

**Supporting Statement
Form N-14**

A. JUSTIFICATION

1. Necessity for the Information Collection

The Commission is statutorily mandated to ensure that information essential for informed decision-making in connection with the purchase and sale of publicly traded securities is publicly disclosed. Section 5(c) of the Securities Act of 1933 (“1933 Act”) (15 U.S.C. 77a et seq.; 77e(c)) requires a company to have filed a registration statement with the Commission before it offers securities to the public by use of the mails or other channels of interstate commerce. Section 5(b) (15 U.S.C. 77e(b)) requires that a prospectus containing the pertinent information set forth in the registration statement be furnished to the purchaser prior to the sale or at the time of confirmation or delivery of the securities to the purchaser. Investment companies are required to register under Section 8(a) of the Investment Company Act of 1940 (“1940 Act”) (15 U.S.C. 80a-1 et seq.; 80a-8(a)) and to file a registration statement under Section 8(b) (15 U.S.C. 80a-8(b)) containing such information as the Commission has determined to be necessary or appropriate in the public interest or for the protection of investors.

Form N-14 (17 CFR 239.23) is the form for registration under the 1933 Act of securities to be issued by investment companies registered under the 1940 Act or business development companies as defined by Section 2(a)(48) of the 1940 Act in business combination transactions specified in rule 145(a) (17 CFR 230.145(a)) and exchange offers. Rule 145(a) provides that submitting a proposal for certain reclassification of securities, mergers, consolidations, or transfers of assets for the vote or consent of security holders, is deemed to involve an “offer,” “offer to sell,” “offer for sale,” or “sale” of the securities to be issued in the transaction. The

effect of the rule is to require registration of the securities to be issued in connection with such transactions, unless an exemption from registration is available.

2. Purpose of the Information Technology

The principal purpose of Form N-14 is to make material information regarding securities used in business combination transactions available to investors. The information required to be filed with the Commission permits verification of compliance with securities law requirements and assures the public availability and dissemination of such information. Without the registration statement requirement, material information would not necessarily be available to investors.

3. Role of Improved Information Technology

The Commission's electronic filing system (Electronic Data Gathering, Analysis and Retrieval System, or "EDGAR") is designed to automate the filing, processing and dissemination of all disclosure filings. Form N-14 is filed electronically.

4. Efforts to Identify Duplication

The information in Form N-14 is not generally duplicated elsewhere.

5. Effect on Small Entities

With respect to registering securities to be offered in a merger or other business combination, the Form applies equally to all registrants, regardless of size. There is no alternative which would permit the Commission to afford special treatment to small entities.

6. Consequences of Less Frequent Collection

The legislative intent for this information collection could not be met by fewer collections. The protection of investors mandated by the federal securities laws requires that issuers of securities disclose basic information about their business, financial condition, and securities so that potential investors may determine the merits of such securities.

If information were collected less frequently, the Commission would be unable to fulfill its responsibilities under the 1940 Act and the 1933 Act and investors would not have current information on which to make investment decisions.

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

Not applicable.

8. Consultations Outside the Agency

The Commission requested public comment on the collection of information requirements of Form N-14 before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request. Prior to its adoption in November 1985, Form N-14 was proposed for public comment. The Form was adopted after consideration by the Commission of all views and comments received. In 1994, Form N-14 was amended to require investment companies to include a comparative fee table in the disclosure documents delivered in connection with business combination transactions. In 1997, Form N-14 was amended to revise the instructions for calculation and payment of registration fees under the 1933 Act pursuant to the implementation of the National Securities Market Improvement Act of 1996. These amendments were adopted after consideration by the Commission of all views and comments received.

The Commission and the 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 means of ascertaining and acting upon paperwork burdens confronting the industry.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

12. Estimate of Hour Burden

Based on the Commission's experience with the filing and amending of Form N-14 and with disclosure documents generally, we estimate that the reporting burden of compliance with Form N-14 is approximately 620 hours per respondent for a new Form N-14 registration statement, and 350 hours per respondent for amending the form. It is estimated that 240 registrants each file one new registration statement on Form N-14 each year, and 135 of those registrants file one amendment to Form N-14 annually. The total annual burden for the 375 responses is 196,050 hours. The weighted average burden per response is 522.8 hours.

Based on the estimated wage rate, the total cost to the fund industry of the hour burden for complying with Form N-14 filings is approximately \$41,856,675.¹

¹ The cost to the industry is calculated by multiplying the total annual hour burden (196,050 hours) by the estimated hourly wage rate of \$213.50. The estimated wage figure is based on published rates for

13. Estimate of Total Annual Cost Burden

The cost of compliance will vary considerably depending on factors such as whether a filing is a new registration statement or a pre-effective amendment to a previously filed Form N-14; whether the contemplated merger or business combination presents novel or complex legal issues or is similar to other mergers and whether amendments are required in response to staff comments. Based on the Commission's experience with the filing of Form N-14 and with comparable disclosure documents, the Commission estimates that the cost of compliance per response is as follows:

Cost Burden of Preparing and Filing Initial Form N-14

- Cost burden of preparation and filing of initial Form N-14 \$22,320
- Number of initial Forms N-14 filed annually 240
- Total cost burden of preparing and filing initial Form N-14 \$5,356,800

Cost Burden of Preparing and Filing Amendment to Form N-14

- Cost burden of preparation and filing of Amendments to Form N-14 \$12,600
- Number of Amendments to Form N-14 filed annually 135
- Total cost burden of preparing and filing Amendments to Form N-14 \$1,701,000

Total Cost Burden

compliance attorneys (\$48.79) and senior accountants (\$33.03), modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead, yielding effective hourly rates of \$261 and \$166, respectively. See Securities Industry Association, Report on Management & Professional Earnings in the Securities Industry 2006. The estimated wage rate was further based on the estimate that attorneys and accountants would divide time equally, resulting in a weighted wage rate of \$213.50 $((\$261 \times .50) + (\$166 \times .50))$.

- Total cost burden of preparing and filing initial Forms N-14 and Amendments to Form N-14 \$7,057,800

Cost burden is the cost of goods and services purchased to prepare and update reports filed on Form N-14, such as for the services of outside counsel. The cost burden does not include the hour burden discussed in Item 12.

14. Estimate of Cost to the Federal Government

The annual operational cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of all investment companies amounted to approximately \$16,800,000 in fiscal year 2006, based on the Commission's computation of the value of staff time devoted to these activities and related overhead.

15. Explanation of Changes in Burden

Currently, the approved annual hour burden for preparing and filing registration statements on Form N-14 is 235,010 hours, and the total approved annual cost burden is \$8,460,000, based on the previous estimate of 457 responses. The new estimate of the total annual hour burden is 196,050 hours, and the new estimate of the total annual cost burden is \$7,057,800, based on the new estimated total number of responses of 375. The decrease in the total annual hour burden is 38,960 hours, and the decrease in the total annual cost burden is \$1,402,200. Both of these decreases are due to the decrease in the number of responses.

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.