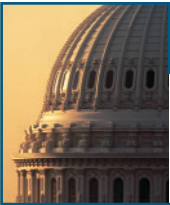


# NAVIGATING THE SARBANES-OXLEY ACT OF 2002

## Timeline of Sarbanes-Oxley Act Requirements

Topic	Main requirements of the Act	Key provisions of the SEC's final rules (if applicable)	Effective Date	Responsibility	Required Action
101 (d) Public Company Oversight Board	SEC must determine the Public Company Oversight Board is properly organized and has the capacity to carry out its responsibilities under the Act		SEC determination no later than April 26, 2003	SEC	
102(a) Registered Accounting Firms	No later than 180 days after the SEC declares that the Public Company Accounting Oversight Board has the ability to function and carry out its responsibilities, no unregistered accounting firm may prepare or issue an audit report for a public company.		No later than 180 days after the SEC's determination that the Oversight Board is ready to carry out its responsibilities.	External Auditor	
103(a) Auditing standards	The Oversight Board must establish rules or adopt standards requiring auditing and related attestation standards (including requiring auditors to maintain audit papers for seven years).		No deadline provided	Oversight Board	
201 Restrictions on Non-Audit Services	Independent auditor may not perform the following non-audit services: Bookkeeping related to accounting records or financial statements; Financial information systems design and implementation; Appraisal or valuation services and fairness opinions; Actuarial services; Internal audit outsourcing services; Management or human resource functions; Broker, dealer, investment adviser or investment banking services; Legal services and expert services unrelated to the audit; and any other service that the Oversight Board determines impermissible.	Explicitly identifies several categories of non-audit services that cannot be provided to an audit client. The explicit categories are (1) bookkeeping, (2) financial information system design and implementation, (3) appraisal or valuation services, fairness opinions or contributions in kind reports, (4) actuarial services, (5) internal audit outsourcing services, (6) management functions, (7) human resource services, (8) broker-dealer, investment adviser, or investment banking services, (9) legal services, (10) expert services unrelated to the audit, and (11) any other service that the PCAOB determines impermissible. Permits virtually all tax services provided they are pre-approved by the audit committee.	Final rules issued on January 28, 2003. Rule is effective May 6, 2003. An auditor may render non-audit services on or after May 6, 2003 if those services are rendered pursuant to contracts that existed on May 6, 2003 and are completed before May 6, 2004, provided that the services did not impair independence under the existing auditor independence rules.	Audit Committee, External Auditor	



## NAVIGATING THE SARBANES-OXLEY ACT OF 2002

# Timeline of Sarbanes-Oxley Act Requirements

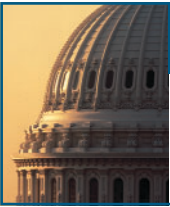
Topic	Main requirements of the Act	Key provisions of the SEC's final rules (if applicable)	Responsibility	Required Action	
202 Pre-Approval for Audit and Non-Audit Services	Audit committee must pre-approve all audit and non-audit services provided by the independent auditor.	Requires the audit committee to pre-approve all audit and non-audit services either engagement by engagement or pursuant to policies and procedures established by the audit committee that are detailed as to the particular service and do not include delegation to management.	Final rule issued by the SEC on January 26, 2003. Rule is effective on May 6, 2003.	Audit Committee	
203 Rotation of Audit Partners	Lead audit partner and audit partner responsible for reviewing the audit must be rotated at least once every five years.	Requires the lead and concurring partners to rotate after 5 years, with a time out period of 5 years. Other partners who are part of the engagement team must rotate after 7 years, with a time out period of 2 years.	Final rules issued by the SEC on January 28, 2003. Rule is effective on the first day of the fiscal year beginning after May 6, 2003 for the lead and other partners, and on the first day of the fiscal year beginning after May 6, 2004 for the concurring partner. Special provisions apply for purposes of calculating the periods of service.	External Auditor	
204 Specific Reports and Responsibilities	Independent auditors must report to Audit Committees (a) critical accounting policies and practices, (b) alternative GAAP treatments discussed with management, and (c) all other material written communications between the independent auditor and management.	Requires the auditor to report to the audit committee prior to the filing of the report: (a) all critical accounting policies, (b) all alternative treatments within GAAP related to material items discussed with the client and (c) other material written communications between the auditor and client management. The final rule also revises the proxy disclosure requirements for professional fees paid to the auditor for audit and non-audit services.	Final rule issued by the SEC on January 28, 2003. Rule is effective May 6, 2003. The new proxy fee disclosure requirements are effective for years ending after December 15, 2003.	Audit Committee, External Auditor, Company	



