

U. S. Small Business Administration (SBA)
SBIC Financial Reports
OMB Control Number 3245-0063
Justification – Part A Supporting Statement

Overview of Information Collection: The U.S. Small Business Administration (SBA) is seeking approval for a revision of this currently approved information collection, plus additional reporting and recordkeeping requirements under the Small Business Investment Company (SBIC) Investment Diversification and Growth Final Rule (3245-AH90, or Final Rule).

SBA proposes changes to the previously approved collection, which contained four versions of SBA Form 468 (468.1, 468.2, 468.3, and 468.4) into two forms in Excel format, with an Appendix for Reinvestor SBIC Reporting: 1) SBA Form 468 (Short Form) for quarterly reporting by all SBIC Licensees, 2) SBA Form 468 (Long Form) for annual reporting of audited financial information by all SBIC Licensees, and 3) a new Appendix only for quarterly and annual reporting by a new class of Licensees called “Reinvestor SBICs” defined under the Final Rule. Revisions under the accompanying Final Rule include new information collection additions related to industry standard investment performance metrics, optional Generally Accepted Accounting Principles (GAAP) financial metrics, the number of net jobs sustained and created, and voluntary demographic information.

1. Need & Method for the Information Collection. The Small Business Investment Act of 1958, as amended (Act), authorizes SBA to license 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.

Under this request for revision, SBA proposes to continue to collect all currently approved information using one form in Excel format to be used by all SBICs (corporations or partnerships) to meet annual reporting requirements with audited financial information on an SBA Form 468 (Long Form) and to meet quarterly reporting requirements with an abbreviated SBA Form 468 (Short Form), thereby reducing the reporting burden on all SBICs. The Short Form and Long form structure is similar to that of the Short and Long Paycheck Protection Program (PPP) loan forgiveness application, OMB 3245-0407. Additionally, SBA proposes to align all SBA Form 468 requests for information to be either quarterly or annually by requesting reporting of supplemental portfolio company valuation reports (currently requested semiannually) to supplement the valuations data SBICs must already report on the Short Form for quarterly reporting. New collections of information related to the Final Rule include:

- Quarterly reporting of portfolio company valuation reports to include investment performance metrics.
- Additional investment performance metrics using audited financial data for reports to private investors using:
 - 1) Net Total Value to Paid-In Capital (TVPI) – the total distributions, including both cash and distributed securities (valued as of the distribution date) plus the net asset

value of a private fund's portfolio net of carried interest and expenses, divided by the capital that has been paid in by investors.

- 2) Net Distributions to Paid-In Capital (DPI) – total distributions, including both cash and distributed securities (valued as of distribution date), a private fund has returned to investors net of fund expenses and carried interest, divided by the amount of money investors have paid into the fund.
 - 3) Multiple on Invested Capital (MOIC) – the total gross realized and unrealized value generated by a private fund's portfolio, divided by the total amount of capital invested into the portfolio concerns by the fund.
 - 4) Net Internal Rate of Return (IRR) – the rate at which the private investor cashflows and the unrealized net asset value minus any fund expenses and carried interest are discounted so that the net present value of cashflows equals zero.
- Number of net jobs sustained (collected in the quarterly/Short Form submissions following an initial financing of a portfolio company), and the number of net new jobs created (or lost) in annual/Long Form submissions thereafter, to obtain numbers of net new jobs created (or lost) as a result of SBIC financing.
 - Voluntary demographic information at the portfolio company level to obtain updated voluntary demographic information collected at the time of financing reported on SBA Form 1031.
 - Reinvestor SBIC Reporting Appendix, to obtain Reinvestor SBIC certification of compliance, investment metrics, and financial information on underlying funds that receive equity capital investments from Reinvestor SBICs, and the portfolio companies in which such underlying funds make investments.

Currently, SBA collects the information in SBA Form 468 reporting via PDF files uploaded to SBIC-Web user application electronic platform. Under this revision request, SBA foresees the continued use of SBIC-Web user application as a legacy reporting repository and secure portal for SBICs to upload the new SBA Form 468 (Short Form and Long Form) in Excel format.

2. Use of the Information. SBA Form 468 contains investment performance, financial statements, and supplementary information, which are reviewed and analyzed by SBA staff to evaluate the financial condition of SBIC portfolios and determine a Licensee's compliance with its investment strategy, business plan, and overall program requirements. The information in SBA Form 468 is the primary source of information used to determine the creditworthiness of SBICs receiving federal financial assistance and to monitor the financial condition of these SBICs. In addition, information on SBA Form 468 is used to evaluate a Licensee'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 SBA Form 468 is essential for the protection of the government's financial interest.

