

SUPPORTING STATEMENT

SBA Form 2181: Applicant Narrative	}	Management	}	License Application
SBA Form 2181: Excel Supplement		Assessment		
SBA Form 2182: Principal Exhibits		Questionnaire		
SBA Form 2183: Fund Exhibits				

A. Justification

1. Circumstances necessitating the collection of information: The Small Business Investment Act of 1958, as amended (the “Act”), authorizes the Small Business Administration (“SBA”) to license, regulate, and provide leverage to Small Business Investment Companies (“SBICs”) for the purpose of providing financial and management assistance to eligible small business concerns. Section 301(c) of the Act requires that SBA consider certain factors in its evaluation of a license application, including adequate capital; diversification of ownership; whether management is qualified and has the knowledge, experience and capability necessary to comply with the Act; the need for and availability of financing in the applicant’s proposed service area; the general business reputation of the applicant’s owners and managers; and the probability of successful operations. SBA Forms 2181, 2182 and 2183 are the application documents used in the SBIC licensing process.

Form 2182, which includes exhibits applicable to individuals, is also used occasionally in connection with SBA’s evaluation of persons who wish to join the management team of an SBIC that is already licensed. Under the Act and under 13 CFR 107.410 and 107.680, SBA has the same responsibility to review and approve the qualifications of these individuals as it does for proposed managers and owners of new license applicants.

SBA is proposing a number of broad changes to the forms for the following purposes:

- To facilitate the input and analysis of applicant information. Form 2181 has been split into a narrative section (completed in Microsoft Word) and an excel supplement (completed in Microsoft Excel). The excel supplement contains those questions in Form 2181 that request numeric or standardized entries. The use of Excel for this type of data will facilitate applicant data entry as well as SBA analysis, ultimately yielding time savings for both parties.
- To rationalize the structure and formatting of the application. The new collection of forms has been rewritten to take advantage of the formatting tools available in Microsoft Word and Excel. The application now includes Tables of Contents that automatically-update, enabling users to quickly navigate through the document. The sequence of the forms has also been changed so that the initial phase of the application process, which uses the Management Assessment Questionnaire (“MAQ”), employs only the first two forms in the package. The License application then requires an updated MAQ and one form.
- To incorporate new elements of the SBIC Program into the application materials. The application now recognizes two new types of applicants: Early Stage SBICs and Impact SBICs.

- To enhance the SBA underwriting process and align it with industry best practice. The new collection of forms includes questions designed to solicit key information about the applicants and their track record. These new elements are based on a literature review and interviews with SBA’s private sector counterparts regarding industry best practice.
- To make better use of time-saving technology. To-date, applicants have been required to submit hard copies of both their MAQ and License Application. This new collection will require hard copy submissions for the License Application only.

The table below lists the specific changes that have been made to each form. We have identified (i) questions from the prior version that have been consolidated in the new version, (ii) questions that have been removed from the application and (iii) new questions/elements that have been added to the application. With some exceptions, the table does not generally discuss questions that remain unchanged but which have been relabeled or moved to a different section of the application. (See Attachment A for a comparison of the old application structure and the new structure):

PRIOR VERSION SECTION NO.	NEW VERSION SECTION NUMBER & NAME	JUSTIFICATION
Various Instruction Pages	Application Instructions: Form 2181, 2182 and 2183	While the forms and exhibits still contain specific instructions, a new consolidated instructions document has been created for easy reference.
Form 2181	Form 2181: Applicant Narrative & Form 2181: Excel Supplement	To facilitate data entry and analysis, the tables used in the prior version of Form 2181 have been moved to Form 2181: Excel Supplement
Page 1: Cover	Page 1: Cover (New Fields) - Application Type - Leverage Request	These new fields will help ensure the applicant considers the specific program for which it is applying and will serve as a quick reference for SBA analysts.
103.1	REMOVED	Question removed. The information obtained has been of limited value.
103.2	REMOVED	Question removed. The information obtained has been of limited value.
106	REMOVED	Question removed. The information obtained has been of limited value.
201-203.4; 204-205	1.1 Strategy Narrative	These various questions have been consolidated into a single question that gives applicants the flexibility to highlight the key components of their strategy.
203.5; 206	1.6 Risk & Mitigants	These questions have been consolidated into a single question regarding risk.
208	REMOVED	This question regarding value creation has been removed from the application. While relevant for some equity investors, the majority of SBIC applicants invest using debt securities which do not give them control over the operations of a portfolio company and

