97	1.43	1.29	1.22	1.06	1.10	0.91	1.23	0.84	0.60	0.58	0.21	0.29
Debenture SBIC Private Investor	0.67	1.79	1.47	1.16	1.69	1.41	0.56	1.58	0.72	0.62	0.68	0.28	0.48
Preqin Private Equity	1.47	1.42	1.63	1.77	1.67	1.61	1.42	1.14	0.79	0.77	0.71	0.63	0.50
Preqin Mezzanine/Debt	1.32	1.49	1.38	1.95	1.45	1.49	1.56	1.11	0.94	0.92	1.40	1.31	0.67

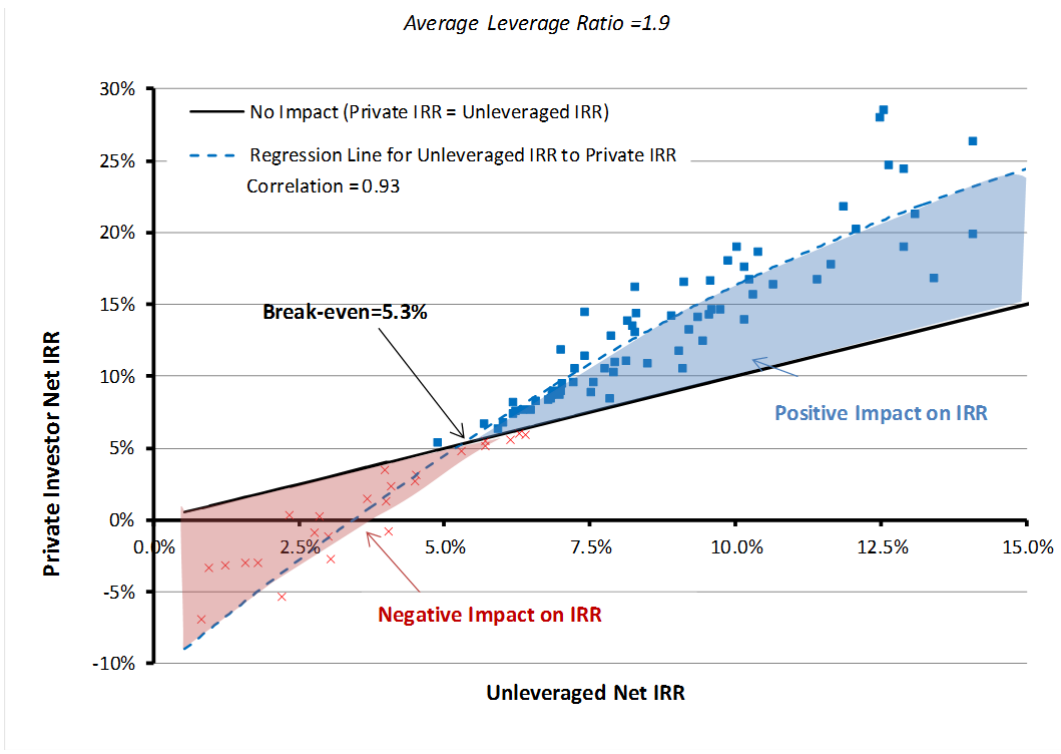
The prior exhibit demonstrates that Debenture leverage can significantly magnify private investor returns. How much returns are impacted depends on how much leverage the SBIC used and the SBIC's underlying performance. The chart below shows the impact on leverage performance by Preqin's Private Equity quartile.

Exhibit 6-6- Average Impact of SBA Debenture Leverage on Private IRR by Quartile*
For Debenture SBICs Licensed 1998 to 2010 as of 12/31/2014 (n=128)