## NAVIGATING THE SARBANES-OXLEY ACT OF 2002

# Timeline of Sarbanes-Oxley Act Requirements

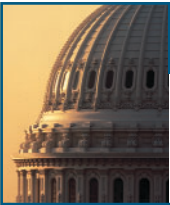
Topic	Main requirements of the Act	Key provisions of the SEC's final rules (if applicable)	Effective Date	Responsibility	Required Action
206 Prohibition of Conflicts of Interest	An accounting firm is prohibited from providing any audit service if the Company's CEO, CFO, controller, chief accounting officer or any person in an equivalent position was employed by that firm and participated in the audit during the one-year period immediately preceding the initiation of the audit.	Provides that an accounting firm's independence is impaired if the lead or concurring partner, or any other member of the audit engagement team begins employment with the issuer in a "financial reporting oversight role" without a cooling-off period of one annual engagement period during which the person provided no services. The final rule also provides that an audit partner may not earn or receive compensation based on selling engagements to his or her audit clients to provide any products or services other than audit, review, or attest services.	Final rule issued by the SEC on January 28, 2003. Rule is effective for employment relationships commenced after May 6, 2003. The partner compensation requirements are effective for fiscal years beginning after May 6, 2003.	Company, External Auditor	
301 (2) Audit Committee - Selection and Oversight of Independent Auditor -Disagreements, Outside Advisors, and Complaints	Audit committee must be responsible for the appointment, compensation and oversight of the independent auditor, including the resolution of disagreements between the independent auditor and management regarding financial reporting. Audit committee authorized (and given adequate resources) to engage independent counsel and other advisors. Audit Committee must establish procedures for the receipt, retention and treatment of complaints regarding accounting, controls or auditing matters and for confidential submission of concerns by employees.		Proposed rule issued by the SEC on January 8, 2003. The final rule must be issued no later than April 26, 2003. The new listing requirements must be operative no later than the first year anniversary of the publication of the final rule in the Federal Register.	Audit Committee	



## NAVIGATING THE SARBANES-OXLEY ACT OF 2002

### Timeline Sarbanes-Oxley Act Requirements

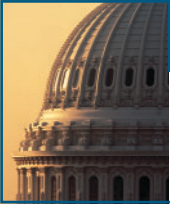
Topic	Main requirements of the Act	Key provisions of the SEC's final rules (if applicable)	Effective Date	Responsibility	Required Action
302 CEO/CFO Certification of Annual and Quarterly Reports	Must certify that (a) they have reviewed the report, (b) the report does not contain any misrepresentation, (c) the financial information in the report is fairly presented, (d) they are responsible for internal controls, (e) they have reported any deficiencies in internal controls and fraud involving management to the audit committee, and (f) they have indicated any material changes in internal controls.	Must certify that (a) they have reviewed the report, (b) the report does not contain any misrepresentation, (c) the financial information in the report is fairly presented, (d) they are responsible for "disclosure controls and procedures," (e) they have reported any deficiencies in internal controls and fraud involving management to the audit committee, and (f) they have indicated any material changes in internal controls.	Final rule issued by the SEC on August 27, 2002. Rule is effective August 29, 2002.	Company	
303 Prohibition of Improper Influence on Audits	It is unlawful to fraudulently influence, coerce, manipulate or mislead the independent auditor for the purpose of rendering the financial statements materially misleading.		Proposed rule issued on October 18, 2002. Final rule must be issued no later than April 26, 2003.	External Auditor	
304 Forfeiture by CEO and CFO of Certain Bonuses and Profits	If company is required to restate its financial statements because of material non-compliance with any financial reporting requirement resulting from misconduct, then the CEO and the CFO will be required to reimburse any bonus or other incentive-based or equity-based compensation he received and any profits they realized from the sale of the company's securities during the 12 months following the filing of the financial statements embodying the non-compliance.		Effective immediately upon passage of Act	Enforcement and Penalties	
305/1105 Prohibition of Service As Director or Officer	SEC can obtain a court order (or in certain cases issue an order itself) barring an individual from serving as a director or officer, if the individual has violated the general anti-fraud provisions of the securities laws and their activities are found by the court to show them to be "unfit."		Effective immediately upon passage of Act	Enforcement and Penalties	



