

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

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. 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 issuers using the exemption. 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. 33-9974, the Commission adopted Regulation Crowdfunding to establish rules that will implement the Section 4(a)(6) exemption in accordance with Title III.⁵ In the same release, the Commission also adopted new Form C, which will be used by issuers to file the required disclosures with the Commission. Regulation Crowdfunding will require issuers to provide the same disclosures to the relevant intermediary, and the intermediary will be required to publicly display the disclosures on its Internet platform, making them available to investors and potential investors. 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), will need to obtain the codes by filing electronically a Form ID.

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

- “Form C” and

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. 33-9974 (Oct. 30, 2015) [80 FR 71387].

- “Form ID” (OMB Control No. 3235-0328).

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 the information requirements of Form C.

5. REDUCING THE BURDEN ON SMALL ENTITIES

Regulation Crowdfunding implements an exemption from Securities Act registration designed for small issuers, and we estimate that all issuers who offer or sell securities in reliance on the exemption will 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 data available on the size of issuers that will 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) will not be available without this collection of information.

7. SPECIAL CIRCUMSTANCES

Not applicable.

8. CONSULTATIONS WITH PERSONS OUTSIDE THE AGENCY

In 2013, the Commission issued a Crowdfunding proposing release soliciting comment on the new “collection of information” requirements and the associated paperwork burdens.⁶

⁶ *Crowdfunding*, Release No. 33-9470 (Oct. 23, 2013) [78 FR 66427].

In response to the solicitation for comment in the proposing release, registrants, investors, and other market participants provided comments. In addition, the Commission and staff participated in dialogue with representatives of various market participants through public conferences, roundtables and meetings. The Commission received several comments on our estimates of the time and expense required of issuers to meet their filing obligations, several comments on our estimates of the costs incurred by intermediaries and a comment recommending a lessened paperwork burden in general. 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 considered all comments received prior to publishing the final rules as required by 5 CFR 1320.11(f). A copy of the adopting release is attached.

9. PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. CONFIDENTIALITY

Not applicable.

11. SENSITIVE QUESTIONS

The collection of information will require some issuers to include on Form C certain information from income tax returns. The Commission is aware that income tax returns may contain personally identifiable information (“PII”). Based on comments received, in a change from the proposal, the final rules require an issuer to disclose specific items of information from the issuer’s tax return rather than requiring the filing of income tax returns. In the adopting release, the Commission noted that requiring issuers to provide tax returns may present a significant risk of disclosure of private information. This change from the proposal should help address privacy concerns. The Commission is not requiring disclosure of PII. The Privacy Impact Assessment (PIA) is provided as a supplemental document.

No information of a sensitive nature would be required for Form ID under this collection of information. The information collection collects basic Personally Identifiable Information (PII) that may include name, business address, and residential address (for sole proprietor only), telephone/cellular/facsimile number, email address, and Tax ID Number (TIN). The information collection is covered under the System of Records Notices (SORN), which may be found at the following link: <http://www.sec.gov/about/privacy/sorn/secsorn1.pdf>. 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 estimating the average number of hours it will take an issuer to prepare and review the proposed disclosure requirements. In deriving our estimates, we recognize that the burdens likely will vary among individual issuers based on a number of factors, including the stage of development of the business, the amount of capital an issuer seeks to raise, the number of offerings an intermediary hosts on its platform and the number of years since inception of the business. We believe that some issuers may have costs in excess of this average and some issuers may have less than these average costs.

Under Regulation Crowdfunding, an issuer offering and selling securities in reliance on Section 4(a)(6) will 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 will use Form C, which has six variants, to file the required disclosures on EDGAR. To conduct an offering of securities in reliance on Section 4(a)(6), the issuer will file a Form C: Offering Statement. The issuer will file any amendments to the offering statement on Form C-A: Amendment. During the offering, the issuer will 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.⁷ If the issuer accepts proceeds in excess of the target offering amount, the issuer will file a third Form C-U after the offering closes. Issuers that are successful in their offerings will be required to file an annual report on Form C-AR: Annual Report. Any amendment to a Form C-AR will need to be filed on a Form C-AR/A: Amendment to Annual Report. Finally, an issuer terminating its reporting obligations under Regulation Crowdfunding will 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 securities-based crowdfunding are

