

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

**A. JUSTIFICATION**

**1. CIRCUMSTANCES MAKING THE COLLECTION OF INFORMATION NECESSARY**

The Securities Act of 1933, 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 Act (“Title III” of the “JOBS Act”) added Section 4(a)(6) to the Securities Act, creating a new exemption from registration. Title III also added Section 4A 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.

Regulation Crowdfunding rules implement the Section 4(a)(6) exemption in accordance with Title III. Form C is used by issuers to file the required disclosures with the Commission. Regulation Crowdfunding requires issuers to provide the same disclosures to the relevant intermediary, and the intermediary is required to publicly display the disclosures on its Internet platform, making them available to investors and potential investors.

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

The purpose of the 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 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.

## **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**

There are no special circumstances in connection with Form C.

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

No comments were received on this request during the 60-day comment period prior to OMB’s approval of this extension request.

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

No payment or gift has been provided to any respondents.

## **10. CONFIDENTIALITY**

All documents submitted to the Commission are available to the public.

## **11. SENSITIVE QUESTIONS**

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection collects basic Personally Identifiable Information (PII) that may include name, job title, work address, fax number, and work history. However, the agency has determined that the information collection does 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. AND 13. ESTIMATES OF HOUR AND COST BURDENS**

The estimates in this section are made solely for the purposes of the Paperwork Reduction Act (“PRA”) 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) is 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 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 an offering statement on Form C. The issuer will file any amendments to the offering statement on Form C-A. During the offering period, the issuer will be required to file progress updates on Form C-U after receiving commitments for 50% and 100% of the offering amount. If the issuer accepts proceeds in excess of the offering amount, the issuer is required to file a Form C-U after the offering period closes. Issuers that are successful in their offerings are required to file an annual report on Form C-AR. Any amendments to Form C-AR are filed on a Form C-AR/A. Finally, any issuer terminating its reporting obligations under Regulation Crowdfunding is required to file a Form C-TR to notify investors and the Commission that it will no longer file reports pursuant to the requirements of Regulation Crowdfunding.

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

For purposes of our PRA 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 based 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, takes approximately 100 hours per response to prepare. We estimate that 75% of this burden is carried by the issuer internally and that 25% is 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 a total of 190,000 burden hours (1,900 offering statements x 100 hours/offering statement) each year, which corresponds to 142,500 internal burden hours (1,900 offering statements x 100 hours/offering statement x 0.75) and external costs of \$19,000,000 (1,900 offering statements x 100 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 and any amendments thereto on Form C-A.

**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

Form C-U: Progress Update

We estimate that total paperwork burden for Form C-U is 0.50 hours. In addition, we estimate that an issuer will file on average one Form C-U during the offering period. We estimate that the entire paperwork burden of Form C-U is carried by the issuer internally. Accordingly, we estimate that the annual aggregate paperwork burden for Form C-U is 950 burden hours (1,900 offering statements x 1 progress update x 0.50 hours). Table 2 illustrates the estimated total annual paperwork burden for 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 requires disclosure substantially similar to the disclosure provided in the Form C, except that offering-specific disclosures are not required and the issuer is able to update disclosure previously provided in the Form C. We estimate that the paperwork burdens to prepare and file a Form C-AR are less than that required to prepare and file Form C. We estimate that compliance with Form C-AR, including any amendments on Form C-AR/A, results in a total burden of 50 hours per response. We estimate that 75% of this burden is carried by the issuer internally and that 25% is 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 will result in approximately 95,000 burden

hours (1,900 issuers x 50.00 hours/issuer) in the each year, which corresponds to 71,250 hours carried by the issuer internally (1,900 issuers x 50 hours/issuer x 0.75) and cost \$9,500,000 (1,900 issuers x 50 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.

**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 on Form C-TR during the first year. We estimate that compliance with Form C-TR results in a burden of 1.50 hours per response. We further estimate that this burden is carried wholly by the issuer internally. Accordingly, we estimate that compliance with Form C-TR results in an aggregate annual burden of 228 hours (1,900 issuers x 0.08 issuers x 1.50 hours/issuer). 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 aggregate annual paperwork burden for all variants of Form C is 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), out of which 214,928 hours are 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 \$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) are external costs for the services of outside professionals retained by the issuer. 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 <sup>1</sup>	286,178	214,928	71,250	36.72727	\$28,500,000

#### **14. COSTS TO FEDERAL GOVERNMENT**

An issuer conducting a Regulation Crowdfunding offering must electronically file its offering statement on Form C through the Commission’s Electronic Data Gathering, Analysis and Retrieval (EDGAR) system and with the intermediary facilitating the crowdfunding offering. SEC staff does not review or take any action on Form C filings, and therefore there is no cost to the SEC in connection with distribution or processing of the Form C.

#### **15. REASON FOR CHANGE IN BURDEN**

There is no change in burden in connection with this PRA submission.

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

The information collections do not employ statistical methods.

#### **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**

There are no exceptions to certification for Paperwork Reduction Act submissions.

### **B. STATISTICAL METHODS**

The information collections do not employ statistical methods.

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<sup>1</sup> 1,900 Forms C + 1,900 Forms C-U + 1,900 Forms C-AR + 152 Forms C-TR = 5,852 responses.