

**SUPPORTING STATEMENT FOR THE PAPERWORK REDUCTION ACT  
INFORMATION COLLECTION SUBMISSION FOR CONDITIONAL SMALL ISSUES  
EXEMPTION UNDER THE SECURITIES ACT OF 1933 (REGULATION A)**

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,<sup>1</sup> 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. The Commission has adopted various rules (collectively, “Regulation A”) establishing a limited offering exemption from the registration requirements of the Securities Act. Regulation A provides an exemption for offers and sales of securities up to \$20 million in a 12-month period, for Tier 1 offerings, or up to \$50 million in a 12-month period, for Tier 2 offerings. Both Tier 1 and Tier 2 offerings require a Form 1-A filing.

On December 19, 2018, in Securities Act Release No. 10591 (the “Adopting Release”), the Commission adopted amendments to Regulation A and Form 1-A to permit companies subject to the ongoing reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) to use the exemption provided by Regulation A. The amendments also provide that entities meeting the reporting requirements of the Exchange Act will be deemed to have met the reporting requirements of Regulation A. The amendments are mandated by Section 508 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (“Economic Growth Act”).

The amendments contain a “collection of information” requirement within the meaning of the Paperwork Reduction Act of 1995. The title of this requirement is “Regulation A (Form 1-A)” (OMB Control No. 3235-0286).

**2. PURPOSE AND USE OF THE INFORMATION COLLECTION**

Form 1-A is an offering statement filed under Regulation A. The information collected is primarily intended to ensure the adequacy of information available to investors, while the purpose of Part I of Form 1-A is also to collect empirical data for the Commission. The empirical data will provide a continuing basis for action by the Commission either in terms of amending existing rules and regulations or proposing new ones. Other than the information in Part I, the Commission will use very little of the collected information itself, except on an occasional basis in the enforcement of the securities laws.

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<sup>1</sup> 15 U.S.C. §77a *et seq.*

### **3. CONSIDERATION GIVEN TO INFORMATION TECHNOLOGY**

Form 1-A is filed electronically using the Commission's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"). Part I of Form 1-A is an online fillable form.

### **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.

We are not aware of any forms or rules that conflict with or substantially duplicate the requirements of Form 1-A.

### **5. REDUCING THE BURDEN ON SMALL ENTITIES**

Regulation A is an exemption from Securities Act registration relating to small issues and small issuers. Under the adopted amendments, Regulation A continues to provide an exemption to small issuers allowing them to conduct offerings that are exempt from Securities Act registration, including issuers that are subject to the reporting requirements of the Exchange Act. We believe that many of the issuers in Regulation A offerings are small entities, but we currently do not collect information on total assets of companies that use Regulation A to determine if they are small entities.

### **6. CONSEQUENCES OF NOT CONDUCTING COLLECTION**

The information required by Regulation A is intended to be used by public investors and to ensure the adequacy of information to investors regarding offerings pursuant to that exemption. The information required by Part I of Form 1-A is also designed to collect empirical data for the Commission, which will provide a continuing basis for action by the Commission for amending existing rules and regulations or proposing new ones. The exemption from Securities Act registration made in reliance on the amendments would not be available without these collections of information.

### **7. SPECIAL CIRCUMSTANCES**

Not applicable.

### **8. CONSULTATIONS WITH PERSONS OUTSIDE THE AGENCY**

Not applicable.

### **9. PAYMENT OR GIFT TO RESPONDENTS**

Not applicable.

## **10. CONFIDENTIALITY**

Rule 251(e) (§ 230.251(e)) of Regulation A allows for requests for confidential treatment to be made under existing Rule 406 (§ 230.406) for information required to be filed with the Commission and existing Rule 83 (§ 230.86) for information not required to be filed with the Commission. Rule 252(d) (§ 230.252(d)) also allows for a draft Form 1-A to be submitted for non-public review by the Commission's staff. Form 1-A must be filed publicly at least 21 days prior to the offering statement being qualified if the non-public submission option is used. Otherwise, the collections of information required by Regulation A are public documents. The amendments did not affect any of these provisions.

