

**SUPPORTING STATEMENT
Rule 607 under Regulation E**

A. JUSTIFICATION

1. Necessity for the Information Collection

Regulation E (17 CFR 230.601 - 230.610a) provides a conditional exemption from the registration provisions of the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”) for securities of small business investment companies (“SBICs”) and investment companies that elect to be treated as business development companies (“BDCs”). Regulation E was initially adopted in 1958 and made available to SBICs pursuant to Section 3(c) of the Securities Act. Section 3(c) of the Securities Act generally permits the Securities and Exchange Commission (“Commission”) to add to the securities exempted from the Securities Act by Section 3 any class of securities issued by a SBIC. In 1984, pursuant to Section 3(b) of the Securities Act, Regulation E was amended to permit the availability of the exemption to BDCs. Section 3(b) of the Securities Act generally permits the Commission to add any class of securities to the securities exempted from the Securities Act by Section 3.

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 the issuer that may be sold within a 12-month period does not exceed \$5,000,000 and certain other conditions are met.

Rule 607 under Regulation E (17 CFR 230.607) entitled, “Sales material to be filed,” requires that sales material used in connection with securities offerings under Regulation E to be filed with the Commission at least five days (excluding weekends and holidays) prior to its use.¹

2. Purpose of the Information Collection

Commission staff reviews sales material filed pursuant to Rule 607 for materially misleading statements and omissions. The requirements of rule 607 are designed to protect investors from the use of false or misleading sales material in connection with Regulation E offerings.

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. Sales material filed pursuant to rule 607 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.

¹ Sales material includes advertisements, articles or other communications to be published in newspapers, magazines, or other periodicals; radio and television scripts; and letters, circulars or other written communications proposed to be sent given or otherwise communicated to more than ten persons.

4. Efforts to Identify Duplication

The Commission periodically evaluates collection of information requirements for duplication, and reevaluates them whenever it proposes a rule or form, or a change in either. The reporting requirements of rule 607 are not duplicated elsewhere.

5. Effect on Small Entities

A primary purpose of the small offering exemption under Regulation E is to provide a simple and relatively inexpensive procedure by which small businesses can raise limited amounts of needed capital. Offerings under Regulation E require less extensive disclosure than Securities Act registrations. Generally, the less burdensome provisions under Regulation E reflect a commitment by the Commission to facilitate capital formation by SBICs and BDCs while protecting investors.

6. Consequences of Less Frequent Collection

Without this information collection requirement, the Commission would not be able to effectively monitor the content of sales material used in connection with offerings under Regulation E, limiting the Commission's ability to protect investors from false or misleading advertisements.

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 rule 607 under Regulation E before it submitted this request for 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 following estimates of average burden hours and costs 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.

Respondents to this collection of information include SBICs and BDCs making an offering of securities pursuant to Regulation E. Each respondent's reporting burden under rule 607 relates to the burden associated with filing its sales material electronically, which is negligible. Although there have been no filings made under this rule, we are requesting one annual response and an annual burden of one hour for administrative purposes.

13. Estimate of Total Annual Cost Burden

We estimate that rule 607 does not impose any cost burdens.

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 \$20.4 million in fiscal year 2009, 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

This information collection imposes no hour or cost burdens; however, we are requesting a one hour burden for administrative purposes. This does not result in a change to the existing burden.

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.