

OMB FORM 83-I SUPPORTING STATEMENT

*PAPERWORK REDUCTION ACT SUBMISSION FOR
U.S. SMALL BUSINESS ADMINISTRATION'S (SBA)
SMALL BUSINESS INVESTMENT COMPANY (SBIC) PROGRAM*

INFORMATION COLLECTION 3245-0118

*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 Office of Investment 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.

SBA seeks OMB’s approval to extend this collection of information (approved under control Number 3245-0118). SBA has made minor changes to the certification at the end of both forms, and on Form 856, the Agency has eliminated Questions 8 and 11. Question 8 currently requires Licensees to report any changes in its management ownership and Question 11 currently requires Licensees to report any changes in the net worth of Institutional Investors, both since the most recent submission of SBA Form 468 (Annual Financial Statement). SBA believes there are sufficient regulatory requirements under 13 CFR 107.680 for SBICs to report changes of management ownership and/or changes in an Institutional Investor’s net worth. Such changes would be submitted to the Licensee’s financial analyst in the Office of SBIC Operations by updating information initially collected for SBIC application and licensing (approved under OMB Control Number 3245-0062). Further, the information in SBA Forms 856 and 856A is collected by the Office of SBIC Examinations in advance of an SBIC’s annual examination. SBA’s Examiners have not found the specific information collected through the current Questions 8 and 11, Form 856, to be effective in evaluating an individual SBIC’s overall regulatory compliance. Generally, Examiners would look into the matters discussed in the current Questions 8 and 11 only upon request by a Licensee’s financial analyst.

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 as a means of gathering information relevant to the examination. 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 mailed or emailed to respondents prior to a scheduled examination. Each respondent is an SBIC that is in direct personal contact with an SBA 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 and 7 of Form 856 cover information that is also provided directly to SBA on Form 468 (Annual Financial Statement) by examined SBICs, although not as of the same date. The information collected by the Form 856 is necessary to identify any changes that may have occurred between the Annual Financial Statement date and the examination date.
5. Impact on small businesses or other small entities. There are approximately 293 licensed SBICs, most of which are small entities. The impact of the information collection on these entities is not significant. The information is generally collected by SBA Examiners no more often than once a year from leveraged Licensees 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 limited examination staff resources, in order to comply with the statutory mandate, SBA limits the time consumed by each examination as much as possible. SBA believes that the 10-day response time balances the Agency's need to limit the duration of each examination and the time needed by SBICs to respond to the request for information.

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 December 12, 2011, Volume 76, Number 238, page 77298. 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. However, SBIC Examiners maintain the records under conditions designed to preclude access by anyone other than Agency personnel with a need to know. Generally the information collected will be protected to the extent permitted by law. The financial data in particular is protected from disclosure under the Freedom of Information Act; specifically, exemptions 4, 6 and 8 which allow SBA to withhold financial data on individual companies.
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 – 250
- Number of responses per respondent – 1
- Estimated hours to complete the form per respondent: 0.5 hour
- Burden hours: $250 \times 0.5 = 125$ hours

Respondent's Cost for Burden Hours:

Estimated officer's salary = \$100/hour

$125 \text{ burden hours} \times \$120/\text{hour} = \$15,000$

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 \$120/hour = \$1,500

Total for Both Form 856 and Form 856A:

Annual burden hours:

- Number of respondents – 300
- 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: $(250 \times 0.5) + (50 \times 0.25) = 137.5$ hours

Respondent's Cost for Burden Hours:

Estimated officer's salary = \$100/hour

137.5 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 250 = 250 hours x \$50/hour = \$12,500 (Form 856)
- 0.5 hour x 50 = 25 hours x \$50/hour = \$1,250 (Form 856A)
- Total estimated cost to government- \$13,750

15. Explanation of program changes in Items 13 or 14 on OMB Form 83-I. Changes in these burden estimates reflect a change in the anticipated number of respondents based upon the current size of the SBIC program.

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.