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		provide for only a small participation in the growth of a company.
209-210.1; 211	1.2 Structure &Pricing	These questions have been consolidated into a single question regarding the structure of the SBIC's transactions.
213-214.2	REMOVED	This question regarding debt loss estimates has been removed. Applicants are now asked to incorporate these estimates in their financial projection model included in Section 8: Attachments.
216	Appendix 1	These questions, which relate to equity investments, have been consolidated and moved to Appendix 1, which will be required of Early Stage SBIC applicants only.
218-219	1.7 Economic Impact	These questions have been consolidated into Section 1.7 Economic Impact
220-221	REMOVED	These questions have been removed as they serve little purpose other than force the applicant to acknowledge the existence of each of these regulations.
304-305	3.2 Business Development	These questions have been consolidated into Section 3.2 Business Development
306	REMOVED	Question removed. The information obtained is of limited value.
308-309	3.1 Investment Process	The scope of these two questions has been substantially narrowed and they are now included as part of 3.1 Investment Process. The prior version of Form 2181 requested an unnecessary level of detail concerning a process that is generally uniform across investment funds.
310-311	4.1 Investment Monitoring	These questions have been consolidated into Section 4.1 Investment Monitoring
314	REMOVED	Question removed. This information is duplicative.
315	7.5 Advisory Committee	This series of questions has been consolidated into 7.5 Advisory Committee
316-321	3.1 Investment Process; 3.3 Due Diligence; 3.4 Decision-Making Process	The scope of these questions has been substantially narrowed. Applicant responses to 316-321 are often very lengthy yet yield information of limited value. Private equity and venture capital funds generally use a standard investment process that requires little analysis.
322-323	4.1 Investment Monitoring	These questions have been consolidated into 4.1 Investment Monitoring
324	REMOVED	Question removed. The information obtained is of limited value.
325-327	4.1 Investment Monitoring;	These questions have been consolidated into

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	4.4 Regulatory Compliance	sections 4.1 and 4.4
329	REMOVED	Question removed. Applicants frequently ignore the length limitation yet simply check this box "yes."
408	REMOVED	Question removed. The penalty provisions for LPs that fail to make capital contributions when called are contained in the legal documents applicants submit with their License Application. The information is of limited value during the MAQ stage.
	2.3 Team History	ADDITION: Applicants are now asked to provide a brief narrative description of their team history, explaining how each principal met the others. This will provide context that has been missing from the prior version of Form 2181
	2.6 Other Activities	ADDITION: Applicants are now asked to account for the time they will not be spending on the management of the SBIC. Without this information, it is difficult to gauge the validity of their time dedication estimate.
	2.5(a) Team Cohesion	ADDITION: This question requires applicants to acknowledge any issues, previously unstated, that may affect their ability to fulfill their responsibilities as member of the fund's management team.
	2.5(b) Team Cohesion	ADDITION: Departures at the senior level may indicate a lack of team cohesion, a key component of SBA's analysis. Having the names of these individuals will also be useful for the diligence process.
	5.3 Other Compensation	ADDITION: This question will help SBA assess fund manager incentives. To the extent a manager obtains a substantial portion of his/her compensation from non-SBIC related activities, he/she may not be sufficiently incentivized to fulfill his/her duties as a principal.
	6.1 Minimum Fundraising Justification	ADDITION: SBIC applicants have always been asked to indicate the minimum amount of capital they need to operate their fund. This question goes further in asking them to explain their selection. SBA uses this information to help evaluate whether an applicant is "economically viable" in accordance with 13 CFR 107.210
	Attachments: Deal Pipeline	ADDITION: This information will help SBA assess the fund's prospective investment opportunities and ability to source deal flow.

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	Appendix 2	ADDITION: Impact SBIC applicants are subject to specific requirements and are asked here to explain how they will meet them.
	Form 2181: Excel Supplement - Authorization of Information Release	ADDITION: SBIC applicants that receive SBA approval to submit a License Application are currently sent a letter asking them whether or not they would like SBA staff to share a basic fund description with prospective investors. This language has now been placed directly into the application.
	Form 2181: Excel Supplement - 1. Portfolio Profile - Strategy Type - % Deals w/Sponsors	ADDITION: The Portfolio Profile worksheet asks the applicant to describe their fund using standardized strategy labels common in the industry. This label will help frame the analysis of the application materials. The "% Deals w/Sponsors" will help SBA understand the team's expected business development strategy. In the private equity industry, a "sponsor" is typically a lead equity investor who acquires control of a business by assembling a syndicate of additional equity and debt investments. Team's that source a high percentage of their deal flow from sponsors may not be able to obtain favorable pricing and terms on their transactions, but may have easier access to deal flow.
	Form 2181: Excel Supplement - 5.1 Distribution Waterfall	ADDITION: Understanding a fund's distribution waterfall is critical to evaluating the alignment of incentives between the principals and investors. Asking the fund to provide a mathematical example will help SBA ensure it is compliant with regulations.
Form 2182 & Form 2183	Form 2182: Principal Exhibits (Exhibits A-J) Form 2183: Fund Exhibits (Exhibits K-S)	The prior version of Form 2182, of which the prior version of Form 2183 was a subset, has been reorganized: The new version of Form 2182 contains "Principal Exhibits," which are exhibits that each principal must complete individually. The new version of Form 2183 contains "Fund Exhibits," which are exhibits that relate to the applicant entity.
Exhibit A	REMOVED	This exhibit is no longer required
Exhibit D	Exhibit B	

