To the distinguished members of the ACSPC:

Since its formation, we have been following with great interest the progress of the ACSPC as it has debated and discussed issues pertaining to implementation of the Sarbanes-Oxley act. We are writing to provide input on the recommendations proposed in the current exposure draft, as well as an estimate of the impacts SOX legislation has had, positively and negatively, on our cost structure as well as our internal control systems.

First, we want to applaud the work of ACSPC. Your work was timely, desperately needed and represents a great leap forward in analysis about the issues facing smaller public companies.

Superior Essex Inc. (NASDAQ: SPSX) is a leading manufacturer of telecommunications cable and magnet wire, with 2005 sales of $1.7 billion. As with many manufacturers who retain US manufacturing operations, our company struggles with increasing costs throughout the business and with significant competitive forces, both domestically and abroad. Like many of our US manufacturing counterparts, we operate our businesses on “razor thin” margins, attempting to meet our customers’ demands for overall supply chain cost reduction, while at the same time competing with foreign manufactured goods that enjoy the benefit of less regulation and, in most cases, substantially lower input costs, particularly with respect to manufacturing labor and benefits. As result of these multiple pressures, despite sales in excess of $1 billion ($1.7 billion in 2005), our average net income for 2004 and 2005 was $20 million, a net profit margin of less than 1.5% and our market cap is approximately $400 million, or less than 25% of annual revenues.

These aforementioned cost pressures, combined with the downturn in the US economy, particularly the telecommunications and industrial segments, led our predecessor to file for reorganization under Chapter 11 of the US bankruptcy code in 2003. Following emergence from reorganization with significantly less debt, the management team has worked diligently to enhance operational excellence and stabilize the financial health of the Company. We are pleased that these preliminary goals have been accomplished and we have been able to focus our strategic efforts on growth opportunities. Whether before or after reorganization, this company has firmly believed in certain core values – transparency to our shareholders, accuracy of our financial reporting and the highest ethical standards. While we did not, and do not, require legislation to believe in and operate under these values, we certainly understand and, in many ways, support the legislative upheaval that has occurred and grown out of the Corporate “accounting” scandals in the early 2000’s. While the intentions of Congress and the SEC are well understood by us, I think it is clear that the consequences upon application have gone far beyond lawmakers’ initial expectations of the cost/benefit relationship. Clearly actions need to be taken to bring this equation back into balance.

In that regard, in the midst of the significant challenges faced by the Company in the last few years, we now have also had to face the additional burden of complying with the SOX 404 requirements with respect to the audit of internal controls over financial reporting. This compliance has come at a heavy price during a period where cost reduction/containment and reinvestments in manufacturing technologies and market opportunities is critical for our company and other manufacturers based in the US. In 2004, we spent approximately $4 million in external costs on auditors and outside consultants related to SOX 404 compliance. In addition, our internal audit department has been required to dedicate 100% of their efforts to SOX 404 compliance at an additional annual cost of more than $1 million (abandoning their efforts toward operational efficiency projects) and our executive, accounting and manufacturing administrative staff have devoted a disproportionate amount of their time to the burdensome requirements of SOX compliance, much of which is related to duplicative documentation and testing performed by the external auditors to verify the SOX internal control evaluations and testing done by our internal auditors. The cost of the distraction of key accounting personnel and executive management time and effort is really not quantifiable but is clearly substantial. In addition to the above, the incremental added costs required from SOX and the expansion of other corporate governance requirements on the cost of board of director retention/compensation and internal and external legal costs easily equates to an additional several million dollars annually. All told, we estimate these costs of being a U.S. registered "public" company to be approaching $10 million annually; obviously disproportionate to the Company's net after-tax profits.

Many would argue this is a small price to pay to ensure ongoing compliance with financial reporting requirements as evidenced by a strong and effective internal control environment. Others can argue that this "investment" is significantly oversized relative to benefits achieved, and further, represents critical funds that could have been spent to invest in our business, enhancing stockholder value.

We are aware that the ACSPC has recommended that a revenue filter be applied to determine whether to provide exemptive relief from the external audit requirements of SOX 404. The argument is that companies with larger revenues are more complex and have more resources with which to comply with SOX 404. We submit that companies grow, thrive and provide employment based on profitability, and market capitalization is a far better tool to measure profitability than revenues. We believe Superior Essex is as an excellent example of how the measure of revenues can be "deceptive" in measuring size and scale. Of our $1.7 billion in 2005 annual revenues, approximately $800 million represents the pass-through of copper costs. Over the past two years, the cost of copper has increased more than two-fold. Accordingly, our revenues have been elevated by more than 25% in the last two years just due to increased pass-through of copper costs. In short, we do not believe that revenue is the appropriate measure of size and we urge the ACSPC to eliminate the revenue filter.

We also submit that all smaller public companies, not just microcap companies, should be exempted from the 404 audit requirement. As your report so eloquently points out, smaller public companies represent less than 6% of the total market capitalization of the US markets. The reasons to apply exemptive relief to microcap companies apply to other smaller public companies as well. At a minimum, small public companies should be subject to rotational external audits of internal controls (on a three-year cycle), supported however, by the requirements for continuing the management certification on internal controls annually. A further alternative, would be to have the external auditors "review" the internal certification process annually for appropriate design and completeness of the procedures performed to support the internal certification, but not require the external auditor to issue a separate "report" on the system of internal controls (this alternative would involve the external auditors review of the internal audit organization's "independence" and "objectivity" as well as the adequacy of the internal auditor's work plan and final conclusions).

As we complied with the requirements of SOX 404, we have struggled with the framework for evaluating the effectiveness of internal controls, as well as the grading system used to evaluate deficiencies. We see on a daily basis our auditors also struggle with this situation. We believe this has translated into an over zealous approach to compliance and remediation, both internally and on our auditors part, that has produced costs and efforts that we believe go beyond the well-intended nature of the legislation. We also believe that smaller public companies as a rule are viewed as "higher risk" to accounting firms and are sometimes held to a higher standard of acceptability than what is prudent or reasonable, thereby discounting the ability to apply well-reasoned business judgment in favor of unfounded or overzealous accounting interpretation. This has oftentimes contributed to even more remediation and compliance investments that at the margin may improve our internal control but don't necessarily result in payback internally or for our stockholders. These debates and discussions about the appropriate level of controls and methodology for evaluation and ultimately for remediation are only complicated by the lack of a unified evaluation standard, especially for smaller entities such as ours.

We urge the ACSPC to include in its final report the current recommendations pertaining to the definition of "internal controls" to require development of an agreed-upon framework that takes into account smaller public companies such as ours. We urge the ACSPC and the SEC to assure that the framework is timely and realistic.

We look forward to our on-going compliance with the current legislation and are hopeful for future clarifications going forward that will enable organizations such as ours to meet the compliance requirements for demonstrating effective internal control environments, but at a cost that allows us to further enhance stockholder value by re-investing in business and process improvements and in new market opportunities. Otherwise, I fear that many manufacturing companies such as ours, will find that the cost of availing themselves to the U.S. public investment markets is not justified by the benefits derived from such and, thus, "going private" or succumbing to ownership by foreign investors/competitors may become an irreversible trend.

Respectfully submitted,

Superior Essex Inc.

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