**Quartiles are derived by comparing the calculated Private Investor IRR to Preqin Private Equity benchmarks.*

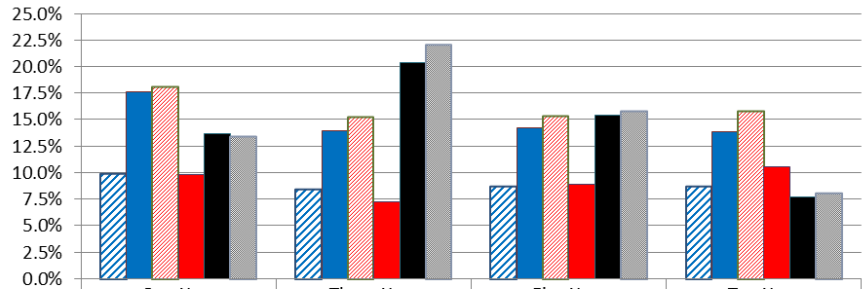
As shown, SBICs in the top half of industry tend to benefit significantly from SBA's leverage. However, SBA leverage tends to decrease returns for private investors in Debenture SBICs in the bottom quartile of industry. Not surprisingly, the break-even point coincides closely to the cost of SBIC leverage. The chart below provides a regression analysis on unleveraged versus private investor returns. As shown, the break-even point was approximately 5.3%, slightly higher than the dollar weighted cost of SBA leverage for these SBICs (4.8%). Distribution timing and leverage ratios can impact how leverage affects returns. In terms of multiple or total value to paid in capital, the break-even was approximately 1.2.

Exhibit 6-7- Unleveraged v. Private Investor IRR for Debenture SBICs with Positive Unleveraged IRR Licensed 1998 to 2010 as of 12/31/2014 (n=109)



Because SBICs are long term investments whose returns are realized over several years, another way to look at performance is horizon IRRs, which measures returns over a specified period of time.

Exhibit 6-8- Comparison of Pooled Horizon Returns for Debenture SBICs Licensed 1998-2014 to Industry As of December 31, 2014 (n=216)



	One Year	Three Year	Five Year	Ten Year
Debenture SBICs - Unleveraged	10.0%	8.5%	8.7%	8.7%
Debenture SBICs - Private Investors	17.7%	14.0%	14.2%	13.9%
Preqin Private Equity	18.1%	15.3%	15.4%	15.8%
Preqin Mezzanine	9.8%	7.2%	8.9%	10.5%
S&P 500 Index	13.7%	20.4%	15.5%	7.7%
Nasdaq Composite Index	13.4%	22.1%	15.9%	8.1%

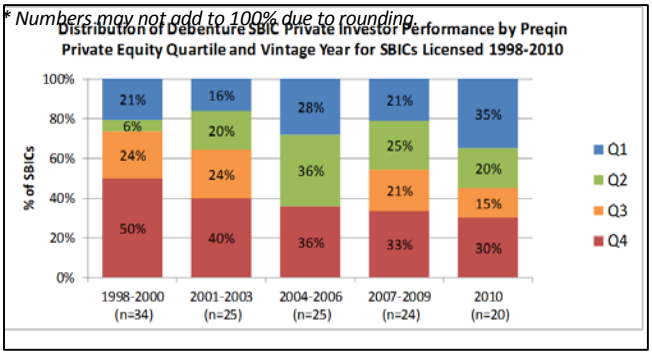
As shown, private investor Debenture SBIC performance has been comparable to industry, outperforming several industry benchmarks in the past five years. This is primarily due to the effect of SBA-guaranteed

leverage. The unleveraged performance is very similar to other mezzanine funds during this timeframe. However, the leverage provides an increase to private investor returns.

Another factor is improved licensing between 1998 and 2010. The following chart shows the distribution of Debenture SBIC private investor performance by Preqin private equity quartile and IRR by vintage year.

Exhibit 6-9- Debenture SBIC Performance Distribution by Vintage Year
As of December 31, 2014

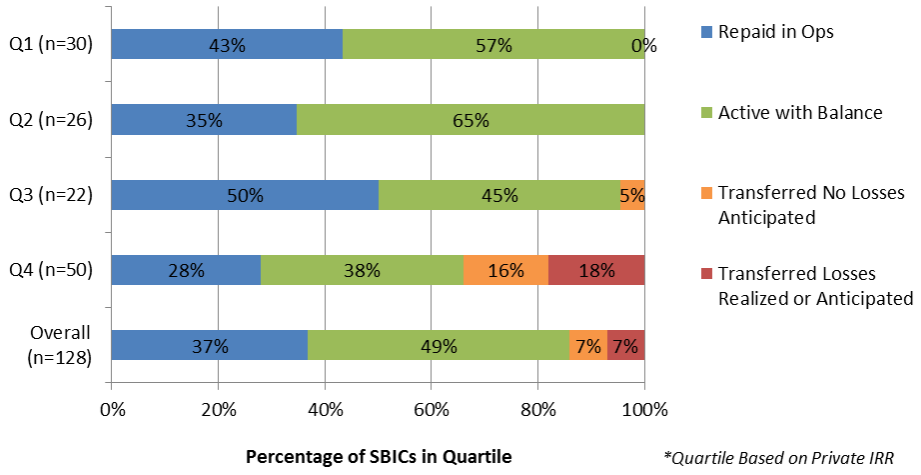
** Numbers may not add to 100% due to rounding.*



The charts above show that relative to the rest of the industry, the percentage of Debenture SBICs in the bottom quartile has decreased since 1998. On an absolute basis, returns for private investors have also improved. Although beneficial to the private investors, this also yields benefits to SBA's leverage performance.