Also, SBA pools financial and investment performance information provided by individual Licensees to analyze the SBIC program portfolio as a whole with respect to the risk of program level financial loss to the government and the impact of SBIC financings on jobs and on the growth and sustainability of small business in general.

3. Use of Information Technology. In 2013, SBA implemented SBIC-Web as a web-based

reporting system and streamlined SBA Form 468 creation by integrating schedules and using available information to pre-populate many fields. However, the functionality of multiple users utilizing SBIC-Web during peak reporting and the costs associated with maintaining the system led SBA to seek a more practical and user-friendly solution. SBIC-Web allows SBICs to upload supplemental information (such as the auditor's report on the annual financial statements) in .pdf files. As part of SBA's modernization and streamlining efforts, the SBIC-Web functionality was expanded to also allow SBICs to upload Excel files in 2023. With the new functionality addition completed, SBA believes the new SBA Form 468 in Excel format will be more compatible with the information SBICs receive from portfolio companies and the information SBICs provide to investors. Additionally, the Excel format allows for a burden reduction in terms of manual data inputs by referencing and populating information entered in preceding sections of the Excel form. As a result, there is a reduced burden on SBICs for completion and submission of the SBA Form 468 (Short Form and Long Form). The continued use of SBIC-Web as repository of legacy reporting information and secure portal for uploading Excel spreadsheets will be more convenient for respondents and help SBA with continued modernization and streamlining efforts.

4. Non-duplication. Most SBICs are privately held and exempt from certain Securities and Exchange Commission (SEC) registration requirements, and SBA Form 468 is the only financial and investment metric report prepared by many such SBICs. Some SBICs do prepare other financial reports or include the SBA Form 468 in consolidated financial reports, such as SBICs that are owned by public companies or registered investment advisers regulated by the SEC. SBA Form 468 is designed to provide information specific to SBIC statutory and regulatory program requirements. This information is not reported in any other format. Therefore, there is no duplication of information.
5. Burden on Small Business. The only entities required to complete SBA 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), including additional information SBA is requesting related to investment performance metrics, which many SBIC investors also require. 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.

SBA has attempted to limit the information collected on SBA Form 468 to areas in which SBICs would ordinarily have information available as a result of making an investment in a portfolio company, and likely such information would be provided by the portfolio company to the SBIC in Excel format. Changing the SBA Form 468 to Excel format should therefore have the effect of reducing burden on SBICs.

6. Less Frequent Collection. There is no similar information available that can be used to accomplish the purpose of this collection. 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 Federal Government's financial interest as the largest at-risk capital stakeholder 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. Paperwork Reduction Act Guidelines. There are no special circumstances that would cause the conditions described.
8. Consultation and Public Comments. On October 19, 2022, SBA published a Notice of Proposed Rulemaking entitled, “Small Business Investment Company (SBIC) Investment Diversification and Growth” ([87 FR 63436](#)), which included seeking comments from the public on revisions to the SBA Form 468 information collection that were necessitated by the proposed regulations.

Comments from the public on the SBA Form 468 information collection were largely expressed in two areas:

- 1) Concern that the additional information being requested by SBA will result in delays for timely quarterly and annual SBA Form 468 submissions. SBA is inclined to agree with commenters who were supportive of changes to allow more time for SBICs to make timely submissions to include the additional information being requested.
- 2) Concern that the voluntary demographic information being requested by SBA will be treated as mandatory and/or be used by SBA in making future licensing and regulatory decisions. SBA has made it specifically clear that all demographic information being requested is in fact, voluntary, in the same way that SBA collects voluntary demographic information on the SBA Form 1031, Portfolio Financing Report, and notes in the SBA Form 468 Instructions, “The below information is on a voluntary basis only. SBA uses this information to report general statistics to Congress and the public.”

9. Gifts or Payment. No payments or gifts are provided to respondents.
10. Privacy & 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. Records are maintained under conditions designed to preclude access by persons other than Agency personnel with a need to know.

Information collection for this form from a personal identifiable information perspective is limited to name. Name alone does not constitute to uniquely identify an individual. Therefore, a Privacy Impact Assessment is not required nor a Privacy Act Statement for this form under the provisions of the Privacy Act of 1974, as amended.

11. Sensitive Questions. SBA Form 468 requests confidential business and financial information, which SBA reviews to evaluate the financial condition of individual SBICs and determine an individual SBIC’s compliance with its business plan and with overall program requirements to determine whether an SBIC has engaged in prohibited actions.

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 the data of each Licensee.