## NAVIGATING THE SARBANES-OXLEY ACT OF 2002

# Timeline of Sarbanes-Oxley Act Requirements

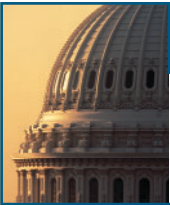
Topic	Main requirements of the Act	Key provisions of the SEC's final rules (if applicable)	Effective Date	Responsibility	Required Action
306 Trading Restrictions	No director or executive officer will be allowed to trade stock during any 401(k) plan "blackout period."	Embodies a number of concepts developed under Section 16 of the Exchange Act. Includes detailed rules on issuers, persons, securities and transactions subject to the trading prohibition, blackout periods, remedies and notice.	Final rule issued by the SEC on January 22, 2003. Rule is effective on January 26, 2003, but certain transition provisions apply.	Company	
307 Responsibilities of Counsel	Attorneys representing public companies before the SEC will be required to report "evidence of" material violations of securities laws.	Under the final rule, the triggering standard for reporting evidence of a material violation will be evaluated against an objective standard. The final rule includes a "safe harbor" provision to protect attorneys, law firms, issuers and officers and directors of issuers.	Final rule issued by the SEC on January 29, 2003. Rule is effective on August 6, 2003. An additional proposed rule has been issued on January 29, 2003 to address "noisy withdrawal" provisions.	Company Counsel	
401 Material Correcting Adjustments	Reports filed with the SEC containing GAAP financial statements must reflect all "material correcting adjustments" that have been identified by the registered public accounting firm.		Effective immediately upon passage of Act; however, the provision refers to adjustments identified by "registered accounting firms," and firms will not be registered until at least 180 days after the Board is established.	Company	



## NAVIGATING THE SARBANES-OXLEY ACT OF 2002

# Timeline of Sarbanes-Oxley Act Requirements

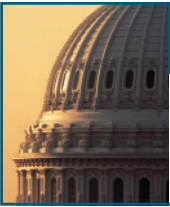
Topic	Main requirements of the Act	Key provisions of the SEC's final rules (if applicable)	Effective Date	Responsibility	Required Action
401(a) Off-Balance Sheet Transactions	Required to disclose all material off-balance sheet transactions, arrangement, obligations and other relationships with unconsolidated entities or persons that may have a material effect on financial condition.	Requires disclosure in MD&A of: (1) off-balance sheet arrangements that are reasonably likely to have a material effect, and (2) an overview of certain known aggregate contractual obligations in tabular format.	Final rule issued by the SEC on January 22, 2003. Rule is effective for fiscal years ending on or after June 15, 2003, except for the table of contractual obligations which is required for fiscal years ending on or after December 15, 2003. Voluntary compliance is permitted prior to these dates.	Company	
401(b) Use of Pro Forma Financial Information	Restricts the use and disclosure of "pro forma" financial information (i.e., non-GAAP information) in SEC filings, press releases or other public disclosures so that the information is presented in a manner that is not misleading and includes a reconciliation of the pro forma information to GAAP.	Covers: (1) requirements for public disclosure of material information that includes non-GAAP financial information, (2) requirements and prohibitions for non-GAAP financial measures in filings with the Commission and (3) requirements to furnish to the SEC earnings releases for quarterly and annual periods.	Final rule issued by the SEC on January 22, 2003. Rule is effective March 28, 2003.	Company	
402(a) Prohibition on Loans and Credit to Directors and Executives	Prohibits, directly or indirectly, extending, maintaining or arranging for the extension of personal loans to directors or executive officers or guaranteeing such loans.		Effective immediately upon passage of Act.	Company	
403 Accelerated Reporting of Insider Stock Transactions	Directors and executive officers are required to report stock transactions within two business days.	Requires transactions between officers or directors and the issuer to be reported within two business days on Form 4.	Final rules issued by the SEC on August 27, 2002. Rule is effective on August 29, 2002.	Company	



