

March 03 2008

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

RE: SEC FILE NUMBER S7-06-03

Dear Ms. Morris,

I appreciate the opportunity to offer comments for proposed rules of Section 404(b) of the Sarbanes Oxley Act of 2003 for non-accelerated filers.

After reading the proposed rules and other related documents, I believe that SOX improved the quality of financial reports and regained the credibility of investors after the financial scandals of previous years. SOX undoubtedly contributes to the efficiency, effectiveness and competitiveness of US financial market. If the proposed rules of Section 404(b) are implemented, management and auditors in smaller public companies will improve the effectiveness and efficiency in assessing internal control over financial reports, and hence, reduce the possibility of misleading investors and the public.

I support the idea that the proposed rules should delay compliance for smaller public companies for one additional year for two reasons.

First, SEC has more time to develop detailed guidance for ICFR audits of smaller public companies and more time to investigate the potential conflict between new rules and existing rules. US companies are under the pressure of a complex system of standards which lead to a higher cost of compliance and increasing incidents of mistake in applying standards. The availability of detailed guidance would help smaller public companies apply new rules easier, thus, reduce their cost of compliance. In addition, having more time would increase the ability of issuing better guidance on internal controls.

Second, the SEC has more time to study the relationship between costs and benefits and provide qualified evidence about this relationship. In case, the costs of implementation of section 404(b) are more than the benefits smaller public companies could receive, the SEC should provide additional flexibilities for those entities. In June 2007, a group of researchers published their report "*Sarbanes-Oxley's Effects on Small Firms: What is the Evidence?*". By reviewing the evidence on the effects of SOX on small firms and large firm in three different sectors: accounting and audit costs, stock prices, and deregistration decisions, they conclude that "overall, the evidence offers qualified support for the view that SOX had a negative effect on the value of small firms, at least initially" and "in contrast, they do not find a negative effect among large firms".

However, I would like to share some of my concerns. First, I suggest the company should constantly evaluate their internal controls instead of just at the end of the fiscal year. By

doing so, business event would always be recorded in completeness, accuracy, manner of validity which guarantees the conciseness of financial reports. Second, the SEC should consider the definition of “small business”. In the proposed rule for “Smaller Reporting Company Regulatory Relief and Simplification”, SEC allows the company with a public float of less than \$75 million to qualify for the smaller company requirements. A company with this size might have several thousands of employees, with facilities both inside and outside the US. Actuant Corporation, as an example, has a public float of \$53.7 millions, thus, qualify as a small business. However, Actuant has operations in more than thirty countries. More than 7,400 people currently work for Actuant as employees. Obviously, not small at all.

Sincerely,  
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