

SUPPORTING STATEMENT FOR SBA FORM 468
(INCLUDES FORMS 468.1, 468.2, 468.3 AND 468.4)
SBIC FINANCIAL REPORTS

A. Justification

1. Circumstances necessitating the collection of information. The Small Business Investment Act of 1958, as amended (Act), authorizes the Small Business Administration (SBA) to license Small Business Investment Companies (SBICs) and to regulate their operations. Section 310(d)(1)(C)(i) of the Act requires each SBIC to submit audited financial statements to SBA at least annually. Section 310(b) provides that each SBIC shall make such reports to SBA at such times and in such form as SBA may require. SBA regulations (13 CFR 107.630) require SBICs to submit annual financial statements on SBA Form 468. Form 468.1 is used for corporations and Form 468.2 is used for partnerships. Under certain circumstances, 13 CFR 107.630 and 107.1220 also require SBICs to file quarterly financial statements using Form 468.3 for partnerships or Form 468.4 for corporations. The quarterly financial statements consist of selected pages from the annual financial statements.
2. How, by whom, and for what purpose information will be used. SBA Form 468 contains financial statements and supplementary information that are reviewed and analyzed by SBA staff to evaluate the financial condition of individual SBICs and determine an individual SBIC's compliance with its business plan and with overall program requirements. The information in Form 468 is the primary source of information used to determine the creditworthiness of SBICs seeking Federal financial assistance and to monitor the financial condition of these SBICs after such assistance is provided. In addition, information on Form 468 is used to evaluate an individual SBIC's compliance with certain regulations, such as the activity requirements in 13 CFR 107.590 and the portfolio diversification requirements in 13 CFR 107.740. The information collected on Form 468 is essential for the protection of the government's financial interest.

Also, SBA pools financial information provided by individual SBICs to analyze the SBIC program as a whole with respect to the risk of financial loss to the government and the impact of SBIC financings on the growth of small business.

3. Technological collection techniques. In 2013, SBA implemented a Web-based reporting system for SBICs that replaced the previous Access-based reporting software. The SBIC-Web system has streamlined Form 468 creation by integrating schedules and using available information to pre-populate as many fields as possible. For example, information about new financings submitted on SBA Form 1031 is automatically transferred to the Schedule of Loans and Investments in SBA Form 468. The system has simplified submission of data files created within the application, eliminating the need to transmit files to SBA by email or on a CD. Finally, SBIC-Web allows SBICs to upload supplemental information (such as the

auditor's report on the annual financial statements) in .pdf files. SBA believes this online form completion and submission will continue to be more convenient for respondents.

4. Avoidance of Duplication. Most SBICs are privately held and SBA Form 468 is the only financial report prepared by many such SBICs. Some SBICs do prepare other financial reports or include the Form 468 in consolidated financial reports, such as SBICs that are owned by public companies regulated by the Securities and Exchange Commission (SEC). Form 468 is designed to provide information specific to SBIC regulatory and program requirements and does not duplicate reports required by the SEC.
5. Impact on small business or other small entities. The only entities required to complete Form 468 are licensed SBICs, a majority of which are small entities; however, the economic impact on these entities is not significant. The information requested on Form 468 is primarily the type of information that any investment company must maintain in the ordinary course of business, i.e., basic financial statements plus information about the company's investments and their current value. The remainder of the collection is limited to the information needed to show whether the SBIC is in compliance with specific regulations such as those governing permitted distributions, capital impairment, and activity requirements.
6. Consequences if collection of information is not conducted. SBA Form 468 is designed to provide information needed to evaluate the operating effectiveness, regulatory compliance and financial soundness of SBICs. SBA requires such information in order to protect the government's financial interest as the largest investor or creditor of most SBICs and to ensure that SBICs are operating in accordance with the regulatory requirements and public purposes of the program.
7. Existence of special circumstances. There are no special circumstances that would cause the conditions described.
8. Solicitation of public comment. A notice was published in the Federal Register on April 19, 2017, 82 FR 18520. 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 of SBICs and their portfolio companies, which are 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. A small sample of

respondents was consulted regarding the amount of time required to complete the forms. SBA identified two major factors affecting burden: (1) Is the SBIC required to report quarterly or only on an annual basis? (2) Is the SBIC required to complete the wind-up plan supplement? Because of these variations in reporting requirements, SBA has developed separate burden estimates for the following categories of SBICs:

- SBICs that do not have or intend to seek SBA leverage (“non-leveraged SBICs”). These SBICs report to SBA on an annual basis only, using corporate Form 468.1 or partnership Form 468.2, and are not required to complete the wind-up plan.
- SBICs that have outstanding SBA leverage or leverage commitments (“leveraged SBICs”) and are required to complete the wind-up plan, because they either have been transferred to the Office of Liquidation or are no longer making new investments. These SBICs file corporate Form 468.1 or partnership Form 468.2 on an annual basis, **including** the wind-up plan, and file corporate Form 468.4 or partnership Form 468.3 at the end of each fiscal quarter other than Q4, which is covered by the annual filing.
- Leveraged SBICs that are not required to complete the wind-up plan because they are still actively investing. These SBICs file corporate Form 468.1 or partnership Form 468.2 on an annual basis, **excluding** the wind-up plan, and file corporate Form 468.4 or partnership Form 468.3 at the end of each fiscal quarter other than Q4, which is covered by the annual filing.

