



CENTER FOR CAPITAL MARKETS

COMPETITIVENESS

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March 10, 2008

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-06-03

Dear Ms. Morris:

The U.S. Chamber of Commerce is the world's largest business federation, representing more than 3 million businesses and organizations of every size, sector, and region. We commend the U.S. Securities and Exchange Commission ("SEC" or "Commission") on its proposal of a one-year extension for nonaccelerated filers to comply with Sarbanes-Oxley ("SOX") Section 404(b).

We strongly support the objectives of SOX, including improved internal controls. We have also been a strong advocate for minimizing the disproportionate and unnecessary cost burden of Section 404 on smaller public companies and are pleased to respond to this proposed delay. By further delaying compliance with Section 404(b) for nonaccelerated filers, small businesses will be able to leverage the experience of larger companies and the auditing profession to ensure implementation costs are appropriately minimized.

Last year, the SEC and the Public Company Accounting Oversight Board (PCAOB) took important steps to improve Section 404 compliance for all companies by issuing Audit Standard 5 (AS5) and the corresponding management guidance. However, the full benefit of those measures will not be realized until regulators, businesses, and their auditors gain experience in interpreting and applying the new standards. Furthermore, the extent to which these changes have achieved the desired result will not be able to be assessed until at least the middle of this year.

With regard to assessing the effectiveness of AS5 and the management guidance, we also applaud the SEC's initiative to study over the next several months

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the costs of Section 404 under the new rules. This is an important step to achieve Congress' intent of ensuring the costs of this provision are in line with its benefits. Despite this, however, we remain very concerned because small businesses have already begun incurring significant costs to prepare for full compliance with this provision. It is therefore imperative that the SEC act as quickly as possible in implementing the current proposed extension to provide certainty for smaller companies. Failure to do so could significantly undermine the cost-cutting objectives of the new standards and the benefit of an additional one-year delay for nonaccelerated filers. Furthermore, the SEC should remain flexible in setting a 404(b) compliance date for nonaccelerated filers based on the progress and findings of the study.

The small business sector drives much of the economic activity and job creation in the U.S. Public capital is an essential source of financing for smaller businesses who wish to expand their operations and build upon new ideas and innovative products. Due to limited economies of scale, almost all regulation disproportionately burdens small business. While this is certainly the case for SOX, in particular Section 404, the Chamber remains supportive of the purposes of SOX, including the application of the internal control provisions to small companies. However, without the benefits resulting from a delay, compliance with the current requirements of Section 404(b) will impose unnecessary regulatory costs and burdens far beyond what Congress intended and well in excess of the benefits to shareholders and companies.

Last year, we submitted comments to the SEC and the PCAOB highlighting the disproportionate impact of Section 404 on smaller public companies. In November, the Chamber, working with others, released the results of a survey conducted to quantify the expected cost to nonaccelerated filers based on the current SOX 404 implementation dates. In December, the Chamber, along with other industry representatives, testified before the House Small Business Committee to highlight some of the key findings from the study.

Unless the SEC implements the proposed delay, the current timeline will require nonaccelerated filers with a calendar year-end to begin complying with SOX 404(b) in early 2009. In promulgating the new rules, the SEC predicted that nonaccelerated filers would not engage their auditors for SOX 404 compliance until the first half of 2008. However, at the time of our study in October 2007, more than 83% of the survey respondents had already done so with respect to SOX 404(a) and more than 58% had done so with respect to SOX 404(b).

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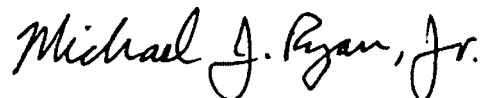
The survey also shows that more than half of the companies responding with less than \$75 million in market value will spend more than 3 percent of net income on SOX 404(a). Sixty-three percent anticipate a cost increase during 2008 due to compliance with 404(a) and 404(b). More than 58% of the respondents believe that SOX 404 will not help detect and prevent fraud. The result is predictable: companies increasingly feel that the costs of being a public company outweigh the benefits, and an important tool companies have used to access capital is being eroded.

The current proposal plays a critical role in the proper implementation of Section 404. It would provide additional time for small businesses and their auditors to learn from the experience of larger public companies. The delay would reduce unnecessary audit costs for nonaccelerated filers in 2008, costs that would likely be shifted to shareholders. Furthermore, the delay would afford the PCAOB additional time to develop its audit guidance related to internal controls over financial reporting for smaller public companies. Thus, management reports on these internal controls should be "furnished" rather than "filed" until additional clarity is provided.

We encourage the SEC to coordinate with the business community to ensure that these efforts capture the necessary data and information to conduct an appropriate economic analysis of Section 404. To this end, we would like to offer any assistance we can provide in planning and conducting your SOX 404 cost study. The Chamber includes among its membership a wide range of public companies – in terms of size, industry and geographic distribution – and SOX 404 compliance costs remain one of our top priorities. We can offer unprecedented access to the business community and stand ready to help in any way you would like.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Ryan, Jr." in a cursive script.

Michael J. Ryan, Jr.

cc: Christopher Cox, Chairman, U.S. Securities and Exchange Commission
Paul S. Atkins, Commissioner, U.S. Securities and Exchange Commission
Kathleen L. Casey, Commissioner, U.S. Securities and Exchange Commission