

**SUPPORTING STATEMENT FOR THE PAPERWORK REDUCTION ACT
INFORMATION COLLECTION SUBMISSION FOR REGULATION
CROWDFUNDING AND FORM C**

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**

The Securities Act of 1933,¹ as amended, (the “Securities Act”) generally requires that a registration statement be filed with the Securities and Exchange Commission (the “Commission”) disclosing prescribed information before securities may be offered for sale to the public. While the Securities Act authorizes the Commission to exempt certain securities and transactions from registration, Title III of the Jumpstart Our Business Startups Act² (“Title III” of the “JOBS Act”) added Section 4(a)(6)³ to the Securities Act, creating a new exemption from registration. Title III also added Section 4A⁴ to the Securities Act, prescribing certain disclosures to be made by and guidelines with which issuers using the exemption must comply. Title III and Section 4A require such issuers to file the prescribed disclosures with the Commission, provide them to investors and the relevant intermediary, and make them available to potential investors. Title III also requires the Commission to establish rules implementing the exemption.

In Release No. 33-9470, the Commission proposed Regulation Crowdfunding to establish rules that would implement the Section 4(a)(6) exemption in accordance with Title III.⁵ In the same release, the Commission also proposed new Form C, which would be used by issuers to file the required disclosures with the Commission. Regulation Crowdfunding would require issuers to provide the same disclosures to the relevant intermediary, and the intermediary would be required to publicly display the disclosures on its Internet platform, making them available to investors and potential investors.

Proposed Regulation Crowdfunding and Form C contain a new “collection of information” requirement on issuers within the meaning of the Paperwork Reduction Act of 1995. The title of this requirement is “Form C.” In addition, issuers that do not already have EDGAR filing codes, and to which the Commission has not previously assigned a user identification number (Central Index Key or “CIK” code), would need to obtain the codes by

¹ 15 U.S.C. §77a *et seq.*

² Pub. L. No. 112-106, 126 Stat. 306 (2012).

³ 15 U.S.C. §77d(a)(6).

⁴ 15 U.S.C. §77d-1.

⁵ *Crowdfunding*, Release No. 33-9470 (Oct. 23, 2013) [78 FR 66427].

filing electronically a Form ID⁶ (OMB Control No. 3235-0328). Form ID also contains a “collection of information” requirement within the meaning of the Paperwork Reduction Act of 1995.

2. PURPOSE AND USE OF THE INFORMATION COLLECTION

The purpose of the new collection of information is to create a framework for the filing and disclosure requirements of Title III and Section 4A to implement the exemption from Securities Act registration for offerings made in reliance on Section 4(a)(6).

3. CONSIDERATION GIVEN TO INFORMATION TECHNOLOGY

Form C is required to be filed electronically with the Commission using the Commission’s Electronic Data Gathering, Analysis and Retrieval (“EDGAR”) system.

4. DUPLICATION OF INFORMATION

We are not aware of any forms or rules that conflict with or substantially duplicate Form C or the proposed issuer requirements of Regulation Crowdfunding.

5. REDUCING THE BURDEN ON SMALL ENTITIES

Regulation Crowdfunding implements an exemption from Securities Act registration relating to small issues, and we estimate that all issuers who offer or sell securities in reliance on the exemption would be classified as a “small business” or “small organization” under 17 CFR 230.157. The issuer requirements of Regulation Crowdfunding and Form C were designed for small issuers and do not vary depending on the size of the issuer. We currently do not have information available on the size of issuers that would use Regulation Crowdfunding and Form C, however, as this is a new collection of information.

6. CONSEQUENCES OF NOT CONDUCTING COLLECTION

The exemption from Securities Act registration for offerings made in reliance on Section 4(a)(6) would not be available without this collection of information.

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 the associated paperwork burdens.⁷ A copy of

⁶ 17 CFR 239.63; 17 CFR 249.446; 17 CFR 269.7; 17 CFR 274.402.

the proposing release is attached. In response to the solicitation for comment in the proposing release, registrants, investors, and other market participants provide comments. In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, roundtables and meetings. Comments relating specifically to our estimates on the paperwork burdens are attached. All comments received on the proposal are available at <http://www.sec.gov/comments/s7-09-13/s70913.shtml>. The Commission will consider all comments received prior to publishing the final rules as required by 5 CFR 1320.11(f).

9. PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. CONFIDENTIALITY

Form C is a public document.