⁷ 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. Further, as discussed below, the final rules permit issuers to satisfy the progress update requirements by relying on the relevant intermediary to make publicly available on the intermediary's platform frequent updates about the issuer's progress toward meeting the target offering amount. However, an issuer relying on the intermediary's reports of progress must still file a Form C-U at the end of the offering to disclose the total amount of securities sold in the offering.

not yet in effect, for purposes of this analysis, we estimate that approximately 1,900 issuers will seek to offer and sell securities in reliance on Section 4(a)(6) per year. We base this estimate on the average number of issuers (excluding issuers that are pooled investment vehicles) per year that conducted a new Regulation D offering of up to \$1 million from 2009 to 2014 and had no revenues or less than \$1 million in revenues. We believe those issuers will be similar in size to the potential issuers that may participate in securities-based crowdfunding in reliance on Section 4(a)(6), and we assume that each issuer will conduct one offering per year.

We further estimate that Form C, including any amendments thereto on Form C-A, will take approximately 100 hours per response to prepare, which is substantially less than the burden to prepare a Form 1-A for an offering under Regulation A, as recently amended.⁸ We estimate that 75 percent of this burden will be carried by the issuer internally and that 25 percent will 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) will require 190,000 burden hours (1,900 offering statements x 100.00 hours/offering statement) in aggregate each year, which corresponds to 142,500 hours carried by the issuer internally (1,900 offering statements x 100.00 hours/offering statement x 0.75) and costs of \$19,000,000 (1,900 offering statements x 100.00 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	1,900	100	190,000	142,500	47,500	\$19,000,000

⁸ Form C is similar to the Form 1-A offering statement under Regulation A, but it will require fewer disclosure items (*e.g.*, it will not require disclosure about the plan of distribution, the compensation of officers and directors, or litigation). Regulation A offerings allow issuers to offer up to \$50 million, involve review by the staff and in the case of Tier 1 offerings, require filings at the state level. In light of these factors, we expect that issuers conducting a Regulation A offering generally will 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 will be significantly less than for Form 1-A.

Form C-U: Progress Update

We estimate that the burden to prepare and file each Form C-U, which has only one disclosure requirement, will be 0.50 hours.⁹ The final rules permit issuers to satisfy the progress update requirement by relying on the relevant intermediary to make publicly available on the intermediary's platform frequent updates about the issuer's progress toward meeting the target offering amount. Nevertheless, an issuer relying on the intermediary's reports of progress must still file a progress update at the end of the offering to disclose the total amount of securities sold in the offering. As a result, we further estimate that an issuer will be required to file an average of one progress update during each offering. Therefore, we estimate that an issuer's compliance with proposed Form C-U will result in an aggregate burden of .50 hours per issuer, which will be carried by the issuer internally. Accordingly, we estimate that compliance with the requirement of Form C-U submitted during an offering will require 950 burden hours (1,900 offering statements x 1 progress update per 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	1,900	0.50	950	950	0	\$0

Form C-AR: Annual Report and Form C-AR/A: Amendment

Form C-AR will require disclosure substantially similar to the disclosure provided in the Form C: Offering Statement, except that offering-specific disclosure will not be required and the issuer may be able to update disclosure previously provided in the Form C. In addition, instead of requiring financial statements in the annual report that meet the highest standard of review previously provided (either reviewed or audited), the final rules require financial statements of the issuer certified by the principal executive officer of the issuer to be true and complete in all material respects. Therefore, we estimate that the burden to prepare and file Form C-AR will be less than that required to prepare and file Form C. We estimate that compliance with Form C-AR, including any amendments thereto on Form C-AR/A, will result in a burden of 50.00 hours per response. We further estimate that 75 percent of the burden will be carried by the issuer internally and that 25 percent will be

⁹ Form C-U is similar to a Form D Notice of Exempt Offering of Securities under Regulation D. Form C-U will require significantly less disclosure than the Form D, however, as it will 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 will be significantly less than for Form D.

