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# **Dirty SOX**



**Charley Lax**  
**Managing General Partner**

November 7, 2006

# Introduction to Sarbanes-Oxley

- Passed into law on July 30, 2002
- Railroaded through – In House, 423 voted for and only 3 against; in Senate, 99 voted for and 0 against; pressure to pass quickly in wake of Enron and WorldCom
- The Sarbanes-Oxley Act is one of the most wide reaching changes to U.S. security laws in the past century
- Establishes burdensome standards for all U.S. public company boards, management and public accounting firms
- Under Section 404 of the Act, management must produce reports affirming adequate internal controls



# Why Sarbanes-Oxley Makes My Blood Boil

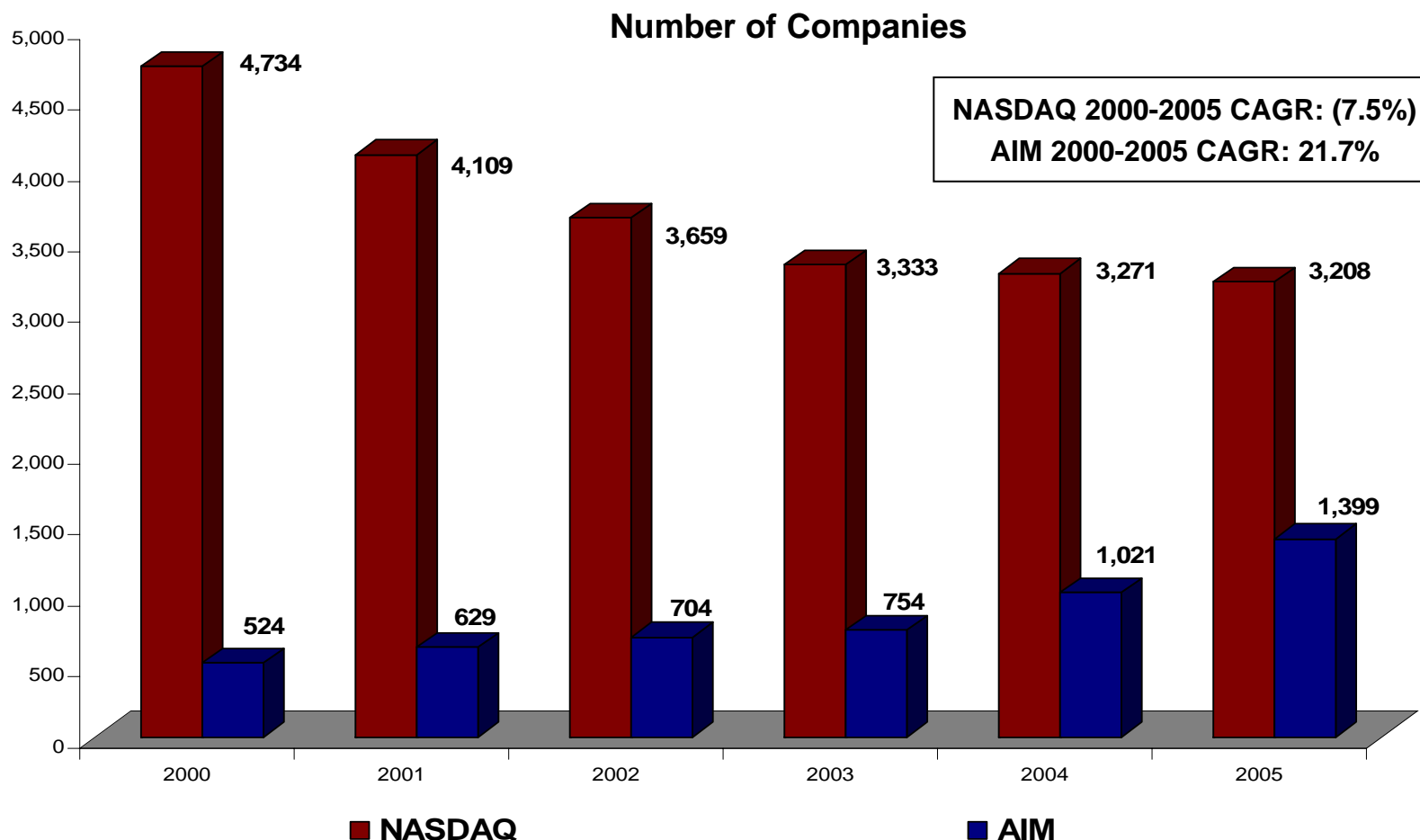
- "The cost for smaller companies is enormous compared with what they earn, and they just don't have the resources to do the amount of detail that's been required."  
– *WSJ, Colleen Sayther Cunningham, 10/05*
- "It is overkill. ... What has been lost is business agility and responsiveness to the market."  
– *Professor Douglas Branson, 7/05<sup>1</sup>*
- Canaccord Adams estimates it now costs \$5.2mm to execute a NASDAQ IPO and \$2.3mm yearly to maintain it

1) As quoted at the Australasian Law Teachers Association Conference hosted by Waikato Law School,  
[http://www.waikato.ac.nz/law/news/2005/0705\\_alta\\_2005.shtml](http://www.waikato.ac.nz/law/news/2005/0705_alta_2005.shtml)



# The VC-Backed NASDAQ IPO is Going Extinct

- Sarbanes-Oxley has stifled VC-backed NASDAQ IPOs, and London's AIM Exchange is the biggest beneficiary



Source: NASDAQ and London Stock Exchange



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# My Advice to Washington



- Sarbanes-Oxley is holding the NASDAQ IPO hostage, so investors like me are aggressively looking at public markets on foreign exchanges (e.g. AIM, Mothers, TSX)
- Fix this now... before it's too late
- Give Christopher Cox a piece of your mind!
  - [chairmanoffice@sec.gov](mailto:chairmanoffice@sec.gov)
  - (202) 551-2100



# Thank You! Questions?

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