

**SUPPORTING STATEMENT**  
**Form N-CSR**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Form N-CSR (17 CFR 249.331 and 274.128) is a combined reporting form used by management investment companies to file certified shareholder reports under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (“Securities Exchange Act”). Specifically, Form N-CSR is to be used for reports under section 30(b)(2) of the Investment Company Act (15 U.S.C. 80a-29) and section 13(a) or 15(d) of the Securities Exchange Act (15 U.S.C. 78m(a) and 78o(d)), filed pursuant to rule 30b2-1(a) under the Investment Company Act (17 CFR 270.30b2-1(a)). Form N-CSR reports are to be filed with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under rule 30e-1 under the Investment Company Act (17 CFR 270.30e-1).

**2. Purpose of the Information Collection**

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. The information provided on Form N-CSR may be used by the Commission in its regulatory, disclosure review, inspection, and policymaking roles. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection is primarily for the use and benefit of investors. The information filed with the Commission also permits the verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

### **3. Role of Improved Information Technology**

The Commission's electronic filing system (Electronic Data Gathering, Analysis and Retrieval or "EDGAR") is designed to automate the filing, processing and dissemination of full disclosure filings. The system permits publicly held companies to transmit filings to the Commission electronically. This automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. Form N-CSR is required to be filed with the Commission electronically on EDGAR. The public may access filings on EDGAR through the Commission's Internet Web site (<http://www.sec.gov>) or at EDGAR terminals located at the Commission's public reference rooms.

### **4. Efforts to Identify Duplication**

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it proposes a rule or a change in a rule. The requirements of Form N-CSR is not generally duplicated elsewhere.

### **5. Effect on Small Entities**

The current disclosure requirements for the registration statements and reports on Form N-CSR do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare reports on Form N-CSR may be greater than for larger funds. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection and the purposes of certified shareholder reports.

We review all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

**6. Consequences of Less Frequent Collection**

The frequency with which information from Form N-CSR is collected will not change.

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

Not Applicable.

**8. Consultation Outside the Agency**

Form N-CSR has previously been amended through rulemaking actions pursuant to the Administrative Procedures Act. 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.

The Commission requested public comment on the collection of information requirements for Form N-CSR 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.

**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 number of funds filing Form N-CSR are estimates based on the Commission's industry statistics.<sup>1</sup> The hour burden estimates for preparing and filing Form N-CSR are based on consultations with a sampling of filers and the Commission's experience with the contents of the form. The number of burden hours may vary depending on, among other things, the complexity of the filing and whether preparation of the forms is performed by fund staff or outside counsel. The estimated average burden hours are made solely for purposes of the Paperwork Reduction Act and are not derived from a quantitative, comprehensive, or even representative survey or study of the burdens associated with Commission rules and forms.

The respondents to this information collection are management investment companies subject to rule 30e-1 under the Investment Company Act registering with the Commission on Form N-1A, N-2, or N-3. Compliance with the disclosure requirements of Form N-CSR is mandatory.

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<sup>1</sup> The estimated number of Forms N-CSR filed annually or, if applicable, semi-annually, are based on the number of filings in calendar year 2006.

The Commission estimates that the burden hours that will be imposed by Form N-CSR are as follows:

Calculation of Hour Burden for Form N-CSR Filings

• Number of respondents	3,650
• Number of filings annually	7,300
• Average number of portfolios per respondent	2.5
• Number of portfolios referenced in filings annually (9,125 portfolios responding twice a year)	18,250
• Hour burden per filing	18.93
• Hour burden per portfolio	7.57
• Annual hour burden per portfolio	15.14
• Total annual hour burden per portfolio (7.57 hours x 18,250 portfolios)	138,152.5

Based on the estimated wage rate, the total cost to the fund industry of the hour burden for complying with Form N-CSR is approximately \$34,883,632 million.<sup>2</sup>

### **13. Estimate of Total Annual Cost Burden**

Cost burden is the cost of goods and services purchased to prepare and update Form N-CSR, such as for the services of independent auditors and outside counsel. The cost burden does not include the hour burden discussed in Item 12. Estimates are based on the Commission's experience with the filing of registration forms.

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<sup>2</sup> The cost to the industry is calculated by multiplying the total annual hour burden (138,153 hours) by the estimated hourly wage rate of \$252.50. The estimated wage figure is based on published rates for compliance attorneys (\$48.79) and programmers (\$45.61), 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 \$244, 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 programmers would divide time equally, resulting in a weighted wage rate of \$252.50  $((\$261 \times .50) + (\$244 \times .50))$ .

The total annual cost burden to respondents for outside professionals associated with the collection of data relating to Form N-CSR is currently \$1,228,000. The new total cost burden allocated to Form N-CSR would be as follows:

Cost Burden of Preparing and Filing Form N-CSR Filings

• Cost burden per portfolio for N-CSR filings	\$66.38 <sup>3</sup>
• Number of portfolios referenced in N-CSR filings per year	18,250
• Total Cost burden of Form N-CSR filings (18,250 x \$66.38)	\$1,211,435

**14. Estimate of Cost to the Federal Government**

The annual cost of reviewing and processing new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$16.8 million in fiscal year 2006, 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**

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<sup>3</sup> Currently, the Office of Management and Budget inventory for cost burden based upon 7,400 responses is \$1,228,000, equating to cost per response of \$165.95. Based upon the Commission’s estimate of 2.5 portfolios per response, the computed cost per portfolio is \$66.38 = (\$165.95/2.5 portfolios).

Currently, the approved annual hour burden for preparing and filing reports on Form N-CSR is 143,854 hours based upon the previous estimate of 7,400 responses. The new estimate of the total annual hour burden is 138,153 hours based upon the new estimated total number of 7,300 responses. Therefore, there has been a decrease of the total annual hour burden for N-CSR filings of 5,701 hours. The total approved annual cost burden to respondents for outside professionals associated with the collection of data relating to Form N-CSR decreased from \$1,228,000 to \$1,211,435; a net decrease of \$16,565. The decreases in the burden hours and cost estimates, which can be considered negligible changes, can nevertheless be attributed to the decrease in the number of respondents from the current estimates.

**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.