## NAVIGATING THE SARBANES-OXLEY ACT OF 2002

### Timeline of Sarbanes-Oxley Act Requirements

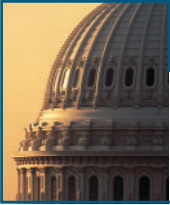
Topic	Main requirements of the Act	Key provisions of the SEC's final rules (if applicable)	Effective Date	Responsibility	Required Action
404(a) Internal Control Reports	Each annual report must include an "internal control report" stating that management is responsible for an adequate internal control structure and an assessment by management of the controls' effectiveness.		Proposed rule issued on October 22, 2002. Proposal states that rule would apply to companies whose fiscal years end on or after September 15, 2003. No statutory deadline for rulemaking.	Company	
404(b) External Auditor Attestation Related to Internal Controls	The registered accounting firm must attest to, and report on, management's assertions regarding their assessment of the effectiveness of the company's internal controls.		Proposed rule issued on October 22, 2002. Proposal states that rule would apply to companies whose fiscal years end on or after September 15, 2003. No statutory deadline for rulemaking.	External Auditor	
406 Senior Management Code of Ethics	Requires to disclose in periodic reports whether company has adopted a code of ethics applicable to the principal financial officer and the principal accounting officer and, if not, the reasons why.	Requires to disclose in annual reports whether a company has adopted a code of ethics that applies to the company's principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, and if, not the reasons why.	Final rule issued by the SEC on January 23, 2003. Rule is effective for fiscal years ending on or after July 15, 2003.	Company	



## NAVIGATING THE SARBANES-OXLEY ACT OF 2002

# Timeline of Sarbanes-Oxley Act Requirements

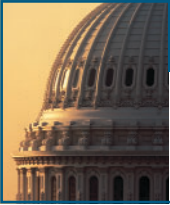
Topic	Main requirements of the Act	Key provisions of the SEC's final rules (if applicable)	Effective Date	Responsibility	Required Action
407 Audit Committee - Expertise	Company must disclose in periodic reports whether the audit committee includes at least one member who is a "financial expert" and, if not, the reasons why.	Final rules require a company to annually disclose whether it has at least one "audit committee financial expert" and, if so, the name of the expert and whether the expert is independent of management, and, if not, the reasons why.	Final rule issued by the SEC on January 23, 2003. Rule is effective for fiscal years ending on or after July 15, 2003. For small business issuers, the rule is effective for fiscal years ending on or after December 15, 2003.	Audit Committee	
408 Enhanced SEC Review of Filings	Mandates regular review by the SEC of the periodic reports of public companies, including their financial statements, at least once every three years.		Effective immediately upon passage of Act.	Enforcement and Penalties	
409 Real Time Disclosure	Required to disclose "on a rapid and current basis such additional information concerning material changes in its financial condition or operations."		Awaiting the adoption of implementing rules by the SEC.	Company	
802 Criminal Penalties	A person who destroys, alters or falsifies records with the intent to obstruct a governmental investigation is subject to a fine and imprisonment for up to twenty years		Effective immediately upon passage of Act.	Enforcement and Penalties	
802 Criminal Penalties	The knowing and willful destruction of audit records (ie, workpapers, correspondence, communications, memoranda), which must be kept for five years, may result in a fine or imprisonment for up to ten years.	Requires retention of audit records for a period of 7 years to coincide with the 7-year requirement to be imposed by the PCAOB under Section 103 of the Act. Information related to a significant matter that is inconsistent with the auditor's final conclusions also need to be retained.	Final rule issued by the SEC on January, 24, 2003. Compliance is required for audits and reviews completed on or after October 31, 2003.	Enforcement and Penalties	