The following chart shows that all Debenture leverage losses for Debenture SBICs licensed between 1998 and 2008 have been from SBICs in the bottom quartile of private equity.

Exhibit 6-10- Leverage Status of Debenture SBICs by Preqin Private Equity Quartile for Vintage Years 1998-2010
As of December 31, 2014



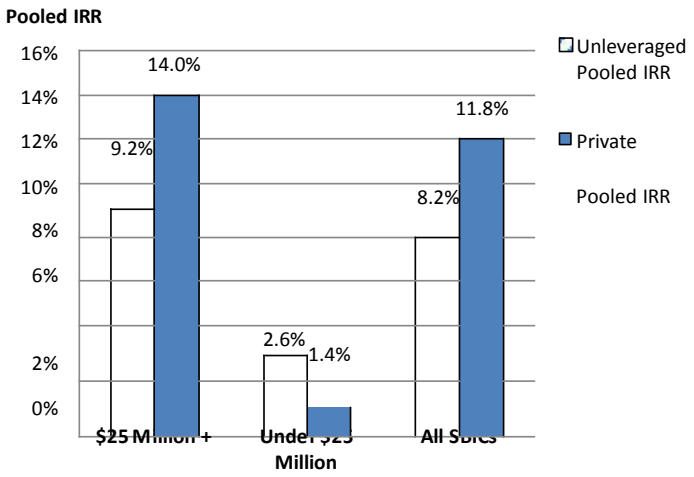
**Quartile Based on Private IRR*

Not surprisingly, 34% of the bottom quartile performers have been transferred to Liquidation. Similarly, over 70% of Debenture SBICs with negative IRRs have been transferred to Liquidation and almost half have resulted in SBA losses.

In analyzing its portfolio, SBA has noticed two key characteristics which may be related to performance: fund size in terms of how much private capital was raised and strategy.

The next chart compares the pooled IRRs based on fund size (measured by the amount of private capital raised by the SBICs and indexed from the date of licensing to calendar year 2014). The table below the chart further breaks this down by the contributed leverage ratio (leverage drawn to private paid in capital).

Exhibit 6-11- Pooled IRRs by Fund Size* for Debenture SBICs Licensed 1998 to 2010 As of December 31, 2014 (n=128)



Leverage Drawn to Private Paid In	$25 million+ (n=87)		Under $25 Million(n=41)		All (n=128)	
	Unleveraged	Private	Unleveraged	Private	Unleveraged	Private
Under 1.5 (n=28)	11.0%	14.2%	-0.9%	-6.3%	7.2%	8.8%
1.5 to 2 (n=61)	8.9%	13.4%	4.6%	4.9%	8.3%	12.1%
Over 2 (n=39)	9.2%	14.7%	3.4%	4.5%	8.5%	13.4%
All	9.2%	14.0%	2.6%	1.4%	8.2%	11.8%

