



April 12, 2005

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

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RE: File number 4-497

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Dear Mr. Katz:

Imation Corp. (Imation) respectfully submits this letter commenting on its experience with implementing Section 404 of the Sarbanes-Oxley (SOX) Act. Imation's primary business is in developing, manufacturing, sourcing, marketing and distributing recordable magnetic, optical and solid-state "flash" memory storage media products for users of digital information technology in more than 100 countries around the world. Revenues and operating income for 2004 were \$1.2 billion and \$54 million, respectively. Over half of our 2004 revenues came from outside the United States.

We agree with the objectives of the Act, namely to ensure public companies maintain strong internal controls over the accuracy and transparency in financial reporting. To this end, we have applied our best efforts to accomplish SOX compliance. Based on our own experiences and the experiences of our peers, we believe that the effort and costs to comply with the standard have been extraordinary. We have incurred approximately \$1 million in external costs and substantially more in internal costs such that total SOX costs approximate 5% of our 2004 operating income. It is our opinion that some relatively simple refinements could greatly reduce the costs associated with compliance without diminishing the Act's effectiveness.

We suggest the following items for your consideration:

Definition of materiality and deficiencies – It is our belief that the threshold of materiality applied in the implementation of SOX is too low. This has caused management and our external auditors to spend a significant amount of time on inconsequential matters. The numbers of key controls documented and tested at our Company, as well as other companies, is quite significant. Additional clarification around materiality would take the subjectivity out of this analysis.

External auditor reliance on company testing and analysis – The current approach results in a significant duplication of effort between management and the external auditors. External auditors should either be allowed to place additional reliance on the work of management, or the SOX attestation should be modeled similar to that of a financial statement audit. Specifically, for a financial statement audit, management does not complete an audit and then provide the results of the audit to the auditor, but instead management assists the external auditor in completing the audit. In our opinion, management and the external auditor should decide which of the two parties will perform the various testing steps. We do not believe the testing should be performed twice.

Year-end testing updates - The Act requires companies and their external auditors to report on the effectiveness of the system of internal controls as of the last day of the fiscal year. This requires substantial testing of key areas as of the end of the fiscal year rather than permitting more extensive reliance on an interim basis. We believe more extensive reliance on interim tests should be allowed and that performing tests over multi-year cycles should be considered.

Documentary Evidence – The external auditors seem to take the position that any control not entirely evidenced is presumed to be ineffective. This is causing the need to formally document the completion of controls in ways that do not add value and which impede efficiency. We respectfully submit that reasonable standards in this regard should be developed.

Risk Assessments – We believe risk assessment should take on a considerably higher weighting in determining the extent and nature of documentation and testing. We have spent considerable effort testing detailed controls that have fairly low levels of risk because they are interpreted by our external auditor as being required to meet current standards. We believe the effort should be focused on an entity's general control environment, critical controls that affect the most significant accounts, analytical reviews, and non-routine processes that can directly affect the financial statements. Recent instances of accounting irregularities have rarely been caused by a lack of detailed controls in operational processes. Yet, the amount of time and energy spent in regard to SOX on these matters is considerable.

Additional guidance for auditors - Auditors have struggled with the application of SOX requirements based on the lack of specific guidance for their procedures. We believe this has caused them to take an overly conservative approach, which serves to significantly increase the overall costs of compliance.

Thank you for your consideration of our views. We would be glad to discuss our recommendations and answer any questions you may have.

Sincerely,

Paul R. Zeller  
Vice President and Chief Financial Officer  
Imation Corp.