## **11. SENSITIVE QUESTIONS**

No information of a sensitive nature, including social security numbers, will be required under these collections of information. The information collections collect basic Personally Identifiable Information (PII) that may include name and job title. However, the agency has determined that the information collections do not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The EDGAR PIA, published on January 29, 2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

## **12/13. BURDEN OF INFORMATION COLLECTION AND COSTS TO RESPONDENTS**

The estimated burden hours and cost burden are made solely for the purposes of the Paperwork Reduction Act and represent the average burden for all issuers. The cost burden is not derived from a comprehensive or even a representative survey of the costs of Commission rules and forms.

Form 1-A is currently estimated to take approximately 750 hours per response to prepare with 112 responses per year. In addition, one administrative burden hour is associated with the review of Regulation A. Table 1 illustrates the current total annual compliance burden, in hours and in costs, of the collection of information pursuant to Form 1-A. For purposes of the Paperwork Reduction Act, we estimate that 75% of the burden of preparation is carried by the issuer internally and that 25% of the burden is carried by outside professionals retained by the issuer at an average cost of \$400 per hour.<sup>2</sup> The one hour administrative Paperwork Reduction Act burden that is attributable to Regulation A is reflected in the analysis of the Form 1-A.

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<sup>2</sup> We recognize that the costs of retaining outside professionals may vary depending on the nature of the professional services, but for purposes of this PRA analysis we estimate that such costs would be an average of \$400 per hour. This estimate is based on consultations with several issuers, law firms and other persons who regularly assist issuers in preparing and filing reports with the Commission.

**Table 1. Estimated paperwork burden under Form 1-A, before amendments relating to Form 1-A**

	Number of responses (A)	Burden hours/form (B)	Total burden hours (C)=(A)*(B)	Internal issuer time (D) = (.75%)	External professional time (E) =(.25%)	Professional costs (F)=(E)*\$400
Form 1-A	112	750	84,000	63,000	21,000	\$8,400,000
Regulation A	112	1	112	84	0	\$0
<b>Total</b>	<b>112</b>	<b>751</b>	<b>84,112</b>	<b>63,084</b>	<b>21,000</b>	<b>\$8,400,000</b>

We believe that the adopted amendments relating to Form 1-A will decrease the burden to prepare and file Form 1-A per response, but will increase the overall paperwork burden of the form because we expect that permitting Exchange Act reporting companies to use the exemption will result in a greater number of responses. For purposes of the Paperwork Reduction Act, we estimate 67 additional offering statements will be filed per year as a result of the amendments for a total of 179 responses. We base this estimate on: (i) the current approximate number of annual Form 1-A filings under the existing rules (112), plus (ii) 25 percent of the estimated number of registered offerings of securities in 2017 by reporting companies that were not exchange listed that would have been eligible to be conducted under Regulation A (67).

As discussed in the Adopting Release, the amendments are anticipated to affect U.S. and Canadian reporting companies seeking to conduct a public offering within the Regulation A offering limits. Among such issuers, we expect the amendments will likely have the most impact on issuers in offerings of securities that fall within Regulation A offering limits and that are not listed on a national securities exchange. During calendar year 2017, there were approximately 584 reporting companies with registered securities offerings of up to \$50 million that may be eligible for Regulation A under the amendments, including approximately 267 of those that were not exchange-listed.<sup>3</sup> While it is not possible to predict with certainty the number of offering statements that will be filed by issuers relating to offerings made in reliance on amended Regulation A, we estimate that approximately 25 percent of offerings by this type of issuers may be conducted in reliance on Regulation A instead of a registered offering (267 offerings x 0.25=67).