11. SENSITIVE QUESTIONS

The proposed collection of information would require some issuers to include income tax returns as an attachment to Form C. The Commission is aware that such income tax returns may contain personally identifiable information (“PII”). The collection of information is necessary in connection with the Commission’s rulemaking mandate under Title III of the JOBS Act. Section 4A of the Securities Act specifically calls for the Commission to require the filing of income tax returns. Specifically, issuers with a certain aggregate target offering amount would be required to file with the Commission income tax returns filed by the issuer. To address privacy concerns, however, the Commission is not specifically requesting PII. The Commission proposed to require issuers to redact PII, such as social security numbers, from any income tax returns before filing them with the Commission.⁸

This information would be covered by the Commission’s Privacy Act Systems of Records Notice for periodic reports filed under the Securities Act and the Securities Exchange Act.⁹ The Privacy Impact Assessment (PIA) is provided as a supplemental document.

12. AND 13. ESTIMATES OF HOUR AND COST BURDENS

The estimates in this section are made solely for the purposes of the Paperwork Reduction Act and include the time and cost of collecting the information, preparing and reviewing disclosure, filing documents and retaining records. We derived the estimates by

⁷ See note 5.

⁸ See Instruction 3 to proposed 17 CFR 227.100(t).

⁹ See <https://www.sec.gov/about/privacy/sorn/secsorn6.pdf>

estimating the average number of hours it would take an issuer to prepare and review the proposed disclosure requirements. In deriving our estimates, we recognize that the burdens likely would vary among individual issuers based on a number of factors, including the stage of development of the business and the number of years since inception of the business. We believe that some issuers would experience costs in excess of this average and some issuers may experience less than these average costs.

Under Regulation Crowdfunding, an issuer offering and selling securities in reliance on Section 4(a)(6) would be required to file certain disclosures with the Commission on EDGAR, provide the same disclosures to investors and the relevant intermediary, and make the same disclosures available to potential investors. Issuers would use Form C, which has five variants, to file the required disclosures on EDGAR. To conduct an offering of securities in reliance on Section 4(a)(6), the issuer would file a Form C: Offering Statement. The issuer would file any amendments to the offering statement on Form C-A: Amendment. During the offering, the issuer would be required to file progress updates on Form C-U: Progress Update upon receiving commitments for one-half and 100 percent of the target offering amount.¹⁰ If the issuer accepts proceeds in excess of the target offering amount, the issuer would file a third Form C-U after the offering closes. Issuers that are successful in their offerings would be required to file an annual report on Form C-AR: Annual Report. Finally, an issuer terminating its reporting obligations under Regulation Crowdfunding would file a Form C-TR: Termination of Reporting to notify investors and the Commission that it no longer will file and provide annual reports pursuant to the requirements of Regulation Crowdfunding.

Form C: Offering Statement and Form C-A: Amendment

While it is not possible to predict the number of future offerings to be made in reliance on Section 4(a)(6), particularly because rules governing the process are not yet in place, for purposes of this analysis, we estimate that approximately 2,300 issuers would conduct offerings in reliance on Section 4(a)(6) per year. We base this estimate on the number of issuers that conducted a Regulation D offering that had no revenues or less than \$1 million in revenues. We believe those issuers would be similar in size to the potential issuers that may participate in an offering made in reliance on Section 4(a)(6), and we assume that each issuer would conduct one offering per year, raising an average of \$100,000 per offering.

We further estimate that Form C, including any amendments thereto on Form C-A, would take approximately 60 hours per response to prepare, which is approximately 10 percent of the burden to prepare a Form 1-A offering statement for a Regulation A offering.¹¹

¹⁰ If multiple Forms C-U are triggered within the same five business day period, the issuer may consolidate such progress updates into one Form C-U, so long as the Form C-U discloses the most recent threshold that was met and the Form C-U is filed with the Commission on EDGAR, provided to investors and the relevant intermediary, and made available to potential investors by the day on which the first progress update is due.

¹¹ Form C is similar to the Form 1-A offering statement under Regulation A, but it would require fewer disclosure items (*e.g.*, it would not require disclosure about the plan of distribution, the compensation of

We estimate that 75 percent of this burden would be carried by the issuer internally and that 25 percent would be carried by outside professionals retained by the issuer at an average cost of \$400 per hour. Accordingly, we estimate that compliance with the requirements of a Form C, including any amendments thereto on Form C-A, filed in connection with offerings made in reliance on Section 4(a)(6) would require 138,000 burden hours (2,300 offering statements x 60.00 hours/offering statement) in aggregate each year, which corresponds to 103,500 hours carried by the issuer internally (2,300 offering statements x 60.00 hours/offering statement x 0.75) and costs of \$13,800,000 (2,300 offering statements x 60.00 hours/offering statement x 0.25 x \$400) for the services of outside professionals. Table 1 illustrates the estimated total annual compliance burden, in hours and in costs, of the collection of information on Form C: Offering Statement and any amendments thereto on Form C-A: Amendment.

