

August 27, 2007

Securities and Exchange Commission
Attn: Nancy M. Morris, Secretary
100 F Street, NE
Washington, DC 20549-1090

Re: **File Number S7-10-07**, *Revisions to the Eligibility Requirements for Primary Securities Offerings on Forms S-3 and F-3*
File Number S7-14-07, *Exemption of Compensatory Employee Stock Options From Registration Under Section 12(g) of the Securities Exchange Act of 1934*

Dear Ms. Morris:

Deloitte & Touche LLP is pleased to respond to the request for comments from the Securities and Exchange Commission (the "Commission") with respect to two of its proposals to modernize and improve capital raising and reporting requirements for smaller companies. We support the Commission in these efforts.

We offer the following responses to certain questions that the Commission raised in the proposals.

File Number S7-10-07, Revisions to the Eligibility Requirements for Primary Securities Offerings on Forms S-3 and F-3

Second question on page 32¹ of the proposal: "Under Rule 430B . . . the prospectus filing will not create a new effective date for directors or signing officers of the issuer. . . . Likewise, the filing of the prospectus will not be a new effective date for auditors who provided consent in an existing registration statement for their report on previously issued financial statements as the filing of a new Form S-1 would. Is this potential 'gap' in liability appropriate in the situations allowed under the proposed revisions?"

We do not believe that the proposed rule creates any potential concern about a liability gap. The existing model for determining the effective date for Section 11 liability purposes was created by the Commission under the Securities Offering Reform rules and is appropriate because the model allows auditors to satisfy applicable professional and statutory standards while issuers avoid operational and mechanical obstacles. We are not concerned with increasing the number of registrants meeting the eligibility requirements of Forms S-3 and F-3.

¹ Page number references are to the pdf version of the release that is posted on the Commission's Web site.

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II.A.4.a. Compensatory Employee Stock Option and Share Transferability Restrictions

Sixth question on page 23 of the proposal: “Should the proposed exemption provide explicitly that the issuer may repurchase the compensatory employee stock options or shares received on exercise of those options if the issuer is unable to prohibit transfers of such options or shares under state law?”

The Commission should clarify the proposal’s guidance related to repurchase conditions. Proposed Exchange Act Rule 12h-1(f)(1)(iv) would *permit* the issuer to include a repurchase feature allowing transfer of the award back to the employer. Footnote 48 of the proposal indicates that such a feature may be *required* in certain circumstances. We recommend that the Commission clarify this apparent inconsistency in the final rule.

In addition, if footnote 48 of the proposal correctly indicates that a repurchase feature in an award would be required in certain circumstances, the guidance in FASB Statement No. 123(R), *Share-Based Payment*, may result in onerous accounting for companies (i.e., a potential requirement to account for the options as liability awards rather than equity awards). The Commission should consider the accounting implications of requiring a repurchase feature.

First question on page 24 of the proposal: “Do the proposed conditions affect an issuer’s ability to value compensatory stock options for purposes of Statement 123(R)?”

No, we do not believe that the limitations included in the proposal on the employee’s ability to profit from or monetize the options or the underlying shares will affect the issuer’s ability to value the stock options.

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We appreciate the opportunity to comment on the proposals discussed above. We would be pleased to discuss these comments with you at your convenience. If you have any questions, please contact Jim Schnurr at (203) 761-3539 or Christine Davine at (202) 879-4905.

Yours truly,

/s/ Deloitte & Touche LLP

cc: Chairman Christopher Cox
Commissioner Paul S. Atkins
Commissioner Roel C. Campos
Commissioner Annette L. Nazareth
Commissioner Kathleen L. Casey
Conrad W. Hewitt, Chief Accountant
John W. White, Director, Division of Corporation Finance