

SUPPORTING STATEMENT FOR RULE 236

A. Justification

1. Circumstances Making the Collection of Information Necessary

Section 3(b) of the Securities Act of 1933 (the “Securities Act”) gives the Commission the authority to adopt rules and regulations, including exemptions, from the registration requirements of the Act, if the Commission determines that such registration is not necessary by reason of the small amount involved. Rule 236 exempts from registration shares of stock or similar securities which are publicly offered by companies to provide funds to be distributed to security holders in lieu of fractional shares, scrip certificates, order forms, or other evidences of such fractional interests, in connection with a stock dividend, stock split, reverse stock split, conversion, merger or similar transaction. The aggregate gross proceeds from the sale of the shares may not exceed \$300,000.

While Rule 236 alleviates the need for registration under the Act, a company is eligible for the exemption only if it is a reporting company and files a letter with the Commission that provides the limited information specified by the rule. A company relying on the exemption must disclose the following information: (1) that it proposes to offer shares in reliance upon the exemption; (2) the estimated amount of shares to be offered; (3) the aggregate market value of such shares as of the latest practicable date; and (4) a brief description of the transaction in connection with which the shares are to be offered.

2. Purpose and Use of the Information Collection

The principal function of Commission forms and rules under the securities laws disclosure provisions is to make information available to the securities market. The Commission uses very little of the collected information itself (except on an occasional basis in the enforcement of the securities laws). In this respect, the Commission’s collections differ significantly from most 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 such information. Private contractors reproduce much of the filed information, and provide it to private parties; and many other persons obtain information directly from the Commission’s public files. The letter filed by issuers relying on the exemption provided by Rule 236 is publicly available to purchasers so that they may have information concerning the investment transaction.

3. Consideration Given to Information Technology

The Commission will consider electronic filing of the information required by Rule 236 on EDGAR.

4. Duplication of Information

No similar data is made available to investors.

5. Reducing the Burden on Small Entities

Small issuers, as well as other issuers, benefit from the exemption from registration requirements provided by Rule 236. The Commission determined that certain limited information is required to enable the Commission to fulfill its statutory mandate under Section 3(b) of the Securities Act.

6. Consequences of Not Conducting Collection

The information is needed to establish qualification for reliance on the prescribed exemption.

7. Special Circumstances

Not applicable.

8. Consultations with Persons Outside the Agency

Rule 236 was proposed for public comment. No comments were received on this request during the 60-day comment period prior to OMB's review of this submission.

9. Payment or Gift to Respondents

Not applicable.

10. Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

12. Estimate of Respondent Reporting Burden

An estimated 10 respondents file the information required by Rule 236 annually at an estimated 1.5 hours per response for a total annual burden of 15 hours. We estimate that 100% of the total burden hours (15 hours) is prepared by the company. The estimated hours are made solely for the purposes of the Paperwork Reduction Act. They are not derived from a comprehensive or even a representative survey or study of the cost of Commission rules and forms.

13. Estimate of Total Annualized Cost Burden

Not applicable.

14. Costs to Federal Government

The Commission has no records permitting the estimation of cost to the federal government on an annual basis of administering Rule 236.

15. Reason for Change in Burden

Not applicable.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Display of OMB Approval Date

We request authorization to omit the expiration date on the electronic version of this form for design and scheduling reasons. The OMB control number will be displayed.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

Not applicable.

B. Statistical Methods

Not applicable.