From: Gallagher, Robert [rgallagh@stratasys.com]

Sent: Thursday, February 16, 2006 5:23 PM

To: Comments

Subject: Internal Control Roundtable

As way of background, I spent 12 years in public accounting as an auditor and have spent the last 16+ first as a controller and then as CFO of small public companies ranging in revenue size of $20-$110 million and market cap of $30-$500 million. I am now CFO at a company doing $82.8 million of sales with a market cap of around $250 million. My previous company (Selas Corporation of America; now Intricon Incorporated) was select by the PCAOB for review (auditors were KPMG).

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I think you continue to miss the boat.

When the PCAOB reviewed our auditors work, they really didn't look at the business decisions - merely at the application of GAAP. Without looking at the business decisions, you can miss so much. There is tremendous latitude in the decisions. Once you make the decision, GAAP is easy. You need to be asking more pertinent business questions. This is difficult to do, but without it, you greatly diminish your effectiveness.

On Sarbanes, you are still overboard. The "tone at the top" is critical and is a good step. This needs to be reviewed heavily and needs to be reflected in actions as well as words. Our company has a strong commitment to the "tone at the top". We give our board 60+ pages of financial analysis every quarter and they review it all! We have a very active and educated audit committee. I personally review all our spending to budget every month account by account. With all that, our consultants and auditors spend much of their time looking to see sign-offs on documents generated daily. If we miss a signature, they go back and test more. If I didn't sign any of it, it really would not impact our financials materially because we have strong month-end and especially quarter-end reviews. Yet many small companies are spending enormous sums looking for signatures and it's hard to convince auditors these signatures are not necessary. They feel a strong need to have documented controls whereas I think "tone at the top" is often more analytical in nature. If someone were a lie and cheat, wouldn't they sign-off on the documents anyway? Auditors are afraid of being second guessed by you and consequently are erring on the side of conservatism - they have to in this environment.

This is a long way of saying, please consider a more analytical business approach. We are wasting our shareholders money. 98+% of public companies are striving hard to provide accurate information, yet we are spending time on non-valued added items to comply with Sarbanes without adding much business value. It has a great intent, but is a poor application.

Sincerely,

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