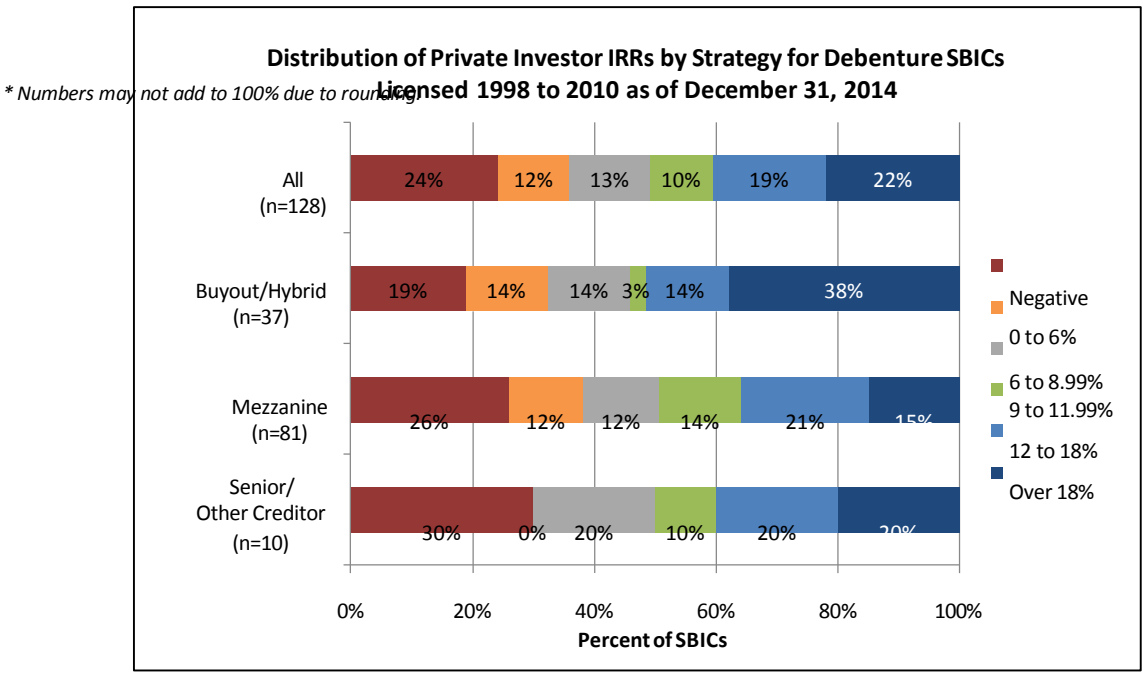
** Private Capital indexed from Licensing Date to CY 2014*

** Fund Size is based solely on private capital and determined by the highest regulatory capital reported on annual Form 468s and indexed from the SBIC's licensing date to CY 2014.*

As shown in the chart above, SBICs that raised more private capital had higher returns for its investors than those that raised less money. The exhibit further supports this improved performance despite changes in the leverage ratio.

The next exhibit shows that SBICs with buyout/hybrid strategies have generally performed better. However, there have also been fewer buyout/hybrid SBICs than mezzanine to observe.

Exhibit 6-12- Distribution of IRRs by Strategy for Debenture SBICs Licensed 1998 to 2010 as of December 31, 2014



The next chart provides quartile metrics by strategy.

Exhibit 6-13- Quartile Metrics by Strategy for Debenture SBICs Licensed 1998 to 2010 as of December 31, 2014

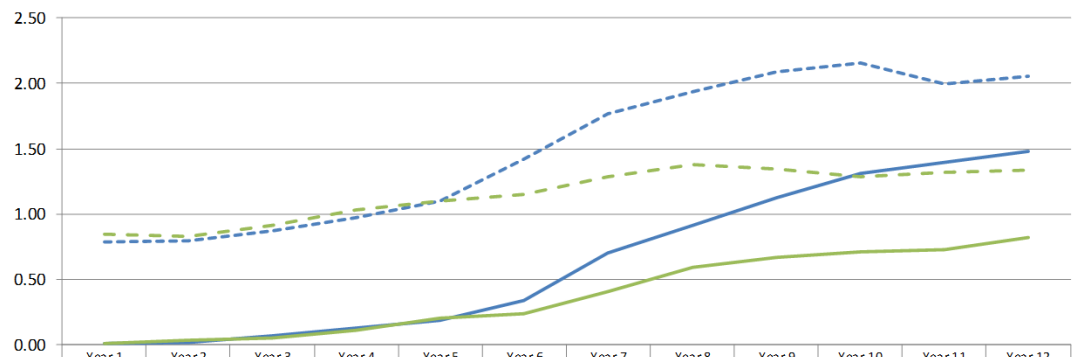
VYs 1998-2010

		Unleveraged				Private			
Metrics / VY	n	Q 1	Q 2	Q 3	st dev	Q 1	Q 2	Q 3	st dev
DPI									
Senior/Other Creditor	10	1.00	0.51	0.30	0.44	0.94	0.61	0.12	0.51
Mezzanine	81	1.12	0.82	0.42	0.45	1.16	0.67	0.10	0.71
Buyout/Hybrid	37	1.16	0.81	0.23	0.68	1.80	0.66	0.22	1.18
All Strategy	128	1.13	0.79	0.38	0.53	1.26	0.66	0.13	0.88
Multiple									
Senior/Other Creditor	10	1.37	1.30	1.13	0.30	1.76	1.53	1.07	0.63
Mezzanine	81	1.42	1.30	1.13	0.36	1.85	1.52	0.98	0.78
Buyout/Hybrid	37	1.64	1.38	1.21	0.51	2.53	1.61	1.21	1.31
All Strategy	128	1.46	1.32	1.13	0.42	1.92	1.54	1.02	0.99

As shown, while Buyout/Hybrid funds had overall better performances, the standard deviation in performance is also higher, indicative of the risk, while senior/other creditor standard deviations were lower.

