

**SUPPORTING STATEMENT FOR ADOPTED RULES UNDER THE  
SECURITIES ACT OF 1933,  
SECURITIES EXCHANGE ACT OF 1934  
DODD-FRANK WALL STREET REFORM AND  
CONSUMER PROTECTION ACT**

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. CIRCUMSTANCES MAKING THE COLLECTION OF INFORMATION NECESSARY**

In Release No. 33-9178,<sup>1</sup> the Securities and Exchange Commission (the “Commission”) adopted amendments to certain rules and form requirements to implement Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“the Act”) relating to shareholder approval of executive compensation (“say-on-pay”), the frequency of say-on-pay and disclosure and shareholder approval of golden parachute compensation. The adopted rules are designed to implement the requirements of Section 951.

The amendments contain “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995. The titles for the collections of information contained by the amendments are:

- “Regulation 14A and Schedule 14A” (OMB Control No. 3235-0059);
- “Regulation 14C and Schedule 14C” (OMB Control No. 3235-0057);
- “Form 8-K” (OMB Control No. 3235-0060);
- “Form 10” (OMB Control No. 3235-0064);
- “Regulation S-K” (OMB Control No. 3235-0071)<sup>2</sup>;
- “Schedule 14D-9” (OMB Control No. 3235-0102);
- “Schedule 13E-3” (OMB Control No. 3235-0007);

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<sup>1</sup> Shareholder Approval of Executive Compensation and Golden Parachute Compensation, Release No. 33-9178 (January 25, 2011) [76 FR 6010].

<sup>2</sup> The paperwork burden from Regulation S-K is imposed through the forms that are subject to the disclosures in S-K and is reflected in the analysis of those forms.

- “Schedule TO” (OMB Control No. 3235-0515);
- “Form S-1” (OMB Control No. 3235-0065);
- “Form S-4” (OMB Control No. 3235-0324);
- “Form S-11” (OMB Control No. 3235-0067);
- “Form F-4” (OMB Control No. 3235-0325); and
- “Form N-2” (OMB Control No. 3235-0026).

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

The purpose of the collections of information is to implement the disclosure requirements of Section 951 of the Act to provide for shareholder say-on-pay vote, a shareholder vote on the frequency of say-on-pay votes, enhanced disclosure of golden parachute compensation arrangements in connection with mergers and similar transactions and a separate shareholder vote on golden parachute compensation in certain circumstances.

## **3. CONSIDERATION GIVEN TO INFORMATION TECHNOLOGY**

The collection of information requirements of the amendments will be set forth in Forms 10, 8-K, S-1, S-4, S-11, F-4, and N-2; and Schedules 14A, 14C, 13E-3, TO and 14D-9. These forms and schedules are filed electronically with the Commission using the Commission’s Electronic Data Gathering, Analysis and Retrieval system.

## **4. DUPLICATION OF INFORMATION**

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

## **5. REDUCING THE BURDEN ON SMALL ENTITIES**

We anticipate that the amendments will increase the burdens and costs for companies that will be subject to the amendments. Some of the amendments, however, will be required in some, but not all, of the above documents, and will not apply to smaller reporting companies. The amendments may have a significant economic impact on small entities.

## **6. CONSEQUENCES OF NOT CONDUCTING COLLECTION**

The regulations, forms and schedules set forth the disclosure requirements for periodic reports, registration statements, and proxy and information statements filed by

companies to help investors make informed investment and voting decisions. Less frequent collection would deprive investors of access to information that is important to their voting and investment decisions.

## **7. SPECIAL CIRCUMSTANCES**

Not applicable.

## **8. CONSULTATIONS WITH PERSONS OUTSIDE THE AGENCY**

The Commission has issued a proposing release soliciting comment on the new “collection of information” requirements and associated paperwork burdens. The Commission did not receive any comments that addressed the overall burden estimates for the proposed amendments, though the Commission’s analysis was cited by one commentator who discussed the Commission’s cost-benefit analysis.<sup>3</sup> In response to the solicitation for comment in the proposing release, registrants, investors, and other market participants provided comments on the proposing release.

