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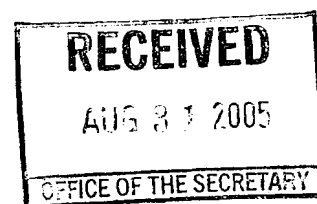
Jonathan G. Katz
Committee Management Officer, Securities and Exchange Commission
100 F Street NE, Washington, DC 20549-9303.

File Number 265-23.
8/23/2005

Dear Mr. Katz:

The requested SEC questionnaire follows:

Organization



Submitted by

General Impact of Sarbanes-Oxley Act

1. Has SOX changed the thinking of smaller companies about becoming or remaining a public company? If so, how?

SOX has made it less desirable to be a U.S. public company. It has significantly raised the cost of doing business, and provided a poor return on that increased investment. It has also changed management and director priorities, reducing overall productivity. It has also increased the perceived risk of being a company director, which will likely reduce the quality of directors.

We have discussed "going private" with our Board of Directors. We'd much prefer to be a public company with SOX eliminated or downsized. We are currently waiting for the reduced set of SOX 404 requirements for smaller companies.

2. Has SOX affected the relationship of smaller companies with their shareholders? If so, how?

SOX reduces earnings and company performance, which ultimately affects shareholders.

3. Do you believe SOX has enhanced, or diminished, the value of smaller companies? Please explain.

SOX has diminished the value of smaller companies. SOX significantly increases expense for additional outside Corporate legal advice, significantly increased audit fees, SOX consulting fees, and additional internal staffing costs for SOX-related preparation and maintenance; and there is very little return on this investment other than the benefit of complying with SOX to satisfy legal requirements. Additionally, the diversion of attention away from critical management and director oversight, decision-making, and business planning has been and will be significant.

4. Has the current securities regulatory system, including SOX, increased or decreased the attractiveness of U.S. capital markets relative to their foreign counterparts for companies? For investors? Please explain.

For companies, SOX has significantly decreased the attractiveness of U.S. capital markets relative to their foreign counterparts. Investors in companies on U.S. capital markets will suffer the expenses and dilution of management focus discussed above.

4. Does the current securities regulatory system adversely impact or enhance this country's culture of entrepreneurship? Has the current system impaired or enhanced the ability of American companies to compete on a global basis? If so, how?

SOX adversely impacts this country's culture of entrepreneurship; since SOX makes it much less desirable for a smaller company to go public or be public, and going public was one of the major goals of many entrepreneurs. SOX makes American public companies less productive and thereby impairs American companies' ability to compete.

6. Has SOX resulted in a diversion of the attention of company management away from operational activities, or otherwise imposed an opportunity cost on the management of smaller public companies? If so, have the benefits of SOX justified the diversion or opportunity cost? Please explain.

As discussed above, SOX has resulted in a diversion of attention of company management toward SOX and away from operational activities, to the detriment of public companies that must comply with SOX.

7. Does the current securities law disclosure system properly balance the interests of investors in having access to complete and accurate information for making investment decisions with the need for companies to protect information for competitive reasons? Please explain.

Since SOX was passed, we have been persuaded by our Corporate legal firm to increase the amount of disclosure in our corporate filings. We are providing information that we believe could be used by competitors, customers, and potential customers to harm or disadvantage us, and there is not an offsetting gain to investors from our providing this information. Consequently we don't feel there's a proper balance.

8. Has the current securities regulatory system had an impact on the amount and type of litigation to which smaller companies are subject? Has the overall impact on companies, investors and markets taken as a whole been positive or negative? Please explain.

We have not had increased litigation, and we have not studied whether litigation has increased under the current securities regulatory system. The overall impact of SOX has been extremely negative.

9. Has SOX changed the capital raising plans of smaller companies? If yes, how have those plans changed?

SOX is one reason that smaller public companies are not in favor by the investing public. This makes it harder to for smaller companies to raise capital, and increases the chance of mergers, acquisitions, and consolidation.

Has SOX affected the thinking of smaller companies about buying or being acquired by other companies or looking for merger partners or acquisition targets? Explain your answer and indicate any way in which SOX has changed a smaller company from a buyer to a seller of a business, or vice versa.

As discussed in question 9, SOX encourages companies to acquire or be acquired. For a smaller company, being acquired is more likely, especially since SOX helps depress the value of the company's stock, one of its currencies for buying companies.

SOX Section 404/Internal Controls

10. In developing a "risk-based" approach for assessing and auditing internal control over financial reporting for smaller companies under SOX Section 404, what criteria would you use to categorize internal controls from the highest risk to the lowest risk controls?

We would use the following criteria:

1. An error that is not likely to be detected from a routine top-level review
2. An error that is not likely to be detected with current controls
3. An error that could be of material financial value
- (Please note that we did not focus on errors that are possible, a SOX criterion, but rather on errors that are likely not to be detected.)

CATEGORIZE INTERNAL CONTROLS FROM THE HIGHEST RISK TO THE LOWEST RISK CONTROLS?

