

SECURITIES AND EXCHANGE COMMISSION
ADVISORY COMMITTEE ON
SMALL AND EMERGING COMPANIES

Washington, DC 20549-3628

March 21, 2013

The Honorable Elisse B. Walter
Chairman
U. S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1070

Dear Chairman Walter:

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 recommendation to the Commission regarding specialized disclosure requirements. The recommendation was unanimously approved by the members of the Advisory Committee present and voting at a meeting held on February 1, 2013.

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

David A. Bochnowski
John J. Borer, III
Dan Chace
Milton Chang
Joseph "Leroy" Dennis *
Stephen M. Graham
Shannon L. Greene
M. Christine Jacobs
Kara B. Jenny
Steven R. LeBlanc *
Richard L. Leza *

Paul Maeder *
Kathleen A. McGowan
Catherine V. Mott *
Karyn Smith
Charlie Sundling *
Timothy Walsh
Gregory C. Yadley

* Not present at the meeting held on February 1, 2013.

Official Observers

A. Heath Abshire
Sean Greene

Enclosure

cc: Commissioner Luis Aguilar
Commissioner Troy A. Paredes
Commissioner Daniel M. Gallagher
Lona Nallengara
Elizabeth Murphy
Gerald J. Laporte

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

Recommendation Regarding
Specialized Disclosure Requirements

February 1, 2013

AFTER CONSIDERING THAT:

1. The mission of the U.S. Securities and Exchange Commission (the “Commission”) is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.
2. The Committee notes that in recent years, legislation has been proposed or enacted that would require or requires or directs the Commission to amend its rules and forms to impose disclosure requirements on issuers relating to matters that the Committee believes is outside of the scope of the mission of the Commission. The Committee believes that the provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) imposing obligations on reporting issuers to include in Exchange Act reports information about conflict minerals originating in the Democratic Republic of the Congo, mine safety, and payments by resource extraction issuers are examples of such legislative mandates.
3. The Committee believes that these disclosure requirements, particularly those relating to conflict minerals and payments by resource extraction issuers, impose a disproportionate burden on small businesses in terms of cost of, and time spent on, compliance with such requirements without generating information useful for investors to make an informed investment decision, and have a negative effect on capital formation.
4. The Committee acknowledges and recognizes that these types of legislative mandates are responding to important and worthwhile humanitarian, social or foreign policy objectives.
5. The Committee does not believe that confronting these objectives through disclosure provisions in the federal securities laws is an effective way of addressing the underlying issues.

THE COMMITTEE RECOMMENDS THAT:

The Commission, as it deems appropriate, share with the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives this Committee’s belief that such disclosure requirements, particularly those

relating to conflict minerals and payments by resource extraction issuers, are outside of the scope of the mission of the Commission, impose disproportionate costs on small businesses without generating information useful for investors to make an informed investment decision, and have a negative effect on capital formation.