



April 3, 2006

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

Re: File No. 265-23

Dear Ms. Morris:

On behalf of AeA (American Electronics Association), I am writing to comment on the Advisory Committee on Smaller Public Companies' (the "Committee") Exposure Draft. We believe the Committee has taken a step in the right direction with its recommendations relating to internal control over financial reporting. These recommendations are a reasonable and appropriate approach to ensuring that Section 404 of the Sarbanes-Oxley Act is properly scaled for smaller companies.

We appreciate the time and effort members of the Committee have dedicated to addressing the disproportionate burden Section 404 is having on smaller public companies. The Committee is made up of extremely experienced individuals representing companies, investors, auditors and other interested groups. Before drafting its recommendations, the Committee met numerous times around the country to listen to testimony from interested parties, and the Committee also requested and received a substantial number of comment letters throughout this process. The overwhelming majority of responses appear to support the type of exemptions for smaller companies that the Committee recommends in its Exposure Draft.

The Sarbanes-Oxley Act has had many positive effects on corporate governance; however, for smaller companies, the current costs associated with Section 404 outweigh the perceived benefits in terms of fraud detection. Section 404 has been applied in a "one-size-fits-all" manner which is inappropriate for smaller companies, and it has resulted in companies diverting an unreasonable amount of attention away from operational matters, which in turn lowers shareholder value. Companies qualifying for exemptive relief would not be exempt from good corporate governance. They would still be subject to the other provisions of the Sarbanes-Oxley Act, including Section 302 affirmations of responsibility by responsible CEOs and CFOs. In addition, companies would still be required to maintain a sufficient system of internal controls to ensure that financial statements are prepared in conformity with generally accepted accounting principles. The Committee's proposal would simply remove the disproportionately expensive and distracting exercises compelled by Section 404.

The Committee's proposed exemptions represent an understanding of the unique circumstances smaller companies face in complying with Section 404, based on a thorough analysis of inputs by professionals directly engaged in efforts to comply. The recommendations balance the need to provide investor protection with the desire to ensure that smaller companies continue to have access to the American capital markets. In addition, smaller companies could decide *not* to take advantage of the relief, which would allow the financial markets to determine whether there is a benefit for smaller companies that decide to comply with Section 404 in its current form.

Meaningful Section 404 action is urgently needed. Many millions of dollars are being drained annually from the innovative and productive activities of businesses that have merited access to our public capital markets. If the problems associated with Section 404 are not addressed, it will negatively impact U.S. competitiveness by hindering the ability of smaller companies to grow and compete in global markets and by encouraging companies to list on foreign exchanges. This would negatively impact the U.S. economy as a whole.

We urge the Committee to include in its final report the recommendations relating to internal control over financial reporting.

AeA is the nation's largest high-tech trade association, representing nearly 2,500 U.S.-based technology companies. Membership spans the industry product and service spectrum, from semiconductors and software to computers, Internet and telecommunications systems and services. With 18 US offices, and offices in Brussels and Beijing, AeA brings a broad industry and grassroots perspective to the public policy arena. In 1943, David Packard of Hewlett Packard Corporation founded AeA.

Sincerely,

A handwritten signature in black ink, reading "William T. Archey". The signature is written in a cursive, flowing style.

William T. Archey  
President & CEO  
AeA (American Electronics Association)