PRIOR VERSION SECTION NO.	NEW VERSION SECTION NUMBER & NAME	JUSTIFICATION
D7	B13	This question has been altered. Whereas D7 asked principals to indicate whether or not they had been a defendant in any civil action involving claims greater than \$500,000, B13 asks the same question for claims greater than \$500,000 for corporate liabilities and greater than \$100,000 for personal liabilities.
Exhibit F	Exhibit E	
F1	REMOVED	Sub-exhibit removed. The information contained in this sub-exhibit was duplicative and provided information of limited use.
F2-A.	<p>E1-A. <i>Added:</i> - Fund Type - Benchmark Type - All principal names/initials</p> <p><i>Removed:</i> - Fund location</p>	<p>The applicants are asked to select a fund type from a drop-down menu or provide their own label. This will help SBA analysis interpret the track record in the appropriate context.</p> <p>Similarly, asking the funds to indicate the benchmark type that is most appropriate will also provide additional context in which to analyze the track record.</p> <p>The current F2 only asks applicants to identify their own role in managing transactions. To help with the diligence process and to ensure the applicants are making accurate attribution claims, E1 asks the principals to provide all the names/initials of those who served on the investment committee of the fund or led deals.</p> <p>The Fund Location was removed. This information is of limited use.</p>
F2-B.	<p>E1-B. <i>Added:</i> - Deal Source - Co-Creditors - Equity Investors</p>	<p>The Deal Source field asks applicants to indicate the origin of each transaction. Understanding the principals' past origination strategies will be useful in assessing their strategy going forward.</p> <p>Applicants have always been asked to provide the names of "Co-Investors" in each transaction. These two new fields simply ask them to now classify them as debt or equity providers.</p>
F2-C.	<p>E1-G. <i>Added:</i> Top Ranking Officer Added/Replaced</p> <p><i>Removed:</i> - Closing - Workouts</p>	<p>Previously, the "Top Ranking Officer" field was meant to catch instances in which portfolio company managers were replaced. However, funds will often assist portfolio companies with sourcing management talent, so the field has been changed to include instances where the fund managers "added" top ranking officers.</p> <p>The closing field was removed from "pre-</p>

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F2-D.	E1-H. Portfolio Cash Flows	<p>investment” activities. It is not a meaningful category.</p> <p>The workouts field was removed from the “post-investment” activities since this is now captured in a new worksheet (see E1-C. below).</p>
F2-E.	E1-I. Fund Cash Flows	<p>The only change that has been made to this worksheet is the manner in which funds are asked to enter their quarterly cash flows. The prior version required applicants to move forward any positive cash flows received in the same quarter as a negative cash flow. The new version improves accuracy by asking all net cash flows to be shown in the quarter in which they actually occurred.</p> <p>The prior version of this worksheet asked applicants to provide important fund-level cash flow data, but it ignored the relationship that exists among the flows. Furthermore, there did not exist an explicit connection between the fund-level cash flow data and the portfolio cash flows. As a result, this worksheet was prone to error and SBA analysts lacked an ability to assess the validity of the data presented.</p> <p>The new version asks for essentially the same information as the prior version, but now requires applicants to recognize the zero-sum nature of the fund-level cash flows, ensuring that each dollar flowing through the fund has a source and a use. The worksheet also connects the fund-level cash flows with those of the underlying portfolio by explicitly connecting the two and by asking for quarterly, rather than annual, data.</p> <p>Finally, the line at the bottom of the worksheet asks applicants to calculate the hypothetical liquidation of each active fund. This exercise produces a far more accurate assessment of the residual value remaining in the portfolio.</p>
F2-F.	<p>E1-F.</p> <p><i>Added:</i></p> <ul style="list-style-type: none"> - Cash & Equivalents - Small Business <p><i>Removed:</i></p> <ul style="list-style-type: none"> - Investment Multiple 	<p>“Cash & Equivalents” was added to permit the calculation of the equity value of each company (EV = Total Debt – Cash + Equity)</p> <p>“Small Business” was added to give applicants the opportunity to identify the portfolio companies in their past track records that would have fit SBA’s definition of a “small business” at the time of the initial financing.</p>

