II-VI
INCORPORATED

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September 18, 2006

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

Re: Concept Release Concerning Management's Reports on Internal Control Over Financial Reporting (File # S7-11-06); Response to Question 10, Tiered Testing of Internal Controls

II-VI Incorporated designs, manufactures and markets optical and opto-electronic components, devices and materials for infrared, near infrared, visible light, x-ray and gamma ray instrumentation. To support the U.S. Government's highly specialized needs (including defense production) and to serve our private sector customers, we have nearly 1,700 employees working at 17 locations in 9 countries worldwide. Our defense manufacturing is concentrated in the United States.

Our common stock trades on the NASDAQ exchange under the symbol "IIVI." We recorded revenues of $232,525,000 in our most recently completed fiscal year ended June 30, 2006 and carried a market capitalization of $612,000,000 as of September 1, 2006. As of the end of our most recent fiscal year on June 30, 2006 we have completed two annual Sarbanes-Oxley (SOX) 404 certifications.

Spending for SOX compliance is II-VI's largest single governmental compliance cost. Since the imposition of SOX requirements, our costs for outside auditors have doubled; and our increased internal costs are approximately double our outside SOX auditing costs. Indeed, we believe that these SOX compliance costs exceed all our other regulatory compliance costs combined.

II-VI is dedicated to strong corporate governance and accurate financial reporting. These objectives are an essential element of our corporate ethics, operating philosophy, and desire to maximize shareholder value. After two years of painful experience, we have concluded that the extent of internal and external audit efforts necessary to satisfy Section 404 as currently applied is excessive for small and mid-size companies such as II-VI. We do not believe a recurring annual evaluation of all internal controls is the best way to protect shareholder value in such companies.

In question 10 of the SEC Concept Release, the Commission asked for possible alternatives to section 404 compliance that "would provide investors with similar benefits without the same level of cost." We appreciate the opportunity to suggest a practical way for the Commission to achieve accurate financial reporting without unduly burdening small and mid-size companies We recommend the Commission adopt a tiered approach to SOX 404 compliance. Following this approach, companies would be categorized into tiers based on their market capitalization at a particular point in time each year. Each tier would be required to document and test control activities in a specific number of business process cycles (e.g.: Revenue, Expenditure, Financial Close and Reporting, etc.) every year. The business cycles would be rotated over a number of years to ensure all relevant business cycles are evaluated over no more than a four year period. This approach would help ensure parity of SOX 404 compliance costs among large, medium, small and smallest publicly-traded companies on the basis of a percentage of revenues or net income.

Under the current approach, SOX compliance costs consume a much greater proportion of revenue for the smaller companies than for the largest ones. By contrast, the risk to the investing public from a failure of an internal control at any single small public company is far less than a similar failure at one of the largest public companies. The public is getting very little improvement in protection for the large incremental cost of annually evaluating all the internal controls at all the small and mid-size companies.

We recommend categorizing public companies in the following tiers based on their market capitalization as of the end of the first quarter of the fiscal year under evaluation:

Tier	# of Co's *	Market Capitalization	% of Cycles Tested Each Year
Smallest	2,165	< $100 Million	25%
Small	2,750	$100 Million to $2 Billion	33%
Mid	666	$2 Billion to $10 Billion	50%
Large	289	> $10 Billion	100%

* - Based on market research by Hoover's Inc.

It is expected that companies would work with their audit firm to develop an acceptable, risk based plan for rotating through the cycles with a goal of expending a similar level of effort and cost in each year.

In closing, II-VI believes that testing internal controls on a multiyear cycle is a wiser and more cost-effective way to protect investors in small and mid-size public companies than is a recurring annual evaluation of internal controls.

Respectfully submitted,

Carl J. Johnson
Chairman & Chief Executive Officer
II-VI Incorporated