

**SECURITIES AND EXCHANGE COMMISSION  
ADVISORY COMMITTEE ON  
SMALL AND EMERGING COMPANIES**  
Washington, DC 20549-3628

September 23, 2015

The Honorable Mary Jo White  
Chair  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1070

Dear Chair White:

As you know, the Securities and Exchange Commission organized the Advisory Committee on Small and Emerging Companies to provide the Commission with advice on the Commission's rules, regulations, and policies with regard to its mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation, as they relate to the following:

- (1) capital raising by emerging privately held small businesses and publicly traded companies with less than \$250 million in public market capitalization;
- (2) trading in the securities of such businesses and companies; and
- (3) public reporting and corporate governance requirements to which such businesses and companies are subject.

On behalf of the Advisory Committee, we are pleased to submit the enclosed recommendations regarding disclosure by smaller publicly traded companies. This topic was discussed at our meetings held on June 3, 2015 and July 15, 2015, and the specific recommendations, as enclosed, were voted upon and approved on September 23, 2015.

We and the other members of the Advisory Committee are prepared to provide any additional assistance that the Commission or its staff may request with respect to this recommendation.

Respectfully submitted on behalf of the Committee,

Stephen M. Graham  
Committee Co-Chair

M. Christine Jacobs  
Committee Co-Chair

Members of the Committee

Charles Baltic  
David A. Bochnowski  
John J. Borer, III  
Dan Chace  
Milton Chang  
Stephen M. Graham  
Shannon L. Greene  
Sara Hanks  
John Hempill  
M. Christine Jacobs  
Richard L. Leza\*\*  
Sonia Luna  
Catherine V. Mott  
David J. Paul  
Timothy Reese\*  
Timothy Walsh  
Gregory C. Yadley

Official Observers

Michael Pieciak  
Javier Saade

\* Not present at the meeting held on June 3, 2015.

\*\* Not present at the meeting held on September 23, 2015

Enclosure

cc: Commissioner Luis Aguilar  
Commissioner Daniel M. Gallagher  
Commissioner Kara M. Stein  
Commissioner Michael S. Piwowar  
Keith Higgins  
Karen Garnett  
Elizabeth Murphy  
Sebastian Gomez  
Julie Davis

U.S. Securities and Exchange Commission  
Advisory Committee on Small and Emerging Companies

**Recommendations about Expanding Simplified Disclosure for Smaller Issuers**

AFTER CONSIDERING THAT:

1. Small businesses have historically played a significant role as drivers of economic activity, innovation and job creation in the United States.
2. The U.S. Securities and Exchange Commission (Commission) has provided for simplified disclosure and reporting for smaller issuers for over 30 years. Under current Commission rules, “smaller reporting companies” are companies that, among other things, have a public float of less than \$75 million in common equity, or, if unable to calculate the public float, companies with less than \$50 million in annual revenues. Similarly, a company is considered a “non-accelerated filer” if it has a public float of less than \$75 million as of the last day of the most recently completed second fiscal quarter.
3. The Jumpstart Our Business Startups Act (JOBS Act), enacted on April 5, 2012, created a new category of company called an “emerging growth company,” to which certain scaled disclosure and other requirements apply at the time of the company’s initial public offering for up to five years. An emerging growth company is defined as a company with total annual gross revenues of less than \$1 billion during its most recently completed fiscal year.
4. Emerging growth companies are provided with a number of accommodations with respect to disclosure requirements that would also be beneficial for smaller reporting companies, as these requirements place a disproportionate burden on smaller reporting companies in terms of cost of, and time spent on, compliance.

THE COMMITTEE RECOMMENDS THAT:

1. The Commission revise the definition of “smaller reporting company” to include companies with a public float of up to \$250 million. This will afford the following accommodations to a broader range of smaller public companies:
  - a. exemption from pay ratio rule;
  - b. exemption from auditor attestation requirement; and
  - c. exemption from providing a Compensation Discussion & Analysis.
2. The Commission revise its rules to provide smaller reporting companies with the same disclosure accommodations that are available to emerging growth companies. These include:
  - a. exemption from the requirement to conduct shareholder advisory votes on executive compensation and on the frequency of such votes;

- b. exemption from rules requiring mandatory audit firm rotation;
  - c. exemption from pay versus performance disclosure; and
  - d. allow compliance with new accounting standards on the date that private companies are required to comply.
3. The Commission revise the definition of “accelerated filer” to include companies with a public float of \$250 million or more, but less than \$700 million. As a result of such revision, the requirement to provide an auditor attestation report under Section 404(b) of the Sarbanes-Oxley Act would no longer apply to companies with public float between \$75 million and \$250 million.
  4. The Commission exempt smaller reporting companies from XBRL tagging.
  5. The Commission exempt smaller reporting companies from filing immaterial attachments to material contracts.