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		<p>Applicants are not asked to provide a formal determination of size, but simply to give their “best estimate.” This is an analysis applicants have often conducted on their own prior to submitting an application to the program.</p> <p>The “Investment Multiple” field was removed. This field lacked definition, was not meaningful for the many debt investors that participate in the SBIC Program and was a source of confusion for many applicants.</p>
	E1-C. Financing Descriptions	<p>ADDITION: This new worksheet asks applicants to identify the types of securities used in each of their transactions. This is an approach applicants often use to highlight their experience structuring particular types of investments and is very useful from an analytical perspective. This was a component of a previous iteration of the Exhibit F2 and is now being reincorporated into the application materials.</p>

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	E1-C. Financing Descriptions <i>New Fields:</i> - Debt or Equity - % Ownership - Current Pay - Leverage Multiple thru Security - Total Leverage Multiple - Covenant Violation/Restructuring - Exit Type	<p>The debt or equity field is a simple classification that will be useful for analytical purposes.</p> <p>The % Ownership field will help SBA analysts assess the extent to which the principals had the ability to influence the management and growth of the portfolio company</p> <p>Current Pay is a field that will allow applicants to indicate whether the investment security was structured to yield cash. The applicant will need to structure similar types of transactions in their SBIC in order to generate sufficient income to cover the interest on SBA-guaranteed debentures.</p> <p>Leverage Multiple thru Security will help SBA analysts assess the level of risk the principals have taken in past investments and assess their position in the capital structure of the portfolio company</p> <p>Total Leverage Multiple will be used in conjunction with the field above to assess the principals' willingness to take on risk</p> <p>Covenant Violation/Restructuring will help SBA analysts identify transactions that suffered difficulties</p> <p>Exit Type will help SBA analysts assess the manner in which principals have liquidated past investments and compare this history with the fund's strategy going forward.</p>
	E1-D. Covenant Defaults	ADDITION: This new worksheet asks applicants to provide additional detail regarding those investments that have suffered covenant violations or have been restructured. The information provided here will help SBA analysts identify key areas for diligence and gain an understanding of the management team's ability to manage underperforming deals
	E1-D. Covenant Defaults <i>New Fields:</i> - Covenant Violation Type - Time in Default - Default Interest Rate Changed - Principal Lead - Discuss the reasoning...	<p>Some covenant violations are more severe than others, so it is important to allow the applicant to distinguish among the various violations.</p> <p>The length of time a company is in default provides an indication of the severity of the violation.</p>

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		<p>The default rate will give SBA analysts an idea of the penalty rates the fund managers have used in the past. SBA regulations set a cap on the penalty rates SBICs can charge.</p> <p>Principal Lead will help SBA analysts identify the manager to whom they should address any diligence questions related to the company.</p> <p>The “Discuss the reasoning...” field gives the managers an opportunity to explain the circumstances surrounding the default.</p>
	E1-E. Valuations	<p>ADDITION: Applicants are now asked to use a drop-down menu to identify the valuation method used to calculate the residual value of each unrealized position in the portfolio. The overall performance of a fund can be extremely sensitive to unrealized value. This information will give SBA analysts the ability to assess the quality/reliability of valuations.</p>
F3	<p>E2 <i>Added:</i></p> <ul style="list-style-type: none"> - Valuation Date - Security Type - Cash Multiple - IRR - Investment Committee/Deal Lead <p><i>Removed:</i></p> <ul style="list-style-type: none"> - Description of Product & Service 	<p>The use of this worksheet is unchanged from the prior version. However, several enhancements have been made:</p> <p>“Valuation Date” is an important data point for investments that remain unrealized but was missing from the prior version.</p> <p>“Security Type” is critical to understanding the nature of each investment.</p> <p>“Cash Multiple” and “IRR” are the key performance metrics used to assess private equity track records, but were missing from the prior version.</p> <p>“Investment Committee/Deal Lead” is also important for analysis. Deal attribution is a key factor in assessing the quality of an investment track record.</p> <p>“Descriptions of...” has been removed. This field is cumbersome and adds little value.</p>
Exhibit W	REMOVED Exhibit F. Portfolio Detail	<p>This worksheet is no longer in use.</p> <p>ADDITION: SBA analysts devote a significant portion of their time analyzing SBIC applicant track records. While the prior version of the application materials provides a great deal of fund-level information, the details of each investment are missing. As a result, the</p>

