

Meeting of SEC Advisory Committee on Smaller Public Companies

Room L006, SEC Headquarters
Washington, D.C.

AGENDA

Monday, October 24, 2005, Beginning at 9:30 A.M.*

Opening Remarks

Discussion and Evaluation of Witness Presentations at Recent Meetings and Written Statements Received

Reports of Subcommittees (See Attachment)

Accounting Standards
Corporate Governance and Disclosure
Capital Formation
Internal Control Over Financial Reporting

Adjournment for Day

Tuesday, October 25, 2005, Beginning at 9:00 A.M.*

Consideration of Subcommittee Reports and Recommendations

Accounting Standards
Corporate Governance and Disclosure
Capital Formation
Internal Control Over Financial Reporting

Discussion of Timetable, Next Steps and Preparation of Final Report, Including Recommendations

Adjournment of Meeting

* Lunch is scheduled from 12:30 to 1:45 p.m. Adjournment is scheduled to occur before 4:00 p.m. on each day.

AGENDA DISCUSSION POINTS FOR OCTOBER 24-25, 2005

The subcommittees have been actively engaged in the data gathering process and are nearing the time at which their recommendations can be made to the entire Committee for its consideration. The subcommittees have made substantial progress in this regard and will present the following points for full Committee discussion and consideration at the October 24-25 meeting.

ACCOUNTING STANDARDS SUBCOMMITTEE

- Areas of Alignment
 - Implementation dates of new accounting standards for MicroCap companies
 - De minimis provisions in the application of independence rules for auditors
 - Principles based accounting standards with simplicity and ease of application a major consideration in new accounting standards
 - Protocol for accounting transactions that do not have clear guidance
 - Promotion of competition among audit firms for smaller public companies
 - Monitor impact of May 16th PCAOB guidance between the auditor and its clients
 - Determine the appropriate structure for COSO in light of COSO's increased role in the standard-setting process
 - Enhanced technical assistance for smaller public companies

- Areas Still Under Consideration that the Subcommittee Wishes to Discuss With the Full Committee for its Input
 - Establishment of minimum experience standards and annual SEC education requirements for registered accounting firms
 - Materiality in financial statements – especially in quarterly versus annual financial statements
 - Disclosure requirements of SAB 74
 - The predecessor/successor auditor relationship in 10-K filings

CORPORATE GOVERNANCE AND DISCLOSURE SUBCOMMITTEE

- Areas of Alignment
 - Provide for no further acceleration of periodic report filing deadlines with respect to Smaller Public Companies (The Commission voted to propose for comment an amendment implementing this recommendation)
 - Consolidate Regulation S-B into a new S-K item, and provide these accommodations to all Microcap Companies
 - Extend the “access equals delivery” model adopted to a limited extent in the recent Securities Reform Release to a broader category of SEC filings, including proxy statements and annual reports (subject to appropriate protections for shareholders desiring paper versions)

- Extend S-3 availability and forward incorporation by reference privileges to Smaller Public Companies which have been reporting for 12 months and are up to date in their filings
 - Address inefficiencies associated with duplication in governmental filings by working to synchronize filings involving substantially similar information and extending incorporation by reference privileges to governmental filings containing substantially equivalent information (e.g. financial statements)
 - Seek to eliminate overlap in regulation with respect to commercial banks
 - Clarify the loan prohibition under Sarbanes-Oxley (which the Subcommittee strongly supports) in the areas of cashless exercise of stock options, indemnity advances and relocation accommodations
 - Seek to reduce costs associated with SEC filings by exploring the feasibility of filing SEC documents via email
- Areas Still Under Consideration that the Subcommittee Wishes to Discuss With the Full Committee for its Input
 - Address beneficial /record holder issue in Rule 12g5-1 under the 1934 Act
 - Exclude holders of unexercised options issued in compensatory transactions from the determination of holders of record for purposes of Section 12(g)
 - Provide more objective materiality standards for financial restatement purposes (this would not apply to Rule 10b-5, the MD&A or otherwise outside the financial statement context). Consider assessing materiality on an annual basis for this limited purpose
 - Consider clarifying director independence standards by providing a safe harbor with respect to payment of consulting fees or other remuneration (including for purposes of audit committee membership) which supersede overlapping or conflicting SRO guidelines

CAPITAL FORMATION SUBCOMMITTEE

- Areas of Alignment
 - End prohibition against general solicitation and advertising for transactions with certain purchasers
 - Create streamlined registration process for private placement broker-dealers
 - Clarify and/or adjust private placement exemptions
 - Make it easier for smaller companies to go private
 - Clarify and amend existing trading market rules
 - Adjust process for PIPE transactions
 - Encourage research coverage of smaller public companies
 - Modify Rule 701

INTERNAL CONTROL OVER FINANCIAL REPORTING SUBCOMMITTEE

- Areas of Alignment
 - Status of micro caps under Section 404

- Expectations of management vis a vis disclosure/certifications, maintenance of internal controls
- Value of good governance practices for all companies
- Importance of financial statement audits, opportunity to build on them to achieve goals of SOX

- Areas Still Under Consideration that the Subcommittee Wishes to Discuss With the Full Committee for its Input
 - Is more gradation needed within the “small company” definition for purposes of application of 404 requirements?
 - Is there a middle ground for auditor involvement between “exempt” and “full annual 404 testing and certification?”
 - Is it wise to ask SEC/PCAOB for “new standards” or are we better off living with what we have?

- Areas Previously Considered by the Subcommittees But Not on its Agenda as of Now
 - Episodic reviews such as a full auditor certification of internal controls every 3-5 years
 - Shareholder decisions on voluntary compliance with Section 404
 - Accelerated filers-Should there be any relief granted for those who have already complied with 404?