



KPMG LLP
757 Third Avenue
New York, NY 10017

Telephone 212-909-5600
Fax 212-909-5699
Internet www.us.kpmg.com

September 14, 2006

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

File No. S7-06-03
Internal Control over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies
Release Nos. 33-8731; 34-54295

Dear Ms. Morris:

KPMG LLP (KPMG) is pleased to respond to the request by the Securities and Exchange Commission (Commission) for comments on the proposed rule, "Internal Control over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies," Release Nos. 33-8731; 34-54295 (Proposed Rule).

We are supportive of the Commission's efforts to facilitate, in an effective and efficient manner, all public companies' compliance with the requirements under Section 404 of the Sarbanes-Oxley Act of 2002 for reporting on internal control over financial reporting. As we recommended in our April 6, 2006 letter to the Federal Advisory Committee Management Officer regarding the *Exposure Draft of Final Report of the Advisory Committee on Smaller Public Companies to the SEC*, while guidance for management on the assessment of internal control over financial reporting is being developed, continued deferral of Section 404 requirements for smaller public companies that have not already complied with the provisions of Section 404 is appropriate. Accordingly, we support the Proposed Rule, and provide one recommendation for consideration in the adoption of a final rule.

While there may be increased risk that a material weakness will go undetected (and therefore undisclosed) in the year in which management furnishes its report on the effectiveness of internal control over financial reporting without auditor attestation, we believe that the benefit to investors of management furnishing this report outweighs the risk. Management's reporting pursuant to Section 404(a) naturally will introduce additional formality and discipline in management's evaluation and assessment of internal control. This formality and discipline will result in more effective management evaluations and more meaningful management disclosures.

During the transition period until full compliance with Sections 404 (a) and (b) of the Sarbanes-Oxley Act of 2002 is required for non-accelerated filers, investors will receive some periodic



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reports that include an independent auditors' report relative to internal control over financial reporting, and others that are not required to include such an independent auditors' report. In an effort to assure transparency to investors of the independent auditors' involvement with the furnished management reports on internal control over financial reporting (i.e., those where the independent auditor is not required to conduct an integrated audit in accordance with PCAOB Auditing Standard No. 2), we suggest that the final rule require these management reports to explicitly disclose that management's assessment of internal control over financial reporting has not been subject to audit by the independent auditors.

If you have any questions regarding this letter, please contact Sam Ranzilla (212) 909-5837, sranzilla@kpmg.com, or Melanie Dolan (202) 533-4934, mdolan@kpmg.com.

Very truly yours,

KPMG LLP