Table 1. Estimated paperwork burden under Form C: Offering Statement, including any amendments on Form C-A

	Number of Responses (A)	Burden Hours/Form (B)	Total Burden Hours (C)=(A)*(B)	Internal Issuer Time (D)	External Professional Time (E)	Professional Costs (F)=(E)*\$400
Form C, including any Form C-A	2,300	60	138,000	103,500	34,500	\$13,800,000

Form C-U: Progress Update

We estimate that the burden to prepare and file each Form C-U, which has only one disclosure requirement, would be 0.50 hours.¹² We further estimate that an issuer would be required to file an average of two progress updates during each offering. Therefore, we estimate that an issuer's compliance with proposed Form C-U would result in an aggregate burden of 1.00 hour per issuer, which would be carried by the issuer internally. Accordingly, we estimate that compliance with the requirement of Form C-U submitted during an offering would require 2,300 burden hours (2,300 offering statements x 2 progress updates per

officers and directors, litigation or a discussion of federal tax aspects). Regulation A offerings allow issuers to offer up to \$5 million, involve review by the staff and require filings at the state level. In light of these factors, we expect that issuers conducting a Regulation A offering generally would be at a more advanced stage of development than issuers likely to conduct offerings in reliance on Section 4(a)(6), so the complexity of the required disclosure and, in turn, the burden of compliance with the requirements of proposed Form C would be significantly less than for Form 1-A.

¹² Form C-U is similar to a Form D Notice of Exempt Offering of Securities under Regulation D and a Form 2-A Report of Sales and Uses of Proceeds Pursuant to Rule 257 of Regulation A. Form C-U would require significantly less disclosure than the Form D and the Form 2-A, however, as it would only require disclosure of the issuer's progress in meeting the target offering amount, rather than compensation and use of proceeds disclosures or other information about the issuer and the offering. Thus, the complexity of the required disclosure and the burden to prepare and file Form C-U would be significantly less than for either Form D (estimated average burden of 4.00 hours per response) or Form 2-A (estimated average burden of 12.00 hours per response).

offering x 0.50 hours per progress update) in aggregate each year. Table 2 illustrates the estimated total annual compliance burden, in hours and costs, of the collection of information on Form C-U.

Table 2. Estimated paperwork burden under Form C-U: Progress Update

	Number of Responses (A)	Burden Hours/Form (B)	Total Burden Hours (C)=(A)*(B)	Internal Issuer Time (D)	External Professional Time (E)	Professional Costs (F)=(E)*\$400
Form C-U	4,600	0.50	2,300	2,300	0	\$0

Form C-AR: Annual Report

Form C-AR would require disclosure substantially similar to the disclosure provided in the Form C: Offering Statement, except that offering-specific disclosure would not be required. Therefore, we estimate that the burden to prepare and file Form C-AR would be less than that required to prepare and file Form C. We estimate that compliance with Form C-AR would result in a burden of 40.00 hours per response. We further estimate that 75 percent of the burden would be carried by the issuer internally and that 25 percent would be carried by outside professionals retained by the issuer at an average cost of \$400 per hour. Accordingly, we estimate that compliance with the requirements of Form C-AR after issuers sell securities in reliance on Section 4(a)(6) would require 92,000 burden hours (2,300 issuers x 40.00 hours/issuer) in the aggregate each year, which corresponds to 69,000 hours carried by the issuer internally (2,300 issuers x 40.00 hours/issuer x 0.75) and costs of \$9,200,000 (2,300 issuers x 40.00 hours/issuer x 0.25 x \$400) for the services of outside professionals. Table 3 illustrates the estimated total annual compliance burden, in hours and in costs, of the collection of information on Form C-AR: Annual Report.

Table 3. Estimated paperwork burden under Form C-AR: Annual Report

	Number of Responses (A)	Burden Hours/Form (B)	Total Burden Hours (C)=(A)*(B)	Internal Issuer Time (D)	External Professional Time (E)	Professional Costs (F)=(E)*\$400
Form C-AR	2,300	40	92,000	69,000	23,000	\$9,200,000

Form C-TR: Termination of Reporting

We estimate that eight percent of the issuers that sell securities pursuant to Section 4(a)(6) would file a notice under cover of Form C-TR during the first year. The Form C-TR would be similar to the Form 15 that issuers file to provide notice of termination of the registration of a class of securities under Exchange Act Section 12(g) or to provide notice of the suspension of the duty to file reports required by Exchange Act Sections 13(a) or 15(d). Therefore, we estimate that compliance with the proposed Form C-TR would result in a similar burden as compliance with Form 15, a burden of 1.50 hours per response. We further estimate that this burden would be carried by the issuer internally. Accordingly, we estimate

that compliance with Form C-TR would result in a burden of 276 hours (2,300 issuers x 0.08 issuers filing Form C-TR x 1.50 hours/issuer) in the aggregate during the first year for issuers terminating their reporting obligations. Table 4 illustrates the estimated total annual compliance burden, in hours and in costs, of the collection of information on Form C-TR.

