

## **SUPPORTING STATEMENT FOR PROPOSED RULES UNDER THE SECURITIES EXCHANGE ACT OF 1934**

This supporting statement is part of a submission under the Paperwork Reduction Act of 1995, 44 U.S.C. §3501, et seq.

### **A. JUSTIFICATION**

#### **1. NECESSITY OF INFORMATION COLLECTION**

In Securities Act Release 33-9073,<sup>1</sup> the Securities and Exchange Commission (the “Commission”) proposed amendments to the Federal proxy rules and related rules under the Securities Exchange Act of 1934 (the “Exchange Act”)<sup>2</sup> to improve the notice and access model for furnishing proxy materials to shareholders. Regulation 14A (Commission Rules 14a-1 through 14a-17 and Schedule 14A)<sup>3</sup> governs the solicitation of proxies and information pursuant to Section 14(a) of the Exchange Act. Regulation 14C (Commission Rules 14c-1 through 14c-7 and Schedule 14C)<sup>4</sup> governs the distribution of information statements pursuant to Section 14(c) of the Exchange Act. Rule 20a-1 under the Investment Company Act of 1940<sup>5</sup> (the “Investment Company Act”) requires that the solicitation of a proxy, consent, or authorization with respect to a security issued by an investment company be in compliance with Regulation 14A, Schedule 14A, and all the other rules and regulations adopted under Section 14(a) of the Exchange Act.

Securities Act Release 33-9073 proposes amendments that would affect Regulation 14A, Regulation 14C and Investment Company Act Rule 20a-1. Changes to our Paperwork Reduction Act estimates are separately under review relating to Regulation 14A, Regulation 14C and Investment Company Act Rule 20a-1. This supporting statement only addresses the changes to Regulation 14A, and does not address the related changes to Regulation 14C and Investment Company Act Rule 20a-1. As part of the submission under the Paperwork Reduction Act for Securities Act Release 33-9073, we have provided separate supporting statements addressing the changes to Regulation 14C and Investment Company Act Rule 20a-1.

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<sup>1</sup> Release No. 33-9073 (Oct. 14, 2009) [74 FR 53954].

<sup>2</sup> 15 U.S.C. §78a et seq.

<sup>3</sup> 17 CFR 240.14a-1 et seq.

<sup>4</sup> 17 CFR 240.14c-1 et seq.

<sup>5</sup> 15 U.S.C. 80a-1 et seq.

## **2. PURPOSE OF THE INFORMATION COLLECTION**

The purpose of the information collection in the proposed amendments is to permit, but not require, an issuer or other soliciting person to include explanatory materials with the Notice.<sup>6</sup>

## **3. ROLE OF IMPROVED TECHNOLOGY AND OBSTACLES TO REDUCING BURDEN**

All of the above forms are filed electronically with the Commission using the Commission's Electronic Data Gathering and Retrieval (EDGAR) system.

## **4. EFFORTS TO IDENTIFY DUPLICATION**

We are not aware of any rules that conflict with or substantially duplicate the proposed rules.

## **5. EFFECT ON SMALL ENTITIES**

The proposed amendments would apply to all companies subject to the proxy rules, including small entities. The proposed amendments would permit, but not require, an issuer or other soliciting person to include explanatory materials with the Notice. The disclosure standards do not vary based on the size of the issuer. The proposed amendments are intended to provide flexibility to soliciting persons and enhance their ability to use the notice and access model effectively.

## **6. CONSEQUENCES OF LESS FREQUENT COLLECTION**

The Notice is designed to briefly notify shareholders that proxy materials are electronically available on the Internet. Without the Notice, there is danger that some shareholders may not be aware of how to access those materials, which could lead to solicitation of proxies without full and adequate disclosure by the soliciting party of the matters for which proxy authority is being sought resulting in uninformed voting decisions and possible abuses in the voting process. Not requiring disclosure of the information required by Regulation 14A in proxy statements would harm investors by denying them information that may be useful in making decisions, such as with regard to the election of directors.

The proposed amendments seek to improve the notice and access model for furnishing proxy materials to shareholders. The change that would affect burden estimates relates to the permission that would be provided by proposed amendments to

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<sup>6</sup> The proposed amendments would additionally provide flexibility regarding the format of the Notice that is sent to shareholders and revise the timeframe for a soliciting person other than the issuer to deliver a Notice, neither of which would affect the burden estimates.

include explanatory materials. These materials would not be required, but may help improve investors understanding of the Notice that they are receiving by providing an explanation of the process of how they can receive and review the proxy materials and vote.