HIGHEST RISK Where all criteria 1 through 3 apply

LOWEST RISK Where only criteria 1 and 2 apply

11. Do you believe that at least some SOX Section 404 internal controls for smaller companies can be appropriately assessed less often than every year?

We believe that some SOX internal controls can be assessed less often than every year. See below.

If so, what SOX Section 404 internal controls do you think need to be assessed by management every year? What controls do you think need to be assessed at least every two years? What controls do you think could be assessed only once every three years?

How often controls should be assessed depends in part on the nature and expense of the assessment, and the expected return on the investment. The goal should be better managed companies, and we should resist rules that are unproductive or conducive to poorer management. We don't want to see the SEC mandating how often a given control needs to be assessed by management. We'd prefer to have management and auditors knowledgeable about internal controls and working together to strike the proper balance for a particular company.

12. Current standards require that the auditor must perform enough of the testing himself or herself so that the auditor's own work provides the principal evidence for the auditor's opinion. Are there specific controls for smaller companies for which the auditor should appropriately be permitted to rely on management's testing and documentation? Are there specific controls for smaller companies where this is particularly not the case?

The auditor should rely on management's testing and documentation, except where monetary fraud is suspected or possible.

13. Is the cost and timing of SOX Section 404 certification a deterrent to smaller companies going public? Are there companies where this deterrent is appropriate? (I.e., are there companies that should not go public and is SOX Section 404 one appropriate control on the process?) If there is such a deterrent, would it be appropriate to provide some exemption or special consideration to companies that have recently gone public, and for how long would you extend this special treatment?

SOX is a deterrent to smaller companies going public. There certainly are companies that should not go public, but ideally SOX would not play a role in this decision. Of course, the ability to create a company of value and to provide honest and accurate financial information should enter into the decision.

14. Do the benefits of SOX Section 404 outweigh its costs for smaller companies? Please explain.

The costs far outweigh the benefits.

Would you support a total exemption from SOX Section 404 requirements for smaller companies? Why or why not?

Yes, we support a total exemption. SOX Section 404 requirements create expenses with a poor return on investment, and distract management and directors from more important jobs.

Would such an exemption have a negative effect on investors' interests or perception regarding smaller companies? Why or why not?

Let the market rule. If a company believes that optional compliance with SOX is in its interest, it can choose to do so and let the public know. Our opinion is that very few smaller companies will embrace SOX because of a perceived investor benefit.

Accounting/Auditing

15. Has SOX affected the relationship of smaller companies with their auditing firms? If yes, how? Is the change positive or negative?

SOX has definitely negatively affected the relationship with our audit firm. We no longer get straight-forward accounting advice. If we insist on accounting advice from our audit firm, it is typically given like a psychiatrist...instead of giving us their view they turn around our question and ask what we think should be done. When we make our proposal, then they typically make non-definitive comments about it.

In addition, SOX has dramatically increased the demand for accounting services, leading to higher costs and a "we don't need you" attitude of the accounting firms toward smaller companies.

16. Are the current accounting standards applied to all U.S. companies appropriate for smaller companies? If not, please explain what revisions to existing standards might be appropriate.

Current accounting standards for all U.S. companies are appropriate for smaller companies. We recommend that those accounting standards not include SOX.

17. For smaller companies, would extended effective dates for new accounting standards ease the burden of implementation and reduce the costs in a desirable way? How would such extensions affect investors or markets? Would allowing a company's independent auditors to provide more implementation assistance than they are able to currently reduce such burdens or costs? Would such a step positively or negatively affect the quality of audits? Please explain.

We'd like SOX implementation to be effective "Never" for smaller companies. The closer to this, the better.

[The Advisory Committee is particularly interested in responses to questions 18-20 from companies with a market capitalization of \$100 million or less.]

18. Would auditors providing assistance with accounting and reporting for unusual or infrequent transactions impair the auditors' independence as it relates to smaller companies? Would providing such assistance reduce the cost of compliance for smaller companies? What would be the impact on the quality of audits, investors or markets? Please explain.

We assume that this question refers to the practice where a company engages its audit firm to provide accounting assistance for a significant fee. As a small company, we are not going to pay high fees for this type of assistance under most circumstances. We would be looking for accounting assistance as part of the standard fee or for an added fee that is a small percentage of the standard fee. We don't think that small added fees would impair auditor's independence. An M&A transaction would be an exception, and that service can easily be contracted with another audit firm.

19. Is the quarterly Form 10-Q or Form 10-QSB information valuable to users of the financial statements of smaller companies? Would a system that required semi-annual reporting with limited revenue information provided in the other quarters reduce costs of compliance without decreasing the usefulness of the reported information to investors? Please explain.

We believe the quarterly financial disclosure process is essential to provide investors, creditors and customers with key information.

