

SUPPORTING STATEMENT
SBA FORM 1405: STOCKHOLDERS' CONFIRMATION (CORPORATION)
SBA FORM 1405A: OWNERSHIP CONFIRMATION (PARTNERSHIP)

A. Justification

1. Circumstances necessitating the collection of information. The Investment Division of the Small Business Administration (SBA) periodically examines small business investment companies (SBICs) pursuant to the statutory requirements of the Small Business Investment Act of 1958, as amended, 15 U.S.C. Section 687b, and 13 CFR 107.690 to 107.692. The purpose of the examination as stated in the statute is to determine, in part, whether or not the SBIC has engaged "solely in lawful activities and those [activities] contemplated" by title III of the Small Business Investment Act. SBA collects information on Forms 1405 and 1405A as part of its effort to meet this statutory requirement.

SBA is not making any changes in the information collected on Forms 1405 and 1405A. However, based on recommendations from SBA's Inspector General, we have added a brief certification to each form ("I hereby certify that all information herein and in all attachments hereto is true and complete to the best of my knowledge and belief") and a caution reminding signers of the penalties for knowingly making a false statement on the forms.

2. How, by whom, and for what purpose information will be used. SBA Forms 1405 and 1405A are used by SBIC examiners in the examination of newly licensed SBICs and older SBICs that have reported significant (greater than 10%) increases in their committed capital. The two versions of the form collect the same basic information, but the language varies depending on whether the SBIC is organized as a partnership (Form 1405A) or a corporation (Form 1405). The appropriate form is mailed to the SBIC's stockholders or partners. The completed forms are used to (1) confirm each owner's equity interest in the SBIC, (2) ensure that any borrowed funds used to acquire the equity interest comply with regulatory restrictions, (3) identify any restrictions associated with the owner's capital contribution or capital commitment, and (4) identify certain financial relationships between the SBIC and its investors.
3. Technological collection techniques. The forms are made available to respondents by mail. SBA has considered the use of email to transmit forms to respondents, but this has proved to be impractical as SBA's examiners do not have access to respondents' email addresses. The forms are not available for download from a web site because they are not intended for use by the general public; each respondent is individually selected by SBA based on its relationship with an SBIC that is being examined and is directly contacted by SBA for a response. The completed and signed forms are usually faxed back to the SBA examiner; SBA does not currently allow electronic submission of the forms because its examiners do not have the means to receive documents with electronic signatures that can be authenticated. SBA would consider allowing the forms to be submitted electronically if it had access to such technology.

4. Avoidance of Duplication. Questions 1 and 2 of both forms cover information that is also provided directly to SBA on Form 468 (Annual or Quarterly Financial Statement) by the SBIC being examined, although not necessarily as of the same date (examination dates are usually different from the dates when SBICs submit reports to SBA).

Even though the forms collect some information similar to that on Form 468, SBA believes that all the information on Forms 1405 and 1405A is necessary to independently verify information provided by SBICs, which allows the agency to carry out its statutory mandate to determine SBICs' compliance with laws, regulations and established policies governing the SBIC program. It is a standard principle of auditing that evidence obtained from an independent source is more reliable than that secured from the audited organization; as a result, independent confirmation is a standard tool used in virtually every type of audit.

5. Impact on small business or other small entities. Owners of equity interests in SBICs include a wide range of businesses and other entities, as well as individuals. Therefore, some of the respondents are expected to be small businesses or other small entities. The impact on these respondents is not significant. Response to the questions on the form is voluntary. The information requested is not extensive and is the type of information that companies would generally maintain in the normal course of business. Most of the questions call for a simple "yes" or "no" answer; further response is necessary only in the unusual case where a discrepancy is noted.
6. Consequences if collection of information is not conducted. Without this collection of information, SBA's ability to verify capitalization information reported by SBICs would be limited. Verification of such information is a necessary part of the examination process to ensure that SBICs are in compliance with certain key regulations, including those governing minimum capital requirements, collectibility of capital commitments, and eligibility for SBA financial assistance. The collection also helps to maintain the integrity of the SBIC program for two reasons: (1) SBIC awareness of this aspect of SBA oversight may act as a deterrent to the submission of incorrect information, and (2) verification helps SBA to identify any problems with information submitted by SBICs and, if fraudulent activity is involved, to take corrective action in time to minimize financial losses to the government.
7. Existence of special circumstances. This collection of information requests responses within 10 days of receipt by the respondent. This is a request rather than a requirement, since all responses are voluntary. The requested turn-around time is intended to minimize the time involved in the conduct of each SBIC examination. SBA is required by statute to examine each SBIC at least biennially under 15 U.S.C. Section 687b. Due to our limited examination staff resources, in order to comply with the statutory mandate, we must limit the time consumed by each examination as much as possible. We believe that the 10-day response time balances SBA's need to limit the duration of each examination and the time needed by portfolio companies to respond to each request.
8. Solicitation of public comment. A notice was published in the Federal Register on February 21, 2007, Volume 72, Number 34, page 7915. No comments were received.

9. Payment or gifts. No payments or gifts are provided to respondents.
10. Assurance of confidentiality. The information collected includes financial data which is protected from disclosure under the Freedom of Information Act; specifically, exemptions 4, 6 and 8 allow SBA to withhold financial data on individual companies. The information collected will be protected to the extent permitted by law.
11. Questions of a sensitive nature. No questions of a sensitive nature are asked.
12. Estimate of the hourly burden of the collection of information. When the form was developed, a small sample of respondents was consulted regarding the amount of time required to prepare SBA Form 1405. Estimated annual hour burden of collection:

Estimated number of respondents – 600
Number of responses per respondent – 1
Estimated hours to complete form – 1 hour
Total burden hours – 600

The estimated cost of the hour burden is computed as follows:

Completion Time per Response – 1 hour
Hourly Wage for Bookkeeper – \$25
Total Cost per Form – \$25
Estimated Number of Responses – 600
Total Cost – \$15,000
13. Estimate of total annual cost burden. There is no cost to respondents exclusive of the cost of the hour burden given in item 12.
14. Estimated annualized cost to the Federal government. Estimated cost to Government:
Preparation and review by staff examiner (GS-13):
0.5 hours per response x 600 responses x \$45.00 per hour = \$13,500
15. Explanation of program changes in Items 13 or 14 on OMB Form 83-I. There are no program changes or adjustments.
16. Collection of information whose results will be published. Results of this collection of information will not be published.
17. Display of expiration date for collection of information. Not applicable.
18. Exceptions to certifications in Block 19 on OMB Form 83-I. Not applicable.

B. Collection of Information Employing Statistical Methods

This collection of information does not employ statistical methods.