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		interviews SBA analysts conduct with principals are often consumed with basic questions about individual investments rather than more pointed questions regarding fund strategy, troubled investments or other key concerns.
		This new exhibit asks applicants to provide <u>electronic</u> versions of key fund documentation that will enable SBA analysts to more efficiently and thoroughly assess past investment performance. With the possible exception of the “Wind-up Plan,” these are documents any fund manager would be expected to have readily accessible.
	Exhibit F. – Annual & Quarterly Reports to Limited Partners (LPs)	These are documents any fund manager would be expected to have readily accessible. The information contained in these documents will give SBA a window into the fund’s performance as presented by fund managers to their LPs. It will also allow SBA to do a quality check on the data presented in the track record worksheets.
	Exhibit F. Investment Memos	Applicants are currently asked to provide a sample of investment memoranda from prior funds. However, these are often “cherry-picked” and are rarely the memos that SBA analysts find most relevant. The new requirement to provide all investment memoranda will give SBA analysts the opportunity to familiarize themselves with each investment opportunity as it was presented to the fund’s investment committee.
	Exhibit F. Deal Summaries	Deal summaries are often included in reports to LPs, so many fund managers may not need to produce additional material to comply with this request. The data requested will give SBA analysts an understanding of how each investment had evolved over time. Further, it asks the applicant to explain, in detail, the valuation methodology used to value the fund’s position in the company.
	Exhibit F. Wind-Up Plan	This request applies only to active funds. The manager is required to provide a brief description of the plans to bring a fund to termination. This information will help SBA analysts assess the outlook for the fund.
	Exhibit F. A/R Aging Report	This information is needed to better analyze the unrealized value of an active fund’s portfolio. If a fund is having difficulty collecting interest payments from portfolio

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		companies, then that decreases not only its current cash receipts by also the likelihood that the fund will receive a full principal repayment. Any threat to full principal repayment should be reflected in the valuation of the position.
	Exhibit R. SBIC Directory Profile	<p>ADDITION: SBA maintains an online directory of active, licensed SBICs for use by members of congress, fund managers, limited partners, small business owners and the general public.</p> <p>The information requested here offers applicants an opportunity to shape the way they are presented to these stakeholders on the SBA website and will help ensure the online directory contains full profiles for each new fund that is licensed as an SBIC.</p>

2. How, by whom, and for what purpose the information will be used. SBA Forms 2181, 2182 and 2183 will provide SBA with the information necessary to make informed and proper decisions regarding the approval or denial of an applicant for an SBIC license. Forms 2181 and 2182 are designed to give a potential applicant the opportunity to file information (the Management Assessment Questionnaire) without paying a license application fee, and before preparing legal documents and raising the required minimum capital. SBA analyzes the information provided to determine whether the potential applicant is qualified for an SBIC license. If SBA does not believe the prospective management team is qualified, the potential applicant will have made a relatively modest investment of time and money. If SBA determines that the management team is qualified, the group is invited to submit a formal license application using Forms 2181, 2182 and 2183. Forms 2181 and 2182 must be updated as needed, but not rewritten or reformatted for the license application.

SBA’s licensing and legal staff use the information collected about an applicant on Forms 2181, 2182 and 2183 to evaluate whether the applicant’s management, structure, capitalization, ownership, and investment strategy are consistent with SBA’s regulatory requirements. The staff also reviews the business plan for consistency with private equity industry norms to evaluate the probability of successful operations. Using the information collected about proposed SBIC fund managers on Forms 2182, the staff evaluates these individuals to determine whether they have the professional qualifications to operate an SBIC and are of good character. This process includes reference checks, independent verification of résumé information, a review of any involvement in bankruptcy or litigation, and searches of public records for tax liens, judgments, etc. SBA uses all of this information to determine whether to approve an applicant for an SBIC license.

3. Technological collection techniques. SBA application forms are made available for download at www.sba.gov/inv, the SBIC Program webpage. All application materials are prepared using Microsoft Word and Microsoft Excel. Except for the certification pages, which must be submitted in hard copy, the Management Assessment Questionnaire is now

accepted in electronic format only. This will speed the preparation and review process. Applicants will still be required to submit their License Application in hard copy so SBA may maintain a record of signed originals.

4. Avoidance of Duplication. SBA Forms 2181, 2182 and 2183 require information that is relevant to the formation and operation of an SBIC. Companies are newly formed for the specific purpose of seeking an SBIC license and have not previously reported the required information to SBA or any other governmental entity. Another SBA form (Form 912) entitled “Statement of Personal History” has some questions similar to those in Exhibit H of Form 2182, also entitled “Statement of Personal History”; however, Form 912 was designed for use in SBA lending programs and does not collect the same information as Exhibit H of Form 2182.

