

## SUPPORTING STATEMENT FOR FORM SB-1

This submission pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. Section 3501 et seq., consists of this supporting statement and the following exhibits:

- A. Statutory Authority
- B. Form SB-1

### A. Justification

#### 1. Necessity of Information Collection

The Securities Act of 1933 (“Securities Act”) has, as its basic objective, the prevention of misrepresentation, deceit and other fraudulent acts and practices in the sale of securities. To fulfill this objective, the Securities Act requires that, unless an exemption is available, a registration statement must be filed before any securities are publicly offered and that the registration statement must be effective before any securities can be sold. The information gathered is not primarily for use by the Commission but to provide disclosure of financial and other information so that investors can make informed investment decisions.

Section 5(b) of the Securities Act requires that investors be furnished with a prospectus, which contains the information that enables them to evaluate the securities. Moreover, Section 6(d) of the Securities Act mandates that the entire registration statement be made publicly available.

Section 7 of the Securities Act and Schedule A outlines the information required to be contained in a registration statement. At the same time, this Section expressly gives the Commission authority to vary such disclosure for various classes of issuers and securities. Also, Section 10 of the Securities Act outlines information required to be included in a prospectus and like Section 7, it also gives the Commission discretion to classify prospectuses according to the nature and circumstances of their use or the nature of the security, issue, issuer, or otherwise (Section 10(d)).

Pursuant to the Securities Act mandate which requires the filing of registration statement, and statutory authority to vary the disclosure requirements of the registration statements depending upon the issuer and other considerations, the Commission has adopted a number of specialized registration forms to conform disclosure requirements to the type of offering or issuer or other parameter, thereby eliminating burdensome and unnecessary requirements.

#### 2. Purposes of, and Consequences of Not Requiring, the Information Collection

The information to be collected is intended to ensure the adequacy of information available to investors in registration of securities.

3. Role of Improved Information Technology and Obstacles to Reducing Burden

Form SB-1 is filed using the Commission's Electronic Data Gathering, Analysis and Retrieval (EDGAR) system.

4. Efforts to Identify Duplication

There is no other public source for the information.

5. Effect on Small Entities

Form SB-1 is a registration statement used by small business issuers to register securities pursuant to the Securities Act of 1933.

6. Consequences of Less Frequent Collection

A small business issuer is required to file Form SB-1 when it chooses to conduct a securities offering that must be registered under the Securities Act. Less frequent collection would mean that current information may not be available to investors and may potentially decrease investor confidence in the full and fair disclosure system that is the hallmark of the U.S. capital markets.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

Not applicable.

8. Consultations Outside the Agency

Before being adopted, Form SB-1 was proposed for public comment. No comments were received on this request during the 60-day comment period prior to OMB's review.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

12. Estimate of Respondent Reporting Burden

Approximately 17 respondents file Form SB-1 annually at an estimated 177 hours per response for a total annual burden of 12,036 hours. It is estimated that 25% of the total burden hours (3,009 hours) is prepared by the company. The estimated burden hours are made solely for the purpose of the Paperwork Reduction Act. They are not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms.

1. Estimate of Total Annualized Cost Burden

It is estimated that 75% of the 12,036 burden hours (9,027 hours) are prepared by outside counsel. It is estimated that it will cost \$400 per hour ( $\$400 \times 9,027$ ) for a total of \$3,610,800 annually. The estimated cost burden is made solely for the purpose of the Paperwork Reduction Act. They are not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms.

14. Estimate of Cost to the Federal Government

The estimated cost to the federal government is \$50,000.

2. Explanation of Changes in Burden

The increase in cost burden to \$3,610,800 is due to an adjustment. The Commission increased the estimated cost of outside counsel from \$300 per hour to \$400 per hour.

16. Information Collections Planned for Statistical Purposes

Not applicable.

17. Explanation as to Why the Expiration Date Will Not be Displayed

Not applicable.

B. Collection of Information Employing Statistical Methods

Not applicable.