The above chart groups all vintage years between 1998 through 2010 to provide a sufficient population from which to compute quartiles by strategy. Because of the J-curve, fund maturity contributes to the performance. The next exhibit shows average private investor multiples by fund age for Debenture SBICs employing buyout/hybrid and mezzanine strategies. (Senior/Other Creditor strategies are not included due to the small number of SBICs utilizing this strategy.)

Exhibit 6-14- Average Private Investor Multiples by Age of Fund for Debenture SBICs As of December 31, 2014



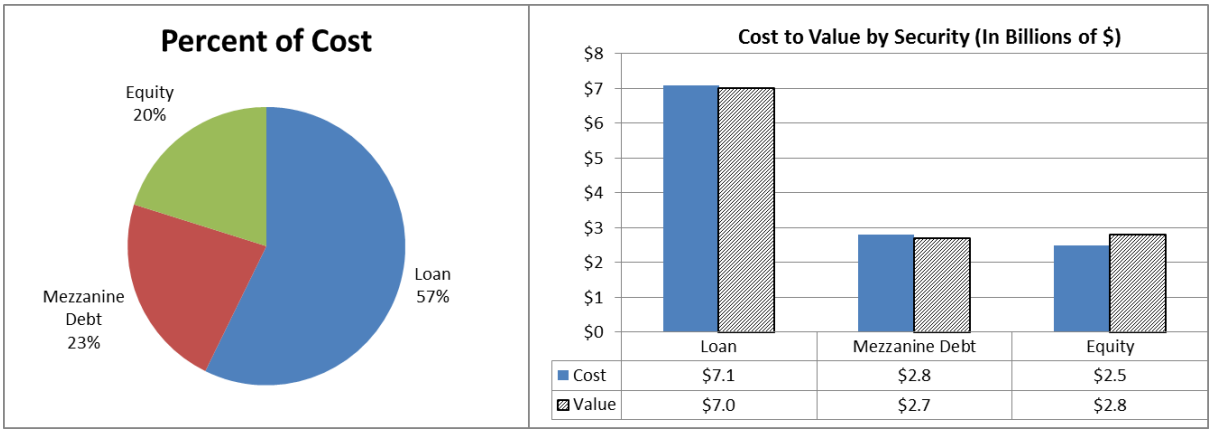
	Year 1 VYs 1998-2014 (n=173)	Year 2 VYs 1998-2013 (n=167)	Year 3 VYs 1998-2012 (n=151)	Year 4 VYs 1998-2011 (n=133)	Year 5 VYs 1998-2010 (n=118)	Year 6 VYs 1998-2009 (n=101)	Year 7 VYs 1998-2008 (n=93)	Year 8 VYs 1998-2007 (n=87)	Year 9 VYs 1998-2006 (n=79)	Year 10 VYs 1998-2005 (n=69)	Year 11 VYs 1998-2004 (n=60)	Year 12 VYs 1998-2003 (n=56)
Buyout/Hybrid - TVPI	0.79	0.79	0.87	0.97	1.10	1.42	1.77	1.93	2.09	2.16	1.99	2.05
Buyout/Hybrid - DPI	0.00	0.02	0.06	0.12	0.18	0.34	0.70	0.91	1.12	1.31	1.40	1.48
Mezzanine - TVPI	0.85	0.83	0.91	1.03	1.10	1.15	1.28	1.38	1.35	1.28	1.32	1.34
Mezzanine - DPI	0.01	0.03	0.05	0.11	0.20	0.23	0.41	0.59	0.67	0.71	0.73	0.82

As shown, funds tend to improve in performance after year 5, with a higher average improvement in performance by SBICs utilizing a buyout/hybrid strategy, commensurate with the higher risk strategy.

c. Portfolio Company Analysis

In FY 2014, SBA began capturing portfolio company information in the web-based Form 468 system to help analysts review the underlying portfolio. The chart below provides the aggregateunderlying portfolio of operating Debenture SBICs based on the SBIC annual reports submitted in calendar year 2014.

