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May 31, 2005

Mr. Jonathan G. Katz  
Committee Management Officer  
Securities and Exchange Commission  
Washington, DC 20549-0609

File No.: 265-23

Summary of Proposed Committee Agenda of Advisory Committee on Smaller Public Companies (Advisory Committee)

Dear Mr. Katz:

KPMG LLP fully supports the establishment of the Advisory Committee and the efforts to assess and evaluate the current securities regulatory system for smaller entities. We are pleased that our partner, John B. Veihmeyer, has been appointed to the Advisory Committee and is a member of the Accounting Standards subcommittee.

In general terms, the Advisory Committee's agenda is comprehensive and encompasses the issues that smaller public companies face in today's regulatory environment. However, we have concerns that the wide-ranging scope of the agenda, coupled with the limited duration of the Advisory Committee and the resources available to it, may result in a dilution to the specificity of potential suggested solutions. Accordingly, we suggest that priorities be established within each of the main topics of the agenda. For example, we believe that the Advisory Committee's efforts in the following areas could result in significant improvements:

- Internal Control and Section 404 of the Sarbanes-Oxley Act – The timing of the Advisory Committee's efforts represents the ideal timeframe for it to influence the scalability of Section 404, the SEC's implementing rules and the PCAOB's Auditing Standard No. 2 to smaller public companies. The recent implementation guidance from both the SEC and the PCAOB, together with the expected release this summer of COSO's study of criteria for evaluating internal control for smaller companies, will provide the Advisory Committee with the appropriate platforms to achieve an objective of influencing the scalability of internal control reporting by smaller public companies. The goal of the Internal Control



Mr. Jonathan G. Katz  
May 31, 2005  
Page 2 of 2

subcommittee should be the identification of specific areas where implementation guidance is necessary, along with suggested solutions, with the objective of assisting smaller public companies and their auditors in the initial implementation of internal control reporting.

- Definition of an “accelerated filer” – On a number of occasions, most recently in our comments on the SEC’s proposed rule entitled “Securities Offering Reform” (Release Nos. 33-8501; 34-50624), we have supported a substantial increase in the “public float” criterion of the accelerated filer definition. We suggest that the Advisory Committee consider potential recommendations for changes in this definition in light of the guiding principles of its charter and meeting investor’s needs for timely and accurate reporting.
- Regulation S-B – We believe that a critical analysis of Regulation S-B, including the definition of a small business issuer, the disclosure requirements, and the accommodations available to these issuers, should be undertaken against the backdrop of the original objectives of Regulation S-B and the needs of the investing public.

With respect to the agenda item on accounting principles, it is imperative that the Advisory Committee gauge all recommendations based on the needs of the investing public for smaller public companies. The complexity of the current accounting and financial reporting model has received considerable attention, and we support that debate. Although this debate is sometimes framed as a “big GAAP versus little GAAP” issue, much of the existing complexity of the current accounting and financial reporting model affects issuers of all sizes. We believe that the Advisory Committee’s challenge will be the identification of matters peculiar to smaller companies, and whether alternative solutions to the existing framework will meet the needs of the investors in smaller entities. In addition to consideration of the recognition and measurement aspects of accounting principles, we encourage the Advisory Committee to consider the disclosure requirements of current financial reporting model.

We appreciate the opportunity to comment on the Advisory Committee’s agenda. Any questions on the information included in this letter should be directed to Sam Ranzilla (212-909-5837), [sranzilla@kpmg.com](mailto:sranzilla@kpmg.com).

Very truly yours,

**KPMG LLP**