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) will require 95,000 burden hours (1,900 issuers x 50.00 hours/issuer) in the aggregate each year, which corresponds to 71,250 hours carried by the issuer internally (1,900 issuers x 50.00 hours/issuer x 0.75) and costs of \$9,500,000 (1,900 issuers x 50.00 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, including any amendments on Form C-AR/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-AR	1,900	50	95,000	71,250	23,750	\$9,500,000

Form C-TR: Termination of Reporting

We estimate that eight percent of the issuers that sell securities pursuant to Section 4(a)(6) will file a notice under cover of Form C-TR during the first year. The Form C-TR will 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 will result in a similar burden as compliance with Form 15, a burden of 1.50 hours per response. We further estimate that this burden will be carried by the issuer internally. Accordingly, we estimate that compliance with Form C-TR will result in a burden of 228 hours (1,900 issuers x 0.08 issuers filing Form C-TR x 1.50 hours/issuer) in the aggregate each 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	152	1.5	228	228	0	\$0

All Form C Variants in the Aggregate

Based on the above estimates, we estimate that compliance with all variants of Form C will require 286,178 burden hours (190,000 hours for Form C + 950 hours for Form C-U +

95,000 hours for Form C-AR + 228 hours for Form C-TR) in the aggregate each year, including 214,928 hours carried by the issuer internally (142,500 hours for Form C + 950 hours for Form C-U + 71,250 hours for Form C-AR + 228 hours for Form C-TR) and costs of \$28,500,000 (\$19,000,000 for Form C + \$0 for Form C-U + \$9,500,000 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	5,852 ¹⁰	286,178	214,928	71,250	36.72727	\$28,500,000

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 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	36,778	0.15	5,517	5,517	0	\$0

The final rules make one change to Form ID itself, and we anticipate that the number of Form ID filings will 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 will seek to offer and sell securities in reliance on Section 4(a)(6) will not have filed an electronic submission with the Commission previously and will, therefore, be required to file a Form ID to receive EDGAR access codes prior to filing a Form C. Accordingly, we estimate an additional 1,900 Form ID filings per year, based on the estimated number of issuers annually. This will equate to an additional annual burden of approximately 285 hours (1,900 filings x 0.15 hours/filing).

¹⁰ 1,900 Forms C + 1,900 Forms C-U + 1,900 Forms C-AR + 152 Forms C-TR = 5,852 responses.

In addition, Regulation Crowdfunding will require intermediaries to register with the Commission as either a broker or a funding portal. To facilitate this process, we have amended Form ID, effective January 29, 2016, to add “Funding Portal” as a filer type and are also revising the instructions to the form to include the definition of “funding portal” (as defined by Regulation Crowdfunding Rule 300(c)(2)). We estimate that each year, approximately 50 entities may decide to be registered as funding portals by filing Form Funding Portal on EDGAR. These intermediaries will have to complete and file Form ID in order to obtain EDGAR access codes to file Form Funding Portal, which will correspond to 50 additional Form ID filings. As a result, we estimate that the additional annual burden of approximately 7.5 hours (50 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 1,900 filings from Form C filers and 50 filings from Form Funding Portal filers.

Table 7. Estimated paperwork burden under Form ID, amended to account for issuers relying on Section 4(a)(6) and filers registering as funding portals

	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	38,728	0.15	5809.2	5809.2	0	\$0

14. COSTS TO FEDERAL GOVERNMENT

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

15. REASON FOR CHANGE IN BURDEN

Regulation Crowdfunding implements 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 will result in 214,928 burden hours carried by the issuer internally and a cost burden of \$28,500,000 for services of outside professionals.

To obtain the EDGAR access codes required to make a filing on EDGAR, including a filing a Form C or Form Funding Portal, issuers and funding portals will need to file a Form ID. Approximately 1,900 issuers relying on Section 4(a)(6) and 50 intermediaries registering as funding portals and filing Form ID annually will increase the current paperwork burden under Form ID from 5,516.7 hours to 5809.2 hours, an increase of 292.5 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.