Exhibit 6-15- Operating Debenture SBIC Portfolio
As of December 31, 2014



As shown, Debenture SBICs primarily held loans with approximately 23% in mezzanine debt and 20% in equity at cost. As a pool, loans and debt were slightly below cost, with equity slightly higher. This may be due to greater opportunities to write-up equity securities than loan and debt securities. With the majority of SBIC financings moving towards loans, SBA looks at appropriate debt ratios and other financial indicators to help evaluate the portfolio.

The exhibit on the next page provides a breakdown of underlying portfolio company status by industry (in order of financing concentration) and financing status in terms of the whether the company is being held at cost, below cost, or above cost. As shown, about 13% of portfolio cost is being held below cost, 80% at cost, and 6% above cost.

Exhibit 6-16- Operating Debenture SBIC Portfolio Company Cost by Industry and Financing Status (In Billions of $) As of December 31, 2014

** Numbers may not add to total shown due to rounding.*

Appendix A. Data Sources and Methodology

The analyses and exhibits used throughout these reports were derived primarily from data provided by the Data Management Branch of SBA's Office of Investment and Innovation. Data Management collects and reports both internal and external data, including general SBIC information, funding data, processing metrics, SBIC financings, reported SBIC financial information and recovery data from the Office of SBIC Liquidation. Much of the information identified in this report may be found in table format in the quarterly report published by Data Management on the SBA website at:

http://www.sba.gov/content/quarterly-sbic-program-statistics-0.

The table below maps the data sets used in each of the exhibits in the report. As noted below, some exhibits are derived from multiple data sets.

Data Set	Exhibits
SBIC Directory Information (table tblDirectory) – Contains general SBIC information for Operating SBICs, including private capital, SBA guaranteed leverage, and licensing date. Data Management keeps data as of the end of each government fiscal year.	3-1; 3-2; 3-4; 4-1; 5-8; 6-2
SBIC Performance Metrics - SBIC performance metrics are estimated from SBIC reported in SBIC Annual Financial Reports Form 468 data as well as recovery data from the Office of SBIC Liquidation. More information regarding this information may be found in Appendix B.	3-3; 6-4; 6-5; 6-6; 6-7; 6-8; 6-9; 6-10; 6-11; 6-12; 6-13; 6-14
Debenture Trust Certificate data located at http://www.sba.gov/content/trust-certificate-rates-annual-charge-debenture-program.	3-5
SBIC Financing Form Information – Contains SBIC financing data as reported by the SBIC on Form 1031.	3-6; 4-1; 4-2; 4-3; 4-4; 4-5; 4-6; 4-7; 4-8; 4-9
SBIC 2014 Annual Financial Report Form 468 data	4-8; 4-9; 6-15; 6-16
September 30, 2014 Quarterly Report at https://www.sba.gov/sites/default/files/files/WebSBICProgramOverview_September2014.pdf and December 31, 2014 Quarterly Report at https://www.sba.gov/sites/default/files/articles/WebSBICProgramOverview_December2014_0.pdf.	1-1; 4-1; 4-2; 4-3; 4-4; 4-7; 4-10; 5-3; 5-4; 5-5; 5-6; 5-7; 5-8; 5-9; 5-10; 5-11; 6-1; 6-2
SBIC History Information (table tblDirectoryHistory) – Contains general information on SBICs licensed both operating and inactive, including initial capital at licensing, licensing date, and status.	6-3
Funding tables – This consists of the SBIC commitment and ten year debenture tables.	6-3
Capital Impairment Data – Updated from last annual report with data from Operations	6-2
Preqin Private Equity Performance Data – SBA downloaded performance benchmarks for Private Equity from Preqin (http://www.preqin.com/) in order to compare SBIC performance to the private equity industry as tracked by Preqin. SBA identifies SBIC quartile performance based on Preqin Private Equity benchmarks.	3-3; 6-6; 6-8; 6-9; 6-10

Appendix B - SBIC Performance Metrics

This appendix describes the data and assumptions for computing SBIC performance metrics as of December 31, 2014 for SBICs licensed since 1998 that issued Debenture leverage only. SBA estimated SBIC performance metrics, using data reported by SBICs on Form 468 (SBIC Annual Financial Report) and the Office of SBIC Liquidation Ultimate Loss Reports. As a disclaimer, no audits or peer reviews were performed on any of these calculations. Private investors interested in the program should perform their own due diligence and analysis in evaluating individual funds or the risk associated with investing in SBICs.

