

SUPPORTING STATEMENT
FOR REGULATION A AND FORMS 1-A AND 2-A

A. JUSTIFICATION

1. Circumstances Making the Collection of Information Necessary

The Securities Act of 1933 (“Securities Act”) requires that, before securities can be offered to the public for sale, issuers must file a registration statement disclosing prescribed categories of information. No securities can be sold to the public until the registration statement becomes effective. In addition, potential investors must be given a prospectus containing the most significant information in the registration. However, Congress recognized that there are certain situations where there is no practical need for registration or where the public benefits are too remote. Accordingly, a number of exemptions from the registration requirements are contained in the Securities Act. The exemptions that small businesses most typically rely on are those provided by Sections 3(b)(1) and 4(a)(2).

The Commission is authorized under Section 3(b)(1) of the Securities Act to exempt securities from registration if it finds that the registration for these securities is unnecessary in the public interest and for the protection of investors because of the small amount involved or the limited character of the public offering. However, no issue of securities shall be exempted under this subsection where the aggregate amount at which such issue is offered to the public exceeds \$5,000,000. Under this authority, the Commission promulgated Regulation A (17 CFR 230.251 through 230.263) to provide an exemption from registration for certain limited offerings by issuers that do not otherwise file reports with the Commission under the Securities Exchange Act of 1934 and that meet other conditions. Forms 1-A and 2-A are filed under Regulation A.

2. Purpose and Use of the Information Collection

Form 1-A is an offering statement filed under Regulation A. Form 2-A is filed to report the sale of securities in a Regulation A offering and the use of the proceeds raised in the offering. The information collected is intended to ensure the adequacy of information available to investors. The Commission uses very little of the collected information itself, except on an occasional basis in the enforcement of the securities laws.

3. Consideration Given to Information Technology

Regulation A filings are required at this time to be filed in paper only and may not be submitted electronically via the Electronic Data Gathering, Analysis and Retrieval System (EDGAR).

4. Duplication of Information

The Commission makes every effort to coordinate with other regulatory entities when necessary or appropriate in the public's interest and for the protection of investors and to streamline regulations to enhance the production of capital.

5. Reducing the Burden on Small Entities

Regulation A provides exemptions from the Securities Act registration requirements for small offerings.

6. Consequences of Not Conducting Collection

The information required by Regulation A and its offering statements are used by public investors and serve the purpose of protecting our financial markets from fraud, which helps to instill investor confidence.

7. Special Circumstances

Not applicable.

8. Consultations with Persons Outside the Agency

Regulation A and its offering statements (Form 1-A and Form 2-A) were proposed for public comment. No comments were received during the 60-day comment period prior to OMB's current review.

9. Payment or Gift to Respondents

Not applicable.

10. Confidentiality

Regulation A and its offering statements are public documents.

11. Sensitive Questions

Not applicable.

12. Estimate of Respondent Reporting Burden

We estimate that approximately 30 issuers annually file Forms 1-A and 2-A. We estimate that Form 1-A takes approximately 608 hours to prepare, Form 2-A takes approximately 12 hours to prepare and Regulation A takes one administrative hour to review for a total of 621 hours per response. We estimate that 75% of the 621 hours per response (465.75 hours) is prepared by the company for a total annual burden of 13,973 hours (465.75 hours per response x

30 responses). The estimated burden hours are solely for the purpose 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

We estimate that 25% of the 621 hours per response (155.25 hours) is prepared by outside counsel. We estimate that it will cost \$400 per hour (400 x 155.25 hours per response x 30 responses) for a total cost burden of \$1,863,000. The estimated cost is made solely for the purposes of the Paperwork Reduction Act. The cost is not derived from a comprehensive or even a representative survey or study of the cost of Commission rules and forms.

14. Costs to Federal Government

No information is readily available.

15. Reason for Change in Burden

The decrease of 32,602 reporting burden hours and the decrease of \$4,347,000 in cost burden is due to an adjustment. The decrease in both the burden hours and cost burden reflect a decrease in number of respondents filing Form 1-A and Form 2-A under Regulation A.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the EDGAR application's scheduled version release dates. The OMB control number will be displayed.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

Not applicable.

B. STATISTICAL METHODS

Not applicable.