In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, roundtables and meetings. The Commission considered all comments received prior to publishing the final rule as required by 1320.11(f). The public can review comments at <http://www.sec.gov/comments/s7-31-10/s73110.shtml>. A copy of the adopting release is attached.

The Commission has made few substantive modifications to the proposed amendments. The Commission has adopted an amendment to Form 8-K to require the disclosure we had proposed to require in Form 10-Q or Form 10-K. Therefore, the Commission has adjusted its estimates to reflect no changes to Forms 10-Q and 10-K and to estimate the increased burdens for Form 8-K.

The Commission also revised the proposed amendments with respect to Schedule TO to eliminate the proposed requirement for bidders in third-party tender offers to provide Item 402(t) disclosure. The Commission has adjusted its estimates to reflect no changes to Schedule TO, as any increased burden will be reflected in Schedule 13E-3 because Item 402(t) disclosure will be required in any tender offer that is also a Rule 13e-3 going-private transaction.

## **9. PAYMENT OR GIFT TO RESPONDENTS**

Not applicable.

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<sup>3</sup> See letter from Center for Capital Markets Competitiveness of the U.S. Chamber of Commerce.

## **10. CONFIDENTIALITY**

Not applicable.

## **11. SENSITIVE QUESTIONS**

Not applicable.

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

We anticipate that the disclosure amendments will increase the burdens and costs for companies that will be subject to the amendments. New Section 14A of the Exchange Act, as created by Section 951 of the Act, has already increased the burdens and costs for issuers by requiring separate shareholder votes on executive compensation and the frequency of shareholder votes on executive compensation. Section 14A also requires additional disclosure of golden parachute arrangements in proxy solicitations to approve merger transactions and a separate shareholder vote to approve such arrangements in certain circumstances. Our amendments address the Act's requirements in the context of disclosure under the federal proxy rules, Regulation S-K and related forms and schedules, thereby creating only an incremental increase in the burdens and costs for such issuers. The amendments specify how issuers are to comply with Section 14A of the Exchange Act and require new disclosure with respect to comparable transactions.

For purposes of the PRA, in the Proposing Release we estimated the annual incremental paperwork burden for all companies to prepare the disclosure that would be required under our proposals to be approximately 25,192 hours of company personnel time and a cost of approximately \$8,141,200 for the services of outside professionals. These estimates included the time and the cost of data gathering systems and disclosure controls and procedures, the time and cost of preparing and reviewing disclosure by in-house and outside counsel and executive officers, and the time and cost of filing documents and retaining records. In deriving our estimates, we recognize that the burdens will likely vary among individual companies based on a number of factors, including the size and complexity of their organizations, the nature and complexity of their golden parachute compensation arrangements, and the nature of their operations. We believe that some companies will experience costs in excess of this average in the first year of compliance with proposals and some companies may experience less than the average costs. As discussed above, as a result of changes to our proposed rules, we are slightly reducing the total PRA burden and cost estimates that we originally submitted to the OMB in connection with the proposed amendments. We estimate the annual incremental paperwork burden for all companies to prepare the disclosure that would be required under our rule amendments to be approximately 24,942 hours of company personnel time and a cost of approximately \$7,841,200 for the services of outside professionals.

We derived our new burden hour and cost estimates by estimating the average number of hours it would take an issuer to prepare and review the proposed disclosure requirements. These estimates represent the average burden for all companies, both large and small. Our estimates have been adjusted to reflect the fact that some of the amendments will be required in some but not all of the above listed documents depending upon the circumstances, and would not apply to all companies.

With respect to reporting companies, the disclosure required by new Item 402(t) of Regulation S-K will be required in merger proxy and information statements, Forms S-4 and F-4, Schedule 13E-3 and certain solicitation/recommendation statements. The disclosure required by new Item 402(t) may also be included in annual meeting proxy statements on a voluntary basis.

