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United States Senate

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

June 6, 2007

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

Dear Chairman Cox:

Thank you, and all of the Commissioners, for your recent efforts to finalize the management guidance on internal controls that will help small businesses better comply with the Sarbanes-Oxley Act. We support the Sarbanes Oxley Act and Section 404 on internal controls which increase the transparency of public companies' corporate governance. However, we believe that additional actions are still needed to assist small public companies with these measures.

We are concerned that the U.S. Securities and Exchange Commission (SEC) has not: (a) provided enough time for small public companies to comply with the Act's internal controls requirements, (b) published a small business compliance guide as required by the Small Business Regulatory Enforcement Fairness Act (SBREFA); and (c) failed to conduct an appropriate final analysis of the new rules' costs to small businesses as required by the Regulatory Flexibility Act (RFA).

Throughout the SEC's rulemaking process, we have carefully monitored how these rules would impact the ability of small public companies to comply with the Act's investor protections and internal controls requirements. As you know, properly implementing and calibrating internal controls will require time and repetition. Consequently, we remain convinced that small companies need additional time to evaluate and adjust for any weaknesses they find in their daily, monthly, quarterly, and annual internal controls. Therefore, we again ask for:

(1) Your assistance in providing small public companies a workable extension from these Sarbanes-Oxley regulations. We request that the SEC announce this extension within 30 days of receipt of this letter.

(2) We ask that you publish a small business compliance guide to assist small companies in implementing these new internal controls requirements, as required by Section 212 of SBREFA. We request that the SEC publish this compliance guide within 30 days of receipt of this letter so that small businesses can understand their obligations under the rule.

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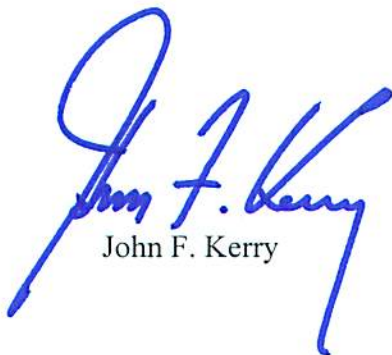
(3) We also request that the SEC conduct, and make publicly available, a final regulatory flexibility analysis as required by the RFA. Originally, the SEC's August 2003 analysis of Section 404 internal control requirements grossly underestimated the burden these rules would impose on small businesses. This assessment predicted that small companies would only spend an estimated \$35,286 per year on internal controls compliance costs. As the SEC and the Public Company Accounting Oversight Board finish this second round of major rulemaking on internal controls, the SEC should evaluate the new rules' costs and publish an accurate assessment of what small businesses can expect to spend to comply with the new requirements. As the PCAOB's new rules have not yet been finalized by the SEC, we request that the SEC conduct and publish this final RFA analysis, which assesses the combined impact to small public companies of the management and auditors guidance, within 30 days after the SEC issues the final auditors' requirements.

(4) Finally, we request that the SEC's Advisory Committee on Smaller Public Companies report regularly to the SEC and Congress on the impact of Section 404, as well as how the financial burden of compliance with the Sarbanes-Oxley Act may be lessened within the construct of the law. These actions would help to ensure that small public companies do not suffer from additional unintended consequences which may harm their ability to compete, innovate, and grow.

Again, while we appreciate the action taken by the SEC Commissioners to finalize internal control requirements and ease the burden of Sarbanes-Oxley regulations, we believe that additional actions are needed to assist small public companies as they work toward compliance.

Thank you in advance for addressing our requests.

Sincerely,



John F. Kerry



Olympia J. Snowe