Another somewhat gloomy aspect of our story is this: for the past 2 years, SBIC's haven't been disbursing dollars to worthy and qualified small businesses at the rate they did earlier. At least four reasons can be cited for this choking off of the flow of equity capital and long-term credit:

(1) A number of large SBIC's have left the program, so their resources are no longer available;

(2) Many SBIC's became fully invested by 1966 and were able to relend only those dollars which they were able to generate through amortization or pay back of earlier investments;

(3) New administrators and new policies at SBA which led to great uncertainty about where the SBIC was heading—if indeed, it was going anywhere at all; and

(4) That uncertainty obviously led to curtailed operations by all licensees.

In sum SBIC's are generally feeling better today only by comparison with the same period a year ago; there still remain, however, too many disturbing features to give us any right to become free from serious alarm.

In the light of the desperate need for our help by the small business community, the real issue is: What can be done to make the program sufficiently attractive and desirable to retain the existing funds and attract new dollars? This answer must be forthcoming soon.

IV. REPORT ON PRIVATELY OWNED SBIC'S

Going from an overall view, let me expand briefly a review of one important part of the SBIC industry. My own company is privately owned and is still relatively small, even though it has grown substantially from the time a number of us organized it back in 1959.

You will remember that SBA proposed in last year's legislation to phase out smaller SBICs entirely. We at NASBIC believe that Congress was wise in not accepting that premise legislatively, even though it is more difficult for very small SBICs to perform profitably and render a substantial service to the small businesses in their communities. It is my position that these small companies can attain some degree of success, and in so doing, can provide the personnel and the vehicle for enlarged operations.

I believe that the new financing instruments authorized by the 1967 amendments will help privately owned SBICs raise additional resources through outside borrowing and this will improve their profitability and give them more resources to transfer to their capital structure.

A significant number of privately owned SBIC have been real estate specialists. Even since the fall of 1965, these companies have been under a virtual death edict—lifted only by congressional action last year. The recent report of SBA to Congress on these real estate oriented SBICs leads us to hope that this difficult problem is on the way to solution at long last.

Under new regulations, existing SBICs must have fulltime operations by June 30, 1968. In the early days of the program, too many SBICs were not truly operational businesses—they did not have regular offices, office hours, and personnel. Obviously, small businesses seeking