In some cases, SBIC applicants may have already prepared some of the information requested in Forms 2181, 2182 and 2183 for private investors. Where appropriate, these applicants are encouraged to use pre-existing materials to satisfy SBA’s information requests and thus limit the amount of new material that must be produced.

5. Impact on small businesses or other small entities. The majority of applicants for an SBIC license are small entities. These entities typically are newly formed for the purpose of seeking an SBIC license. This information collection will not have a significant impact on a substantial number of these entities. The one-time burden of completing SBA Forms 2181, 2182 and 2183 is part of the overall process of organizing and capitalizing the fund.
6. Consequences if collection of information is not conducted. These forms are critical to the integrity of the SBIC licensing process. There is no similar information available that can be used to accomplish the purposes of this collection. If the information were not collected, SBA would be unable to meet its statutory responsibilities with respect to the licensing and oversight of SBICs. Since we only collect this information once per respondent it cannot be conducted less frequently.
7. Existence of special circumstances. Respondents are required to submit confidential business information. Without this information, SBA could not satisfy its statutory obligation to evaluate an applicant’s probability of successful operations, as well as the qualifications, experience and business reputation of prospective SBIC managers. The information collected will be protected to the extent permitted by law.
8. Solicitation of Public Comment. A notice was published in the Federal Register on March 15, 2013, Volume 78, Number 47, page 15402. No comments were received in response to this notice.

The revisions included in this new collection of SBIC application materials were developed based on feedback solicited from key SBIC Program stakeholders, internally and externally, as well as research into industry best practices:

- The process began with a review of trade and academic literature focused on the evaluation of fund manager performance.
- A general solicitation for feedback was then sent to the industry association representing SBIC fund manager interests. A second solicitation was sent to the community of attorneys that often assist applicants with the preparation of their application materials.

Only a few comments were received and these generally consistent with changes already envisioned by SBA staff.

- Individual interviews were held with representatives from 4 SBIC funds and 3 representatives of large institutional fund investors.

In addition to this targeted effort, SBA maintains extensive direct contact with license applicants throughout the licensing process and thereafter with licensed SBICs, as well as with attorneys who regularly assist clients with the SBIC formation and application process. The feedback from these groups, accumulated over the last several years, was also considered as part of this review process.

9. Payment or gifts. No payments or gifts are provided to respondents.
10. Assurance of confidentiality. The information collected in SBA Forms 2181, 2182 and 2183 includes personal data concerning managers of the proposed SBIC, financial data for companies with which the managers are or have been associated, and projected financial data for the proposed SBIC. Exemptions 4, 6 and 8 of the Freedom of Information Act allow SBA to withhold financial data on individual companies. The information collection includes notices concerning these protections.
11. Questions of a sensitive nature. Exhibits A through I of Form 2182 request information that may be considered sensitive (employment and professional history, professional affiliations, education, and criminal history). SBA considers this information essential to the fulfillment of its obligations under the Small Business Investment Act. The Act requires SBA, in its evaluation of a license application, to determine whether management has the professional qualifications needed to operate an SBIC and the knowledge, experience and capability necessary to comply with the Act; and to consider the general business reputation of the applicant's owners and managers as well as the probability of an applicant's successful operations.

The personal information collected is not retrieved by a personal identifier, such as a name or social security number. Therefore, SBA is not required by law to maintain a Privacy Act system of record for this information. Nonetheless, SBA will protect this information to the extent permitted by law, including the Privacy Act 5 U.S.C. 552a and the Freedom of Information Act (FOIA), 5 U.S.C. 552.

12. Estimate of the hourly burden of the collection of information. To obtain an SBIC license, an applicant fund is required to complete a two-phase application process. New applicants to the SBIC Program begin with the submission of the Management Assessment Questionnaire ("MAQ"), which is comprised of Form 2181 and Exhibits A-F of Form 2182. Existing SBIC licensees seeking a subsequent license ("subsequent applicants") are not required to submit a MAQ. Instead, these applicants work with their assigned SBA analyst to obtain initial approval from SBA's investment committee to apply for an additional license.

If approved in the first phase of the application process, applicants may then move to the second phase with the submission of a License Application. The License Application involves (i) updating their MAQ submission, if applicable, with any new information and (ii) submitting Exhibits G-J of Form 2182 and Form 2183.