The disclosure required by our amendments to Item 402(b) of Regulation S-K will be required in proxy and information statements as well as Forms 10, 10-K, S-1, S-4, S-11, and N-2. The amendments to CD&A will not be applicable to smaller reporting companies because under current CD&A reporting requirements these companies are not required to provide CD&A in their Commission filings. Based on the number of proxy filings that were received in the 2009 fiscal year, we estimate that approximately 1,200 domestic companies are smaller reporting companies that have a public float of less than \$75 million.

In the Proposing Release, we based our annual burden estimates on other assumptions. We have made some small adjustments to these estimates to reflect the revisions we made to the amendments. First, we continue to assume that the burden hours of the amendments will be comparable to the burden hours related to similar disclosure requirements under current reporting requirements, such as the disclosure required by Item 402(j). Second, we continue to assume that substantially all of the burdens associated with the amendments to Rule 14a-21 and Item 24 will be associated with Schedule 14A as this will be the primary disclosure document in which these items will be prepared and presented. In the case of our amendments to Item 402(b) and Item 402(t) of Regulation S-K, we continue to assume that the burdens associated with the amendments will be associated with various disclosure documents as these items will be included in a number of forms and statements. We have noted an additional 1 hour for the amendments to Form 8-K, and we are no longer proposing any amendments that would alter the disclosure burden of Form 10-Q and Form 10-K.

For each reporting company, we estimate that the amendments will impose on average the following incremental burden hours:

- 2 hours for the amendments to CD&A
- 1 hour for the amendments to Item 24 of Schedule 14A
- 1 hour for the amendments to Form 8-K
- 20 hours for new Item 402(t) of Regulation S-K

1. Annual Meeting Proxy Statements

For purposes of the PRA, in the case of reporting companies, we estimate the annual incremental paperwork burden for annual meeting proxy statements under the amendments will be approximately 1 hour per form for companies that are smaller reporting companies, and 3 hours per form for companies that are non-accelerated filers (and not smaller reporting companies), accelerated filers, or large accelerated filers.<sup>4</sup> The estimated burden is smaller for smaller reporting companies as such issuers are not required to include a CD&A.

2. Exchange Act Current Reports

For purposes of the PRA, we estimate the annual incremental paperwork burden for Form 8-K under the amendments will be approximately 1 hour per form. Our estimates below also account for the fact that each issuer will only be required to include additional disclosure in one amended Form 8-K each year the issuer conducts a shareholder advisory vote on frequency.

3. Securities Act Registration Statements and Exchange Act Registration Statements

For purposes of the PRA, in the case of reporting companies, we estimate the annual incremental paperwork burden for Securities Act and Exchange Act registration statements under the amendments is approximately 2 hours per form, which represents the additional burden associated with our amendments to CD&A.<sup>5</sup> In making our estimates, we note that the additional burdens in CD&A only apply to issuers who have conducted a prior shareholder advisory vote and would not apply, for example, to issuers making an initial filing on Form S-1 or Form S-11.

4. Merger Proxies, Tender Offer Documents and Schedule 13E-3

For purposes of the PRA, in the case of reporting companies, we estimate the annual incremental paperwork burden for merger proxy statements, and registration statements on Form S-4 and F-4 to be 21 hours per form, as these forms will be required to include additional disclosures under Item 24 of Schedule 14A and Item 402(t) of Regulation S-K. We estimate the annual incremental paperwork burden for merger information statements, and tender offer solicitation/recommendation statements and Schedules 13E-3 to be 20 hours per form, as these forms will be required to include Item 402(t) disclosure but will not be required to include additional disclosure under Item 24 of Schedule 14A.

