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VIA FACSIMILE

Jonathan G Katz
Committee Management Officer
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-9303
FAX: 202.772.9324

Re: Input on Improving Regulatory System for Smaller Public Companies
File Number 265-23

Dear Mr. Katz,

In response to the SEC Advisory Committee request for input by smaller public companies on their experiences with the current regulatory framework by submits its comments on the effects of the Sarbanes Oxley Act of 2002, specifically Section 404.

Background

a computer technology and manufacturing firm located in Herndon, Virginia. Like many other smaller companies, we are in the process of becoming SOX compliant and are very interested in monitoring the compliance experience of smaller companies as well as any potential changes in the current regulations.

At October 31, 200 reported annual revenues of $28.2 million, net loss of $2.5 million, total cash and cash equivalents of $3.1 million, and total assets of $22.7 million. At October 31, 2004, the Company had 91 employees, working capital of $9.9 million and a market cap of approximately $31 million. As a result, will be required to comply with the regulation by October 31, 2006.

Currently s in the early stages of its SOX compliance process. We have recently spent significant amount of time and resources in the initial stages of the process. Our costs incurred to date have not been exorbitant, however, based on our research and feedback from our auditors and other SOX compliant firms, we believe that we have yet to experience the most costly phases of the compliance process (i.e. documentation and testing). As such, we are extremely concerned about the costs of these stages will impact our Company. Since we are in the beginning stages of the compliance process, many of the following comments are based on our expectations and estimates rather than historical experience.

General Impact

The costs to businesses complying with Section 404 have been staggering -- both in terms of time and expense. Small businesses have had a much harder time complying with some of the basic internal controls requirements because they do not have the resources of larger companies.

The notion of staying a public company has often been contemplated by Given our current market cap and the cash outlay required to take the Company private, we have chosen to remain a public entity. This decision is often tested as we become informed of the experiences of other companies that have completed the compliance process and their associated costs of compliance. If a company our size that was contemplating an IPO were to seek our advice or opinion on the matter we would more than likely recommend against a public offering given the costs of compliance requirements on smaller companies. Although we know every small company has to evaluate their own circumstances to determine the cost/benefit of remaining public, the additional work required of SOX diverts attention from its corporate mission. More importantly, it could prevent companies from growing and maintaining profitability.

In the short term, in order to be compliant within the time frame allotted, SOX has diminished the value of smaller companies. Although the intention of the legislation is desirable, the costs (hard and soft) to implement become a financial burden for smaller companies with thinner profit margins and limited resources. Larger companies already have additional staff on hand, including internal audit departments, which would assist in the compliance process. In addition, the inherent risk shareholders have is more likely greater with large companies. SOX should take this risk into consideration in its requirements for smaller companies.

SOX Section 404/Internal Controls

In a "risk-based" approach, internal controls over financial reporting should reflect the nature and size of the company to which they relate. In determining the level of risk (highest to lowest) management must consider both qualitative factors, such as the risk associated with particular accounts and processes as well as quantitative factors such as numerical threshold and frequency.

Section 404 unfairly penalizes small companies, which lack the sophisticated controls of larger companies (i.e. custom software systems and applications), and as a result are forced to bear a disproportioned share of the regulatory burden. To reduce the burden, certain controls that do not change significantly from year to year such as IT systems, purchasing, accounts receivable and fixed assets could be assessed every two to three years. Controls that should continue to be assessed yearly are ones that are more fluid in the market place such as revenue recognition, inventory, management estimates and financial reporting policies and procedures. In addition, consideration should be given to reduce the threshold for documentation needed under the current regulations.

Significant increases in the cost of being a public company are a consequence of becoming SOX compliant. Although SOX does contribute to reaching the goals of improved quality and transparency of financial reporting and audit effectiveness, the costs and additional burdens and distractions of SOX (Section 404)for smaller companies, may not outweigh the benefit of the legislation.

We believe a total exception from SOX is not the answer either for small companies. We think a middle ground can be achieved. Possibly one that enables a company to utilize other Certifications like ISO 9000 (in our case), as a stepping stone to compliance. In addition, a better integration of the internal control and the financial statement audit to avoid duplicities and minimize costs. In addition, compliance should be tailored to the operations of smaller companies so that they are not forgoing the time and resources needed to focus on their core business.

Accounting/Auditing

SOX has definitely changed our relationship with our current auditors. The relationship has turned from one of consultants working together to achieve a common goal (assisting with proper accounting treatment of significant or complex accounting transactions), to a more distant and less constructive relationship. The relationship is no longer client-service and collaborative but rather more formal and restrained. In addition, we have noticed more turnover and new staff on our engagements.

Extended effective dates for new accounting standards would ease the burden of implementation and reduce cost, especially if parameters exist to allow auditors to provide assistance to ensure proper implementation as to avoid future corrections and adjustments. Specific boundaries should be put in place to allow for this type of communication without considering it an independence issue.

The quarterly 10Q is appropriate for small companies because of the timely information it provides to the Company's management as well as its investors. Changes to the current reporting requirements would lose comparability and consistency among companies and simply prolong any reporting and accounting challenges. Segment information, although very helpful for a larger company often loses its usefulness when applied to a smaller company. Segments for smaller companies result in very granular detail that may not provide much useful data by itself.

Corporate Governance/Listing Requirements

The listing standards that require a independent audit, nominating and compensation committees are creating a hardship for smaller companies. Smaller companies have smaller Boards and therefore only have a certain number of members to comprise these committees. Often times (as in our case) many of the same members sit on multiple committees and as such many of the committee items are discussed at the Board level. Smaller companies have a hard time finding individuals to fill these positions since they cannot necessarily afford to pay large stipends. In addition, potential members perceive themselves to have more exposure due to the size of the Company and its director and officer's insurance policies.

Disclosure System

Although not significant the costs of preparing and distributing printed paper versions of proxy statements and annual reports to shareholders are starting to become unduly high, especially in a world where everything seems to be done electronically.

The phase down to the final accelerated reporting deadlines for periodic reports under the 1934 Act will be burdensome for smaller companies especially with the demands of implementing SOX. The decrease time in relationship to the increase in requirements and transactions that are affected due to lower materiality levels compared to larger company's has the capacity to possibly impact the integrity of the reports. Given the delays we have seen in the possibility of accelerating the filing requirements for smaller companies, we would concur that companies under a market capitalization of $75 million should remain on the old reporting deadlines and should not be required to adhere to the accelerated reporting deadlines.

Conclusion

In summary, we support the idea of implementing compliance standards specifically for smaller companies that would reduce the burden while maintaining the intent of the regulation. We are extremely interested in the outcome of the committee's feedback and discussion as this would impact the approach to our compliance as well as the cost of implementation. Should you have any questions on our comments or would like additional feedback or comments, please contact us . We thank you for soliciting feedback and reaching out to smaller public companies and we look forward to any changes that may result from this exercise.

Sincerely,