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PACIFIC RESOURCES

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Mr. Jonathan Katz
Secretary, Securities Exchange Commission
Mr. Kevin O'Neill, Special Counsel
Office of Small Business Policy
Securities & Exchange Commission
100 F St. N.E.
Washington D.C. 20549

Gentlemen:

As a board member for 12 years and audit committee chairman for 5 years of an \$85MM public food company, I would like to take this occasion to comment on the possible relaxation of Section 404 controls.

First, since virtually all accounting firms have taken a stand, I will not comment on all the accounting intricacies being addressed, but will merely state that for a small public company, the costs are staggering, and the results questionable. Even though enacted for noble and practical reasons, they have simply gone too far.

Second, had we at Monterey Pasta Co. (now Monterey Gourmet Foods) foreseen the enactment of such costly accounting oversight, we would never have gone to the public markets for funding, but would have stayed a small, private company unable to grow to be as productive to our economy. We now estimate that the cost of being public in excess of \$1.2MM per year, and complying with Sarbanes-Oxley, Section 404 over \$500K per year, far more than we made in the past few years.

Third, according to several sources, micro and small cap companies constitute 80% of all publicly listed companies, but only 6% of the capitalization; it appears the tail is wagging the dog.

Fourth, it is not surprising that "smart" money is now moving into private equity, and away from the public markets; that flies right in the face of what SOX is trying to accomplish---increased regulatory oversight and investor safety. Private equity and hedge funds have even less regulation, and more opportunity for questionable dealing.

Fifth, lack of access to public markets will not be good for business formation in this country. Common knowledge is that most employment opportunity in the US is from small business, and most new inventions and novel business ideas come out of

entrepreneur's garages (and my business, Pacific Resources is in the M&A and venture capital business, and we continually see new business start-ups).

Sixth, if investors are put off by less regulation of small cap companies, they will not invest, and as a result, market ratios will be lower than large cap, and those companies that can afford higher levels of scrutiny will undertake it.

I sometimes think that SOX is a "job security" act for auditing firms. We are having increased problems finding our own accounting staff, since the audit firms are hiring the best and brightest, and at much higher rates than a few years back, and at much higher rates than small companies can afford.

In closing, please show leadership to do the right thing, not simply do what whimsical public opinion is saying. That is the purview of Congress, which must continually react to public opinion in order to be re-elected for 30-40 years. Current 404 SOX regulation is simply strangling micro and small cap companies, and you now have an opportunity to make more reasonable.

Yours truly,



Charles B. Bonner