

newswatch

Adventure Capital

There are not a lot of venture capitalists looking to flood Internet start-ups with cash these days, but that doesn't mean the well is completely dry. In fact, after a long drought, a few deals are getting done.

In July, FurnitureFind Corp., which runs the site FurnitureFind.com, secured a seven-figure round of financing from HQ Venture Capital, based in Austin, Tex. "The smart VC money realizes that the cycle has been down for so long that

CGI Capital's Erik Brown says VC firms are starting to put a toe back in the water.

the [Internet] companies that have survived must be doing something right," says Stephen Antisdell, CEO of FurnitureFind. But,

he says, getting the infusion wasn't easy. HQ conducted four months of due diligence before committing the funds.

Other recent deals include Servicebench.com Inc., a maker of Internet-based software, which raised \$1.25 million; and Nextone Communications Inc., which raised \$3.5 million from Core Capital Partners and other investors.

Erik Brown, president of CGI Capital Inc., in Mundelein, Ill., says that VC firms are starting to put a toe back in the water. "There is so much money out there that has been on the sidelines for the last two and a half years," he says. + J.McC.

Legislation

Washington Weighs In

CONGRESS PASSED sweeping corporate reform in July, and President Bush signed the Sarbanes-Oxley Act, which contains a host of measures intended to prevent corporate fraud and restore investor confidence in financial reports. While politicians heralded the event as "historic," corporate executives have

been more subdued in their support. "It's necessary, but we should never have come to this point," says Brian Jarzynski, CFO of software firm Comshare, in Ann Arbor, Mich. "It's reactionary instead of proactive."

The act includes some key provisions that are likely to have, if not a profound impact on accounting and auditing processes, at least a conciliatory effect. Among the measures, the act:

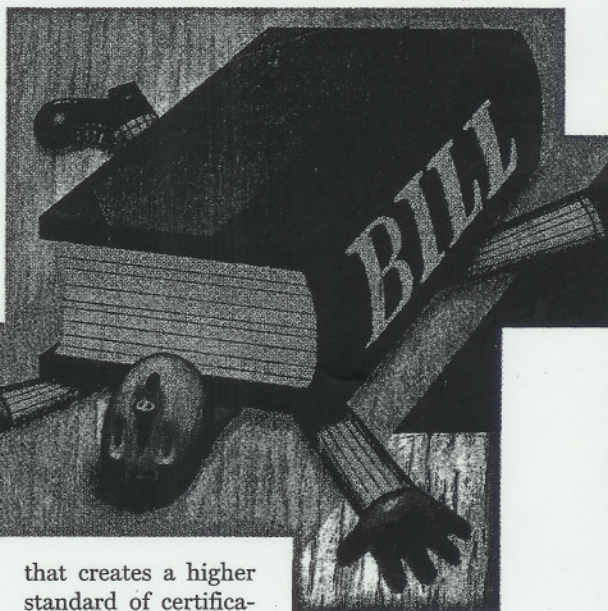
- + creates an SEC audit oversight board that has investigative and disciplinary powers (see "No More Mr. Nice Guy," page 48).

- + prohibits auditors from offering most consulting services to audit clients, and requires them to rotate partners among clients every five years.

- + prevents companies from providing loans to their executives.

- + raises the maximum penalty for securities fraud to 25 years, and to 10 years for destroying key financial-audit documents and E-mails.

Another provision requires CEOs and CFOs to certify that their financial statements fairly represent the financial conditions of the issuer. John Coffee, a law professor at Columbia University, says the act contains a key distinction



that creates a higher standard of certification. "The word GAAP

isn't used," he says. This means that in the event of fraud, even if filings are found to be technically in compliance with GAAP they can still be found to have misrepresented results.

But some of the new rules—the stiffer sentences for white-collar crime, for example—are more bark than bite. "If [Congress] were really serious about getting tough, it would have created minimum mandatory sentences," says Steve Miller, a partner at Chicago law firm Sachnoff & Weaver.

The act will mandate practices many CFOs already have in place. "If you were doing things right in the first place, none of this is earth-shattering," says Robert Leahy, vice president of finance at Brooktrout Inc., a Needham, Mass.-based telecom equipment maker.

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IN THE MATERIAL WORLD

An SEC proposal would increase the events that trigger an 8-K filing from 5 to 18, and include loss of a large customer, an officer's departure, and changes in debt ratings.

▶▶ A SHORTAGE OF 10 MILLION workers will occur in the U.S. over the next 10 years, according to the U.S. Bureau of Labor Statistics.