

TO: The Advisory Committee on Smaller Public Companies
Securities and Exchange Commission

FROM: John B. Williamson, III, Chairman, President and CEO
RGC Resources, Inc.

SUBJECT: April 20, 2006 Public Meeting of the Advisory Committee

File No. 265-23

I am providing additional comments to the Advisory Committee at this time to encourage the Committee to stay the course, at least in spirit, on its preliminary recommendations to the full Commission regarding Sarbanes-Oxley Section 404 for smaller public companies.

The Committee has rightly recognized that the added operating costs, increased administrative burden, and competitive disadvantages for smaller public companies that will result from SOx 404 far outweigh any potential benefits of its implementation, particularly in the form in which Section 404 is imposed by the PCAOB program of controls design, documentation, testing and external auditing requirements.

I realize the Committee's recommendations for a new system of scaled or proportional securities regulation for smaller companies has come under some criticism from the current and most recent SEC chairman as well as the Big Four accounting firms. I can only say that allowing the 404 hammer to fall on smaller companies without modification is an unacceptable result, and no one has fully developed a plan superior to your current recommendations. With all due respect, the SEC chairman is not dealing with the issues of operating a small public company in a competitive environment while looking down the barrel of choking new public reporting, controls and audit requirements. As for the Big Four accounting firms, the self interest of their position is obvious. Our Audit Committee did not renew its engagement with a Big Four auditor for 2006 because of the escalating fees that they now routinely demand. The impact of 404 implementation has driven us away from the national auditing firms.

I could provide a litany of increased costs and diversion of management time and focus that have so far resulted from the see-saw of 404 implementation time tables and preparatory steps for smaller companies, but I have provided those numbers in prior written comments and will not repeat them here. The key concern now is to develop a timeline and a program that meets the need for some level of improved controls and accountability without creating waste and sever diversion of focus and resources of small publicly traded companies. Your current proposal is a reasonable interim step that allows recognition of the need for an alternative to the crushing cost of traditional 404 implementation.

If the Commission is not yet satisfied with the Committee's recommendations, then the only reasonable alternative would be a moratorium on further implementation until a more comprehensive review and set of proposals can be developed. While I am not endorsing the plan proposed by Harvey Pitt on the opinion page of the Wall Street Journal on April 13, 2006, at least he advocates a reasoned method and scaled approach to 404 as it relates to smaller and foreign companies.

In addition to being Chairman and CEO of RGC Resources, I am also the Audit Committee Chairman of two other publicly traded companies in Virginia, Optical Cable Corporation and Botetourt Bankshares, Inc. I believe I have an intimate understanding of the cost and diversionary implications of 404 in its current form, not only as a CEO, but as a director and audit committee member of other small public companies. I urge you to stand your ground and help prevent the perpetration of this onerous regulation in its current form on such companies. It is certainly true that many of the corporate governance improvements implemented as a result of Sarbanes-Oxley legislation and Nasdaq have been positive for the overall control environment and oversight in smaller companies. Let us not negate these enhancements for our shareholders with the burdensome and costly requirement of 404 in its current form.

Thank you for the opportunity to comment again on Sarbanes-Oxley 404 and for the leadership and hard work you are providing on an issue of vital importance to the competitiveness of smaller publicly traded companies in this country and their many shareholders.