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September 17, 2007

Ms. Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

File No. S7-15-07
Smaller Reporting Company Regulatory Relief and Simplification
Release Nos. 33-8819; 34-56013; 39-2447

Dear Ms. Morris:

KPMG LLP supports the Securities and Exchange Commission's efforts to facilitate capital raising for smaller public companies and we commend the Commission on its timely response to the recommendations set forth in the Final Report of the Advisory Committee on Smaller Public Companies. This letter of comment will focus on those provisions of the Commission's proposed rule, "Smaller Reporting Company Regulatory Relief and Simplification" (Proposed Rule), of most concern to us as they relate to our role as auditors of public companies. We are generally supportive of the rule as proposed but have some observations and suggestions for enhancement as discussed below.

Expanding Eligibility for Smaller Company Scaled Regulation

Scalability

As we stated in our letter of April 3, 2006 to the Commission commenting on the Draft Final Report of the Advisory Committee on Smaller Public Companies, we generally support the need for scaled or proportional securities regulation for companies meeting the definition of a "smaller reporting company" as long as that definition incorporates six determinants:

- the total market capitalization of the company;
- a measurement metric that facilitates scaling of regulation;
- a measurement metric that is self-calibrating;
- a standardized measurement and methodology for computing market capitalization;
- a date for determining total market capitalization; and



- clear and firm transition rules, *i.e.*, small to large and large to small.

We believe that the Commission's definition of a smaller reporting company is generally consistent with the above requirements. While the Advisory Committee recommended use of total market capitalization rather than public float as a determinant, we appreciate the benefit of using a measure of capitalization that preparers and investors are already familiar with and that is consistent with that used in applying other SEC rules and regulations (e.g., accelerated filer status and definition of a well-known seasoned issuer).

The Commission proposes that the \$75 million public float (and \$50 million revenue) threshold be indexed to the Personal Consumption Expenditures Chain-Type Price Index (PCECTP Index); however, existing SEC rules and regulations applying public float, most notably accelerated filer definitions, are not indexed. We support the use of indexed thresholds and recommend that they be applied to the determination of accelerated filer status as well.

In addition, the proposing release does not indicate whether the public float and revenue thresholds for transitioning from a reporting company that does not claim smaller reporting company status to a company claiming that status would be indexed to the PCECTP Index. The final rule should clarify that provision.

Foreign Private Issuers

It is unclear to us why the Commission believes it necessary that in order for a foreign private issuer to qualify as a smaller reporting company it must file with the SEC using U.S. GAAP on domestic forms. In the proposing release, the Commission states that, "Because we propose to expand the definition of smaller reporting company to include all foreign companies, we do not feel that non-U.S. GAAP financial statements would be appropriate for a larger number of issuers." We believe that implementing this requirement would be inconsistent with the capital markets' move toward globalization and the Commission's proposed acceptance of financial statements prepared by foreign private issuers in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board without reconciliation to U.S. GAAP. In addition, if for domestic issuers the Commission believes that \$75 million of public float or \$50 million of revenue (in the absence of public float) is *the* threshold for assessing relative risk in the marketplace and does not take into account an issuer's financial complexity or sophistication, we do not understand why additional considerations are required for foreign private issuers.

The current definition of "small business issuer" includes Canadian companies that report using Canadian GAAP reconciled to U.S. GAAP. While we understand that there are relatively few Canadian companies taking advantage of this accommodation, the proposed definition of smaller reporting company would make reporting in the U.S. more burdensome for Canadian companies that currently take advantage of the accommodation, which appears contrary to the intent of all of the Commission's rule-making efforts to simplify reporting requirements for smaller reporting companies.



Integrating Requirements of Current Regulation S-B into Regulation S-K

Rule Integration

The Commission proposes to integrate all of the current financial statement and disclosure provisions of Regulation S-B into Regulation S-K. We believe the current system (Regulation S-B) assists preparers and their professional advisors in identifying the special compliance provisions related to small business issuers by having the requirements in one place as much as possible for convenience of reference. Also, it is not intuitive for preparers and others to look to Regulation S-K for financial statement requirements since Regulation S-K has historically included only non-financial statement disclosure requirements for issuers that are not small business issuers. Accordingly, with respect to smaller reporting companies, we recommend that the Commission group all of the non-financial disclosure (MD&A, Business, etc.) within a separate section of Regulation S-K and group all of the financial statement requirements (form and content of financial statements, acquired business financial statements, etc.) within one place within Regulation S-X.

Financial Statements for Business Acquisitions

In light of the \$50 million revenue threshold proposed for determining a company's qualification as a smaller reporting company, the Commission should consider revising Rule 3-05(b)(2)(iv) of Regulation S-X to raise to \$50 million the \$25 million threshold currently used by all issuers to limit to two years the periods required for audited financial statements of an acquired business. This revision would harmonize the acquired business reporting requirements with reporting for smaller reporting companies as was the stated intention when the Commission streamlined reporting of acquired businesses in rules adopted in 1996.¹

Description of Property

We note from the proposing release that it is the Commission's intention to make all of the current Regulation S-B disclosures applicable to the expanded group of smaller public companies and that Item 102 of Regulation S-K, "Description of Property", is not amended because it is the Commission's belief that the current provisions are similar to those included in Regulation S-B. Item 102 of Regulation S-B requires certain additional information to be provided by issuers that engage in oil and gas, mining or real estate activities. Item 102 of Regulation S-K, as proposed, does not refer to a requirement for smaller public companies to provide information required by Industry Guide 2, "Disclosure of Oil and Gas Programs", Industry Guide 7, "Description of Property by Issuers Engaged or To Be Engaged in Significant Mining Operations", and Industry Guide 5, "Preparation of Registration Statements Relating to Interests in Real Estate Limited Partnerships". Also, the provisions of Item 102(b) and (c) of Regulations S-B that address

¹ See final rule "Streamlining Disclosure Requirements Relating to Significant Business Acquisitions", Release No. 33-7355



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“Investment policies” and “Description of real estate and operating data” have not been carried over to Item 102 of Regulation S-K, as proposed. In its final rule the Commission should clarify the extent to which Industry Guide and real estate investment policy disclosures (which are similar to those currently required in Form S-11 for registration of securities of certain real estate companies) are applicable to smaller reporting companies.

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We would be pleased to discuss our comments at any time. Please contact Glen Davison at (212) 909-5839 or gdavison@kpmg.com or Melanie Dolan at (202) 533-4934 or mdolan@kpmg.com.

Very truly yours,

KPMG LLP