The tables below illustrate the total annual compliance burden of the collection of information in hours and in cost under the amendments for current reports; proxy and

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<sup>4</sup> Our estimate for annual proxy statements is based upon an estimated burden over a six-year period during which the shareholder advisory votes required by Section 14A(a) would not occur annually. We used a six-year period because issuers will conduct at least two shareholder advisory votes on executive compensation and at least one shareholder advisory vote on the frequency of such votes in this time period. We then estimated an average annual burden based on the average burden over the six-year period.

<sup>5</sup> We have assumed that the annual incremental paperwork burden under the amendments to Item 402(b) of Regulation S-K would be included in the annual meeting proxy statement.

information statements; Form 10; registration statements on Forms S-1, S-4, F-4, S-11, and N-2; and Regulation S-K.<sup>6</sup> The burden estimates were calculated by multiplying the estimated number of responses by the estimated average amount of time it would take an issuer to prepare and review the proposed disclosure requirements. For the Exchange Act report on Form 8-K, and the proxy statements we estimate that 75% of the burden of preparation is carried by the company internally and that 25% of the burden of preparation is carried by outside professionals retained by the issuer at an average cost of \$400 per hour. For registration statements on Forms S-1, S-4, F-4, S-11, and N-2, and the Exchange Act registration statement on Form 10, we estimate that 25% of the burden of preparation is carried by the issuer internally and that 75% of the burden of preparation is carried by outside professionals retained by the issuer at an average cost of \$400 per hour. There is no change to the estimated burden of the collections of information under Regulation S-K because the burdens that this regulation imposes are reflected in our revised estimated for the forms. 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.

Table 1. Incremental Paperwork Burden under the amendments for current reports; proxy and information statements:

|                       | Number of Responses <sup>7</sup> (A) | Incremental Burden Hours/Form (B) | Total Incremental Burden Hours (C)=(A)*(B) | 75% Company (D)=(C)*0.75 | 25% Professional (E)=(C)*0.25 | Professional Costs (F)=(E)*\$400 |
|-----------------------|--------------------------------------|-----------------------------------|--|--------------------------|-------------------------------|----------------------------------|
| 8-K <sup>8</sup>      | 7,212                                | 1                                 | 7,212                                      | 5,409                    | 1,803                         | \$721,200                        |
| Form 10 <sup>9</sup>  | 9                                    | 2                                 | 18   | 4                        | 14                            | \$5,600                          |
| DEF 14A <sup>10</sup> | 7,212                                |                                   |  |                          |                               |                                  |

<sup>6</sup> Figures in both tables have been rounded to the nearest whole number.

<sup>7</sup> The number of responses reflected in the table equals the actual number of forms and schedules filed with the Commission during the 2009 calendar year, adjusted to reflect the estimated number of forms and schedules that would be required to include additional disclosure under our rules. As explained below in notes 7 through 9, we have reduced the number of estimated filings to reflect that the additional disclosure requirements will only apply to a smaller number of the forms filed.

<sup>8</sup> We calculated the burden hours for Form 8-K based on the number of proxy statements filed with the Commission during the 2009 calendar year. We assumed that there would be an aggregate equal number of Forms 8-K to disclose the issuer's plans with respect to the frequency vote as the number of proxy statements.

<sup>9</sup> The burden allocation for Form 10 uses a 25% internal to 75% outside professional allocation. We have reduced the number of estimated Form 10 filings to reflect that approximately 95% of these forms would not require additional disclosure, as new disclosure required under Item 402 will only relate to issuers in spin-off transactions that are disclosing compensation of public parent companies that have conducted a prior shareholder vote on executive compensation.

