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CLIENT ADVISORY

Time Line For Implementation of the Sarbanes-Oxley Act of 2002

As you are aware, the Sarbanes-Oxley Act of 2002 (the "Act") was signed into law on July 30, 2002. For a summary of the Act, please see the ZAG/S&W LLP Client Advisory: "The Sarbanes-Oxley Act of 2002: Reforms in Corporate Governance, Accounting and Disclosure," available on our website (www.zag-sw.com). Some of the provisions of the Act took effect immediately, while others will take effect at various times over the coming months. Accordingly, attached is a "Timeline for Implementation of the Sarbanes-Oxley Act of 2002" with the various relevant dates followed by a short description of each of the sections of the Act effective on such dates. In some instances, the Securities and Exchange Commission (the "SEC") or other relevant regulatory authority may choose to act prior to the outside date indicated.

In addition to the provisions that were immediately effective, please be aware that the SEC will be finalizing rules on or before August 29, 2002 relating to (1) the acceleration of filing of reports of transactions by insiders and (2) chief executive officer and chief financial officer certifications under Section 302 of the Act (as distinct from all of the sworn statements being filed by the largest 947 public companies or the separate certifications under Section 906 of the Act, which may or may not still be required after August 29).

The Timeline is a summary only. For a more comprehensive discussion of the dates for enactment of the provisions of the Act, please contact the lawyer at ZAG/S&W LLP with whom you regularly consult, or the undersigned.

Howard E. Berkenblit
August 2002

SECTION	TOPIC	REQUIREMENT
JULY 30, 2002		
§202	Preapproval of Services of Auditors	Provides that audit committee must generally pre-approve (can be delegated to one member of committee) all auditing and non-audit services by outside auditors and disclose non-audit services in periodic reports.
§304	Forfeiture of Certain Bonuses and Profits	If an issuer is required to prepare an accounting restatement due to the material noncompliance of the issuer, as a result of misconduct, the CEO and CFO must reimburse the issuer for any bonus or profits received in the 12-months immediately preceding.
§305	Officer and Director Bars and Penalties	The threshold for unfitness was lowered from "substantial unfitness" to simply "unfitness" and SEC granted authority to obtain bars through administrative proceedings.
§402	Personal Loans to Executives	Unlawful for an issuer to extend credit in the form of a personal loan to any director or executive officer of that issuer.
§408	Enhanced Review of Periodic Disclosures by Issuers	The SEC shall review disclosures made by issuers reporting under §13(a) of the Exchange Act on a regular and systematic basis. No review shall take place less frequently than once every 3 years.
§603	Federal Court Authority to Impose Penny Stock Bars	Court may prohibit person accused of misconduct from participating in an offering of penny stock.
§802(a)	Retention of Records by Auditors	Provides that accountants shall maintain audit and review workpapers for 5 years.
§803	Debts Nondischargeable	Debts incurred in violations of the securities laws are not dischargeable in bankruptcy proceedings.
§804	Statute of Limitations for Securities Fraud	The new statute of limitations period of 2 years after the discovery of the facts constituting a violation, or 5 years after such violation, shall apply to all proceedings addressed by this section that are commenced on or after the Act's enactment.
§806	Whistleblower Protection	The Act provides additional protections for employees of publicly traded companies who provide evidence of fraud.
§807	Criminal Penalties	The Act provides stronger criminal penalties for persons who knowingly executes a scheme to defraud any person or obtain false information in connection with any security or issuer. Prison term extends to 25 years.
§902	Conspiracy	Creates an offense for attempting to or conspiring to commit criminal fraud.
§903, §1106	Mail and Wire Fraud	The Act increases the penalties for mail and wire fraud as well as the penalties for violating the securities laws.
§904	Employee Retirement Income Security Act	Increases the penalties for violating this Act.

