



For Immediate Release

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WLF LAUDS SEC'S EASING SARBANES-OXLEY RULES FOR SMALLER PUBLIC COMPANIES

The Washington Legal Foundation (WLF) praised the Securities and Exchange Commission (SEC) for relaxing the burdensome financial reporting rules for smaller public companies under Section 404 of the Sarbanes-Oxley law. The SEC voted 5-0 yesterday to ease the reporting rules for companies with a market value of less than \$75 million by requiring outside auditors to check only a company's financial controls that are critical to prevent any fraud or abuse, rather than a broad range of other areas that unnecessarily added hefty accounting costs for the company.

WLF participated in the rulemaking process earlier this year and urged the SEC to make the reporting rules more flexible and tailored for smaller companies, such as new high-tech companies struggling to raise much needed capital. WLF particularly supported the recommendations of the SEC's Advisory Committee on Smaller Public Companies that would benefit smaller companies in other ways as well.

"This is certainly good news for smaller companies, their shareholders, and investors that reduces costly reporting requirements under Sarbanes-Oxley," said Paul Kamenar, WLF's Senior Executive Counsel. "However, this is only the first step toward implementing further reforms needed to reduce other unnecessary regulatory burdens that increase costs and make it difficult to raise capital," Kamenar added. The SEC did not vote to delay implementation of these new rules, even though two SEC Commissioners, sympathetic to small business concerns, indicated that they may propose such a delay in the future to allow companies sufficient time to meet the new reporting requirements.

WLF participated in this proceeding as part of its INVESTOR PROTECTION PROGRAM. The goals of WLF's INVESTOR PROTECTION PROGRAM are comprehensive: to protect the stock markets from manipulation; to protect employees, consumers, pensioners, and investors from stock losses caused by abusive litigation practices; to encourage congressional and regulatory oversight of the conduct of the plaintiffs' bar with the securities industry; and to restore investor confidence in the financial markets through regulatory and judicial reform measures.

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