



INTERNAL AUDIT | TAX SERVICES | CONSULTING

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April 3, 2006

The Honorable Christopher Cox
Chairman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-9303

Re: File Number 265-23

Dear Chairman Cox:

Since the passage of the Foreign Corrupt Practices Act of 1977, Section 13 of the Securities Exchange Act of 1934 has contained requirements for all issuers with registered securities to:

Devise and maintain a system of internal controls sufficient to provide reasonable assurance that; i) transactions are executed in accordance with management's general or specific authorization; ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets; iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to an differences.

The requirements of companies registered with the SEC to devise and maintain an effective system of internal controls is not a new idea created by the Sarbanes-Oxley Act of 2002 ("the Act"). Based on the high number of adverse opinions on internal controls issued in the first year of compliance for accelerated filers and continuing adverse opinions in the second year, the Act has, however; introduced much needed accountability for maintaining an effective system of internal controls over financial reporting to an issuer's management team for these requirements.

The Final Report of the Advisory Committee on Smaller Public Companies (the "Report") indicates that small public companies will face a greater challenge being held accountable to the existing requirement to devise and maintain an effective system of internal controls. The Report basis this conclusion on a premise the COSO framework and the Public Company Accounting Oversight Board (PCAOB) Auditing Standard 2 is less applicable and relevant to the unique needs of smaller companies. As outlined below, Assurance Consulting 3, Inc. (AC3) and its clients have repeatedly demonstrated that this framework and standard can be applied, in a cost effective manner, to smaller public companies through the use of solid methodology, well developed tools, and properly trained professionals.

The Report concludes that smaller public companies are shouldered with disproportionate costs for complying with the Act. The disproportionate costs are supported by a survey prepared by the American Electronics Association that reports internal cost of compliance as a percentage of revenue, ranging from 2.5% for companies producing less than \$100M of revenue to .05% for companies producing greater than \$5B of revenue. The simple math is that this survey suggests it costs each company, irregardless of the size, industry, organization, or complexity, approximately \$2.5M to implement the provisions promulgated by Section 404 of the Sarbanes-Oxley act. These findings are not consistent with our clients' experience or our understanding of the market.

AC3 has provided full-service SOX implementation and ongoing program sustainment services to public companies since the Act was passed in 2002. Several of our clients are smaller public companies (as defined within the Report). The chart below shows AC3's smaller company client's including: industry; approximate annual revenue; approximate market cap; total internal year 1 and year 2 compliance costs; and, percentage decrease of compliance costs for year 2 over year 1. Please note that these engagements, and associated costs, are comprehensive with respect to internal compliance including process documentation, control design and operating remediation and testing (including information technology work) incurred by these Companies.

<i>Industry</i>	<i>Approximate Revenue</i>	<i>Approximate Market Cap</i>	<i>Audit Firm</i>	<i>Year 1 Internal Compliance Costs</i>	<i>Year 2 Internal Compliance Costs</i>	<i>Percentage Decrease</i>
Medical Device Manufacturer	\$30M	\$90M	Big 4	\$295K	\$170K	42%
Hospitality	\$250M	\$120M	Big 4	\$495K	\$390K	21%
Distributor	\$120M	\$100M	National	\$1.5M*	\$175K	88%
Technology Manufacturer	\$60M	\$140M	Big 4	\$270K	\$115K	57%
Logistics	\$320M	\$225M	National	\$1.0M**	\$250K	75%
Process Manufacturer	\$120M	\$150M	Big 4	\$475K	\$220K	54%
Technology Manufacturer	\$75M	\$225M	Big 4	\$420K	\$175K	58%
Technology Manufacturer	\$200M	\$70M	Big 4	\$850K	\$400K	53%

*Year 1 performed by contractor group lacking methodology and tools

**Year 1 performed by large accounting firm with billing rates 2x that of AC3, also less experienced professionals

As evidenced by the above examples, AC3 and its clients have experienced a different situation than that outlined in the Report. AC3's client base has been able to execute initial implementation of the provisions promulgated by Section 404 of the Sarbanes-Oxley of 2002 in the range of .2% to .98 % of revenue (that is 92% to 60% less than suggested in the Report) and have maintained the ongoing requirements of provisions promulgated by SOX section 404 in the range of .08% to .57% of revenue. In addition, in the cases where AC3 assisted with year 1 and year 2 compliance, internal compliance costs were reduced by over 45%. In the cases were year 1 work was not performed by AC3, internal compliance costs were reduced by over 75% when AC3 was engaged for year 2 compliance assistance. This trend of reduced costs of compliance will continue into year three as maintaining effective systems of internal control become routine and embedded within our clients' daily processes and operating mindset.

The above examples support a conclusion that entrepreneurial organizations such as AC3 and its clients, have and continue to effectively and efficiently implement the COSO

framework, PCAOB Audit Standard 2, and the provisions of Section 404 the Act. A new internal control framework and ASX is not necessary for the cost and benefit of the provisions of Section 404 of the Act to be brought in line. Market forces and good business sense will drive out higher priced and less skilled alternatives for compliance, in favor of lower cost and better skilled providers as companies choose to comply with Section 404 in a more effective and efficient manner.

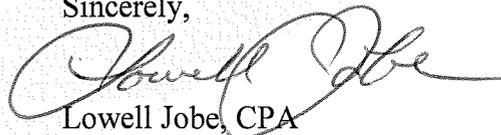
The Report also comments on the disparity in external auditor costs between companies with smaller market caps and those with larger market caps. Unfortunately, the disparity in external audit fees between small and large companies has always existed. Several procedures in an audit under Generally Accepted Auditing Standards are required to be performed without regard to the size of a company's market cap or revenue. The passage of the Sarbanes-Oxley Act of 2002 did not create this disparity.

Further, the Report attributes the growth in external audit free from 2000 to 2004 to the implementation of Section 404 requirements of the Act. External auditor fees from 2000 to 2004 have also been affected by 4 years of inflation and increasing external auditor hours as a result of greater auditor accountability for audit failures given the current environment of recent accounting scandals, increasing restatements of financial statements, and PCAOB oversight. A truer impact on external auditor fees relating to the auditors opinion on a company's system of internal control would more realistically be indicated by comparing 2003 audit fees to 2004 audit fees.

In countering increasing external auditor fees, our clients have found that AC3's methodologies, tools and testing techniques are accepted and receive maximum reliance by all four of the "Big 4" auditing firms as well as the large national and regional firms based on their assessment of the competence and objectivity of our professionals. Maximum external auditor reliance on work performed by AC3 has resulted in lower external auditor hours and corresponding smaller increases of external audit fees for our small public company clients than experienced by their peer companies.

In summary, the Securities Exchange Act of 1934, since 1977, has clearly required all public companies, regardless of size, to devise and maintain an effective system of internal controls. The Sarbanes-Oxley Act of 2002 simply brings greater accountability to management for complying with this requirement. AC3's clients have applied the COSO framework, Section 404 of the Act, and the requirements of PCAOB Auditing Standard 2 both efficiently and effectively in the small public company environment. The progress being made under the Sarbanes-Oxley Act of 2002 should not be undermined as a matter of cost, as ultimately, market forces will continue to seek and reward companies that demonstrate the ability to outperform their competition.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lowell Jobe".

Lowell Jobe, CPA

President and Managing Director