

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

ADVISORY COMMITTEE ON SMALLER PUBLIC COMPANIES

CHARTER

Preamble

In accordance with Section 9(c) of the Federal Advisory Committee Act, as amended, 5 U.S.C.—App. 1, § 9(c), the Chairman of the Securities and Exchange Commission, with the concurrence of the other members of the Commission, establishes an advisory committee and adopts the following articles to govern the committee.

Articles

A. Official Designation. The official designation of the committee is “Securities and Exchange Commission Advisory Committee on Smaller Public Companies” (the “Committee”).

B. Objective and Scope of Activity. The Committee’s objective is to assess the current regulatory system for smaller companies under the securities laws of the United States and to make recommendations for changes. The Committee should consider the following areas of inquiry, including the impact in each area of the Sarbanes-Oxley Act of 2002, Pub. L. 107-204, 166 Stat. 745 (July 30, 2002):

- (1) frameworks for internal control over financial reporting applicable to smaller public companies, methods for management’s assessment of such internal control, and standards for auditing such internal control;
- (2) corporate disclosure and reporting requirements and federally-imposed corporate governance requirements for smaller public companies, including differing regulatory requirements based on market capitalization, other measurements of size or market characteristics;
- (3) accounting standards and financial reporting requirements applicable to smaller public companies; and
- (4) the process, requirements and exemptions relating to offerings of securities by smaller companies, particularly public offerings.

The Committee should conduct its work with a view to furthering the Commission’s investor protection mandate, considering whether the costs imposed by the current system are proportionate to the benefits, identifying methods of minimizing costs and maximizing benefits, and facilitating capital formation by smaller companies. The

Committee should consider providing recommendations as to where and how the Commission should draw lines to scale regulatory treatment for companies based on size.

C. Duration. The Committee shall operate until the earlier of the termination date set forth in Article I below or the date on which the Commission determines that its continuance is no longer in the public interest.

D. Official to Whom Committee Reports. The Chairman of the Commission, or his designee, shall receive the advice of the Committee on behalf of the Commission.

E. Responsibility for Support. The Commission shall provide any necessary support services for the Committee.

F. Duties of Committee. The Committee shall function as an advisory body according to the procedures set forth in the Federal Advisory Committee Act, 5 U.S.C.—App. 1. Its duties shall be solely advisory and shall extend only to the submission of advice or recommendations to the Commission. Determinations of action to be taken and policy to be expressed with respect to matters within the Commission's authority upon which the Committee provides advice shall be made solely by the Commission.

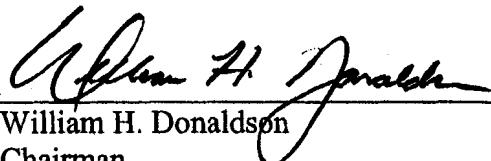
G. Operating Costs. The estimated annual operating costs of the Committee in dollars and staff-years are as follows:

- (1) dollar cost: \$174,688 per year, for travel, per diem, and miscellaneous expenses of Committee members and Commission personnel; and
- (2) staff years: four (4) staff years per year of Commission personnel time.

H. Meetings. The Committee shall meet at such intervals as are necessary to carry out its duties. It is estimated that the full Committee will meet not more than six times per year. Meetings of subgroups of the full Committee may occur more frequently.

I. Termination Date. The termination date of the Committee shall be April 23, 2006, which may be extended by amendment of this Article and renewal of this Charter in accordance with the Federal Advisory Committee Act before the termination date.

J. Filing of Charter. The Committee is authorized to meet and take action as of the date of the filing of this Charter on March 23, 2005 with the Chairman of the Commission, the Committee on Banking, Housing, and Urban Affairs of the United States Senate, and the Committee on Financial Services of the U.S. House of Representatives.



William H. Donaldson
Chairman

March 23, 2005