Table 4. Estimated paperwork burden under Form C-TR: Termination of Reporting

	Number of Responses (A)	Burden Hours/Form (B)	Total Burden Hours (C)=(A)*(B)	Internal Issuer Time (D)	External Professional Time (E)	Professional Costs (F)=(E)*\$400
Form C-TR	184	1.5	276	276	0	\$0

All Form C Variants in the Aggregate

Based on the above estimates, we estimate that compliance with all variants of Form C would require 232,576 burden hours (138,000 hours for Form C + 2,300 hours for Form C-U + 92,000 hours for Form C-AR + 276 hours for Form C-TR) in the aggregate each year, including 175,076 hours carried by the issuer internally (103,500 hours for Form C, 2,300 hours for Form C-U + 69,000 hours for Form C-AR + 276 hours for Form C-TR) and costs of \$23,000,000 (\$13,800,000 for Form C + \$0 for Form C-U + \$9,200,000 for Form C-AR + \$0 for Form C-TR) for the services of outside professionals. Table 5 illustrates the estimated total annual compliance burden, in hours and in costs, of the collection of information under all variants of Form C.

Table 5. Estimated paperwork burden under all variants of Form C

	Number of Responses (A)	Total Burden Hours (B)	Internal Issuer Time (C)	External Professional Time (D)	Average Internal Burden Hours/Response (E)=(C)/(A)	Professional Costs (F)=(D)*\$400
All Form C Variants	9,384 ¹³	232,576	175,076	57,500	18.65686	\$23,000,000

Form ID

Form ID is not a new collection of information. It is the application form for access codes to permit filing on EDGAR. Table 6 illustrates the current total annual compliance burden, in hours and in costs, of the collection of information under Form ID.

Table 6. Current estimated paperwork burden under Form ID

	Number of	Burden	Total Burden	Internal	External	Professional
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¹³ 2,300 Forms C + 4,600 Forms C-U + 2,300 Forms C-AR + 184 Forms C-TR = 9,384 responses.

	Responses (A)	Hours/Form (B)	Hours (C)=(A)*(B)	Issuer Time (D)	Professional Time (E)	Costs (F)=(E)*\$400
Form ID	36,590	0.15	5,488.5	5,488.5	0	\$0

The proposed rules would not change Form ID itself, but we anticipate that the number of Form ID filings would increase due to new issuers seeking to offer and sell securities in reliance on Section 4(a)(6). We estimate that all of the issuers that would seek to offer and sell securities in reliance on Section 4(a)(6) would not have filed an electronic submission with the Commission previously and would, therefore, be required to file a Form ID to receive EDGAR access codes prior to filing a Form C. Accordingly, we estimate an additional 2,300 Form ID filings per year, based on the estimated number of issuers annually. This would equate to an additional annual burden of approximately 345 hours (2,300 filings x 0.15 hours/filing). Table 7 illustrates the estimated total annual compliance burden, in hours and in costs, of the collection of information under Form ID, amended to account for the additional 2,300 filings.

Table 7. Estimated paperwork burden under Form ID, amended to account for issuers relying on Section 4(a)(6)

	Number of Responses (A)	Burden Hours/Form (B)	Total Burden Hours (C)=(A)*(B)	Internal Issuer Time (D)	External Professional Time (E)	Professional Costs (F)=(E)*\$400
Form ID	38,890	0.15	5,833.5	5,833.5	0	\$0

14. COSTS TO FEDERAL GOVERNMENT

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

15. REASON FOR CHANGE IN BURDEN

Regulation Crowdfunding would implement the requirements of Title III of the JOBS Act. The new burden of Form C and its variants is necessary to satisfy the requirement in Securities Act Section 4A(b)(1), which requires issuers to file certain information with the Commission. Form C and its variants would result in 175,076 burden hours carried by the issuer internally and a cost burden of \$23,000,000 for services of outside professionals.

To obtain the EDGAR access codes required to make a filing on EDGAR, including a Form C filing, issuers would need to file a Form ID. Proposed Regulation Crowdfunding would not change Form ID itself, but the approximately 2,300 issuers relying on Section 4(a)(6) and filing Form ID annually would increase the current paperwork burden under Form ID from 36,590 hours to 38,890 hours, an increase of 345 hours.

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.