ROCK-TENN COMPANY

February 26, 2007

Public Company Accounting Oversight Board
Office of the Secretary
1666 K Street NW
Washington, DC 20006

Re: PCAOB Rule Making Docket Matter no. 021

Dear Sir or Madam,

We acknowledge that, on December 19, 2006, the Public Company Accounting Oversight Board (PCAOB) voted unanimously to propose for public comment a new standard on auditing internal control over financial reporting. We also recognize that on December 13, 2006, the SEC voted unanimously to take action to improve the cost effectiveness of the implementation of the Sarbanes-Oxley Act (Sarbox) Section 404 by proposing interpretive guidance specifically to assist managements of public companies to plan and perform their own evaluations of internal control over financial reporting (ICFR).

We further understand that the proposed new audit standard by the PCAOB would replace Auditing Standard No. 2 (AS 2), such that the proposed new standard is intended to focus auditors on the "most important matters", eliminate certain "unnecessary" audit procedures, provide direction on how to scale an audit for a smaller and less complex company, and simplify and significantly shorten the text of the standard.

We understand that the PCAOB (and the SEC) are seeking comments on each of their proposals by February 26, 2007 and that the PCAOB will consider all comments received. We submit our comments for your consideration.

Rock-Tenn Overview

Rock-Tenn Company is NYSE registered company, with revenues for its 2006 fiscal year ended on September 30, 2006 of $2.1 billion. Our current equity market capitalization is approximately $1.4 billion. Our business is paper and paper products manufacturing, where being the lowest cost provider is very often the critical factor in obtaining business from existing and new customers. We compete against private and smaller public companies that do not have the cost burden of compliance with Sarbox. We compete against large well-capitalized global companies, including competitors in Asia that do not have the cost burdens of Sarbox.

The arrival of Sarbox and the subsequent workloads and additional costs that it has placed on our company have been substantial. In fact, the following comments were included in the annual letter to the Shareholders attached to our fiscal 2005 annual report – "Throughout Rock-Tenn we will continue to focus on ...reducing the cost of our financial processes. We believe we can significantly reduce our support costs and our excessive Sarbanes-Oxley compliance costs (which were $4.5 million to third parties alone for fiscal 2005's certification)." While we did reduce compliance costs from these levels in fiscal 2006, the effort was still significant and we expect to incur significant costs this fiscal year.

Summary

While we believe that the PCAOB and SEC are now beginning to move in the right direction, we continue to believe the proposed changes do not move nearly far enough to provide for significant reductions in the cost of compliance and that such costs will continue to far outweigh any benefit. Absent more substantial change, we believe the new proposals will do very little to materially reduce the cost of Sarbox compliance.

Based on their initial review of the new proposal, our auditors have indicated to us that they do not expect a dramatic reduction in external annual Sarbox compliance costs to result from the new proposal.

The two most important issues that must be addressed in order to reduce compliance costs are a) the definition of materiality and b) the depth of testing required.

Materiality

We strongly support the PCAOB's initiative to (1) clarify the terms "material weakness" and "significant deficiency", by using definitions more in line with the familiar language associated with FASB statement No. 5, and (2) require auditors to perform their audits of ICFR using the same materiality measures used to plan and perform the audit of the annual financial statements.

Testing

We refer to the original words of section 404 of the Sarbanes-Oxley act, which reads as follows:-

> ....with respect to the internal control assessment required by subsection (a) (i.e the assessment by management), each registered public accounting firm that prepares or issues the audit report for the issuer shall attest to, and report on, the **assessment made by the management** (my emphasis) of the issuer. An attestation made under this subsection shall be made in accordance with standards for attestation engagements issued or adopted by the Board (i.e. the PCAOB). Any such attestation shall not be the subject of a separate engagement.

Based on the above, the question became as to how "each registered public accounting firm" would be able to gather enough evidence to be able to make their attestations on managements' assessments. AS 2 was issued by the PCAOB and became the de facto standard for both the auditing firms, and public company managements, in guiding their respective testing approaches and methodologies. Two problems arose:-

- both public company managements' and their auditors' interpreted AS 2 to require that all /the majority of "key" controls had to be tested. As soon as that interpretation is reached, one cascades into multiple questions as to how many key controls should be tested, where should they be tested, how frequently, can the tests be rotational, who is allowed to do the testing, and the depth of testing (i.e. assessing each control for its own risk of ineffectiveness!)

- the ICFR audit work often became a separate exercise from any audit work related to the auditor's opinion on the financial statements.

While we understand that the proposed new standard incorporates a more "top down," approach to ICFR testing, we doubt that the proposed changes will translate into a signifcant reduction of both internal resource effort and external auditor effort, because it appears that

- the focus remains centered on audit firms having to test all/the majority of "key" controls – which will probably result in managements testing controls in the same manner.

- In particular, paragraph 51 of the new proposal could have the unintended consequence of adding yet a new level of complexity to testing. Paragraph 51 indicates that every control selected for testing should be first assessed for the risk that it might be ineffective and after having done that, then adjust the amount of evidence to be acquired in testing based on that risk assessment. *We believe that the PCAOB should make the fundamental decision that audit firms should report only on management's assessment and not have to report on ICFR. In doing so, auditors would have to not duplicate the testing conducted by management in its assessment of the effectiveness of its controls.*

- the separateness of the "two audits" also will probably remain. In our opinion, there is still confusion as to the interaction of substantive testing of a company's financial statements on the resultant extent of required ICFR testing. *We believe that if an audit firm concludes that the year end balance sheet of a company is not mis-stated, via its substantive testing, then surely that is a strong indication that the control environment is not ineffective. The more emphasis that can be given to an integrated audit, including the ability to draw inferences regarding controls based upon account balance accuracy, the less cost.*

We believe our position is more than justified by

- the excessive cost of complying with Sarbox Section 404, relative to the small benefit perceived by ourselves and every corporation with which we have discussed the matter, and

- the unaccountable failure of the AS 2 – and the new proposal - to recognize the validity and usefulness of statistically valid sample testing and the significant cost reductions associated with its use.

Equally importantly, we believe that Sarbox Section 404 and AS 2 were adopted in an environment in which the quality of financial statement audit assurance was much lower than it is today in the post-Sarbox era. Like every corporation that Rock-Tenn has discussed the matter with, the cost of Rock-Tenn's annual financial audit has increased dramatically since the Sarbanes-Oxley Act was enacted. In Rock-Tenn's case, the increase was due to both Sarbox work and audit work associated with the financial statements and was due to increases in audit hours, not by hourly rate increases. Unfortunately, we believe that the current proposals will do little to reduce them. However, given the dramatic increase in audit hours, together with the PCAOB's reviews of audit firms, and the resultant dramatic increase in the quality of audit assurance, Rock-Tenn believes that most of the rationale for the adoption of Sarbox Section 404 and AS 2 no longer applies, For these reasons we believe our proposals, which would significantly reduce duplicative control testing by auditors, are essential in order to match the cost of Sarbox compliance with its potential benefit.

Yours sincerely,

/s/ A. STEPHEN MEADOWS

A. Stephen Meadows
Chief Accounting Officer

cc: James A. Rubright, Chief Executive Officer
Steven C. Voorhees, Chief Financial Officer

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