financing, whether it is convertible or debentures or warrants, stock warrants or rights. So that there is a combination in the SBIC financing. And many of the SBIC financings in terms of loans follow or are in conjunction with equity financing initially.

Mr. MORTON. You don't feel that the credit evaluation is basically different and results in a different position, as far as risk is concerned, of the SBIC community versus the SBA community? It is just a different type of investment. You wouldn't say, would you, that the SBIC's would handle less risk, for example, than the SBA would handle?

Mr. MOOT. No; I think except for the difference in financing, that both SBA in its regular programs and SBA in its SBIC programs are looking for growth potential. It so happens that the SBIC industry, in my opinion is best postured to help small manufacturing concerns, while SBA can do that also, but in a different type of financing.

Mr. MORTON. One or two other very short questions.

You pointed out that there had been an increase of $19 million in short-term borrowing by the beneficiary companies of SBIC transactions. Do you regard that as good or poor?

Mr. BROWN. Congressman, if I may answer, I would say that we want to increase it, and we think it will increase, but it is certainly good in comparison to what it was a few years ago. And we think that the more these SBIC's are able to provide small business concerns in long-term money, the better they are going to be, the better posture they are going to be in to borrow from short-term sources. We think it is getting better and will be better.

Mr. MOOT. It does two things, Congressman. It takes the load off of Treasury dollars for short-term financing; and it reflects a growing confidence in small business investment company portfolios by the private sector financial institutions, both of which we think are good.

Mr. MORTON. The figure just struck me as being pretty low compared to the investment you made and the investment they have made. I wonder if there is a tendency of companies to stay in SBIC paper rather than to move out into normal financial channels, because it is easier to get and they aren't willing to face up to the hard job of justifying their position to commercial banks.

Mr. BROWN. We feel, Congressman, that we have some limitations on short-term financing, and we feel like they are going more and more into the private sector. And we are encouraging them to do so. And I think the new legislation encourages them to do so.

Mr. MORTON. I hope that comes about because I believe we have to have a continuing foundation for the development and growth of small business. We don't want to lock this program into a block of equity, and then have the new businesses which are formed and are growing up and coming along later to be denied the credit opportunities. We hope the companies which have been helped will throw away their crutches and get into the normal money market, particularly for seasonal requirements and normal short-term business requirements for money. I hope you are really encouraging this and not being content with a 22.2-percent increase, which is such a small percent of our total outlay.

Mr. MOOT. No; we are not content. And this we are very alert to. As a matter of fact, we are seeking greater and greater means of encouraging private sector financing, to the extent that we are consider-