

SUPPORTING STATEMENT

SBA FORM 856: DISCLOSURE STATEMENT (LEVERAGED LICENSEES) SBA FORM 856A: DISCLOSURE STATEMENT (NON-LEVERAGED LICENSEES)

A. Justification

1. Circumstances necessitating the collection of information. The Investment Division of the Small Business Administration (SBA) is required to examine small business investment companies (SBICs) pursuant to section 310(c) of the Small Business Investment Act of 1958, as amended, 15 U.S.C. Section 687b(c), 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 856 and 856A as part of its effort to meet this statutory requirement.
2. How, by whom and for what purpose information will be used. SBA Forms 856 and 856A are used by SBA’s examination staff in all examinations of SBICs. The two versions of the form are tailored to whether or not an SBIC has outstanding leverage (SBA financial assistance); since non-leveraged SBICs present no financial risk, they can use the shorter Form 856A. The information collected is similar to the type of information that an independent auditor obtains from a client through a management representation letter, as required by generally accepted auditing standards. Obtaining these written representations from management helps to avoid misunderstandings and documents management’s responsibility and accountability for key aspects of an SBIC’s regulatory compliance.
3. Technological collection techniques. The forms can be either emailed to respondents as a Word document or mailed prior to a scheduled examination. Each respondent is an SBIC that is in direct personal contact with an examiner at the time the information is collected. The completed and signed forms may be returned to the examiner by fax or mail, or delivered in person when the examiner is on site.
4. Avoidance of Duplication. Questions 6, 7 and 8 of Form 856 cover information that is also provided directly to SBA on Form 468 (Annual Financial Statement) by the SBIC being examined, although not as of the same date. The information is requested in this collection identify any changes that have occurred between the Annual Financial Statement date and the examination date.
5. Impact on small businesses or other small entities. There are approximately 340 licensed SBICs, most of which are small entities. The impact of the information collection on these entities is not significant. The information is collected no more often than once a year from leveraged licensees, except as noted above, and every two years from non-leveraged SBICs. The information requested is the type of information that companies would generally maintain in the normal course of

business. For non-leveraged SBICs, SBA uses a shorter form that eliminates the collection of financial disclosure information, since these companies present SBA with no financial risk.

6. Consequences if collection of information is not conducted. The collection provides information about an SBIC's operations that either is not reported at all in its financial statements or, if reported, may not be up to date at the time of the examination, including certain contingent obligations, contractual relationships, litigation, and investment transactions involving related parties. Without disclosure of this information, SBA would be unable to evaluate key aspects of an SBIC's financial health and regulatory compliance, increasing the risk of financial loss to the government and/or undetected noncompliance with laws and regulations.
7. Existence of special circumstances. This collection of information requires responses within 10 days of receipt by the respondent. 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 (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 SBICs to complete the form.

This collection includes confidential business and financial information, which is protected to the extent permitted by law. Records are maintained under conditions designed to preclude access by persons other than Agency personnel with a need to know.

8. Solicitation of Public Comment. A notice was published in the Federal Register on October 8, 2008, Volume 73, Number 196, page 59027. No comments were received.
9. Payment or gifts. Not applicable. No payment or gifts are provided to respondents.
10. Assurance of confidentiality. No assurances of confidentiality are given to SBICs responding to this collection of information. The records, however, are maintained under conditions designed to preclude access by other than Agency personnel with a need to know. 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. The collection of information may include personal financial information, which SBA reviews to determine whether an SBIC has engaged in prohibited conflict of interest transactions. Although this information is needed to fulfill SBA's statutory responsibilities with respect to SBIC examinations,

it is not retrievable by individual identifier. The Agency has reviewed the requirements of the Privacy Act and determined there is no need for a Privacy Act system of records for this collection of information.

12. Estimate of the hourly burden of the collection of information. Based on feedback from a small number of respondents, estimates of burden of collection are as follows:

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Form 856:

Annual burden hours:

- Number of respondents – 300
- Number of responses per respondent – 1
- Estimated hours to complete the form per respondent: 0.5 hour
- Burden hours: $300 \times 0.5 = 150$ hours

Respondent's Cost for Burden Hours:

Estimated officer's salary = \$100/hour

150 burden hours x \$100/hour = \$15,000

Form 856a:

Annual burden hours:

- Number of respondents – 50
- Number of responses per respondent – 1
- Estimated hours to complete the form per respondent: 0.25 hour
- Burden hours: $50 \times 0.25 = 12.5$ hours

Respondent's Cost for Burden Hours:

Estimated officer's salary = \$100/hour

12.5 burden hours x \$100/hour = \$1,250

Total for Both Form 856 and Form 856a:

Annual burden hours:

- Number of respondents – 350
- Number of responses per respondent – 1
- Estimated hours to complete the form per respondent: 0.5 hrs (Form 856); 0.25 hrs (Form 856a)
- Burden hours: $(300 \times 0.5) + (50 \times 0.25) = 162.5$ hours

Respondent's Cost for Burden Hours:

Estimated officer's salary = \$100/hour

162.5 burden hours x \$100/hour = \$16,250

13. Estimate of total annual cost burden for submission. No start-up or operating costs.

14. Estimated annualized cost to the Federal government. Estimated cost to Government of examiner's review of completed form:

- GS-13 estimated salary: \$50/hour
- 1 hour x 300 = 300 hours x \$50/hour = \$15,000 (Form 856)
- 0.5 hour x 50 = 25 hours x \$50/hour = \$1,250 (Form 856a)
- Total estimated cost to government- \$16,250

15. Explanation of program changes in Items 13 or 14 on OMB Form 83-I. There is no change in these burden estimates.

16. Collection of information whose results will be published. Not applicable. The results of this collection of information will not be published.

17. Expiration date for collection of information. Not applicable. The expiration date will be displayed.

18. Exceptions to certifications in Block 19 on OMB Form 83-1. Not applicable. There are no exceptions to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB 83-1.

B. Collections of Information Employing Statistical Methods

This collection of information does not employ statistical methods.