

U. S. Small Business Administration (SBA)  
SBIC Management Assessment Questionnaire and License Application  
OMB Control Number 3245-0062  
Justification – Part A Supporting Statement

Overview of Information Collection: The U.S. Small Business Administration (SBA) is seeking reinstatement, with change, of a previously approved collection for which approval has expired, for the Small Business Investment Company (SBIC) program’s Management Assessment Questionnaire and License Application used by applicants seeking a license to operate as an SBIC.

In order to reduce burden and confusion on the part of applicants, SBA proposes significant changes to the previously approved MAQ collection, which was comprised of three separate forms in Word format (SBA Forms 2181, 2182, and 2183) into three versions of the same form in Excel format: 1) SBA Form 2181 (Short Form) for ‘prescreening’ interested applicants, 2) SBA Form 2181 (Long Form) for first time applicants, and 3) SBA Form 2181 (Subsequent Fund Application) for existing SBIC licensees applying for an additional, subsequent SBIC licenses. As part of the SBA Form 2181 Long Form and Subsequent Fund Applications, there are seven individual Exhibits that have been separated for ease of use by both applicants and SBA Licensing Analysts.

1. Need & Method for the Information Collection. The Small Business Investment Act of 1958, as amended (the “Act”), authorizes 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 Form 2181 and Exhibits, referred to collectively as the Management Assessment Questionnaire (MAQ), comprise the application documents used in the SBIC licensing process.
2. Use of information. The MAQ provides SBA with the information necessary to make informed and proper decisions regarding the approval or denial of an applicant for an SBIC license. The SBA Form 2181 requests qualitative and quantitative information on a proposed management team, the proposed strategy for the SBIC, and the principals’ investment track record. SBA analyzes the information provided to determine whether the potential applicant is qualified for an SBIC license.

Using the newly proposed SBA Form 2181 (Short Form) for ‘prescreening’ interested applicants allows a potential applicant to have made a relatively modest investment of time and money, if SBA does not believe the prospective management team is qualified. If SBA determines that the management team is qualified, the applicant will be invited to submit SBA Form 2181 (Long Form), where much of the information used in the Pre-screen MAQ may be repurposed with little effort.

SBA's licensing and legal staff use the information collected in the MAQ about an applicant to evaluate whether the applicant's 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. SBA staff evaluates the information collected in the MAQ about proposed SBIC fund managers 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, review of any involvement in bankruptcy or litigation, and searches of public records for tax liens, judgments, etc. SBA uses all the information collected in the MAQ to determine whether to approve an applicant for an SBIC license.

3. Use of Information Technology. SBA application forms are made available for download from the SBIC Program webpage at <https://www.sba.gov/partners/sbics/apply-be-sbic>. All application materials are prepared using Microsoft Excel and accepted only in electronic format to reduce burden and speed the preparation and review process. SBA Form 2181 prepared in Excel will provide applicants and SBA with the greatest flexibility to manipulate and analyze quantitative information. Applicants may still be required to submit portions of their final licensing documents in hard copy so SBA may maintain a record of signed originals.
4. Non-duplication. The MAQ requires 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 SBA Form 2181, but SBA Form 912 was designed for use in SBA lending programs and does not collect the same information as SBA Form 2181.

In some cases, SBIC applicants may have already prepared some of the information requested in the MAQ 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. Burden on Small Business. 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 the MAQ is part of the overall process of organizing and capitalizing the SBIC applicant. SBA has taken significant steps in reducing the overall burden on both entities and individuals by streamlining both licensing process and the MAQ, to include eliminating need for certain portions of the current requirements such as no longer requiring monthly cash flow details on individual investments and individual portfolio company investment terms and debt-related provisions. Additionally, consolidation of the previous three-form application process into the use of one form with attachments aligns with proposed changes in SBA's license application process, to allow the submission of a complete MAQ with draft legal documents, upfront, as part of green-light approval, which provides for an overall data collection burden to be a net reduction.

6. Less Frequent Collection. The MAQ is 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. Because SBA only collects this information once per respondent it cannot be conducted less frequently.
7. Paperwork Reduction Act Guidelines. SBIC applicants 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. There are no other special circumstances that would cause the conditions described.
8. Consultation and Public Comments. A 60-day notice was published in the Federal Register on Monday, November 28, 2022, [87 FR 73062](#). The comment period closed on Friday, January 27, 2023.

