

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

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April 3, 2006

Ms. Nancy M. Morris
Federal Advisory Committee Management Officer
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File 265-23

Dear Ms. Morris:

The U.S. Chamber of Commerce is the largest business federation in the world, representing the interests of some three million companies. We appreciate the opportunity to comment on the exposure draft of the final report of the Advisory Committee on Smaller Public Companies.

As we have stated previously, the Chamber strongly supports the basic requirement that public companies have effective internal controls. However, Section 404 of the Sarbanes-Oxley (SOX) Act of 2002 has been implemented in a way that places extraordinary and unnecessary burdens on companies and the U.S. capital markets. The SEC and the PCAOB have a primary obligation to correct these implementation problems, bring some cost/benefit balance back to the system and maintain the long-term health and competitiveness of our markets.

In that regard, we strongly support the primary recommendations of the Advisory Committee with respect to SOX. The burdens of the implementation of Section 404 present particularly difficult challenges for smaller public companies. Absent some broader reform in Auditing Standard # 2 and the manner of implementation of Section 404, the best option for these companies is to provide them with exemptive relief. While there are obvious issues related to different standards for different sizes of company, the alternative is to greatly restrict the growth and potential of these companies by imposing prohibitive compliance burdens.

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We would, however, make two notes of caution. First, providing optional exemptive relief for smaller public companies will not solve the problem for many companies. There will still be significant pressures on these companies from lenders, analysts and others to fully meet the requirements of Section 404, as it is now implemented. Further, smaller companies generally aspire to become larger, and thus, they will need to anticipate an obligation to meet these requirements in the future. Therefore, absent appropriate and comprehensive reform to the implementation of Section 404, these companies will only be able to expect temporary relief, at best.

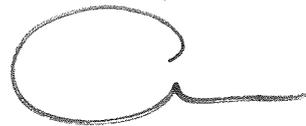
Further, adoption of these proposals will not resolve the many outstanding concerns of larger public companies relating to Section 404. It is absolutely incumbent upon the SEC and the PCAOB to continue their examination of Auditing Standard # 2 and the numerous implementation issues associated with it, and greatly reduce the time and expense burdens currently imposed by Section 404. A component of this must be the issuance by the SEC of issuer guidance on internal controls so that companies are not left with the implicit application of standards under Auditing Standard # 2. (We will provide further comment on the general implementation of Section 404 in connection with the SEC's proposed roundtable on May 10th.)

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In the long-term, there will not be any real improvement in Section 404 implementation until the problems have been comprehensively addressed for all issuers.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "David C. Chavern". The signature is stylized with a large, rounded initial "D" and a long, horizontal flourish extending to the right.

David C. Chavern
Vice President
Capitol Markets Program

cc: Chairman Christopher Cox
Commissioner Paul S. Atkins
Commissioner Annette L. Nazareth
Commissioner Roel C. Campos
Commissioner Cynthia A. Glassman