ment program. This legislation provided new standards for the licensing of SBIC's, an increase in the funds an SBIC may draw from SBA, an increase in the percent of assets a bank may place in an SBIC, and the establishment of an SBIC Advisory Board as well as other provisions.

We view the SBIC program as an important supplement to SBA resources to aid small business and as a substantial contributor to business and job creation in urban centers. From the inception of the program in 1959 to March 31, 1967, (the last reporting date):

SBIC's had made 26,751 separate small business financing transactions in all 50 states, the District of Columbia, Guam, Puerto Rico and the Virgin Islands.

SBIC's had disbursed $1.2 billion.

Reports from 1,315 SBIC-assisted firms indicate they have increased their employment by 11,800 jobs (29.4%) since the original financings were made. Thus, for every $9,000 in SBIC disbursements, one new employee was hired; to put it another way, for every $3,000 in SBA seed money, $6,000 was added by SBIC's to create a new job opportunity.

SBIC's had assets of $691.5 million March 31, 1967, of which only 36 percent were represented by borrowings from SBA.

This is an impressive record which will, undoubtedly, be improved in the future as our new Act and regulations become fully operative.

This combination of a concerted effort to regulate and the passage of incentive legislation has created a great interest in the program and a positive image has emerged. From July 1, 1967, through January 31, 1968, eight SBIC's were licensed with total private capital of $17.4 million or an average of $2.2 million per company. In addition, several large licensees increased their private capital during this period in excess of $13 million. For the first time in approximately six years an SBIC has requested and received permission to make a public offering of stock. The amount of this offering is $2.9 million.

The price index of the stocks of publicly held SBIC's increased 230 percent during the period of December 31, 1966, through December 31, 1967. The gain in December represents the 12th consecutive monthly rise.

As a result of the regulatory powers afforded by the September 1966 Amendments and vigorous attempts to regulate, the following significant actions were taken:

We intensified our examination of individual SBIC's to determine compliance with regulations. In FY 1967, we examined 487 SBIC's and, in FY 1968, 170 companies were examined through December 31, 1967. Where violations were noted, prompt action was taken to remove from the program those companies whose actions constituted serious violations of the Act or Regulations.

On June 30, 1966, there were 686 SBIC's licensed.

By December 31, 1967, there were 568 licensed companies and 30 of these were in process of surrender.

On December 31, 1967, there were 179 licensed companies classified as "problem" cases, and were in the process of being investigated, the subject of a pre-litigation report or a judicial compliant, in the process of liquidation (receivership and so on), or in the process of surrender.

Senate Committee Recommendations.—The Senate Government Operations Committee recently issued a report on its review of the SBIC program. The report contained three recommendations:

1. That SBA and the Department of Justice take all necessary steps to protect the Government's investment in SBIC's.

Comment: On July 1, 1967, SBA and Justice executed a working agreement designed to prosecute violators. In the seven months ending January 31, 1968, civil judgments were obtained against 28 violating licensees.

2. That the examination and investigation activity be maintained at the present level.

Comment: As previously indicated, the examination activity has been accelerated. There are no plans for reducing the current level. Furthermore, procedures have been strengthened to assure timely action on all findings of violations. Since July 1, 1967, twenty-four (24) full-scale investigations had been completed and nineteen (19) new cases initiated.

3. That a report be made on the effectiveness of the new legislation or whether a completely new approach is needed.

Comment: We believe the SBIC Act amendments of 1966/1967 have done much to strengthen the SBIC's. At this time, we feel that we have the requi-