These metrics exclude SBICs that did not issue Debenture leverage prior to December 31, 2014 or issued preferred stock or participating securities at some time. SBICs licensed prior to 1998 are not included due to data limitations.

SBA calculates both returns to the private investor and unleveraged returns. Unleveraged returns treat SBA leverage as part of private investor capital, in which draws are treated as paid in capital, and interest, charges, and redemptions are treated as private investor distributions. This helps SBA understand the value of leverage to the private investor and the underlying fund performance.

SBA is only able to estimate all return data since individual fund waterfall terms and conditions (such as hurdle rates and carried interest) vary from fund to fund. In addition, in some funds waterfall terms may differ for key investors.

SBA uses data SBICs report on Form 468 (Annual Financial Reporting) and the Office of Liquidation's fiscal year end Ultimate Loss Reports for fiscal years 2002 through 2014 to estimate cash flows, asset values, and performance metrics. (The first SBIC transferred to the Office of SBIC Liquidation for this population was in fiscal year 2002.)

SBA's estimated performance may differ from actual performance for a number of reasons, including:

- Waterfall: The waterfall may be different for the SBIC. Some SBICs have hurdle rates not considered by SBA calculations which would improve the performance to the private investor in profitable funds. SBA's calculations assume that all SBICs have the same waterfall terms as follows:
    - All calculations are net of fund expenses and carried interest.
    - SBIC managers receive a 20% carried interest after investors receive cumulative distributions equal to cumulative paid-in capital.
    - SBA assumes there is no hurdle rate.
- Annual Versus Monthly Cash flows: Due to data limitations, SBA only uses annual cash flows versus monthly cash flows typically used by benchmarking services.
- Valuations: SBICs typically utilize SBA Valuation Guidelines to value their portfolio versus Generally Accepted Accounting Principles (GAAP).
- Data Sources Have Different Timing: The Office of Liquidation's fiscal year end is September 30th while most SBIC annual financial reports are December 31st.
- Lack of Form 468 Data for SBICs transferred to the Office of Liquidation: Not all SBICs continue to report Form 468 information after being transferred to the Office of Liquidation. In these instances, the last reported Form 468 was used. Since the Office of Liquidation's report is used to capture SBA cash flows and residual value, these only impact return calculations for SBICs that repay all SBA leverage in full.

- Missing Private Investor Information: SBA uses cumulative private investor paid in capital and cumulative private total distributions reported as the primary means of capturing private investor cash flows. These fields were not added until fiscal year 2007. In addition, many SBICs did not complete these fields even after they were added to the form. When these fields are not completed, SBA uses the cash flows identified as reported on the Statement of Partners' Capital on the Form 468. This statement is used versus the cash flow statement because the Statement of Partners' Capital checks to ensure the cash inflows and outflows match the balance sheet. In a few cases, SBICs may have recorded transfers of partnership interests within these pages which may cause slight variations in some of the performance calculations. The cumulative private investor fields obviate problems with transferred interests.
- Starting Point: SBA is only able to capture information from the first Form 468. In some cases, SBA may be missing the first year of cash flows for the fund. SBA assumes that the contributed capital represents the first cash flow.
- SBIC License Surrenders: Once a fund repays its guaranteed leverage and surrenders its license, SBA is no longer able to report performance. SBA reports the last observed metrics for Surrendered SBICs. In some cases, the Form 468 data may not contain a cash flow showing the SBIC repaid its leverage. In these cases, SBA assumes that all surrendered SBICs repay leverage in the year it surrendered. In addition, since SBICs may have made distributions to private investors post surrender, DPI metrics may be understated and other performance metrics may differ from actual performance.

SBA calculates four basic performance metrics for each SBIC in the population from both a private investor perspective and unleveraged performance perspective minus expenses and an assumed 20% carried interest after the private investor receives distributions equivalent to paid in capital as follows:

- Distributions to Paid in Capital (DPI): This is calculated by summing all relevant distributions minus any carried interest and dividing by the sum of all paid in capital.
- Residual Value to Paid in Capital (RVPI): This is calculated by taking the net asset value minus any forecast carried interest and dividing by the sum of all paid in capital.
- Total Value to Paid in Capital (TVPI): This is calculated as the sum of DPI and RVPI and represents the overall multiple.
- Internal Rate of Return (IRR): This represents the discount rate that equates the net present value of the SBIC's net cash flows to zero.

