

TABLE 1: CALCULATION OF INCREMENTAL PRA BURDEN ESTIMATES

	Annual responses	Incremental hours/form	Incremental burden	75% company	25% professional	\$300 prof. cost
	(A)	(B)	(C)=(A) × (B)	(D)=(C) × 0.75	(E)=(C) × 0.25	(F)=(E) × \$300
SCH 14A	7,188	3.00	21,564.00	16,173	5,391.00	\$1,617,300.00
SCH 14C	446	3.00	1,338.00	1,004	334.50	100,350.00
Rule 20a-1	1,058	3.00	3,174.00	2,381	793.50	238,050.00
Total	8,692	.....	.....	19,557	.....	1,955,700.00

2. Periodic Reports

For purposes of the PRA, we estimate the annual incremental paperwork burden for Exchange Act periodic reports under the new disclosure requirements to be approximately 1,311 hours of company personnel time and a cost of approximately \$131,100 for the services of outside professionals. We estimate that, over a three-year time

period, the annual incremental disclosure burden would be an average of 0.01 hours per Form 10-K and Form 10-KSB, 0.04 hours per Form 10-Q and Form 10-QSB, and 0.03 hours per Form N-CSR.¹⁵² This estimate was based on the following two assumptions:

- Each year, 20% of reporting companies will change materially the procedures by which security holders

may recommend nominees to the board of directors;¹⁵³ and

- It will take .25 hours to prepare the disclosure regarding material changes to security holder nomination procedures.

Table 2, below, illustrates the incremental annual compliance burden of the collection of information in hours and in cost for periodic reports under the Exchange Act and Investment Company Act.

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	Annual responses	Incremental hours/form	Incremental burden	75% company	25% professional	\$300 prof. cost
	(A)	(B)	(C)=(A) × (B)	(D)=(C) × 0.75	(E)=(C) × 0.25	(F)=(E) × \$300
10-K	8,484	0.01	84.84	64	21.21	\$6,000.00
10-KSB	3,820	0.01	38.20	29	9.55	3,000.00
10-Q	23,743	0.04	949.72	712	237.43	71,000.00
10-QSB	11,299	0.04	451.96	339	112.99	34,000.00
N-CSR	7,400	0.03	222.00	167	55.50	17,000.00
Total .....	.....	.....	.....	1,311	.....	\$131,000.00

E. Request for Comment

We request comment in order to (a) evaluate whether the collections of information are necessary for the proper performance of our functions, including whether the information will have practical utility, (b) evaluate the accuracy of our estimate of the burden of the collections of information, (c) determine whether there are ways to enhance the quality, utility, and clarity of the information to be collected, and (d) evaluate whether there are ways to minimize the burden of the collections of information on those who respond, including through the use of automated collection techniques or other forms of information technology.¹⁵⁴

Any member of the public may direct to us any comments concerning the accuracy of this burden estimate and any suggestions for reducing this

burden. Persons who desire to submit comments on the collection of information requirements should direct their comments to the OMB, Attention: Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Washington, DC 20503, and send a copy of the comments to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549, with reference to File No. S7-14-03. Requests for materials submitted to the OMB by us with regard to this collection of information should be in writing, refer to File No. S7-14-03, and be submitted to the Securities and Exchange Commission, Office of Filings and Information Services, Branch of Records Management, 450 Fifth Street, NW., Washington, DC 20549. Because the

OMB is required to make a decision concerning the collections of information between 30 and 60 days after publication, your comments are best assured of having their full effect if the OMB receives them within 30 days of publication.

IV. Cost-Benefit Analysis

A. Background

On August 8, 2003 we proposed new disclosure requirements intended to increase the transparency of nominating committee functions and the processes by which security holders may communicate with boards of directors of the companies in which they invest.¹⁵⁵ These proposals followed substantially the recommendations made by the Division of Corporation Finance in a staff report dated July 15, 2003.¹⁵⁶ In

¹⁵² For example, the average burden per form for Form 10-K is calculated as follows: [(8,484 Form 10-Ks × 5% frequency of disclosure × 0.25 hours)/8,484 Form 10-Ks] = .01. The calculation for Form 10-Q is as follows: [(23,743 Form 10-Qs × 15% frequency of disclosure × 0.25 hours)/23,743 Form 10-Qs] = .04. The calculation for Form N-CSR is as follows: [(7,400 Form N-CSRs × 10% frequency of disclosure × 0.25 hours)/7,400 Form N-CSRs] =

.03. The discrepancy in quotients is due to the fact that operating companies report on a quarterly basis, while registered management investment companies report on a semi-annual basis.

¹⁵³ Under our assumptions, 5% of operating companies will provide the disclosure each quarter (for a total of 20%), while 10% of registered management investment companies will provide the information semi-annually (for a total of 20%).

¹⁵⁴ Comments are requested pursuant to 44 U.S.C. 3506(c)(2)(B).

¹⁵⁵ See Release No. 34-48301 (August 8, 2003).

¹⁵⁶ See Staff Report: Review of the Proxy Process Regarding the Nomination and Election of Directors, Division of Corporation Finance (July 15, 2003). The Division's Staff Report, detailing the results of its review of the proxy process related to