

SUPPORTING STATEMENT FORM N-2

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-2 (17 CFR 239.14 and 274.11a-1) is the form used by closed-end management investment companies (“closed-end funds”) to register as investment companies under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and to register their securities under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”). Section 5 of the Securities Act (15 U.S.C. 77e) requires the filing of a registration statement prior to the offer of securities to the public and that the statement be effective before any securities are sold. The primary purpose of the registration process is to provide disclosure of financial and other information to investors and potential investors for the purpose of evaluating an investment in a security. Section 5(b) of the Securities Act requires that investors be provided with a prospectus containing the information required in a registration statement prior to the sale or at the time of confirmation or delivery of the securities.

A closed-end fund is required to register as an investment company under Section 8(a) of the Investment Company Act (15 U.S.C. 80a-8(a)). Form N-2 permits a closed-end fund to provide investors with a prospectus covering essential information about the fund when the fund makes an initial or additional offering of its securities. More detailed

information is provided to interested investors in the Statement of Additional Information ("SAI"). The SAI is provided to investors upon request and without charge.

2. Purpose of the Information Collection

The purpose of Form N-2 is to meet the filing and disclosure requirements of the Securities Act and the Investment Company Act and to enable funds to provide investors with information necessary to evaluate an investment in a fund. This information collection differs significantly from many other federal information collections, which are primarily for the use and benefit of the collecting agency. 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 the information.

3. Role of Improved Information

The Commission's electronic filing system, EDGAR, is designed to automate the filing, processing and dissemination of all disclosure filings. The system permits publicly held companies to transmit their filings to the Commission electronically. This automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. All registered investment companies filing Form N-2 with the Commission are required to use EDGAR.

4. Efforts to Identify Duplication

The Form N-2 registration statement is the principal disclosure document used by closed-end funds. In general, to avoid duplication a fund may incorporate by reference, in answer or partial answer to any item in Form N-2 not required to be included in the prospectus, any information contained elsewhere in the registration statement or any information contained in other statements, applications or reports filed with the Commission.

5. Effect on Small Entities

Form N-2 must be filed by all closed-end funds, regardless of size. It would not be in the best interest of investors to **reduce** the reporting and recordkeeping requirements for small entities.

6. Consequences of Less Frequent Collection

In the absence of the disclosure requirements in Form N-2, investors in closed-end funds may not receive information necessary to make informed investment decisions, and consumer confidence in the securities industry could be adversely affected. Form N-2 also satisfies the Investment Company Act requirement that investment companies register with the Commission before they conduct business. In the absence of a Form N-2 registration statement, closed-end funds would not be able to comply with the filing requirements of the Investment Company Act.

A closed-end fund must file its registration statement on Form N-2 only when making initial or additional offerings of securities or when amending its registration statement. Less frequent collection would mean that information current to a particular offering would not be available to fund investors and the Commission would not have current information to perform its regulatory functions.

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

Not applicable.

8. Consultation Outside the Agency

Form N-2 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 in Form N-2 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 estimate of the annual number of registration statements filed on Form N-2 is based on the average annual number of filings received by the Commission over the past three years. The hour burden estimates for preparing and filing Form N-2 are based on 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 form 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.

Form N-2 generally imposes two types of reporting burdens on investment companies: (1) the burden of preparing and filing the initial registration statement; and (2) the burden of preparing and filing post-effective amendments to a previously effective registration statement. Separate accounts organized as management investment companies and offering variable annuities register as investment companies under the Investment Company Act and register their securities under the Securities Act on Form N-2. The Commission estimates that the burden hours that will be imposed by Form N-2 are as follows:

Calculation of Hour Burden of Initial Form N-2 Filings

• Number of initial Form N-2 filings annually	140
• Average number of portfolios per filing	1
• Number of portfolios referenced in initial Form N-2 filings annually	14
	0
• Current hour burden per portfolio for initial Form N-2 filing	567.7
• Total annual hour burden for initial Form N-2 filings (140 x 567.7)	79,478

Calculation of Hour Burden of Post-Effective Amendments

• Number of post-effective amendments filed annually	60
• Average number of portfolios per filing	1
• Number of portfolios in post-effective amendments to Form N-2 filings annually	60
• Current hour burden per portfolio for preparing post-effective amendments	116.5
• Total annual hour burden to prepare post-effective amendments (60 x 116.5)	6,990

Total Annual Hour Burden

• Annual hours for post effective amendments + annual hours for initial Form N-2 filings (79,478 + 6,990)	86,468
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Based on the estimated wage rate, the total cost to the fund industry of the hour burden for complying with Form N-2 is approximately \$24.168 million.¹

13. Estimate of Total Annual Cost Burden

¹ The cost to the industry is calculated by multiplying the total annual hour burden (86,468 hours) by the estimated hourly wage rate of \$279.50. The estimated wage figure is based on published rates for compliance attorneys and senior programmers, 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 \$270 and \$289, respectively. See SIFMA's Report on Management & Professional Earnings in the Securities Industry 2007 (Sept. 2007). 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 \$279.50 (($\$270 \times .50$) + ($\$289 \times .50$)).

Cost burden is the cost of goods and services purchased to prepare and update Form N-2, 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.

The current estimated cost burden for preparing an initial Form N-2 is \$21,465 per portfolio and for preparing a post-effective amendment to a previously effective registration statement is \$8,775 per portfolio. The Commission estimates that, on an annual basis, 140 portfolios will be referenced in initial filings on Form N-2 and 60 portfolios will be referenced in post-effective amendments of Form N-2 filings. Thus, the total cost burden allocated to Form N-2 would be as follows:

Cost Burden of Preparing and Filing Initial Form N-2

• Cost burden per portfolio for initial Form N-2 filings	\$21,465
• Number of portfolios referenced in initial Form N-2 filings annually	140
• Cost burden of initial Form N-2 filings (140 x \$21,465)	\$3,005,100

Cost Burden of Preparing and Filing Post-Effective Amendments

• Cost burden per portfolio of post-effective amendments Form N-2 filings	\$8,775
• Number of portfolios referenced in post-effective amendments to Form N-2 filings annually	60
• Cost burden of post-effective amendments to Form N-2 filings (60 x 8,775)	\$526,500

Total Cost Burden for Form N-2

- Initial Form N-2 filings + post-effective amendments

(\$3,005,100 + \$526,500)

\$3,531,600

14. Estimate of Cost to the Federal Government

The annual cost of reviewing and processing new registration statements, and post-effective amendments of investment companies amounted to approximately \$20.8 million in fiscal year 2007, 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

Currently, the approved annual hour burden for preparing and filing registration statements on Form N-2 is 125,575 hours based on the previous estimate of 462 responses. The new estimate of the total hour burden is 86,468 hours based on the new estimated total number of responses of 200. The decrease in the total annual hour burden is 39,107 hours. This decrease is due to the decrease in our estimates of the annual 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.

