

SBIC financing were hard put to apply to such licensees. Now, all SBICs must have regular business offices open at normal business hours. I think this is a proper step forward, and I am sure that SBA will continue to be reasonable in enforcing these new rules, so no hardship is worked during the transition period.

At this point, Mr. Chairman, may I ask George Williams to cover the next portion of the NASBIC testimony.

The CHAIRMAN. Yes, Mr. Williams, you may proceed.

**TESTIMONY OF GEORGE C. WILLIAMS, FIRST VICE PRESIDENT,
NATIONAL ASSOCIATION OF SMALL BUSINESS INVESTMENT
COMPANIES, WASHINGTON, D.C.**

Mr. WILLIAMS. Mr. Chairman and members of the committee, I appreciate your permitting me to appear before you today as you hear a status report on the SBIC program.

I am president of Allied Capital Corp., a publicly-owned SBIC located here in Washington. I am also first vice president of NASBIC and a member of its Committee on Publicly-Owned SBIC's and it is on behalf of the latter that I wish to speak.

From late 1959 on, publicly owned SBIC's have been an important part of the SBIC industry, holding as they do a majority of the private dollars invested in the program. At one time, we had almost 50 public companies with well over \$300 million in private capital; now there are under 30 and, in the absence of definite data from SBA, I estimate that they hold private capital totaling substantially less than \$200 million.

Many factors have contributed to the declining capital of public SBIC's. They were hard hit by the market break in the spring of 1962, soon after most of them acquired their funds. The quotations for their stocks have been depressed badly ever since early 1962—although there was a significant rise during 1967. They were particularly hampered by the overlapping and often contradictory rules and regulations of SBA and the Securities and Exchange Commission. Their stockholders often did not understand the nature of the SBIC program and put pressure on management to withdraw. And, finally, the incentives given SBIC's definitely discriminated against the larger SBIC's, public or private.

Obviously, this has not been a happy period for the owners or managers of public SBIC's. As a result, we have lost a number of our very best companies and we have lost a large number of the very best men in the industry.

The passage of the 1967 amendments marked the beginnings of a new phase in our industry's development. The leverage incentives given SBIC's were improved, so that SBIC's with private capital of up to \$3,750,000 were treated equally. Special incentives were given to venture capital oriented SBIC's with private capital between \$1 million and \$3,667,000.

It is apparent, then, that medium-size SBIC's, with private capital of up to about \$4 million, are treated better from a leverage standpoint now than they were earlier. SBIC's with larger capitalizations still are weighing whether or not it makes economic sense for their stockholders to stay in the program, and NASBIC and its publicly-owned SBIC