



March 31, 2005

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re: File Number 4-497

Dear Mr. Katz,

Hercules is a \$2 billion global manufacturer and marketer of chemical specialties for making a variety of products for home, office and industrial markets.

Hercules appreciates the opportunity to provide commentary and feedback to the Commission based on our experience with the Sarbanes-Oxley Act of 2002 (the "Act"). Our response has been structured to communicate a balanced review of the Act as it applies to Hercules. Below we provide commentary on the positive effects of our compliance as well as the negative or unintended consequences that we have identified. In addition, we provide a critique of the external auditing process based on our experiences. Finally, we speak to our view of the effectiveness of the Act and offer broad suggestions with respect to improvements.

Positive Effects and Benefits

To begin, we wanted to share some of the positive effects and benefits that evolved from the extensive efforts that were performed throughout our Company. In order to appreciate the context of these benefits it is necessary to understand that Hercules' compliance and resulting management certification process was supported almost exclusively with internal resources. While Hercules sought the services of consultants for project management and certain control and process design issues, the utilization of external resources was otherwise limited.

Hercules' management compliance and testing process was supported through the use of over 200 internal resources representing various functional and operational disciplines. Cumulatively, internal resources expended in excess of 47,000 hours to the overall effort. In addition, Hercules designated key employees as process control owners and location control owners. Our reliance on internal resources for these compliance tasks helped increase the effectiveness of the education and communication efforts associated with the Act. In essence, all employees were involved to some degree resulting in a strong corporate-wide awareness of the Act and the Company's, as well as each individual's, responsibilities for compliance.

As a result of the breadth of exposure to the Act, the identification of certain benefits was relatively consistent across all levels of employees. Key among those factors noted was the following:

- clarification of roles and responsibilities
- formalization and standardization of procedures and controls
- improved communication and interaction among functional areas
- improved process ownership and accountability
- critical review of all processes
- increased confidence in ability to direct and focus company-wide efforts
- increased employee knowledge of how the organization and processes work

Negative or Unintended Consequences

A consistent theme that permeated our experience was the extensive cost of compliance with the Act. The cost of compliance has grown exponentially from original estimates as well as those developed as recently as the spring of 2004. Hercules external costs alone were over \$5 million. While increased costs have been experienced internally, such increases have been primarily associated with externally-driven factors as required by the external audit process, particularly in the latter stages of compliance and certification. We would contend that, while there was a degree of uncertainty, management's compliance and certification process was identified and treated as a corporate project early on and assigned a budget, personnel and specific goals and objectives. Excluding external audit-driven costs, the project remained on track and within budget and sufficiently substantiated management's certification.

While the level of support, dedication and commitment to the effort was commendable, the unintended consequence may be that it will be difficult to sustain such a high level of energy on an annual basis going forward. In particular, many corporate-wide and business-specific projects were put on hold in order to focus efforts on compliance with the Act. Many of these projects are critical to our growth, strategic and competitive profile versus global peers. While the initial efforts in control and process design will yield benefits for years to come, ongoing and future compliance will continue to be a drain on resources. Accordingly, we will still be challenged to activate critical projects necessary to the success of our business.

As our operations and businesses are globally dispersed, we compete with a variety of other companies in a number of markets. These competitors include small, privately-held companies and large publicly-held companies registered outside of the U.S. as well as other U.S. publicly-held companies. Accordingly, an unintended consequence is that the overall competitiveness of U.S. - registered companies has been impaired as a number of our competitors are not burdened with this compliance effort. In addition, the relative strength of U.S. capital markets may also be impaired as many companies have elected to "go private" or not "go public" and foreign-based companies have hesitated utilization of the U.S. capital markets due to the burdensome costs of compliance.

As referenced above, the significant reason for increased costs of compliance has been that associated with the external audit. A primary driver for this has been the lack of timeliness in the development of standards and regulations by the Public Company Accounting Oversight Board (“PCAOB”). PCAOB key standards were not approved by the SEC until the second quarter of 2004. PCAOB interpretations of these standards continued throughout the remainder of the year. These delays were exacerbated as each independent registered public accounting firm began to tailor the standards into their firm guidance and audit work plans. Despite significant efforts on the part of the major firms and the PCAOB, we believe the standards still leave a lot to be desired as there remain uncertainties and diversity in interpretation and application.

In addition to the significant constraint of resources as described above, we believe that the standards promulgated in connection the Act have resulted in an operational and auditing culture that emphasizes form over substance to a potentially disastrous fault. While proper documentation has always been critical in substantiating actions, positions and accounting entries, among others, we believe that the Act has inspired an effort to increase documentation to unreasonable and impractical levels that provide minimal to no value and provide no comfort as a control in certain circumstances. Such a culture has discounted professional judgment and common business sense in both the operation of controls and evaluation of control deficiencies. At a minimum, this has adversely impacted efficiency in terms of time as well as an increase in the need to maintain voluminous paper records.

It is also our belief that the PCAOB standards, which require both management testing and external audit testing of controls, are unnecessarily duplicitous. Such testing, which is overly focused on transactional controls and processes is both voluminous and provides questionable value. Accordingly, the audit design, as contemplated by the standards, is flawed in that it does not properly differentiate the true risks at hand which are unique to each Company and its control environment. We believe the concept of entity-wide controls is not properly emphasized. Broader consideration of such factors would support a more productive risk-based approach.