SBA also calculates pooled metrics by vintage year and across vintage years (first year SBIC reported its Form 468). Pooled metrics aggregate cash flows from all funds to calculate the above metrics. Pooled metrics help to compare the SBIC as a class to comparable industry metrics.

SBA also calculates pooled horizon returns for its SBICs. Horizon IRRs are calculated using funds' net asset values as a negative outflow at the beginning of the period, with any distributions during the period and the funds' residual values used as a positive inflow at the end of the period. Horizon IRRs are dollar-weighted and net of management fees and carried interest.

The chart on the following page provides SBIC quartile metrics.

Debenture SBIC Quartiles as of December 31, 2014

		Unleveraged			Private		
Metrics / VY	n	Quartile 1	Median	Quartile 3	Quartile 1	Median	Quartile 3
Distributions to Paid in Capital							
1998	10	0.93	0.74	0.53	0.54	0.03	0.01
1999	10	1.67	1.14	0.92	2.59	0.81	0.41
2000	14	1.35	1.09	0.39	1.49	0.67	0.02
2001	9	1.41	1.19	0.78	1.80	1.11	0.22
2002	7	1.44	1.23	1.02	1.97	1.41	1.13
2003	9	1.32	1.06	0.96	2.25	1.33	0.67
2004-2005*	13	1.23	1.01	0.74	1.34	0.76	0.08
2006	12	1.02	0.93	0.68	0.98	0.84	0.54
2007	8	0.92	0.64	0.44	0.87	0.78	0.64
2008	7	0.66	0.60	0.48	0.79	0.61	0.46
2009	9	0.23	0.17	0.16	0.32	0.15	0.07
2010	20	0.36	0.19	0.10	0.71	0.35	0.09
2011	18	0.17	0.10	0.07	0.31	0.14	0.03
2012	29	0.07	0.05	0.05	0.07	0.03	0.00
2013	23	0.06	0.04	0.04	0.06	0.00	0.00
2014	16	0.04	0.03	0.03	0.00	0.00	0.00
Total Value to Paid In Capital							
1998	10	1.11	0.91	0.55	0.92	0.39	0.02
1999	10	1.82	1.41	1.13	2.99	1.52	0.91
2000	14	1.61	1.27	0.54	2.30	1.28	0.16
2001	9	1.59	1.42	1.26	2.13	1.71	1.26
2002	7	1.68	1.43	1.33	2.40	1.75	1.44
2003	9	1.64	1.48	1.39	2.38	1.83	1.62
2004-2005*	13	1.58	1.32	1.15	2.03	1.21	0.97
2006	12	1.38	1.35	1.27	1.75	1.63	1.56
2007	8	1.42	1.35	1.30	1.91	1.72	1.50
2008	7	1.37	1.36	1.34	1.83	1.70	1.66
2009	9	1.22	1.18	1.15	1.43	1.29	1.22
2010	20	1.32	1.22	1.11	1.68	1.49	1.18
2011	18	1.14	1.13	1.07	1.31	1.19	1.10
2012	29	1.06	1.05	1.00	1.08	1.03	0.89
2013	23	1.05	1.01	0.89	1.01	0.94	0.78
2014	16	1.03	0.99	0.91	1.01	0.88	0.77
Internal Rate of Return							
1998	10	2%	-2%	NM**	-1%	NM**	NM**
1999	10	12%	6%	2%	20%	6%	-1%
2000	14	9%	5%	NM**	13%	4%	NM**
2001	9	9%	6%	4%	14%	7%	3%
2002	7	12%	6%	6%	18%	8%	7%
2003	9	14%	7%	7%	22%	11%	8%
2004-2005*	13	9%	5%	3%	12%	3%	-1%
2006	12	8%	7%	7%	12%	9%	8%
2007	8	10%	9%	7%	17%	13%	10%
2008	7	10%	9%	9%	17%	14%	13%
2009	9	8%	7%	6%	14%	9%	7%
2010	20	13%	9%	7%	22%	16%	9%

Notes:

* Vintage years 2004 and 2005 have been combined, since vintage year 2004 only had 4 SBICs.

** NM indicates not meaningful

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