The estimated hour burdens for the forms are shown in the following table:

| Form Number | Number of respondents | × | Frequency | × | Hours per response | = | Total Hour Burden |
|-----------------------------------|-----------------------|---|-----------|---|--------------------|---|-------------------|
| Form 468.1 – with wind-up plan | 3 | | 1 | | 35 | | 105 |
| Form 468.1 – without wind-up plan | 28 | | 1 | | 25 | | 700 |
| Form 468.2 – with wind-up plan | 94 | | 1 | | 35 | | 3,290 |
| Form 468.2 – without wind-up plan | 281 | | 1 | | 25 | | 7,025 |
| Form 468.3 | 269 | | 3 | | 23 | | 18,561 |
| Form 468.4 | 4 | | 3 | | 23 | | 276 |
| TOTAL COLLECTION | | | | | | | 29,957 |

Note 1: The total number of respondents shown on OMB Form 83-I (item 13a) is 406, calculated as the sum of the respondents shown in the first four lines of the table above for Forms 468.1 and 468.2. The respondents shown for Forms 468.3 and 468.4 are a subset of the same group, and therefore have been excluded from the total number of respondents to avoid double-counting.

Note 2: The total number of responses shown on OMB Form 83-I (item 13b) is 1,225, calculated as follows:

| | |
|--|--------------|
| Form 468.1, 3 with wind-up plan + 28 without | 31 |
| Form 468.2, 94 with wind-up plan + 281 without | 375 |
| Form 468.3, 269 respondents x 3 | 807 |
| Form 468.4, 4 respondents x 3 | 12 |
| Total responses | 1,225 |

Note 3: The quarterly partnership Form 468.3 and quarterly corporate Form 468.4 are somewhat shorter than the year end forms, consisting of pages 2-13, 15, 20 and a modified quarterly version of the Certifications that deletes the references to annual audited financial statements. In addition, the quarterly reports do not include a wind-up plan.

Therefore the estimated hours per response for these forms are slightly lower than the estimated hours for the year end forms without wind-up plan.

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

| Form Number | Number of responses | × | Hours per response | × | Cost per hour | = | Total Cost |
|-----------------------------------|---------------------|---|--------------------|---|---------------|---|-------------|
| Form 468.1 – with wind-up plan | 3 | | 35 | | \$40 | | \$4,200 |
| Form 468.1 – without wind-up plan | 28 | | 25 | | \$40 | | \$28,000 |
| Form 468.2 – with wind-up plan | 94 | | 35 | | \$40 | | \$131,600 |
| Form 468.2 – without wind-up plan | 281 | | 25 | | \$40 | | \$281,000 |
| Form 468.3 | 807 | | 23 | | \$40 | | \$742,440 |
| Form 468.4 | 12 | | 23 | | \$40 | | \$11,040 |
| TOTAL COLLECTION | | | | | | | \$1,198,280 |

The cost per hour is based on estimated annual compensation of \$80,000 per year for an accounting professional who would be preparing the forms.

13. Estimate of total annual cost burden. The annual cost burden resulting from the collection of information is estimated at \$35,000 per year-end respondent. This amount represents the cost of the required audit of the financial statements by an independent public accountant. No capital and start-up costs have been included in the cost burden estimate because SBA expects that all licensees would acquire and use the necessary equipment (primarily a personal computer) in the ordinary course of business, even in the absence of any information collection requirements.

$$\$35,000 \text{ cost per respondent} \times 406 \text{ year-end respondents} = \$14,210,000$$

14. Estimated annualized cost to the Federal government. The Federal government’s cost to review and analyze each SBA Form 468 filed is estimated at \$200. The aggregate cost is computed as follows:

| | |
|---|------------|
| Analyst performing financial and regulatory review of SBA Form 468: | |
| GS-13: 4 hours @ \$50 per hour | \$ 200 |
| Estimated number of responses (annual and quarterly combined) | × 1,225 |
| Total cost to Federal government | \$ 245,000 |

15. Explanation of differences in Items 13 or 14 on OMB Form 83-I. The increase in the hour burden in item 13 of OMB Form 83-I reflects an increase in the total number of responses. The burden per response has not changed. The higher number of responses is attributable to (1) a slight increase in the total number of SBICs filing annual reports on Form 468, (2) a larger increase in the number of SBICs also filing quarterly reports, and (3) an increase in the number of SBICs filing Form 468 after being transferred to the Office of Liquidation. The change in the number of respondents from 382 to 406 is the result of an increase in newly licensed SBICs, partially offset by license surrenders in the normal cycle of program activity. Although SBA will continue to license new SBICs over the next three years, the net increase in the number of respondents is expected to be modest.

The increase in the cost burden in item 14 of Form 83-I, from \$13,370,000 to \$14,210,000, reflects the slight increase in the number of year-end respondents from 382 to 406. The cost burden in item 14 represents the cost to SBICs of engaging a certified public accounting firm to perform an audit of the annual Form 468 financial statements. The estimated cost per audit has not changed.

16. Collection of information whose results will be published. Results of this collection of 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.