Another unintended consequence of the Act goes to the heart of what has been otherwise heralded as a competitive success of U.S. and other large companies in the past decade. This would be the comprehensive drive to improve work processes, eliminate redundancies and streamline information flow. Accordingly, many companies are now very lean in support and other functions. However, compliance with the Act now seems to challenge these improvements. Accordingly, Hercules has experienced issues with respect to segregation of duties, among others. As we have become more efficient and required employees to perform multiple tasks, we now find that we are challenged to operate certain controls as the “multi-task” employee is limited. While such challenges are numerous, we believe they are relatively inconsequential. Nonetheless, such issues have been and continue to need to be addressed often involving higher internal costs in terms of labor and lost time.

In summary, we have highlighted the following negative or unintended consequences based on our experiences and observations:

- extensive costs of compliance
- difficulty in maintaining high level of energy going forward
- impairment in global competitiveness
- impairment of U.S. capital markets
- effectiveness of PCAOB standards
- shift in emphasis to form over substance
- duplicity in testing and lack of consideration of inherent risk
- disincentives to certain operational streamlining

External Audit Process Critique

It is certainly understandable in this first year of compliance, that the public accounting industry took an extremely conservative approach in complying with PCAOB standards and the Act in general. It is fair to say that Hercules' own compliance efforts were conservative and, in retrospect, we could have adequately substantiated our management certification with a significantly lower scope. With that in mind, we certainly believe that our auditor's scope was also excessive.

From a practical perspective, this meant that each and every one of our documented controls was to be tested. It does not appear that risk assessment was a consideration in terms of planning. Accordingly, every single exception and deficiency that was noted had to be addressed by the Company regardless of materiality, likelihood of misstatement or frequency. While all of these were resolved without consequence, the process to further document, find a compensating control or quantify a potential deficiency consumed an inordinate amount of time and resources. In addition, most of this took place late in the audit process causing undue stress on both sides. Contributing to this problem was the proliferation of "accounting firm" policies and standards that were developed late in the compliance process based on interpretations of the PCAOB standards. Hercules found through various means that, at times, the firm-specific standards varied significantly among and within the major accounting firms. In our case, the impact was evident in terms of increased costs and time and, consequently, an overall lack of uniformity or standardization in the auditing process among peers.

In terms of evaluating deficiencies, Hercules developed and utilized a ranking process whereby further consideration was given only to those deficiencies that could rise to the level of a significant deficiency or material weakness on a stand-alone basis or through aggregation. In addition, such deficiencies that were not otherwise mitigated were exposed to an extensive review process to quantify aggregation and assess their likelihood and materiality. This process considered both quantitative and qualitative factors. We believe that our auditor approached this process and the related assessment of materiality primarily as a quantitative exercise. This despite the fact that both the PCAOB standards and the guidance developed by the public accounting industry with the assistance from a Georgia State professor ("A Framework for Evaluating Control

Exceptions and Deficiencies”) emphasize the subjective nature of the process and the need to consider both qualitative and quantitative factors in assessing and aggregating control deficiencies.

As discussed previously, we believe that the standards and expectations for evidence supporting control operating effectiveness are simply impractical. When viewed collectively with the evaluation of deficiencies and materiality, we believe that there was a loss of perspective such that the audit focused a great deal of attention on items that were otherwise inconsequential. In other words, it could be argued that the overall effort was disproportionate to the level of risk.

Finally, while we again appreciate that this was a daunting task in the initial year, we found that the European-based auditors often had a different view and perspective of the requirements of the Act than that of their U.S. counterparts. Accordingly, excessive time was spent in order to address foreign-based issues and bring them into a consistent perspective with those raised domestically.

Effectiveness of the Act and Suggested Improvements

Based on broad internal survey results and the successful certification and audit of Hercules’ controls, we are confident in our observation that there was broad support for the underlying objectives of the Act. Despite operational frustrations, the Company was pleased with the efforts of all of its employees who took their responsibilities very seriously and personified the true spirit and intention of the Act. However, considering all of the significant factors associated with enhancing our control environment including cost, resource allocation and the related benefits to the Company and the investing public as a whole, we have a consistent view that would indicate that the Act is somewhat ineffective and that the intended benefits have been far outweighed by the related costs.

In the end, a system of controls remains dependent upon the ethical behavior of those with significant influence. Unfortunately, individuals are still susceptible to unscrupulous behavior some of which may be beyond the reach of well-designed controls. While compliance with the Act has certainly erected significant roadblocks as disincentives to such behavior, it will not completely eliminate it and the resulting cost of compliance to the majority of ethical companies and their employees seems to be far in excess of the intended benefit to the investing public.

The initial application of sweeping changes in any forum often highlights areas for improvement as well as circumstances of practicality. Based on our experience, we believe that the PCAOB and public accounting industry should address the issue of designing internal control audits using a risk-adjusted methodology that properly considers the entity wide control environment. To proceed down the same path as was done this past year requires an effort both from the auditee and auditor that is not sustainable either physically or from a cost perspective. Certainly valuable information about each company’s key control points and high risk areas were noted in the initial

exercise. This knowledge must be leveraged in order to provide a more cost-effective benefit that goes to the spirit of the Act. In connection with this point, we believe that the issue of materiality and consideration of qualitative factors need to be further emphasized in the required standards.

Thank you for your consideration of our observations and concerns. We would be glad to discuss these matters and any questions you have at your convenience.

Sincerely,

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Craig A. Rogerson
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Allen A. Spizzo". The signature is cursive and somewhat stylized, with a large initial "A" and "S".

Allen A. Spizzo
Vice President and Chief Financial Officer