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## United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP  
WASHINGTON, DC 20510-6350

February 23, 2007

The Honorable Christopher Cox  
Chairman  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

The Honorable Mark W. Olson  
Chairman  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006

Dear Chairmen Cox and Olson:

Just a few years ago, the trust and confidence of the American people in their financial markets was seriously eroded by the emergence of a series of corporate accounting scandals. The Sarbanes-Oxley Act of 2002 helped restore confidence in our capital markets and increasing accountability to the corporate governance of public companies.

We support the efforts of the U.S. Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) to ease the regulatory burden of Section 404 of the Act by issuing new interpretative guidance on internal controls for small public companies. We believe these final proposals will help to reduce the costs, and the time, that small public companies spend complying with Sarbanes Oxley Act of 2002.

However, as these rules have not yet been finalized, we respectfully request that the implementation date of Section 404 for small public companies be delayed for up to one additional year from the date that both the SEC and the PCAOB issue their final Section 404 guidance. We believe this extension will provide small public companies the appropriate amount of time needed to comply with these new compliance and auditing standards.

If the SEC chooses to defer these implementation dates for an additional year, it is our understanding that calendar year filers would have until the 2008 annual report to file their management internal control reports and until the 2009 annual report to file the auditor's attestation report. This additional time would make it easier for many small businesses to make the transition to the new internal controls requirements.

Additionally, we also request that the SEC and PCAOB carefully consider all comments by small public companies, especially non-accelerated filers, before setting a final implementation date for the new auditing standards. We believe the comments made by small businesses concerning the proposed rules will give the SEC and the PCAOB the best guidance as to the amount of time non-accelerated filers will require to appropriately implement the new compliance and auditing standard.

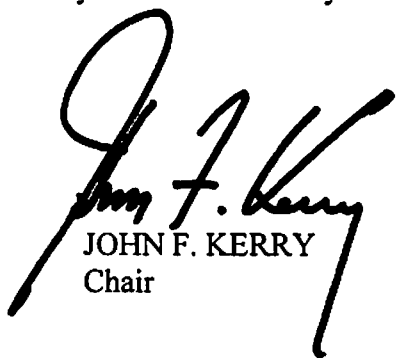
In making these requests, we acknowledge the SEC's previous postponement of the date by which smaller public companies were required to comply with the Act's internal control reporting requirements. We believe this extension was wise and appreciate the SEC's willingness to respond to the needs of small issuers.

Small public companies are vital participants of U.S. capital markets as well as critical components of future economic growth and high-wage job creation. However, according to a recent United States Government Accounting Office study, the cost of compliance and the time needed for small public companies to comply with the Sarbanes-Oxley regulations has been disproportionately higher than for large public companies.

While most large companies are effectively dealing with Sarbanes-Oxley's changes, many small public companies continue to have difficulties in complying with the Act's moving auditing standards. Published reports show the number of restatements of financial results for large companies declined by approximately 20 percent in 2006. Inversely, small public companies, with assets of less than \$75 million, saw the number of restatements increase by 42 percent in 2006. This increase demonstrates the additional costs and burdens small businesses face as they continue to update their internal control processes while they await the final SEC and PCAOB guidance governing these controls.

We urge the SEC to consider giving small public companies this much needed extension. We believe this process will help reduce the costs and increase the attractiveness for small public companies to participate in United States capital markets. Ultimately, our sensitivity to the needs and concerns of smaller public companies will help promote the strength of the U.S. economy and enable dynamic private firms to grow by helping them become thriving, innovative public companies.

Thank you in advance for your consideration of this request.



JOHN F. KERRY  
Chair



OLYMPIA J. SNOWE  
Ranking Member