The burden estimates below are based on the following assumptions:

- Over the past three years, the SBIC Program has received an average of 70 initial fund proposals from new and subsequent applicants. SBA expects this application rate to remain stable.
- SBA expects 50 of the 70 initial fund proposals to come from new applicants to the SBIC Program. These new applicants are the only ones required to submit a MAQ.
- Consistent with historical experience, the number of license applications received is expected to be equal to roughly 40-43% of the total number of initial fund proposals filed with SBA. Assuming 70 initial fund proposals are received each year, SBA anticipates receiving 30 License Applications per year, of which 20 will come from new applicants and 10 will come from subsequent applicants.
- On average, SBA anticipates each applicant will be managed by an average of 4 individuals, each of whom will be required to complete Form 2182.

Form Number	(No. of Respondents)	x (Hours per Response)	= Total Hour Burden
MAQ			
Form 2181 – Entity	50	33	1,650
Form 2182 (Exhibits A-F) – Individuals	200	22	4,400
License Application ONLY			
Form 2182 (Exhibits G-J) – Individuals	120	1	120
Form 2183 – Entity	30	40	1,200
TOTAL:			7,370

Note 1: Form 2182 is split between those exhibits that must be filed as part of the Management Assessment Questionnaire and those required for the License Application only. Exhibits G through J are far less intensive than Exhibits A through F and have been assigned a significantly lower burden estimate.

Note 2: Please note that the 300 respondents indicated in Item 13a of OMB Form 83-I (300) are less than the 400 respondents included in the table above. The difference is due to the fact that 80 of the 120 individuals and 20 of the 30 entities shown as completing the License Application forms will already have completed the MAQ. Therefore to avoid double-counting, the number of respondents listed in 13a has been calculated as follows:

- 50 new applicants to the SBIC Program, managed by an average of four individuals, represent a sub-total of 250 respondents;
- 10 subsequent applicants to the SBIC Program, managed by an average of four individuals, represent a sub-total of 50 respondents;
- Together, there are a total of 300 respondents (50 new applicants, plus 10 subsequent applicants, plus the associated 240 individuals)

Note 3: The total number of responses shown on OMB Form 83-I (item 13b) is 400, calculated as follows:

Form 2181 (Entity Responses)	50
Form 2182 (Exhibits A-F: Individual Responses)	200
Form 2182 (Exhibit G-J: Individual Response)	120
Form 2183 (Entity Responses)	30
Total	400

The cost to respondents of the estimated hour burden is shown in the following table:

Form Number	(Total Hour Burden)	x (Cost per Hour)	= (Total Cost)
Form 2181	1,650	\$75	\$123,750
Form 2182 (Exhibits A-F)	4,400	\$75	\$330,000
Form 2182 (Exhibits G-J)	120	\$75	\$9,000

Form 2183 – Entity	1,200	\$75	\$90,000
TOTAL:	7,370	\$75	\$552,750

The cost per hour is based on estimated annual compensation of \$150,000 per year for venture fund professionals who would be preparing the forms.

13. Estimate the total annual cost burden.

- a. There are no capital or start-up costs to respondents.
- b. The annual cost burden for the purchase of services resulting from the collection of information is estimated as follows:

Expense	Form 2181	Form 2182	Form 2183	Total
Attorney Fees	\$10,000	\$0	\$165,000	\$175,000
Accounting/financial advisory fees	\$5,000	\$0	\$5,000	\$10,000
State filing fees	\$0	\$0	\$2,000	\$2,000
*SBA application fee	\$0	\$0	\$15,000	\$15,000
Total cost per response	\$15,000	\$0	\$187,000	--
Estimated No. of Responses	50	200	30	--
Total cost to respondents	\$750,000	\$0	\$5,610,000	\$6,360,000

*Depending on an applicant’s form of organization and application type, the SBA application fee may be \$10,000, \$15,000 or \$25,000. For the purposes of the annualized cost estimate, a \$15,000 fee was used because this is the fee paid by the vast majority of applicants.

14. Estimated annualized cost to the Federal government.

The annualized cost to the Federal government for this collection is estimated as follows:

Management Assessment Phase:	Hours	Rate	Total
Analysis by Program Development Analyst (GS-13)	40	\$50	\$2,000
Supervisory Review (GS-15)	2	\$70	\$140
Review by Investment Committee (6 Members at GS-15/SES)	1	\$75	\$450
Total Cost per Applicant			\$2,590
Estimated No. of Responses			\$50
Total Annual Cost - Management Assessment Phase			\$129,500

License Application Phase:	Hours	Rate	Total
Analysis by Licensing Analyst (GS-13)	110	\$50	\$5,500
Supervisory Review (GS-14)	30	\$60	\$1,800
Supervisory Review (GS-15)	4	\$70	\$280
Review by SBA Attorney	100	\$60	\$6,000
Review by Licensing Committees (8 Members at GS-15/SES)	1	\$75	\$600
Total Cost per Applicant			\$14,180
Estimated No. of Responses			20
Total Annual Cost - License Application Phase			\$283,600
TOTAL ANNUAL COST:			\$413,100

