

March 10, 2008

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

**Internal Control Over Financial Reporting in
Exchange Act Periodic Reports of Non-Accelerated Filers
Commission File No. S7-06-03**

Dear Ms. Morris:

Ernst & Young LLP is pleased to respond to the Securities and Exchange Commission's (the "Commission" or "SEC") request for comment regarding the proposal to provide an additional one-year deferral for non-accelerated filers for their implementation of the internal control requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002. Following some general commentary, we have organized our comments to respond to the specific issues on which the Commission seeks input.

We believe the requirements of Section 404 for both a management assessment and an auditor attestation on internal control over financial reporting, which have been in effect for accelerated filers the past four years, are providing benefits to the investing public through more reliable and transparent financial reports, increased investor confidence, lowered cost of capital for issuers, and a reduced risk of financial statement fraud. Based on our experience, issuers too are benefiting from continual improvement in internal control and an increased control consciousness. We appreciate the continued efforts of the Commission, the PCAOB and others to refine the process of reporting on internal control over financial reporting, including focusing on the unique Section 404 implementation challenges faced by smaller public companies.

We do not object to the SEC's proposal to provide an additional one-year deferral for smaller public companies to implement the Section 404(b) requirement. We understand this additional deferral will provide the SEC the necessary time to complete and evaluate the results of its upcoming study to determine whether the Section 404(b) auditor attestation requirement, and the PCAOB's revised auditing standard for integrated audits, can be implemented in a manner that will be cost-effective for the smallest public companies. We encourage the SEC to complete the study and its analysis in a timely manner to resolve the uncertainty surrounding Section 404(b) requirements for smaller public companies. Having previously taken various actions, along with

the PCAOB, to address and improve both management and auditor Section 404 reporting for accelerated filers, the SEC needs to bring clarity to the lingering questions about auditor attestation for non-accelerated filers.

We do not, however, believe that the scope of an additional deferral of Section 404(b) should extend to all non-accelerated filers. Instead, we believe that the SEC should limit any deferral to an issuer that qualifies as a smaller reporting company, as defined in Exchange Act Rule 12b-2. Non-accelerated filers are not just public companies with small market capitalizations; non-accelerated filers include a number of relatively larger companies that have only publicly registered debt or preferred stock. These non-accelerated filers typically do not face the same Section 404(b) implementation concerns as smaller reporting companies. Therefore, in our view, additional deferral of Section 404(b) should not extend to these issuers. If the SEC were to limit any additional deferral to an issuer that qualifies as a smaller reporting company, an issuer with public float below \$75 million would receive a deferral, but an issuer without public float would be required to have annual revenues below \$50 million in order to receive the deferral. In our view, this would more appropriately target the Section 404 relief that the SEC intends to provide to smaller public companies.

We also note that an additional extension of Section 404(b) could cause unintended consequences. There has not yet been sufficient time to evaluate whether the deferral of the Section 404(b) requirement for non-accelerated filers is causing any confusion for investors when, as in 2007, management's assessment is furnished under Section 404(a) without an accompanying auditor attestation. Moreover, an additional deferral of Section 404(b) increases the possibility that some material weaknesses will not be detected by management in the absence of an independent assessment by the auditors.

Specific Issues on Which the Commission Seeks Comment

Is it appropriate to provide a further extension of the auditor attestation requirement for non-accelerated filers as proposed? If so, should we postpone this requirement for an additional year as proposed, or would a longer or shorter timeframe be more appropriate?

Please refer to our general comments.

How would the proposed extension affect investors in non-accelerated filers?

We do not believe there is a single investor view, but we believe that investors generally appreciate and value the benefits provided by Section 404 (a) and (b), and desire 404(b) auditor attestation on internal control over financial reporting for non-accelerated filers.

As mentioned in our general comments above, there has not yet been sufficient time to evaluate whether Section 404(a) management reporting without Section 404(b) auditor attestation is causing any confusion among investors in non-accelerated filers.

We continue to believe that investors benefit the most from a Section 404 process that includes not only management assessment but also auditor attestation, and that such approach eliminates the potential for confusion.

Would the proposed additional deferral of the auditor’s attestation report requirement make the application of the Section 404 requirements more or less efficient and effective for non-accelerated filers?

As we have previously stated, we believe that both PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated with an Audit of Financial Statements*, and the *Commission Guidance Regarding Management’s Report on Internal Control Over Financial Reporting Under Section 13(a) or 15(d) of the Securities Exchange Act of 1934*, are sufficiently scalable presently to both larger and smaller companies and their independent audits. Various initiatives underway to further improve the Section 404 process might yield some increase in the efficiency of the integrated audit process for smaller public companies, but we have no basis to recommend that an additional deferral be predicated on such possibilities. On the other hand, we clearly believe that the overall effectiveness of the Section 404 requirements is enhanced by auditor attestation, and thus an additional deferral of Section 404(b) could result in less effective application of Section 404(a) by non-accelerated filers.

Should management’s report on ICFR be “filed” rather than “furnished” during the second year of the non-accelerated filer’s compliance with the ICFR requirements under Section 404(a) if we adopt the proposed extension?

When proposing the first deferral of the Section 404(b) requirement (Release No. 33-8735), the Commission indicated that considering management reports on internal control over financial reporting to be “furnished” rather than “filed” addressed concerns about second-guessing management’s original assessment if a material weakness in internal control was identified in the subsequent year when the auditor began reporting on internal control over financial reporting. While we understand the concern at that time, we think it is now reasonable for management to “file” its second assessment under Section 404(a), notwithstanding another deferral of auditor reporting under Section 404(b). We see no reason to continue permitting management assessments to be “furnished” until such time as accompanied by auditor attestation.

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Regardless of whether management's assessment is furnished or filed, it is our strong view that management's report must clearly indicate if the company's internal control over financial reporting was not subject to audit, as the SEC's rules now require.

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We would be pleased to discuss our comments with the Commission or its staff at your convenience.

Very truly yours,

Ernst + Young LLP