

ing guaranteeing from the SBA level bank loans to SBIC's in order to prevent the Treasury impact.

I might give you one indication which Mr. Brown touched upon as to the success of getting private sector money. For each dollar of Treasury money in the SBIC program there are two of private sector money. So that there is a leverage of 2 to 1. You will recall that when we testified on Monday we indicated that our regular loan programs are now on about a 1-to-1 basis, for each dollar of Treasury money there is about a dollar of private sector funding. So that this reflects that this is a growing private sector participation program. And we want to encourage it.

Mr. MORTON. Do you feel the third-dollar opportunity you offer SBIC's that have proven their worth, so to speak, gives an unfair advantage in any way to the larger SBIC's against the development of the smaller ones?

Mr. BROWN. No, and of course, this is only available for companies, as you know, with \$1 million or more in private capital. But as you know, we are trying to encourage the smaller SBIC's to grow, and many of them are adding private capital. We are trying to encourage equity type financing. And formerly in the program the borrowings were pretty well stacked against the larger SBIC's. We are trying to correct that and give the large viable type SBIC's incentives to invest in these kinds of financing that we think Congress intended.

Mr. MORTON. We are not creating a situation among SBIC's where we will be faced with the possibility or probability of restraint of trade, are we?

Mr. BROWN. We certainly do not think so, Congressman. We do not have any information or feeling that this is going to be developed.

Mr. MORTON. My last question deals with personnel. Do you have any sort of ongoing qualitative analysis of personnel and the management of SBIC's which gives you a criterion for making comparative analysis and reviews of the management of a company?

Mr. BROWN. We at SBA do not have such an analysis. The industry has an analysis. And we have information that we get which indicates—and we have to approve, of course, anyone that goes into an SBIC in a full-time capacity or as an officer or director. And the people that manage SBIC's have to have a certain amount of experience in the financial area. We do not just allow anyone to go in and manage one or to come in and manage one. But we will try to develop sort of a continuing look at these people as the industry progresses.

Mr. MORTON. Is the effort to develop this continuing examination one you are thinking of for the future, or do you regard this as something you might be able to put into a centralized processing system.

Mr. BROWN. I think we could put it in as part of the same thing. And we get information, of course, from those SBIC's on a continuing basis when they report. Of course, it is very difficult for us to make a qualitative measurement of these people from Washington. It would be a very difficult process for us.

Mr. MORTON. Is your system of examination pretty well standardized, so you examine records and activities of SBIC's in California pretty much on the same basis as you examine them in Baltimore, Md.?

Mr. BROWN. Yes, Congressman, we are. We have the SBA examination people, who are under the Assistant Administrator for Administration, that examine these companies throughout the country.