SBA received comments from the leading industry trade group falling into the following categories: 1) supporting continued use of the MAQ, 2) requesting SBA streamline both the MAQ format and completion process to mitigate time and cost burdens on applicants, 3) asking SBA to stay within the bounds of the Act on the specific information collected, and 4) recommending SBA exempt the MAQ requirement for qualifying SBICs applying for a repeat license.

All comments were considered and incorporated except for exempting MAQ requirements for subsequent funds. 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. However, in the spirit of streamlining the MAQ format and completion process, SBA has developed a shorter, more streamlined MAQ specifically for subsequent funds.

9. Gifts or Payment. No payments or gifts are provided to respondents.
10. Privacy and Confidentiality. The information collected in SBA Form 2181 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. SBA Form 2181 also requests personal background information (such as, name, date of birth, address, social security number, tax EINs, contact information), which is needed to fulfill SBA's statutory responsibilities with respect to oversight and risk management under the Act to make decisions regarding the approval or denial of an applicant for an SBIC license. This system is associated with the OII Customer Relationship Management (CRM) system. Additional details may be found in the OII CRM Privacy Impact Assessment, supported by SBA 40, System of Records Notice, [2019-19153.pdf \(govinfo.gov\)](#).

The information provided 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. Records

are maintained under conditions designed to preclude access by persons other than Agency personnel with a need to know.

11. Sensitive Questions. SBA Form 2181 requests 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 Act, which 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.

SBA safeguards business proprietary information in compliance to federal laws, guidelines and SBA's Cybersecurity and Privacy Policy. Data in transit and at rest is encrypted to mitigate the potential of data spillage. Access controls and role-based permissions are just some of the other security precautions in safeguarding our customer's data.

12. Burden Estimate. SBA identified three major factors affecting burden: 1) first-time applicants that may or may not be a good fit for the SBIC program, 2) first-time applicants with familiarity of the SBIC program, and 3) licensed SBICs applying for a subsequent SBIC license. Because of these variations in reporting requirements, SBA has developed separate MAQ versions to reduce overall burden and prevent confusion on the part of applicants.

SBA believes the total number of first-time applicants submitting MAQs will remain in line with previous estimates. SBA has observed a shift in recent years to a higher proportion of subsequent applicants, and SBA believes those applicants will be able to complete the new SBA Form 2181, SBIC Subsequent Fund Application, in less time than a new applicant, because: 1) SBA has streamlined the information requested, and 2) substantial portions of information may still be applicable from the previously licensed SBIC. However, subsequent applicants may undergo significant changes (in strategy, personnel, etc.), so SBA does not have a basis to assign a lower burden estimate to these applicants.

As noted previously, the consolidation of the previous three-form application process into the use of one form with attachments aligns with proposed changes in SBA's license application process, to allow the submission of a complete MAQ with draft legal documents, up-front, as part of green-light approval, which provides for an overall data collection burden to be a net reduction. The new licensing process will entail a submission of the proposed new MAQ, in its entirety, up front. While this is a front-loading of burden that was historically divided between two phases, the net burden will be less, because under the historic process, many applicants are required to update their MAQ responses from initial submission due to the passage of time before they reach the final licensing stage.

The estimated hour burden for the MAQ, including instructions, is calculated in the following table with the assumption that each applicant will be managed by an average of four individual principals, each of whom will be required to complete portions of the MAQ collectively and individually.

Respondent Type	Number of respondents	×	Frequency	×	Hours per response	=	Total Hour Burden
Pre-screen SBIC MAQ (Short Form)	75		1		60		3,250
SBIC MAQ (Long Form)	150		1		80		12,000
SBIC Subsequent Fund MAQ	50		1		50		2,500
<b>TOTAL COLLECTION</b>	<b>275</b>						<b>17,750</b>

The total hour burden previously approved by OMB for this information collection is 24,625, so the new burden estimate resulting from SBA’s streamlining efforts is projected to have a net burden reduction 6,875 hours – approximately 28 percent less.