For purposes of the Paperwork Reduction Act, we estimate that the total burden to prepare and file Form 1-A, as amended (including one administrative burden hour associated with the review of Regulation A) is 732.28 hours. The basis for this decrease in the burden is because an Exchange Act reporting company that is preparing a Form 1-A is likely to have already prepared much of the information required to respond to Form 1-A for its Exchange Act reporting purposes. We therefore estimate that for an Exchange Act reporting company, the burden to prepare and file Form 1-A, as amended, will be approximately 701 hours, including one administrative burden hour associated with the review of Regulation A, while the burden for

<sup>3</sup> The estimate is based on the number of unique issuers with registration statements on Forms S-1, S-3, S-4, S-11, F-1, F-3, F-4, and F-10, excluding amendments, declared effective during calendar year 2017 with registration size up to \$50 million. Issuers incorporated outside the U.S. and Canada and issuers with SIC code 6770 (denoting blank checks) are excluded. Data is obtained from Intelligize.

an issuer that is not an Exchange Act reporting company would continue to be 751 hours, including one administrative burden hour associated with the review of Regulation A. Assuming that the 67 additional offering statements filed per year are filed by Exchange Act reporting companies, the burden on average across all issuers would therefore be 732.28  $([(112 \text{ responses} \times 751) + (67 \text{ responses} \times 701)]/179 \text{ total responses} = 732.28)$ .

We estimate that compliance with the requirements of Form 1-A will require approximately 131,078.12 burden hours (179 offering statements x 732.28 hours/offering statement) in aggregate each year, which corresponds to approximately 98,308.59 aggregated hours carried by the issuer internally (179 offering statements x 732.28 hours/offering statement x 0.75) and aggregated costs of \$13,107,812 (179 offering statements x 732.28 hours/offering statement x 0.25 x \$400) for the services of outside professionals.

Table 2 illustrates the estimated total annual compliance burden, in hours and in costs, of the collection of information pursuant to Form 1-A following these amendments.

**Table 2. Estimated paperwork burden under Form 1-A, after amendments relating to Form 1-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
Regulation A/Form 1-A	179	732.28	131,078.12	98,308.59	32,769.53	\$13,107,812
<b>Total</b>	<b>179</b>	<b>732.28</b>	<b>131,078.12</b>	<b>98,308.59</b>	<b>32,769.53</b>	<b>\$13,107,812</b>

#### 14. COSTS TO FEDERAL GOVERNMENT

We estimate that the cost of preparing the amendments would be approximately \$50,000.

#### 15. REASON FOR CHANGE IN BURDEN

**Table 3. Summary of Revised Annual Responses, Burden Hours, and Burden Hour Cost Estimates for Each Information Collection**

IC Title	Annual No. of Responses			Annual Time Burden (Hours)			Annual Burden Cost Burden (\$)		
	Previously Approved	Requested	Change	Previously Approved	Requested	Change	Previously Approved	Requested	Change
Regulation A(Form 1-A)	112	179	67	63,084	98,308.59	35,224.59	\$8,400,000	\$13,107,812	\$4,707,812

As explained in further detail in Items 12 and 13 above, the change in burden for Form 1-A corresponds to an estimated decrease in the existing paperwork burden of the form per response because Exchange Act reporting companies are likely to have already prepared much of the information required to respond to Form 1-A for other purposes, and an increase in the overall paperwork burden of the form because we expect that permitting Exchange Act reporting

companies to use the exemption will result in a greater number of responses. The approximately 67 additional issuers we estimate will rely on amended Regulation A and file Form 1-A annually would increase the overall current paperwork burden under Form 1-A from 84,112 hours to 131,078.12 hours, an increase of 46,966.12 hours.<sup>4</sup> This corresponds to an increase in the total internal burden hours from 63,084 to 98,308.59, an increase of 35,224.59, and an increase in total outside costs from \$8,400,000 to \$13,107,812 an increase of \$4,707,812.

#### **16. INFORMATION COLLECTION PLANNED FOR STATISTICAL PURPOSES**

Not applicable.

#### **17. APPROVAL TO OMIT EXPIRATION DATE**

We request authorization to omit the expiration date on the electronic version of the forms. 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.

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<sup>4</sup> The adopted amendments to Regulation A do not change the one administrative burden hour per form associated with reviewing Regulation A.