

Advocacy Supports SEC Proposal to Extend Regulation S-B Eligibility and Urges Continued Attention to Small Business Impacts

On July 5, 2007, the Securities and Exchange Commission (SEC) proposed to extend the simplified disclosure and reporting requirements under Regulation S-B to a broader range of smaller public companies. Advocacy supports this extended eligibility, but is concerned that this proposal that would also eliminate the scaled disclosure forms under Regulation S-B. Advocacy's letter to the SEC may be accessed at: <http://www.sba.gov/advo/laws/comments/>.

- Regulation S-B, an alternative to the regular registration forms under Regulation S-X, contains a number of financial statement and disclosure requirements that are less detailed and scaled to the characteristics of smaller public companies. Currently, only small business issuers with a public float and revenues of less than \$25 million are eligible to utilize Regulation S-B. Advocacy supports this proposal because it will create a new definition or size standard of a smaller public company to include most companies with a public float of less than \$75 million, and expand the eligibility for scaled disclosure to these entities.
- Advocacy recommends that the SEC increase the definition of a smaller public company and the eligibility of scaled regulation to companies with \$787 million in equity market capitalization, pursuant to the recommendation of this SEC's Advisory Committee on Smaller Public Companies. Advocacy also recommends that the SEC update the small business size standard it utilizes for purposes of the Regulatory Flexibility Act to conform with this new definition.
- This proposal would maintain the Regulation S-B disclosure requirements, but would require these smaller public companies to utilize a modified version of the regular registration forms under Regulation S-X. Advocacy believes that form may be complicated and have unintended consequences such as extra legal and accounting costs. Advocacy recommends that the SEC choose an alternative action, to provide users the choice of both forms for two years and to measure the costs of the both forms to smaller public companies.
- Advocacy remains concerned that smaller public companies still face the large and disproportionate costs of internal controls reporting requirements under Section 404 of the Sarbanes-Oxley Act of 2002. Advocacy recommends that the SEC reconsider the Advisory Committee's central recommendation, to provide an extension for small public companies to comply with Section 404.

For more information, visit Advocacy's Web page at <http://www.sba.gov/advo>, or contact Assistant Chief Counsel Janis Reyes by email at janis.reyes@sba.gov or by phone at 202-619-0312.