**7. INCONSISTENCIES WITH GUIDELINES IN 5 C.F.R. 1320.5(d)(2)**

None.

**8. CONSULTATION OUTSIDE THE AGENCY**

The Commission has issued a release soliciting comment on the new “collection of information” requirements and the associated paperwork burdens. A copy of this release is attached. Comments on Commission releases are generally received from registrants, investors and other market participants. In addition, the Commission and staff of the Division of Corporation Finance and the Division of Investment Management participate in an ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges. The Commission will consider all comments received.

**9. PAYMENT OR GIFTS TO RESPONDENTS**

Not applicable.

**10. ASSURANCE OF CONFIDENTIALITY**

The information in each of the collections of information discussed above is made publicly available.

**11. JUSTIFICATION FOR SENSITIVE QUESTIONS**

Not applicable.

**12/13. ESTIMATES OF HOUR AND COST BURDENS**

The paperwork burden estimates associated with the proposal include the burdens attributable to preparing and reporting information to the Commission and retaining records, but do not include the burden associated with using such information for other purposes. These estimates represent the average burden for all companies, both large and small. For each estimate, we calculate that a portion of the burden will be carried by the company internally, and the other portion will be carried by outside professionals retained by the company. The portion of the burden carried by the company internally is reflected in hours, while the portion of the burden carried by outside professionals retained by the company is reflected as a cost. The burdens have been calculated by multiplying the estimated number of annual responses we believe will be generated by

the estimated average number of hours each entity will spend complying with the requirements of the rules.

We estimate that the burden hours associated with Regulation 14A are carried 75% by the company internally, and that 25% of the burden of preparation is carried by outside professionals retained by the company at an average cost of \$400 per hour.

The proposed amendments would permit, but not require, an issuer or other soliciting person to include explanatory materials with the Notice. We expect that this information will generally consist of approximately one or two paragraphs of text. For purposes of the Paperwork Reduction Act, we estimate the annual burden if a soliciting person chooses to prepare the explanatory materials would be approximately 0.5 reporting hours per issuer or other soliciting person.<sup>7</sup> We estimate that 75% of the burden would be borne by the soliciting person and that 25% of the burden would be borne by outside counsel retained by the soliciting person at an average cost of approximately \$400 per hour. The portion of the burden carried by outside professionals is reflected as a cost, while the portion of the burden carried by the issuer internally is reflected in hours. We estimate the total burden for Regulation 14A, including the changes, is 671,970 hours (669,232 hours + 2738 hours of incremental burden) and the cost for outside professionals is \$ 79,214,887(\$78,849,887 + \$365,000 of incremental cost)

The following table summarizes the proposed PRA burden estimates for Regulation 14A:

Table 1: Calculation of Incremental Paperwork Reduction Act Burden Estimates for Proxy and Information Statements

Form	Annual Responses	Incremental Hours/Form	Incremental Burden	75% Issuer	25% Professional	\$400 Professional Cost
	(A)	(B)	(C)=(A)*(B)	(D)=(C)*0.75	(E)=(C)*0.25	(F)=(E)*\$400
Regulation 14A	7300	0.5	3650	2737.5	912.5	\$365,000

#### 14. ESTIMATE OF COST TO FEDERAL GOVERNMENT

We estimate costs to the federal government will be \$50,000 per form.

#### 15. EXPLANATION OF CHANGES IN BURDEN

See discussion in Items 12/13.

<sup>7</sup> Broadridge Financial Solutions, Inc. processes more than 95% of proxy materials that are sent to beneficial owners on behalf of intermediaries. We believe that issuers likely would rely on proxy distribution service providers to provide the explanatory materials and that issuers and intermediaries would provide explanatory materials that are substantially the same to the beneficial owners that hold through intermediaries, creating no additional annual burden to prepare an intermediary's Notice.

16. INFORMATION COLLECTIONS PLANNED FOR STATISTICAL PURPOSES

Not applicable.

17. EXPLANATION AS TO WHY EXPIRATION DATE WILL NOT BE DISPLAYED

Not applicable.

18. EXCEPTIONS TO CERTIFICATION

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.