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April 5, 2007

The Honorable John F. Kerry
Chairman
Committee on Small Business & Entrepreneurship
United States Senate
Washington, DC 20510-6350

Dear Chairman Kerry:

Thank you for your recent letter in which you express your support for improving implementation of Section 404 of the Sarbanes-Oxley Act of 2002, particularly with respect to smaller public companies.

As you know, companies subject to the periodic reporting requirements of the Securities Exchange Act of 1934 with a public float of less than \$75 million have not yet become subject to the Section 404 requirements. In your letter, you request that the Commission and PCAOB carefully consider all of the comments from smaller public companies on the Commission's proposed interpretive guidance for management on evaluating internal control over financial reporting and on the PCAOB's proposal to replace Auditing Standard No. 2 with a new auditing standard before setting final compliance dates for smaller companies. I assure you that the Commission will do so.

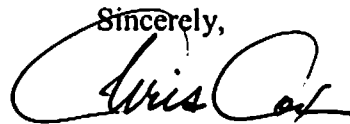
I agree with you on the importance of soliciting the views of companies and other interested parties on the Commission's guidance before issuing it in final form to make sure that the guidance is appropriate and will be useful. The public comment period on our interpretive guidance closed on February 26, 2007 and we received nearly 200 letters of comment. Additionally, the comment period on the PCAOB's proposal to replace Auditing Standard No. 2 with a new auditing standard also closed on February 26th. The PCAOB is evaluating the public comments, and we will work closely with them towards the adoption of a revised standard.

You also urge the Commission to consider a delay of the currently scheduled compliance dates for smaller public companies for an additional year from the time that the interpretive guidance and revised audit standard are issued in final form. To date, the Commission has approved four separate extensions of the Section 404 compliance dates for smaller public companies, the last of which was in December 2006. In the December 2006 release granting the last extension, the Commission stated that, if we have not issued additional guidance for management on how to complete its assessment of internal control over financial reporting in time to be of sufficient assistance for companies as they prepare their annual reports filed for

fiscal years ending on or after December 15, 2007, we will consider whether we should further postpone the compliance date. We similarly stated that we will consider further postponing the December 15, 2008 compliance date for auditor attestation reports after the Commission has approved the new auditing standard to replace Auditing Standard No. 2.

Until the Commission should adopt final interpretive guidance and approve a final auditing standard to replace Auditing Standard No. 2, it would be premature for the Commission to decide whether an additional extension is warranted. Once the Commission has approved new guidance and a new auditing standard, I can assure you that the Commission will at that time consider whether smaller companies will need more time to comply with the Section 404 requirements. Please be assured that our primary objective is to make the Section 404 compliance process as efficient as possible for all companies.

Thank you again for writing to express the Committee's views on this important subject. I look forward to the opportunity to discuss these issues further with you and the Committee at your April 18 hearing.

Sincerely,


Christopher Cox
Chairman