



Simplifying Title I of the JOBS Act of 2012

In Advaion's "IPOs are back" publication, we noted that Initial Public Offering (IPO) activity has spiked in 2013 with 62 IPOs in Q2 2013, and another 111 in the pipeline. One of the factors that appears to be contributing to this increased activity is the newly created issuer category under the Jumpstart Our Business Startups "JOBS" Act of 2012. The following provides a brief overview of the relief afforded under the JOBS Act of 2012 with respect to Title I.

Overview.

On April 5, 2012, the JOBS Act was signed into law with the intention of revitalizing the economy by encouraging funding of U.S. businesses. The JOBS Act introduced a new issuer category for public companies, called emerging growth company (EGC). The SEC defines an EGC as an issuer with total annual gross revenues of less than \$1B during the most recently completed fiscal year. The relief afforded to EGCs comes in the form of scaled disclosures and requirements during their IPO ramp-on period.

IPO ramp-on relief for EGCs.

EGC registrants	Regular registrants
2 years of audited financial statements in common equity IPO registration statement	3 years of audited financial statements in common equity IPO registration statement
2 years of selected financial data in IPO registration statement; selected financial data in subsequent registration statements and periodic reports limited to earliest audited period presented in IPO registration statement	5 years of selected financial data in IPO registration statement; subsequent registration statements and periodic reports
No compensation, discussion and analysis section and compensation disclosure for 3 named executive officers in IPO registration statement and subsequent annual reports	Compensation, discussion and analysis section and compensation disclosure for 5 named executive officers in IPO registration statement and subsequent annual reports
Only management assessment of internal control over financial reporting beginning with second Form 10-K following IPO	Management assessment and auditor attestation of internal control over financial reporting beginning with second Form 10-K following IPO
Follow private company effective dates for new accounting standards	Follow public company effective dates for new accounting standards

Timeline for Internal Control over Financial Reporting (ICOFR).

Below is a timeline of relief afforded to EGCs from the time of IPO through expiration of EGC relief.

💡 Advaion Tip

In our experience, some companies are deciding to early adopt the provisions of ICOFR based upon encouragement from their audit committees, advisors and investment bankers. Advantages of early adoption include: strengthening a company's people, processes and systems in an effort to lay a foundation for continued growth and compliance.

Year	EGC criteria	ICOFR requirement
1	EGC designation to be confirmed by validating revenue is less than or equal to \$1B threshold, using prior fiscal year income statement.	No requirement for management assessment nor auditor attestation of ICOFR.
2 to 5	<p>On an annual basis, the registrant should test for continuing EGC status. Registrant loses EGC status if answers "YES" to any of the following three criteria:</p> <ol style="list-style-type: none"> 1 Are annual revenues for previous fiscal year greater than \$1B? 2 Have you issued more than \$1B in nonconvertible debt securities over a rolling 3-year period? 3 Are you a large accelerated filer (public float of \$700M or more)? 	Requirement for management assessment of ICOFR 404(a), but no requirement for auditor attestation 404(b) if continuing EGC status. If registrant lost EGC status, then 404(a) and 404(b) required.
6	EGC category expires after 5 years	Requirement for management assessment of ICOFR 404(a) and requirement for auditor attestation 404(b)

How can Advaion help?

Advaion, LLC is an innovative advisory firm that was formed by former "Big 4" personnel with global expertise. Since inception in 2003, our team has assisted several companies with the IPO process, and on-going SOX 404 support. If your company is contemplating going public, or recently went public, Advaion can help plan for successful implementation of your ICOFR plan.



Advaion

Pavan Satyaketu
646 240 4771 ext. 201
psatyaketu@advaion.com

Jackie Farzad
954 889 3407 ext. 209
jfarzad@advaion.com

advaion.com