

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
FORM N-54C

A. JUSTIFICATION

1. Necessity for the Information Collection

Certain investment companies can elect to be regulated as business development companies, as defined in Section 2(a)(48) of the Investment Company Act of 1940 (“Investment Company Act”), under Sections 55 through 65 of the Investment Company Act. Under Section 54(a) of the Investment Company Act,¹ any company defined in Section 2(a)(48)(A) and (B) of the Investment Company Act, may if it meets certain enumerated eligibility requirements elect to be subject to the provisions of Sections 55 through 65 of the Investment Company Act by filing with the Commission a notification of election. Under Section 54(c) of the Investment Company Act,² any business development company may voluntarily withdraw its election under Section 54(a) of the Investment Company Act by filing a notice of withdrawal of election with the Commission. The Commission has adopted Form N-54C as the form for the notification of withdrawal of election to be subject to Sections 55 through 65 of the Investment Company Act.

2. Purpose of the Information Collection

The purpose of Form N-54C is to notify the Commission that the business development company withdraws its election to be subject to Sections 55 through 65 of the Investment Company Act.

¹ 15 U.S.C. 80a-53(a).

² 15 U.S.C. 80a-53(c).

3. Consideration Given to Information Technology

Form N-54C is electronically filed with the Commission. The Commission's electronic filing system (Electronic Data Gathering, Analysis and Retrieval or "EDGAR") automates the filing, processing and dissemination of full disclosure filings. The system permits publicly held companies to transmit their filings to the Commission electronically. This automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets.

4. Duplication

The Commission periodically evaluates reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or form or a change in a rule or form. The information required by Form N-54C is not generally duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,³ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for Form N-54C do not distinguish between small entities and other business development companies. Although the burden on small business development companies may be greater than those of larger ones, the Commission believes the burden imposed on any business development company is small due to the extent and type of information required by the form.

³ 5 U.S.C. 601 et seq.

6. Consequences of Not Conducting Collection

A business development company that withdraws its election to be subject to Sections 55 through 65 of the Investment Company Act is required to file the notification of withdrawal on Form N-54C only once, and therefore the filing of Form N-54C is not a recurring event requiring periodic collection.

7. Inconsistencies with Guidelines in 5 C.F.R. § 1320.5(d)(2)

This collection is not inconsistent with 5 C.F.R. § 1320.5(d)(2).

8. Consultations Outside the Agency

The Commission and the Division of Investment Management staff participate in an ongoing dialogue with representatives of the investment company industry through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens that may confront the industry. The Commission requested public comment on the collection of information requirements in Form N-54C before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

9. Payment or Gift

No payment or gift to respondents was provided.

10. Confidentiality

No assurance of confidentiality was provided.

11. Sensitive Questions

No information of a sensitive nature will be required under these collections of information. These information collections collect basic Personally Identifiable Information (PII) that may include name, business address, and residential address (for sole proprietor only), telephone/cellular/facsimile numbers, and email address. The information collection is covered under the following System of Records Notices (SORN) <http://www.sec.gov/about/privacy/sorn/secsorn6.pdf>.

12. Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995 (“PRA”)⁴ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with Form N-54C is mandatory for companies electing to no longer be subject to Sections 55 through 65 of the Investment Company Act. Responses to the disclosure requirements will not be kept confidential.

The Commission estimates that on average approximately 10 business development companies file notifications on Form N-54C each year. Each of those business development companies need only make a single filing of Form N-54C. The Commission further estimates that this information collection imposes a burden of one hour, resulting in a total annual PRA burden of 10 hours. Based on the estimated wage

⁴ 44 U.S.C. 3501 et seq.

rate, the total cost to the business development company industry of the hour burden for complying with Form N-54C would be approximately \$3,200.⁵

13. Cost to Respondents

Cost burden is the cost of services purchased to prepare and file the Form N-54C, such as for the services of outside counsel. The Commission estimates that 10 business development companies each year withdraw their election to be subject to Sections 55 through 65 of the Investment Company Act and must file Form N-54C. The Commission estimates that the total annualized cost burden for Form N-54C is minimal.

14. Estimate of Cost to the Federal Government

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$21.3 million in fiscal year 2010, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Explanation of Changes in Burden

The decrease in burden hours for Form N-54C is attributable to a decrease in the number of respondents from 12 to 10, resulting in a decrease of two hours. There is no change in the estimated cost for burden for outside professionals associated with the collection of data relating to Form N-54C, because the Commission estimates these costs to be minimal.

⁵ The industry burden is calculated by multiplying the total annual hour burden to prepare Form N-54C (10) by the estimated hourly wage rate of \$320. The estimated wage figure is based on published rates for compliance attorneys from the Securities Industry and Financial Markets Association's Report on Management & Professional Earnings in the Securities Industry 2010, modified by Commission staff to account for an 1800 hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead, yielding an effective hourly rate of \$3,200.

16. Information Collection Planned for Statistical Purposes

The results of any information collected will not be published.

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 application's scheduled version release dates. The OMB control number will be displayed.

18. Exceptions to Certification for paperwork reduction act submissions

The Commission is not seeking an exception to the certification statement.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.