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SEC Adopts EGC Inflation Adjustments and Other Technical Amendments Under the JOBS Act

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Four Times Square
New York, NY 10036
212.735.3000

On March 31, 2017, the Securities and Exchange Commission (SEC) adopted several new rules to effectuate inflation adjustments mandated under the Jumpstart Our Business Startups (JOBS) Act and made a number of technical amendments to existing rules and forms to conform them to certain provisions of the JOBS Act and related SEC staff interpretations.

The changes become effective upon publication in the Federal Register, which is expected shortly. A copy of the SEC adopting release outlining the new rules and amendments is available [here](#).

Inflation Adjustments to Definition of Emerging Growth Company

The SEC adopted new rules to raise the annual gross revenue threshold to qualify as an “emerging growth company” (EGC) from \$1 billion to \$1.07 billion, to adjust for inflation.¹ The adjustments fulfill a JOBS Act mandate to index to inflation every five years the annual gross revenue threshold used to determine EGC status.

The adjustment mandate does not extend to the disqualifying provision in the EGC definition that provides that an issuer may lose its EGC status on the “date on which such issuer has during the previous 3-year period, issued more than \$1 billion in non-convertible debt.” Accordingly, this disqualifying provision remains unchanged.

Technical Amendments to Existing Rules and Forms

The SEC also adopted amendments to modify the cover page of certain registration statements and reports to include two check boxes to allow companies to indicate whether, at the time of the filing, the company is an EGC and whether it has elected not to use the extended transition period for an EGC to comply with any new or revised financial accounting standards.

¹ The SEC adopted similar new rules to adjust for inflation the dollar amounts in the registration exemptions under Regulation Crowdfunding.

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The filings subject to these amendments include:

- Forms S-1, S-3, S-4, S-8, S-11, F-1, F-3 and F-4 under the Securities Act of 1933, as amended; and
- Forms 10, 8-K, 10-Q, 10-K, 20-F and 40-F under the Securities Exchange Act of 1934, as amended.

The SEC also made several other technical amendments to conform its rules and forms to reflect existing, self-executing provisions of the JOBS Act and certain related SEC staff interpretations that exempt EGCs from, or subject them to reduced,

compliance with various regulatory requirements. The conforming amendments address:

- the scaled disclosure requirements for EGC financial disclosures and management discussion and analysis;
- the exemption from the auditor attestation of management's report on internal control over financial reporting;
- the scaled executive compensation disclosure; and
- the exemption from shareholder advisory votes on say-on-pay, say-on-frequency and golden parachute compensation.

New York

Gregory A. Fericola

212.735.2918

gregory.fericola@skadden.com

David J. Goldschmidt

212.735.3574

david.goldschmidt@skadden.com

Stacy J. Kanter

212.735.3497

stacy.kanter@skadden.com

Laura A. Kaufmann Belkhatat

212.735.2439

laura.kaufmann@skadden.com

Phyllis G. Korff

212.735.2694

phyllis.korff@skadden.com

Andrea L. Nicolas

212.735.3416

andrea.nicolas@skadden.com

Michael J. Schwartz

212.735.3694

michael.schwartz@skadden.com

Yossi Vebman

212.735.3719

yossi.vebman@skadden.com

Dwight S. Yoo

212.735.2573

dwight.yoo@skadden.com

Michael J. Zeidel

212.735.3259

michael.zeidel@skadden.com

Chicago

Richard C. Witzel, Jr.

312.407.0784

richard.witzel@skadden.com

Los Angeles

Michelle Gasaway

213.687.5122

michelle.gasaway@skadden.com

Jonathan Ko

213.687.5527

jonathan.ko@skadden.com

Palo Alto

Thomas J. Ivey

650.470.4522

thomas.ivey@skadden.com

Gregg A. Noel

650.470.4540

gregg.noel@skadden.com

Washington, D.C.

Andrew J. Brady

202.371.7513

andrew.brady@skadden.com

Brian V. Breheny

202.371.7180

brian.breheny@skadden.com

Frankfurt

Stephan Hutter

49.69.74220.170

stephan.hutter@skadden.com

Hong Kong

Z. Julie Gao

852.3740.4863

julie.gao@skadden.com

Jonathan B. Stone

852.3740.4703

jonathan.stone@skadden.com

London

James A. McDonald

44.20.7519.7183

james.mcdonald@skadden.com

Danny Tricot

44.20.7519.7071

danny.tricot@skadden.com

Pranav L. Trivedi

44.20.7519.7026

pranav.trivedi@skadden.com

Singapore

Rajeev P. Duggal

65.6434.2980

rajeev.duggal@skadden.com

Sydney

Adrian J. S. Deitz

61.2.9253.6015

adrian.deitz@skadden.com

Toronto

Riccardo A. Leofanti

416.777.4703

riccardo.leofanti@skadden.com

Associate **Justin A. Kisner** assisted in the preparation of this alert.