

# **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 March 22, 2023, 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 host 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 1,751 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 101 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 \$600 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 176,851 burden hours (1,751 offering statements x 101 hours/offering statement) each year, which corresponds to 176,851 internal burden hours (1,751 offering statements x 101 hours/offering statement x 0.75) and external costs of \$26,527,650 (1,751 offering statements x 101 hours/offering statement x 0.25 x \$600) 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)*\$600 |
|--------------------------------|-------------------------|-----------------------|--------------------------------|--------------------------|--------------------------------|----------------------------------|
| Form C, including any Form C-A | 1,751                   | 101                   | 176,851                        | 132,638.25               | 44,212.75                      | \$26,527,650                     |

### 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 435.5 burden hours (871 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)*\$600 |
|----------|-------------------------|-----------------------|--------------------------------|--------------------------|--------------------------------|----------------------------------|
| Form C-U | 871                     | 0.50                  | 435.5                          | 435.5                    | 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 \$600 per hour. Accordingly, we estimate that compliance with the requirements of Form C-AR will result in approximately 35,700 burden hours (714 issuers x 50.00 hours/issuer) in each year, which corresponds to 26,775 hours carried by the issuer internally (714 issuers x 50 hours/issuer x 0.75) and cost \$5,355,000 (714 issuers x 50 hours/issuer x 0.25 x \$600) 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)*\$600 |
|-----------|-------------------------|-----------------------|--------------------------------|--------------------------|--------------------------------|----------------------------------|
| Form C-AR | 714                     | 50                    | 35,700                         | 26,775                   | 8,925                          | \$5,355,000                      |

### 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 210 hours (1,751 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)*\$600 |
|-----------|-------------------------|-----------------------|--------------------------------|--------------------------|--------------------------------|----------------------------------|
| Form C-TR | 140                     | 1.5                   | 210                            | 210                      | 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 213,196.5 burden hours (176,851 hours for Form C + 435.5 hours for Form C-U + 35,700 hours for Form C-AR + 210 hours for Form C-TR), out of which 160,058.75 hours are carried by the issuer internally (132,638.25 hours for Form C + 435.5 hours for Form C-U + 26,775 hours for Form C-AR + 210 hours for Form C-TR) and \$31,882,650 (\$26,527,650 for Form C + \$0 for Form C-U + \$5,355,000 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)*\$600 |
|---------------------|-------------------------|------------------------|--------------------------|--------------------------------|--|----------------------------------|
| All Form C Variants | 3,476 <sup>1</sup>      | 213,196.5              | 160,058.75               | 53,137.75                      | 46.0468211   | \$31,882,650                     |

<sup>1</sup> 1,751 Forms C + 871 Forms C-U + 714 Forms C-AR + 140 Forms C-TR = 3,476 responses.

#### 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

| Current OMB Inventory        |                          |                         | Change in Burden due to Adjustment |   |   | Requested Burden and Cost Burden |  |                                      |
|------------------------------|--------------------------|-------------------------|------------------------------------|---|---|----------------------------------|--|--------------------------------------|
| Current Annual Responses (A) | Current Burden Hours (B) | Current Cost Burden (C) | Decrease Annual Responses (D)      | Decrease in Burden Hours (E) <sup>±</sup> | Increased Cost Burden from \$400 to \$600 (F) | Requested Responses (G)=(A)-(D)  | Requested Burden Hours (H) = (B) – (E) | Requested Cost Burden (I) = (C) +(F) |
| 5,907                        | 221,378                  | \$29,358,657            | 2,431                              | 61,319                                    | \$2,523,993                                   | 3,476                            | 160,059                                | \$31,882,650                         |

The decrease in burden hours and the increase in cost burden is due to an adjustment to how the PRA burdens are calculated. The decrease in burden hours of 61,319 is due to decrease in the number of Form C filings filed with the Commission. The increase in cost burden is due to how the cost burden is calculated. 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 \$600 per hour. We are increasing the cost estimate to \$600 per hour to adjust the estimate for inflation from August 2006 to the present.

#### 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.