December 23, 2005

Dear member of the SEC Advisory Committee on Smaller Public Companies ,

In response to the Committees vote at the December 14, 2005 meeting to exempt microcap companies from Section 404 of SOX as well as exempting certain smaller public companies from the external audit requirement, I would like to express my personal opinion that I feel this is not in the best interest of investors and the US financial markets. The Act, albeit expensive for companies to implement and maintain compliance with, was designed to safeguard investors, regardless of the cost to companies.

As an example, when laws are put into place related to automobile safety equipment (e.g. requiring seat belts), we do not say "seat belts must be installed in all new cars unless you are a smaller manufacturer, in which case this adds to much to you production cost so you don't have to add seat belts" we simply say "all new cars must have seat belts installed" period.
We put these laws into place because they are in the best interest of the little guy, the user of the automobile. In a similar way, the Act was designed to protect the little guy, the investor.

The Act ensures that all publicly traded US companies have controls in place to ensure accurate and consistent reporting of financial information, regardless of their size. It is my belief that by exempting certain companies we are sending the dangerous message to the worlds financial markets that the US government does not care if certain companies have controls in place to ensure accurate reporting of financial information. It seems that we are bowing to the pressure of a vocal minority (the companies that have the money to make their voices heard) instead of protecting a silent, less powerful majority (the investor). I fell the investors, companies and financial markets would be better served if a the Public Company Accounting Oversight Board was directed to develop a new standard (dubbed ASX) for the external audit requirement for smaller companies.

Scott Fallis, CPA