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REGULATIONS

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DIALING BACK ON SARBOX RULES BY JEREMY QUITTNER

THE SECURITIES and Exchange Commission is making things easier for a lot of small public companies. In December, Chairman Christopher Cox modified rules for how small publicly traded companies must comply with Section 404 of the Sarbanes-Oxley Act, the most arduous part of the post-Enron law that increased internal controls for public companies. His move will also delay small firms' deadline for complying with the law. Separately, the SEC will ease restrictions on how small firms register financial statements and raise capital.

Since SarbOx became law in 2002, the SEC has four times delayed the deadline for small public companies, called "non-accelerated filers," to begin complying with the act's Section 404.

The new filing deadline is set for the end of 2009. Companies will no longer have to perform the same complex internal audits that bog down larger corporations in countless hours of attorney time, accountant review, and certification by an independent auditor, and cost them hundreds of thousands of dollars. Instead, small businesses will follow a new set of rules, proposed in May, 2007, by the Public Company Accounting Oversight Board, which recommend using managers' expertise to determine the areas in which smaller companies face the greatest risk. The SEC predicts the new rules will be in place this summer, following a study by the commission on possible benefits to companies vs. the cost of compliance. "These are basic, commonsense rules that will adhere to the spirit of what Congress intended by enacting 404, without making a crazy, pernicious impact on a public corporation that may have only 25 people," says David Danovitch, a partner with law firm Gersten Savage in New York who specializes in securities regulation and advises small companies.

The SEC also will streamline the process for registration and disclosure of financial statements for businesses with a market cap of less than \$75 million. It will also shorten the time before selling restricted stock—shares bought in private placement by investors and not immediately for sale—to six months, from one year. Both moves, says Danovitch, are likely to cut documentation costs for small companies and could make it easier for them to attract investors. SB