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SEP 0 1 2005
OFFICE OF THE SECRETARY

Name

Organization

Street Address

City

State / Province

Country

Zip or Postal Code

Telephone Number

E-Mail Address

And for those responses that relate to a specific company:

Company

Street Address

City

State / Province

Country United States

Zip or Postal Code

Company Market Capitalization $54 million

Other Company Size and Basis of Measurement Gross sales of $33 million

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?**

   With no direct knowledge, the feeling is that the onerous cost of SOX compliance with no value added will have small companies hesitating to become public here. The decision is more difficult as to remaining public, but, the cost may of necessity cause many to go private.

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

No

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

Diminished. SOX compliance requires substantial use of financial and management resources thereby diverting such resources from building profitable growth.

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

Decreased attractiveness relative to foreign counterparts due to cost of SOX compliance with little or no value added. Not sure as to effect on investors.

5. Does the current securities regulatory system adversely impac 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?

Adverse impact due to significant costs that need to be recovered that foreign companies do not need to incur.

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 p companies? If so, have the benefits of SOX justified the divers or opportunity cost? Please explain.

Yes as to both the diversion and costs. SOX benefits are limited and would not have prevented the major scandals which gave rise to SOX. Smaller companies do not usually have the resources, both monetary and human, demanded by SOX compliance.

7. Does the current securities law disclosure system properly bal 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.

Yes, and this was so before SOX.

8. Has the current securities regulatory system had an impact or 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.

No effect as yet on smaller companies. Overall impact, if this relates only to SOX, is negative to companies and a non issue to investors and markets.

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

Yes. Makes sale to larger companies, with the resources for SOX compliance, a more attractive alternative to seeking public capital and seeking to comply on a stand alone basis.

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

Yes. See above response.

SOX Section 404/Internal Controls

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

The primary criteria is assessing and auditing the risk of material misstatements of financial results.

11. Do you believe that at least some SOX Section 404 internal controls for smaller companies can be appropriately assessed often than every year? If so, what SOX Section 404 internal controls do you think need to be assessed by management ev year?

Controls assuring accuracy in financial reporting need annual assessment by management. Controls no so directly related should be assessed by management on a revolving bi or tri-annual basis once all controls are felt to be adequate.

What controls do you think need to be assessed at least every years?

See 11. above.

What controls do you think could be assessed only once every three years?

See 11. above.

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

Auditors should rely on management's testing and documentation for all controls not directly related to input/recording/reviewing of financial transactions.

13. Is the cost and timing of SOX Section 404 certification a deter to smaller companies going public? Are there companies wher 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 appropriate to provide some exemption or special consideratic companies that have recently gone public, and for how long w you extend this special treatment?

Yes, it would seem, but no direct knowledge of examples of this happening.
There should be some exemption or special consideration for recently public companies using response in 11. above as a guide line.

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

No, due to management diversion and costs with little or no value added. Smaller companies do not usually have the resources, both monetary and human, demanded by SOX compliance.

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

Yes. As in the past, let normal internal control questionaaires and observations by independent auditors suffice.

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

No. If there are clean audit opinions then investors' interests and perceptons will not be negatively effected.

Accounting/Auditing

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

No.

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

Yes as this applies to GAAP compliance.

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

Extensions are not needed if the independent auditors are able to provide more implementation assistance. This would reduce costs and not have a negative effect on audit quality.

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

18. Would auditors providing assistance with accounting and repo for unusual or infrequent transactions impair the auditors' independence as it relates to smaller companies? Would provi 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.

    Independence would not be impaired since auditors want to produce quality accurate work. Their opinion means something. Such assistance would streamline the process and, thereby, reduce costs. There would be no significant impact on the quality of audits, investors or markets.

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

    Quarterly 10-Q is important to keep investors current since we do not issue forward looking statements.

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

    No. Operations in smaller companies are simpler to understand. Meaningful information regarding segments can be adequately explained in MD&A.

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

No. All need to be GAAP compliant to avoid confusion in the markets.

Corporate Governance/Listing Requirements

22. Are the listing standards of the New York Stock Exchange, the American Stock Exchange, other exchanges or Nasdaq that re a majority of independent directors and independent audit, nominating and compensation committees (or in the alternati the case of Nasdaq, that nomination and executive compensa 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 inve of these listing standards in the context of smaller companies the hardships outweigh the benefits in the case of smaller companies? If so, should these standards be revised for small companies, and, if so, how? In each case please explain.

There are benefits mainly in the form of diverse experience and expertise which can be drawn from such directors.

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

Yes. Due to the litiguous atmosphere in the markets.

23. Other than director independence and concerns related to SO 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?

24. Is the loan prohibition contained in SOX creating a hardship f

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 conflict interest or a likelihood of abuse may not be present?

Yes. Arms length transactions, approved by the Board and adequately disclosed should be allowed.

Disclosure System

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

No. Threshholds are too low to be meaningful.

Should the SEC provide an alternative disclosure framework fo smaller companies in the context of securities offerings and periodic reporting? Should the alternative framework be availa 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 taken without impairing investor protection?

Yes. Should provide alternatives and such would not impair investor protection.

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

Complete electronic filings would save at least $50,000 per annum in hard costs plus management costs in coordinating printing and distribution.

27. Will the phase-down to the final accelerated reporting deadlin for periodic reports under the 1934 Act for companies with $7 million market capitalization (ultimately 60 days for Form 10-I and 35 days for Form 10-Q) be burdensome for smaller companies? If so, please explain the manner and extent of thi burden. Does the burden outweigh benefits to investors and

markets for smaller companies?

Yes. Measurement done as of one date does not give management what it needs to plan for proper compliance, especially when triggers are outside of management's control. Also, threshholds are too low.

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

Increased

Miscellaneous

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

Valuation timing of stock options. Value needs to go back to the date of grant.

Continue Clear Submit