20. Is segment information useful for smaller companies? Please explain.

We don't report multiple segments, and if we did it would be potentially harmful to us because the segments would be too small. For example, if we reported key data about an important but immature line of business the activity could be sufficiently small that a large customer could use the information against us in future negotiations; a potential new customer could reject us because of our limited sales volume in a given product line, etc.; or a competitor could easily combine our disclosure of sales volume with their field knowledge and better hone a plan of attack.

21. Should accounting standards provide smaller companies with different alternatives for measuring accounting events that would reduce the amount of time that would otherwise be spent by smaller companies to comply with those accounting standards? If these alternatives were available to smaller companies, would smaller companies take advantage of them even if the results of the measurements obtained from the alternatives were less favorable to them in the short term? Why or why not?

We fear that this direction would lead to more confusion. It would be helpful to discuss this with some specific examples in mind.

Corporate Governance/Listing Requirements

22. Are the listing standards of the New York Stock Exchange, the American Stock Exchange, other exchanges or Nasdaq that require a majority of independent directors and independent audit, nominating and compensation committees (or in the alternative, in the case of Nasdaq, that nomination and executive compensation decisions at a minimum be recommended or determined by a majority of the independent directors) creating a hardship for smaller companies? Are there benefits to companies and investors of these listing standards in the context of smaller companies? Do the hardships outweigh the benefits in the case of smaller companies? If so, should these standards be revised for smaller companies, and, if so, how? In each case please explain.

Generally these standards make sense, and the hardships outweigh the benefits.

Are smaller companies experiencing difficulty finding independent directors to satisfy these listing standards (including independent directors with the required level of financial literacy and sophistication for audit committee service)? What steps are being undertaken to meet these requirements?

We are successfully finding directors. It is less satisfying to be a director in the SOX environment due to the amount of time spent on SOX, and the perception of increased liability is also an issue.

23. Other than director independence and concerns related to SOX Section 404-mandated internal controls, do you believe other aspects of governance and disclosure reform are unduly burdensome for smaller companies, taking into account the benefits they provide to investors and markets? If so, please explain which items are unduly burdensome and the extent of such burden. How could the burdens be appropriately ameliorated?

Yes. The requirement for 8-K disclosure in 2 business days is burdensome and expensive for smaller companies to ensure compliance.

24. Is the loan prohibition contained in SOX creating a hardship for smaller companies? If so, explain the manner in which this hardship is being created. Do the benefits to companies and investors outweigh the hardships? Should the prohibition be clarified to exclude certain types of transactions where conflicts of interest or a likelihood of abuse may not be present?

No opinion.

Disclosure System

25. Is the relief provided by SEC Regulation S-B meaningful? Why or why not?

No opinion.

Should the SEC provide an alternative disclosure framework for smaller companies in the context of securities offerings and periodic reporting? Should the alternative framework be available to a broader category of companies than Regulation S-B is currently? Should the alternative framework be based on Regulation S-B or on a different approach? Could these steps be taken without impairing investor protection?

No opinion.

26. Are the costs of preparing and distributing printed paper versions of proxy statements and annual reports to shareholders unduly costly for smaller companies? Describe the extent of such costs, and the amount that could be saved if the SEC allowed complete electronic delivery of documents.

Our costs in 2005 for printing and distribution of our proxy and annual report totaled approximately \$16,000. This is not a significant burden. We are open to electronic delivery, such as delivery by email, though we wonder whether this adequately covers investors who do not have a broadband Internet connection. We do not want an electronic solution that mandates expensive software or that otherwise increases our costs.

27. Will the phase-down to the final accelerated reporting deadlines for periodic reports under the 1934 Act for companies with \$75 million market capitalization (ultimately 60 days for Form 10-K and 35 days for Form 10-Q) be burdensome for smaller companies? If so, please explain the manner and extent of this burden. Does the burden outweigh benefits to investors and markets for smaller companies?

This will have a significant negative impact on smaller companies, calling for additional staff and increased legal and audit fees, and making control over financial reporting more difficult.

28. Should the current limit on the amount of securities that may be sold under Securities Act Rule 701 or the \$5 million threshold that triggers an additional disclosure obligation under that rule be increased or modified in any way? Please explain.

No opinion.

Miscellaneous

29. If there is any other matter relating to the securities laws applicable to smaller companies that you wish to comment on or to bring to the Advisory Committee's attention?

Yes, the upcoming requirement to expense stock options through the statement of operations rather than via footnote disclosure is BAD. The often-heard argument about the difficulty of smaller companies competing for key personnel without the traditional use of stock options is true, in our view.

From another perspective, expensing of options will also lead to more confusing and less useful financial statements. For instance, we have not seen a reasonable proposal for handling the effect of an option that expires without ever being exercised. Does the expiration create income? What's the effect on

the balance sheet? We don't agree with any stock option accounting proposal that fails to reconcile the option expense to the actual cash impact.

In summary, the most recent accounting proposal for the expensing of stock options would be difficult and expensive for small companies to implement and will put them in a disadvantaged situation for the competition for key personnel.