<sup>10</sup> The estimates for Schedule 14A and Schedule 14C are separated to reflect our estimate of the burden hours and costs related to the amendments to CD&A which will be applicable to companies that are large accelerated filers, accelerated filers, and non-accelerated filers (that are not smaller reporting companies), but will not be applicable to smaller reporting companies.

|               |       |     |        |        |       |             |
|---------------|-------|-----|--------|--------|-------|-------------|
| Accel. Filers | 6,112 | 3   | 18,336 | 13,752 | 4,584 | \$1,833,600 |
| SRC Filers    | 1,100 | 1   | 1,100  | 825    | 275   | \$110,000   |
| DEF 14C       | 582   |     |        |        |       |             |
| Accel. Filers | 482   | 2   | 964    | 723    | 241   | \$96,400    |
| SRC Filers    | 100   | 0   | 0      | 0      | 0     | \$0         |
| Reg. S-K      | N/A   | N/A | N/A    | N/A    | N/A   | N/A         |
| Total         |       |     | 27,630 | 20,713 |       | \$2,766,800 |

Table 2. Incremental Paperwork Burden under the amendments for registration statements, merger proxy and information statements, tender offer documents and Schedules 13E-3:

|                        | Number of Responses <sup>11</sup> (A) | Incremental Burden Hours/Form (B) | Total Incremental Burden Hours (C)=(A)*(B) | 25% Company (D)=(C)*0.25 | 75% Professional (E)=(C)*0.75 | Professional Costs (F)=(E)*\$400 |
|------------------------|---------------------------------------|-----------------------------------|--|--------------------------|-------------------------------|----------------------------------|
| Form S-1 <sup>12</sup> | 485                                   | 2                                 | 970  | 243                      | 727                           | \$290,800                        |
| Form S-11              | 22                                    | 2                                 | 44   | 11                       | 33                            | \$13,200                         |
| Form S-4 <sup>13</sup> | 499                                   | 21                                | 10,479                                     | 2,620                    | 7,859                         | \$3,143,600                      |
| Form F-4               | 27                                    | 21                                | 567  | 142                      | 425                           | \$170,000                        |
| DEFM 14A               | 137                                   | 21                                | 2,877                                      | 719                      | 2,158                         | \$863,200                        |
| DEFM 14C <sup>14</sup> | 14                                    | 20                                | 280  | 70                       | 210                           | \$84,000                         |
| Schedule 14D-9         | 77                                    | 20                                | 1,540                                      | 385                      | 1,155                         | \$462,000                        |

<sup>11</sup> The number of responses reflected in the table equals the actual number of forms and schedules filed with the Commission during the 2009 calendar year, adjusted to reflect the estimated number of forms and schedules that would be required to include additional disclosure under our rules. As explained below in notes 11 through 14, we have reduced the number of estimated filings to reflect that the additional disclosure requirements will only apply to a smaller number of the forms filed.

<sup>12</sup> We have reduced the number of estimated Form S-1 and Form S-11 filings to reflect that approximately 60% of these forms will not require additional disclosure, as new disclosure required under Item 402 will only relate to issuers who are already public companies and have conducted a prior shareholder vote on executive compensation.

<sup>13</sup> We have reduced the number of estimated Form S-4 and Form F-4 filings to reflect an approximate 75% of these forms which will not relate to mergers or similar transactions but will be other transactions (e.g., holding company formations and financings) to which the amended rules will not apply.

<sup>14</sup> We have reduced the number of estimated DEFM14C filings to reflect an approximate 15% of these forms, which will not relate to merger transactions but will involve dissolutions and similar transactions.



|                        |     |     |        |       |     |             |
|------------------------|-----|-----|--------|-------|-----|-------------|
| Schedule 13E-3         | 5   | 20  | 100    | 25    | 75  | \$30,000    |
| Form N-2 <sup>15</sup> | 29  | 2   | 58     | 14    | 44  | \$17,600    |
| Reg. S-K               | N/A | N/A | N/A    | N/A   | N/A | N/A         |
| Total                  |     |     | 16,915 | 4,229 |     | \$5,074,400 |

#### 14. COSTS TO FEDERAL GOVERNMENT

We estimate that the cost of preparing the amendments will be approximately \$100,000.