15. Explanation of program changes or adjustments in Items 13 or 14 on OMB Form 83-I. The annual hour burden (item 13 of OMB 83-I) has increased by a total of 203 hours. This is

due to (i) an Adjustment of 113 hours of burden resulting from an increase in the number of License Applications SBA expects to receive, and (ii) a Program Change of 90 hours of burden resulting from the net effect of revisions to Forms 2181, 2182 and 2183. The annual cost burden (item 14 of OMB 83-I) has increased because of an increase in the rates typically charged by outside attorneys for application-related legal services (e.g. preparation of partnership documents and opinions of counsel). The increase in the cost burden is recorded as an Adjustment.

16. Collection of information whose results will be published. Results of this collection information will not be published.
 17. 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.

Attachment A: Prior Version vs. New Collection

Form 2181

Old Application	New Application
General Instructions	Instructions: Forms 2181, 2182 and 2183
Form 2181	Form 2181: Applicant Narrative <i>Contains questions that require a written response. This new version of Form 2181 has eliminated several questions from the old version, consolidated prior questions and added some new questions.</i> Form 2181: Excel Supplement <i>Nearly all of the tables that had been included in the prior version of Form 2181 have been moved into an Excel supplement to facilitate applicant data entry and SBA analysis.</i>

Form 2182 and Form 2183

Exhibit A: Checklist	Application Instructions: Form 2181, 2182 & 2183
Exhibit B: Parties Required to Submit Information	Exhibit G. Identified Parties & Fingerprint Cards
Exhibit C-1: Statement of Personal History (Individuals)	Exhibit H. Statement of Personal History (Individuals)
Exhibit C-2: Statement of Personal History (Entities)	Exhibit I. Statement of Personal History (Entities)
Exhibit D: Legal Proceedings Questionnaire	Exhibit B. Legal Questionnaire
Exhibit E: Business Experience & Education of Principals	Exhibit A. Experience

	Exhibit D. References
Exhibit F1: Investment Experience of Principals	<i>Eliminated</i>
Exhibit F2: Investment Experience of Principals	Exhibit E1. Track Record
Exhibit F3: Investment Experience of Principals	Exhibit E2. Track Record
Exhibit G: Information Regarding Other Activities and...	Form 2181: Applicant Narrative – Section 2: <i>Questions G1 and G2</i> Exhibit C. Other SBIC Activities and Relationships
Exhibit H: Authorization to Release Information	Exhibit J. Authorization to Release Information
Exhibit I: Declaration of Significant Investors	Exhibit M. Declaration of Significant Investors
Exhibit J: Transferor’s Liability Contract	Exhibit L. Transferor’s Liability Contract
Exhibit K: Organizational Chart	Form 2181: Applicant Narrative – Section 7.1
Exhibit L: Supplemental Information	Form 2181: Applicant Narrative – Section 9
Exhibit M: Capital Certificate	Exhibit K. Capital Certificate
Exhibit N: Forecast	Form 2181: Applicant Narrative – Section 8. Attachments
Exhibit O: Offering Memoranda & Other Documents	Exhibit N. Offering Memoranda & Other Documents
Exhibit P: Due diligence checklists, reports, term sheets, etc.	Form 2181: Applicant Narrative – Section 8. Attachments
Exhibit Q: Organizational Documents of Applicant	Exhibit O. Organizational Documents of Applicant
Exhibit R: Opinions of Counsel	Exhibit P. Opinions of Counsel
Exhibit S: Management Services & Other Agreements	Exhibit Q. Management Services & Other Agreements

Exhibit T: Bank Letter	Exhibit R. Bank Letter & Third Party Debt
Exhibit U: Legal Documentation Certification	Exhibit S. Legal Documentation Certification
Exhibit V: Discussion of Issues for Public SBICs	Form 2181: Applicant Narrative – Appendix 4
Exhibit W: Approval of Organizational & Management...	<i>Eliminated</i>
Exhibit X: Pre-Licensing Investments	Pre-Licensing Worksheet

New Application Components:

In addition what has been discussed above, there are some new additions to the SBIC Program application materials:

- **Exhibit F. Portfolio Detail:** This new exhibit asks for additional information about the portfolio companies included in the applicant's track record
- **Exhibit R. SBIC Directory Profile:** Those applicants filing a license application will be asked to provide an SBIC Directory profile for use in the SBA's online directory of actively licensed SBICs.