## NAVIGATING THE SARBANES-OXLEY ACT OF 2002

### Timeline of Sarbanes-Oxley Act Requirements

Topic	Main requirements of the Act	Key provisions of the SEC's final rules (if applicable)	Effective Date	Responsibility	Required Action
806 Protection of "Whistle Blowers"	Unlawful to discharge, demote, suspend, threaten, harass, or discriminate in any other manner against any employee who provides information regarding conduct the employee reasonably believes constitutes financial fraud or a violation of the securities laws.		Effective immediately upon passage of Act.	Company	
807 Securities Fraud	Makes it a felony to scheme or defraud any person in connection with any security of a public company with a violator incurring a fine or imprisonment for up to 25 years.		Effective immediately upon passage of Act.	Enforcement and Penalties	
906 CEO/CFO Certification of Annual and Quarterly Reports	CEOs and CFOs must certify that quarterly and annual reports fully comply with Sec. 13(a) or 15(d) of the '34 Act and that information contained in those reports fairly presents, in all material respects, the financial condition and results of operations of the company. A CEO or CFO who knowingly submits a wrong Sec. 906 certification is subject to a fine of up to \$1 million and imprisonment for up to ten years. If the wrong certification was submitted "willfully," the fine can be increased to \$5 million and the prison term can be increased to twenty years.		Effective immediately upon passage of Act.	Company	



### Sarbanes-Oxley Act Studies

#### *Below are studies that are mandated by the Act:*

##### **By January 26, 2003**

**308(c)** - SEC must conduct a study and report its findings to Congress analyzing (i) enforcement actions over the last five years by the SEC that have included civil penalties or disgorgements and (ii) other methods to more efficiently, effectively and fairly provide restitution in injured investors.

**702** - SEC must conduct a study of the role and function of credit ratings agencies in the securities markets and report findings to the President and Congress.

**704** - SEC must conduct a review relating to SEC enforcement actions over the last five years involving violations of reporting requirements and restatements of financial information and report its findings to Congress.

**703** - SEC must conduct a study on violations by securities professionals.

##### **By July 30, 2003**

**108(d)** - SEC must conduct a study relating to the potential effects of the adoption in the US of principles-based accounting and and report the results to Congress.

**207** - The Comptroller General (GAO) must conduct a study relating to the potential effects of requiring mandatory rotation of registered public accounting firms and report results to Congress.

**701** - The Comptroller General (GAO) must conduct a study to determine factors that have led to the consolidation of the accounting industry and the impact on securities markets and report results to Congress.

##### **By January 26, 2004**

**401(c)** - SEC must conduct a study to determine the extent of off-balance sheet transactions and whether GAAP results in financial statements that reflect the actual economics of these transactions in a transparent fashion and report findings to the President and Congress within six months after completion.

#### *The following studies have been issued on January 24, 2003 - Key conclusions are as follows:*

**308 (c)** - The report concludes that the Fair Fund provision (which currently permits the Commission to add penalty money to distribution funds in limited circumstances) is an innovative device that the Commission intends to use to return more funds to investors, although an amendment is necessary to improve its usefulness. The Commission also intends to continue "real time" enforcement and implement planned improvements in collection efforts.

**702** - As a result of the study, the Commission has identified a number of issues that deserves further examination. The SEC plans to issue a Concept Release by March 25, 2003 to address the concerns and expects to issue a proposed rule after that. Topics include: information flow, potential conflicts of interest, alleged anti-competitive or unfair practices, reducing potential regulatory barriers to entry and ongoing oversight.

**703** - The report concludes that 1,596 securities professionals were found to have aided and abetted violations of and/or violated the Federal Securities laws in calendar years 1998, 1999, 2000 and 2001. Only 13 of these 1,596 professionals were charged solely as aiders and abettors. The most common type of securities professionals against whom the SEC brought actions were individuals associated with broker-dealers such as registered representatives and branch managers.

**704** - The SEC recommends addressing two areas of issuer disclosure: the uniform reporting of restatements of financial statements and improved MD&A disclosure. In addition, the Commission recommends enactment of legislation to (1) allow companies to produce internal reports and other documents pertaining to investigations without waiving any privileges, (2) provide access by the SEC staff to grand jury materials and (3) provide for nationwide service of process for testimony in SEC litigation.