#### 15. REASON FOR CHANGE IN BURDEN

We anticipate that the amendments will increase the burdens and costs for U.S. companies. The amendments will increase existing burdens by requiring companies to make additional disclosures of the following:

- the shareholder say-on-pay votes and frequency and the general effect of such votes, such as whether the vote is non-binding;
- whether and, if so, how companies have taken into account the results of shareholder advisory votes on executive compensation;
- decision regarding how frequently it will conduct say-on-pay votes in light of the results of the shareholder vote on frequency; and
- disclosure of golden parachute compensation arrangements in connection with mergers, acquisitions, tender offers and going-private transactions.

Table 3 below illustrates the changes in cost and hour burdens from the burden estimates currently approved by OMB. Columns (A) and (B) represent the most recent burden estimates submitted to OMB. Columns (C) and (D) represent the new burden estimates under the amendments. Columns (E) and (F) represent the program change, which encompasses the change in the burden estimates attributable to the amendments.

Table 3:<sup>16</sup>

|  | Current Burden |      | Change in Burden |       | Program Change |      |
|--|----------------|------|------------------|-------|----------------|------|
|  | Burden Hours   | Cost | Burden Hours     | Costs | Burden Hours   | Cost |
|  | (A)            | (B)  | (C)              | (D)   | (E)            | (F)  |
|  |                |      |                  |       |                |      |

<sup>15</sup> We have reduced the number of estimated Form N-2 filings to reflect that 29 filings were made by business development companies during calendar year 2009, because only business development companies will be subject to the amended disclosure required under Item 402 on Form N-2.

<sup>16</sup> Figures in Table 3 have been rounded to the nearest whole number.

|  | Current Burden |               | Change in Burden |               | Program Change |             |
|--|----------------|---------------|------------------|---------------|----------------|-------------|
|  |                |               |                  |               |                |             |
| Rule 13e-3<br>(Schedule<br>13E-3)      | 20,588         | \$24,705,000  | 20,613           | \$24,735,000  | 25             | \$30,000    |
| Regulation<br>14A<br>(Schedule<br>14A) | 688,340        | \$81,397,477  | 703,636          | \$84,204,277  | 15,296         | \$2,806,800 |
| Regulation<br>14C<br>(Schedule<br>14C) | 64,971         | \$7,636,149   | 65,764           | \$7,816,549   | 793            | \$180,400   |
| Form 8-K                               | 497,430        | \$66,324,000  | 502,839          | \$67,045,200  | 5,409          | \$721,200   |
| Form 10                                | 12,801         | \$15,362,400  | 12,805           | \$15,368,000  | 4              | \$5,600     |
| Form S-1                               | 186,414        | \$223,697,200 | 186,657          | \$223,988,000 | 243            | \$290,800   |
| Form S-11                              | 19,465         | \$23,360,000  | 19,476           | \$23,373,200  | 11             | \$13,200    |
| Schedule<br>14D-9                      | 38,700         | \$46,440,000  | 39,085           | \$46,902,000  | 385            | \$462,000   |
| Form S-4                               | 631,805        | \$758,167,801 | 634,425          | \$761,311,401 | 2,620          | \$3,143,600 |
| Schedule<br>TO                         | 54,375         | \$21,750,000  | 54,375           | \$21,750,000  | 0              | \$0         |
| Form F-4                               | 24,627         | \$29,551,800  | 24,769           | \$29,721,800  | 142            | \$170,000   |
| Form N-2                               | 87,083         | \$4,269,600   | 87,097           | \$4,287,200   | 14             | \$17,600    |

**16. INFORMATION COLLECTION PLANNED FOR STATISTICAL PURPOSES**

Not applicable.

**17. DISPLAY OF OMB APPROVAL DATE**

Not applicable.

**18. EXCEPTIONS TO CERTIFICATION FOR PAPERWORK REDUCTION ACT SUBMISSIONS**

Not applicable.

**B. STATISTICAL METHODS**

Not applicable.