

March 14, 2005

We're a 250 employee financial institution that was required to comply with the SOX 404 internal control assessments for 2004. The requirements imposed on us are basically the same as an institution with 10,000 employees, which will have a significant amount of internal resources to help comply with the assessment requirements. Although we utilized external resources to assist us in the assessment process, it resulted in a significant increase in our external consulting costs, as well as an inordinate time commitment from key management staff.

A few suggestions are summarized for consideration:

- The 'one size fits all' approach to SOX 404 compliance requirements is not a workable option for smaller companies. I would suggest implementing different compliance Tiers, one for small, medium, and large companies. Using criteria such as number of employees or asset size might be a fairer way to gauge SOX 404 compliance requirements, rather than the market cap of a company.

- Larger financial institutions are subject to FDICIA requirements (assets > \$500 million), which SOX 404 seemingly is using as a foundation for it's requirements. Since FDICIA was implemented in the early 90's, the rate of failure among bank's and S & L's seemed to have dropped dramatically. Complying with FDICIA is a much less onerous task than trying to comply with SOX 404 requirements, and has seemed to have done a good job in the financial industry in reducing bank failures and fraud. Further, the overall objectives of FDICIA and SOX 404 are similar, to "assess the effectiveness of the company's internal control over financial reporting". Perhaps one of the compliance tiers could require compliance with rules similar to the FDICIA requirements.

Sincerely,

Randy Ouchi  
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