

SUPPORTING STATEMENT
Form 1-E, Regulation E

A. JUSTIFICATION

1. Necessity for the Information Collection

Regulation E, a series of rules that provides specific exemptions from the registration provisions of the Securities Act for small business investment companies (“SBICs”) and investment companies that elect to be treated as business development companies (“BDCs”), was adopted pursuant to Sections 3(b) and (c) (15 USC 77c(b) and (c)) of the Securities Act of 1933 (“Securities Act”) (15 U.S.C. 77a et seq.). Section 3(b) and (c) permits the Securities and Exchange Commission (“Commission”) to add any class of securities to the securities exempted from the Securities Act by Section 3 and specifically empowers the Commission to exempt completely or conditionally securities issued by SBICs from the registration provisions of the Securities Act. Regulation E allows the exemption of securities issued by an SBIC which is registered under the Investment Company Act of 1940 (“Investment Company Act”) (15 U.S.C. 80a-1 et seq.), or a closed-end investment company that has elected to be regulated as a BDC under the Investment Company Act from registration under the Securities Act, so long as the aggregate offering price of all securities of an issuer that may be sold within a 12-month period does not exceed \$5,000,000 and certain other conditions are met. Under rule 604 of Regulation E, companies wishing to obtain the exemption must notify the Commission of their interest in claiming the exemption by filing a notification on Form 1-E (17 CFR 239.200) with the Commission. Rule 605 of Regulation E requires an issuer seeking a securities registration exemption under Regulation E to provide an offering circular to persons solicited by the issuer and to file the offering circular with the Commission if the offering in excess of \$100,000.

2. Purpose of the Information Collection

As mentioned above, Form 1-E is used to file with the Commission to claim an exemption to registration. The notification must include the names and addresses of the issuer, its affiliates, directors, officers, and counsel; a description of events which would make the exemption unavailable; the jurisdiction in which the issuer will offer the securities; information about unregistered securities issued or sold by the issuer within one year before filing on Form 1-E; and whether the issuer is presently offering or contemplating offering any other securities. In addition, the notification must include exhibits such as the offering circular and any underwriting contracts. The notification on Form 1-E requires less information than would be required in a registration statement under the Securities Act and, thus, results in a reduction of costs and savings of time for a qualified issuer engaged in a small offering. In addition to notifying the Commission of a registrant's intent to make a limited offering, Form 1-E assists the staff to determine whether an exemption is available for a particular issuer.

A company claiming an exemption under Regulation E must also file an offering circular with the Commission as an exhibit to Form 1-E and to provide the offering circular to investors. The offering circular must contain information specified in Schedule A or B of Regulation E (17 CFR 230.610a). In general, Schedules A and B of Regulation E require disclosure about the business and investment policies of the issuer, its management, and its financial condition. The financial statements must be prepared in accordance with generally accepted accounting principles and practices, but need not be certified by independent public accountants. Because the offering circular requires less information than would normally be furnished to investors in a prospectus, the burden on the issuer is reduced, while at the same time, investors receive

pertinent information. The Commission uses the information provided in the offering circular to determine whether the offering qualifies for exemption.

3. Role of Improved Information Technology

Although the Commission has an electronic filing system, called EDGAR (for Electronic Data Gathering, Analysis and Retrieval), which is designed to automate the filing, processing, and dissemination of all disclosure filings, neither Form 1-E nor the offering circular is currently filed electronically.

4. Efforts to Identify Duplication

Not applicable.

5. Effect on Small Entities

The exemption under Regulation E is intended to relieve small entities of the reporting burden of registering their offering under the Securities Act.

6. Consequences of Less Frequent Collection

Without the information provided in Form 1-E, the Commission would have no notice of the offering and could not monitor an offering qualified for the exemption. In addition, without the collection of information in the offering circulars, the Commission would not be able to monitor the content of the offering and would not be able to determine whether the offerings qualified for the exemption.

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

Not applicable.

8. Consultations Outside the Agency

Comments are generally received from registrants, trade associations, the legal and accounting professions, and other interested parties. In addition, the Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a medium of ascertaining and acting upon paperwork burdens confronting the industry.

The Commission requested public comment on the information collection requirement with respect to Form 1-E, Regulation E before submitting this request for extension to OMB. The Commission received no comments in response and is not aware of any dissatisfaction with the rules.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

12. Estimate of Hour Burden

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act (“PRA”) and are not derived from a quantitative, comprehensive, or even representative survey or study of the burdens associated with Commission rules and forms.

The Commission estimates that approximately ten issuers file notifications on Form 1-E, together with offering circulars with the Commission annually. Based on the Commission's experience with disclosure documents, we estimate that the burden from compliance with Form 1-E and the offering circular requires approximately 100 hours per filing. The total burden hours for compliance with Form 1-E and the offering circular would be 1,000 hours in the aggregate (10 responses x 100 hours per response).

13. Estimate of Total Annual Cost Burden

Also based on our previous experience, we estimate that the cost of outside services used in preparing and filing Form 1-E, including the offering circular, would be approximately \$35,000 per filing (this cost burden includes services provided by outside counsel, independent certified public accountants, and printers). As explained above, the Commission estimates that ten filings would be made annually. Thus, the total cost burden estimate is \$350,000 (10 responses x \$35,000 per response).

14. Estimate of Cost to the Federal Government

The annual cost of reviewing and processing registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies, including notifications on Form 1-E, amounted to approximately \$17.5 million in fiscal year 2005, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Explanation of Changes in Burden

In the last PRA submission, the Commission estimated 15 responses to the collection of information annually. Based on this estimate, we determined a total annual reporting burden of 1500 hours. Since the prior submission, the Commission estimates that issuers file approximately 10 notifications, together with offering circulars, on Form 1-E with the Commission annually. As discussed above, based on a new estimate of 10 annual responses we estimate that the new total annual reporting burden estimate would be 1,000 hours per year in the aggregate, a decrease of 500 hours. Similarly the Commission previously estimated that the current annual cost burden to be \$525,000, which we adjust to a new estimate of \$350,000, a decrease of \$175,000. The decrease of 500 in internal hour burden and \$175,000 in external cost burden is based on our changed estimate of the number filings issuers make on Form 1-E.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to not Display Expiration Date

Not applicable.

18. Exceptions to Certification Statement

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.