

SUPPORTING STATEMENT
Form N-Q

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-Q (17 CFR 249.332 and 274.130) is a combined reporting form that is used for reports of registered management investment companies (“funds”), other than small business investment companies registered on Form N-5, under Section 30(b) of the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (“Investment Company Act”) and Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (“Exchange Act”). Pursuant to Rule 30b1-5 under the Investment Company Act,¹ funds are required to file with the Commission quarterly reports on Form N-Q not more than 60 days after the close of the first and third quarters of each fiscal year containing their complete portfolio holdings. Pursuant to Rule 30a-3(b) under the Investment Company Act,² fund management is required to evaluate the effectiveness of the fund’s disclosure controls and procedures within the 90-day period prior to the filing of a report on Form N-Q, and such report must also be signed and certified by its principal executive and financial officers, consistent with Section 302 of the Sarbanes-Oxley Act of 2002.³

2. Purpose of the Information Collection

The purpose of Form N-Q is to meet the disclosure requirements of the Investment Company Act and the Exchange Act and to provide investors with information necessary to evaluate an investment in the fund. The Commission designated Form N-Q as a filing required under the Exchange Act because the fund’s portfolio schedule constitutes financial information

¹ 17 CFR 270.30b1-5.

² 17 CFR 270.30a-3(b).

³ 15 U.S.C. 7241.

of great significance to investors. Requiring certification of this financial information is consistent with the intent of the certification requirement of Section 302 of the Sarbanes-Oxley Act, which is to improve the quality of the disclosure that a company provides about its financial condition in its periodic reports to investors. Failure to collect this information would seriously impede the Commission's regulatory program and make selective review of disclosure documents registered investment companies send to the public less effective as the industry continues to grow. 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 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 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-Q is required to be filed with the Commission electronically on EDGAR. (17 CFR 232.101(a)(1)(iii) and (iv)). 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-Q are not generally duplicated elsewhere.

5. Effect on Small Entities

The current disclosure requirements for Form N-Q do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare and file the form may be greater than for larger funds. This burden includes the cost of producing, printing, filing, and disseminating the reports. The Commission believes, however, that imposing different requirements on smaller investment companies would not be consistent with investor protection. The Commission reviews 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

Funds currently file their complete portfolio holdings schedules with the Commission on a semi-annual basis as part of their shareholder reports. In addition, funds are required to file their portfolio schedules for the first and third fiscal quarters on Form N-Q. Reports on Form N-Q provide investors with current information necessary to evaluate an investment in the fund. Less frequent collection would mean that current information might not be available to fund investors.

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

Not applicable.

8. Consultation Outside the Agency

The Commission and the staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry and 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. The Commission requested public comment on the collection of information

requirements in Form N-Q 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

Confidentiality is not applicable because the information collected on Form N-Q is publicly available.

11. Sensitive Questions

Not applicable.

12. Estimate of Hour Burden

The current approved total annual burden associated with Form N-Q is 188,223 hours, based on an estimated annual burden of approximately 21 hours per portfolio and an estimated number of portfolios of 8,963. We now estimate that there are 8,000 portfolios required to file reports on Form N-Q. Using the currently approved annual burden estimate of approximately 21 hours per portfolio, we now estimate that the total annual burden estimated associated with Form N-Q to be 168,000 hours (21 hours per portfolio x 8,000 portfolios) per year. This represents a decrease of 20,223 annual burden hours.

The Commission estimates that the appropriate compensation rate for professionals commonly used in the preparation of Form N-Q filings is \$270 per hour.⁴ Based on this estimate, the total cost to the fund industry of the hour burden is approximately \$45,360,000.

13. Estimate of Total Annual Cost Burden

The Commission estimates that there are no external costs associated with the certification requirement or with preparation of reports on Form N-Q in general.

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 \$19.6 million in fiscal year 2008, 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

As noted in section 12 above, the new estimate represents a decrease of 20,223 hours per year. This decrease is due to the decrease in the estimated number of portfolios submitting Form N-Q per year from 8,963 to 8,000.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to not Display Expiration Date

Not applicable.

⁴ This cost increase is estimated using an estimated hourly wage rate of \$270.00 (168,000 total burden hours x \$270.00 hourly wage rate = \$45,360,000 total incremental internal cost). The estimated wage figure is based on published rates for compliance attorneys, 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. See Securities Industry and Financial Markets Association's Report on Management & Professional Earnings in the Securities Industry 2008 (Sept. 2008).

18. Exceptions to Certification Statement

Not applicable

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.