

private capital to the industry, and to aid in the improvement of various governmental rules and procedures affecting the companies.

SBA considers the SBIC program to be one of its most important activities. It has high potential effectiveness in that it is carried out primarily with private resources and aids the most innovative and productive types of small firms. As the program develops and matures, SBIC's are gaining better recognition in the small business and financial communities as necessary and useful financial institutions. We are confident that the SBIC industry will continue to provide increasingly valuable assistance to small business, and to balanced economic growth in all areas of the Nation. SBA will make every effort to insure the success of the program.

At the completion of the hearings on the SBIC program in 1966, the committee made several recommendations on the program. With your consent we are submitting them attached as exhibits 1 and 1-A.

In addition we are also submitting exhibits 2, 3, 4, and 5 which provide additional information regarding the SBIC program.

That concludes my statement, Mr. Chairman.

The CHAIRMAN. Without objection, the other material may be included with Mr. Brown's statement.

(The information referred to follows:)

EXHIBIT 1

The Select Committee on Small Business conducted hearings on the small business investment program in June 1966 and published its report on December 29, 1966.

The Report included a number of recommendations, which are reproduced below, together with SBA's report on actions taken in response to the recommendations.

RECOMMENDATION NO. 1

The SBA should proceed as rapidly as possible to remove from the SBIC program all companies which do not conform to the Act or regulations pursuant thereto and all officers and directors who may be guilty of malfeasance or nonfeasance, pursuant to the law.

In July 1966 SBA instituted vigorous action to rid the SBIC program of these companies. As of June 10, 1966, there were 686 licensed SBICs. From July 1, 1966, until April 30, 1968, 164 companies left the program, voluntarily or involuntarily and 42 additional companies were in process of surrendering their licenses. SBA is continuing the action to rid the program of undesirable companies. At April 30, 1968, there were 120 companies in various problem categories and most of these will be leaving the program in the near future.

RECOMMENDATION NO. 2

The Small Business Administration and the Department of Justice should promptly adopt procedures to allow the SBA to proceed more expeditiously on civil matters in court and, more especially, to allow the SBA to proceed exclusively and independently of the Department of Justice on any matter pursuant to Section 311 of the Act. The SBA and the Department of Justice are requested to report to the Committee on the Action taken.

On January 18, 1967, the SBA and the Department of Justice entered into a letter agreement wherein subject to the supervisory control of the Department of Justice and except in unusual circumstances, civil litigation arising out of the SBI Act of 1958, shall be actually handled by attorneys of the SBA. The procedures to expedite the handling of such civil litigation was also agreed upon in the letter agreement. A copy of the letter agreement is attached.

RECOMMENDATION NO. 3

The Department of Justice should take prompt action on criminal matters referred to it by the Small Business Administration. If prosecution is declined, the