



August 30, 2016

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: **Proposed Rule on Smaller Reporting Company Definition (Release No. 33-10107; Release No. 34-78168; File No. S7-12-16)**

Dear Mr. Fields:

The Corporate Governance Coalition for Investor Value (the “Coalition”) has been formed to provide a forum for the discussion of issues of common interest among its members to advocate for strong corporate governance policies and the federal securities laws that promote long-term value creation for investors and the firms in which they invest. Coalition members represent American businesses of all sizes, from every industry sector and geographic region. These businesses produce the goods and services that drive the American economy, employing and creating opportunities for millions of Americans and serving the countless communities nation-wide in which they operate. The Coalition believes that strong corporate governance policies are important to provide investors with a return and on their investment businesses with the capital needed to grow and operate.

The Coalition appreciates the opportunity to comment on the proposed rules issued by the Securities and Exchange Commission (“Commission” or “SEC”) in the release entitled “Amendments to Smaller Reporting Company Definition” (the “Proposal”). The Proposal would reform the smaller reporting company (“SRC”) definition to include issuers with a public float up to \$250 million or, in the absence of public float, annual revenues up to \$100 million. As a result of the Proposal, a wider universe of growing businesses would be eligible for the scaled disclosure requirements available to SRCs under Regulation S-K.

The Coalition supports the SEC's efforts to move away from one-size-fits-all compliance requirements and to reduce the regulatory burden on American small businesses. The scaled disclosures available to SRCs allow them to focus precious capital on their growth while maintaining the requirement that issuers of any size must provide their investors with any material information about their business. The targeted expansion of the SRC definition in the Proposal would allow more companies to qualify as SRCs and benefit from scaled disclosure obligations – generating important cost savings that could be repurposed into growing the company – without interfering with the Commission's duty to protect investors. Indeed, the proposed reforms would bring the share of total public float held by investors in SRCs up to just 0.03% of total public float on the market. An expanded SRC definition would have a significant impact on small business capital formation while also allowing the Commission to more accurately classify issuers.

The Proposal solicits comment on whether similar reforms should be made to the accelerated filer definition in order to enlarge the universe of non-accelerated filers. Reforming the accelerated filer definition to include companies with a public float between \$250 million and \$700 million would bring the non-accelerated filer definition into line with the proposed SRC definition. Such a change would expand eligibility for the non-accelerated filer exemption from Section 404(b) of the Sarbanes-Oxley Act ("SOX").

The Coalition has previously endorsed the September 23, 2015, recommendation by the SEC's Advisory Committee on Small and Emerging Companies ("ACSEC") to reform the accelerated filer definition and expand the SOX Section 404(b) exemption. We again encourage the Commission to adopt this recommendation in order to relieve small companies of a costly compliance burden and to harmonize the non-accelerated filer and SRC definitions.

Under Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), non-accelerated filers are granted a permanent exemption from compliance with Section 404(b) of SOX. These growing businesses are still required to maintain internal financial controls as required by SOX Section 404(a), but the Dodd-Frank exemption from Section 404(b) allows them to avoid the costly external audit of those controls that larger issuers must conduct. If the Commission adopts the ACSEC's recommendation, issuers with a public float up to \$250 million would be eligible for this optional exemption.

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As with the Proposal's SRC reforms, such a change would have a minimal impact on investors – again, the expanded universe of companies would represent just 0.03% of total public float – but it could have a dramatic effect on smaller issuers. These businesses would retain the option to conduct a Section 404(b) audit if they or their investors feel it would provide investor value, but otherwise they would be free to utilize those funds for company growth. The Coalition supports allowing small businesses with public float below \$250 million to make that determination.

Scaling disclosure commensurate with an issuer's size has proved to be an effective tool for encouraging participation in the public capital markets without denying investors access to material information. Expanding scaled disclosure is also wholly consistent with the congressional intent expressed in the JOBS Act and the securities law provisions of the FAST Act. Accordingly, we applaud the Commission for proposing additional opportunities to expand the use of scaled disclosure via the Proposal's SRC reforms, and we encourage it to make parallel reforms to the accelerated filer definition.

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We thank you for your consideration of these comments and would be happy to discuss these issues further with the Commissioners or Staff.

Sincerely,

Biotechnology Innovation Organization
Independent Community Bankers of America
National Association of Manufacturers
National Association of Real Estate Investment Trusts

Cc: The Honorable Mary Jo White
The Honorable Kara M. Stein
The Honorable Michael S. Piwowar