February 26, 2007

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

Via e-mail to rule-comments@sec.gov

RE: File Number S7-24-06

Dear Ms. Morris:

I am writing to you on behalf of our company, Heritage Financial Corporation. We have completed three years of Sarbanes-Oxley Act Section 404 (SOX 404) compliance. Heritage Financial Corporation is a bank holding company with two wholly owned subsidiaries, which are comprised of state charted banks with the deposits insured by the Federal Deposit Insurance Corporation. As a result of our company being a public financial institution, we have layers of regulation, audits and compliance.

The benefits from SOX 404 have been minimal to our company due to the already stringent nature of our control environment. I would recommend since we already have FDIC and State exams annually, which we are required to pay a fee for, we should be provided with some relief in relation to SOX 404.

During 2004, the auditors and consultants argued fees would increase for the first year of implementing SOX 404 but then audit fees would subside. Instead, the external audit fees alone have increased 173% along with increased expenses related to additional staffing and consultants in the last three years. Ultimately, the impact of SOX 404 has been detrimental to our financial performance and the added value is not evident. Some may argue shareholder confidence has been gained in the SOX process. However, I would argue the shareholder of a public company is making an educated and risk-based decision to invest with any company. I do not agree with additional governmental mandates monitoring our capital markets. Is some regulation good? Maybe. Is too much regulation bad? Definitely!

Per my review of the recent proposals by the PCAOB and the SEC, I don't believe this materially improves the regulatory requirements placed upon public companies. Although I commend your efforts to provide management with further guidance and to further enhance the risk based approach, the external auditor is still required to provide an audit of internal controls. In doing so, the external auditor currently relies on some of management's testing over internal controls. Therefore, if management further reduces our test work based on the proposed guidance, the auditor may be forced to increase their audit testing because they previously relied on some of management's testing. Public companies do not want to see our audit fees continue to increase in coming years as a result of the latest proposed guidance and I don't believe that is the intent of the PCAOB and the SEC. However, without careful consideration of the new guidance I am concerned this may be the result.

I am encouraged by the efforts to improve the process and I am hopeful the appropriate guidance will be provided to public companies and to the audit firms to execute the corporate governance in the most cost effective and efficient manner as possible.

Sincerely,

Kaylene Lahn
VP/Internal Control Officer