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

Respondent Type	Number of responses	×	Hours per response	×	Cost per hour	=	Total Cost
Pre-screen SBIC MAQ (Short Form)	75		60		\$118.48		\$533,160
SBIC MAQ (Long Form)	150		80		\$118.48		\$1,421,760
SBIC Subsequent Fund MAQ	50		50		\$118.48		\$296,200
<b>TOTAL COLLECTION</b>							<b>\$2,251,120</b>

The estimated hourly cost to respondents is calculated using the mean hourly wage of \$118.48 (mean annual wage of \$246,440) for Chief Executives (rate obtained from the most recently available 2022 Bureau of Labor Statistics, Occupational Employment Statistics, [Chief Executives](#)).

The total estimated hourly cost previously approved by OMB for this information collection is \$3,078,125, so the new burden estimate resulting from SBA’s streamlining efforts is projected to have a net burden reduction of \$827,005 – approximately 27 percent less.

13. Estimated nonrecurring costs.

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

Estimated Expenses	Total
Attorney Fees	\$210,500
Accounting/financial advisory fees	\$10,000
Estimated State Filing Fees	\$4,000
*SBA Fees	\$25,625
Total Cost Per Response	\$250,125
SBIC Licenses Per Year (average 4-year lookback)	26
<b>Total</b>	<b>\$6,503,250</b>

\*Depending on an applicant’s form of organization and application type, the SBA Initial Licensing Fee may be \$5,000, \$10,000, \$15,000, or \$20,000, and the Final Licensing Fee may be based at \$10,000, \$15,000, \$25,000, or \$30,000, plus 1.25 basis points multiplied by the Leverage dollar amount requested by the applicant. For the purposes of estimating the annualized cost estimate,

a blended average fee of \$16,250 was used, plus an additional 1.25 basis points (or .0125 percent) on an assumed amount of \$75 million in leverage at an additional \$9,375, for a total estimated Licensing Fee of \$25,625.

14. Estimated cost to the Government. The Federal Government’s cost to review and analyze each MAQ submission is estimated at \$705,042. The aggregate cost is computed using FY 2023 hourly rates for Washington, DC:

MAQ Review	Hours	Rate	Total
Analysis by Licensing Analyst (GS-13)	200	\$60.83	\$12,166
Supervisory Review (GS-14, Step 5)	60	\$71.88	\$4,313
Supervisory Review (GS-15, Step 5)	20	\$84.55	\$1,691
Review by SBA Attorney (GS-14, Step 5)	100	\$71.88	\$7,188
Review by Investment (8 Members at GS-15/SES)	1	\$87.93	\$703
Divisional Committee (6 Members at GS-15/SES)	1	\$87.93	\$528
Review by Agency Licensing Committee (6 Members at GS-15/SES)	1	\$87.93	\$528
Total Cost per MAQ			\$27,117
Estimated Number of MAQs			26
Total Annual Cost			\$705,042

15. Reasons for changes. The decrease in the annual hour burden estimate reflects structural and streamlining changes to both the MAQ and the SBIC Licensing process.
16. Publicizing Results. Not applicable. Results of this collection of information will not be published.
17. OMB Not to Display Approval. Not applicable. The expiration date will be displayed.
18. Exceptions to “Certification for Paperwork Reduction Submissions.” 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. Collection of Information Employing Statistical Methods. This collection of information is not a survey and does not employ statistical methods.

Attachments:

- SBA Form 2181, SBIC Program Application Instructions
- SBA Form 2181 Pre-screen SBIC MAQ (Short Form)
- SBA Form 2181, SBIC MAQ (Long Form)
- SBA Form 2181, SBIC Subsequent Fund MAQ
- SBA Form 2181, SBIC MAQ Exhibit A, Activities Relationship Certification
- SBA Form 2181, SBIC MAQ Exhibit B, Individual Declarations
- SBA Form 2181, SBIC MAQ Exhibit C, Significant Investor Declarations
- SBA Form 2181, SBIC MAQ Exhibit D, Individual Legal Questionnaire
- SBA Form 2181, SBIC MAQ Exhibit E, Legal Document Certification
- SBA Form 2181, SBIC MAQ, Exhibit F, Capital Certificate
- SBA Form 2181, SBIC MAQ Exhibit G, Transferors Liability Contract

[87 FR 73062](#) Federal Register 60-Day Notice  
Authorizing Statutory and Regulatory Provisions