12. **Burden Estimate.** 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-down 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 do not intend to seek SBA leverage (“Non-Leveraged SBICs”). These SBICs (corporate or partnership) report to SBA on an annual basis only.
- SBICs that have outstanding SBA leverage or leverage commitments (“Leveraged SBICs”) and are required to complete a wind-down plan, because they either have been transferred to the Office of Liquidation or are no longer making new investments. These SBICs (corporate or partnership) file the Long Form on an annual basis, including a wind-down plan, and file the Short Form at the end of each fiscal quarter other than Q4, which is covered by the annual filing of the Long Form.
- Leveraged SBICs that are not required to complete a wind-down plan, because they are still actively investing. These SBICs (corporate or partnership) file the Long Form on an annual basis, excluding a wind-down plan, and at the end of each fiscal quarter other than Q4, which is covered by the annual filing.
- Accrual SBICs and Reinvestor SBICs (as created by 3245-AH90) will be required to file a new Schedule 8 “Distribution Schedule” in the SBA Form 468, to be updated quarterly and annually. Although it is unlikely that any SBIC will be required to use this new Schedule over the next three years, for purposes of estimating burden, SBA estimates a total of ten Accrual SBICs per year and two Reinvestor SBICs per year for a total of 36 SBICs.
- Reinvestor SBICs (as created by 3245-AH90) will be required to file a new Reinvestor SBIC Reporting Appendix in the SBA Form 468, to be updated quarterly and annually. SBA estimates a total of two Reinvestor SBICs licensed per year for a total of 6 SBICs over the next three years.

The estimated hour burden for SBA Form 468, including instructions, is calculated in the following table based on assumptions above, using a total number of 309 SBICs, as of March 31, 2023.

Respondent Type	Number of respondents	×	Frequency	×	Hours per response	=	Total Hour Burden
Non-Leveraged SBICs (Long Form)	57		1		30		1,710
Leveraged SBICs (Long Form)	158		1		30		4,740
Leveraged SBICs (Long Form + wind-down)	99		1		40		3,960
Leveraged SBICs (Short Form)	195		3		27		15,795
Leveraged SBICs with Distributions	36		4		4		576

Appendix A, Reinvestor SBIC Reporting	6		4		8		192
TOTAL COLLECTION							26,973

Note 1: The total number of respondents shown on OMB Form 83-I (item 13a) is 309, based on the number of SBICs in the SBIC program as of March 31, 2023. The number of “Leveraged (quarterly) respondents shown in the table of above are subsets of the same group for purposes of calculating the total hour burden, and therefore have been excluded from the total number of respondents to avoid double-counting. For each annual respondent type, an estimated 4 hours per response has been added to account for the addition of a separate document of SBA Form 468 Instructions to be read by all respondents.

Note 2: The total number of responses shown on OMB Form 83-I (item 13b) is 1,047 calculated as follows:

SBA Form 468 Long Form	294
SBA Form 468 Short Form x 3	585
Leveraged SBICs with Distributions x 4	144
Appendix A, Reinvestor SBIC Reporting x 4	24
Total Responses	1,047

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

Form Number	Number of responses	×	Hours per response average	×	Cost per hour	=	Total Cost
SBA Form 468 Long Form	294		35		\$52.30		\$538,167
Form 468 Short Form	585		27		\$52.30		\$826,079
Leveraged SBICs with Distributions	144		4		\$52.30		\$30,125
Appendix A, Reinvestor SBIC Reporting	24		8		\$52.30		\$10,042
TOTAL COLLECTION							\$1,404,413

The estimated hourly cost to respondents is calculated using the mean hourly wage of \$52.30 (mean annual wage of \$108,790) Financial and Investment Analysts (rate obtained from the most recently available 2022 Bureau of Labor Statistics, Occupational Employment Statistics, [Financial and Investment Analysts](#)).

13. Estimated nonrecurring costs. The annual cost burden resulting from the collection of information is estimated at \$35,000 per year-end respondent for 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 cost per respondent x 309 year-end respondents = \$10,815,000.

14. Estimated cost to the Government. The Federal Government’s cost to review and analyze each SBA Form 468 filed is estimated at \$243. The aggregate cost is computed as follows:

Analyst performing financial and regulatory review of SBA Form 468:

GS-13, Step 5: 4 hours @ \$60.83 (FY23 hourly rate for DC area)	\$243
<u>Estimated number of responses (annual and quarterly combined)</u>	<u>× 1,047</u>
Total cost to Federal government	\$254,421

15. Reasons for changes. The increase in the annual hour burden estimate reflects the anticipated number of respondents based upon the current size of the SBIC program and changes anticipated by 3245-AH90.
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 468 Instructions

SBA Form 468, Financial Report (Long Form)

SBA Form 468, Financial Report (Short Form)

SBA Form 468, SBIC Reinvestor Reporting Appendix

[87 FR 63436](#) Small Business Investment Company Investment Diversification and Growth Proposed Rule

3245-AH90 Small Business Investment Company Investment Diversification and Growth Final Rule (draft with OMB for interagency clearance)

Authorizing Statutory and Regulatory Provisions