§906	Corporate Responsibility for Financial Reports	Provides that each report containing financial statements filed by an issuer shall be accompanied by a written statement by the CEO and CFO certifying that the periodic report fully complies with the requirements of 13(a) or 15(d) and that the information fairly represents, in all material respects, the financial condition of the issuer. The Act imposes criminal penalties for violating this provision - fines up to \$5,000,000 and prison terms up to 20 years or both.
§1102	Tampering with a Record	Makes it unlawful to alter, destroy, etc. documents subject to an official proceeding. Punishable by fine and/or imprisonment.
§1103	Freeze Authority	The SEC has the authority to petition a federal court to order a temporary restraining order requiring the issuer to escrow potentially extraordinary payments to directors, officers, agents, or employees.
§1105	SEC's Authority	The SEC is empowered with authority, in a cease-and-desist hearing to prohibit a violator of securities laws from serving as an officer or director.
§1107	Retaliation against informants	The Act provides for fining or imprisoning any person who retaliates against a person for providing law enforcement officers truthful information relating to the commission of any Federal offense.
AUGUST 29, 2002		
§403	Disclosures Required by Directors, Officers and Principal Stockholders	Every person who is directly or indirectly the owner of more than 10% of stock, or who is a director or officer, must disclose the transactions to the SEC within two business days.
§302	Corporate Responsibility for Financial Reports	The SEC rules requiring principal executive officers and principal financial officers to certify their annual and quarterly reports become effective.
OCTOBER 13, 2002		
§306(b)(2)	Insider Trades During Pension Fund Blackout Periods.	Labor Secretary shall promulgate interim final rules regarding the prohibition of insider trades during pension blackout periods.
OCTOBER 28, 2002		
§101(e)(4)(A)	Public Company Accounting Oversight Board (the "Accounting Board")	The SEC shall appoint a chairperson and other initial members of the Accounting Board.
§303(d)	Improper Influence on Conduct of Audits	The SEC shall propose rules and regulations regarding improper influence on the conduct of audits.
§406(c)	Code of Ethics for Senior Financial Officers	The SEC shall propose rules to require each issuer, together with the periodic reports, to disclose whether the issuer has adopted a code of ethics for senior financial officers.
§407(c)	Disclosure of Audit Committee Financial Expert	The SEC shall propose rules to require issuers to disclose whether the audit committee has at least one member who is a financial expert.

JANUARY 1, 2003		
§ 306(b)(2)	Insider Trades During Pension Fund Blackout Periods	The Secretary of Labor shall issue initial guidance and a model notice pursuant to § 101(i)(6) of the Employee Retirement Income Security Act of 1974.
JANUARY 26, 2003		
§ 208(a) (includes § 201- § 206)	Auditor Independence Regulations	The SEC shall issue final regulations to carry out each of Subsections (g)-(l) of § 10A of the Exchange Act (prohibited non-audit activities, preapproval of audit and nonaudit services (Note: effective currently), 1 year cooling off period for hiring member of outside audit team as senior financial official, audit partner rotation, and reports to audit committees requirements as established in Title II of the Act).
§ 306(c)	Insider Trades During Pension Fund Blackout Periods	The provisions of this Section, such as the prohibition on insider trading during pension fund blackout periods and the notice requirements, shall take effect.
§ 307	Rules of Professional Responsibility for Attorneys	The SEC shall issue rules setting forth minimum standards of professional conduct for attorneys, including rules requiring attorneys to report their client's material violations of securities laws to the audit committee or the board of directors.
§ 308	Fair Funds for Investors	The SEC shall report the findings of its study on enforcement actions by the SEC and methods to provide restitution to investors.
§ 401(a)	Disclosures in Periodic Reports - Off-Balance Sheet Transaction	The SEC shall issue final rules providing that each annual and quarterly financial report shall disclose all material off-balance sheet transactions.
§ 401(b)	Disclosures in Periodic Reports - SEC Rules on Pro Forma Figures	The SEC shall issue final rules providing that pro forma financial information included in any report filed with the SEC shall be presented in a manner that does not contain an untrue statement of material fact and is reconciled with GAAP.
§ 406(c)	Code of Ethics for Senior Financial Officers	The SEC shall issue final rules to require each issuer, together with the periodic reports, to disclose whether such issuer has adopted a code of ethics for senior financial officers.
§ 407(c)	Disclosure of Audit Committee Financial Expert	The SEC shall issue final rules to require issuers to disclose whether the audit committee has at least one member who is a financial expert.
§ 702	SEC Study and Report Regarding Credit Rating Agencies	The SEC shall submit a report regarding the role and function of credit reporting agencies in the operation of the securities market.
§ 704	Study of Enforcement Actions	The SEC shall report its findings regarding all enforcement actions by the SEC involving violations of reporting requirements imposed under the securities laws, and restatements of financial statements, over the 5-year period preceding the Act's enactment.
§ 705	Study of Investment Banks	The Comptroller General shall report to Congress the results of the study on whether investment banks and financial advisors assisted public companies in manipulating their earnings and obfuscating their true financial condition.

§802(b)	Criminal Penalties for Altering Documents	The SEC shall promulgate rules and regulations necessary relating to the retention of relevant records that form the basis of an audit review which are created in connection with an audit.
§805	Review of Federal Sentencing Guidelines for Obstruction of Justice and Extensive Criminal Fraud	The United States Sentencing SEC will promulgate guidelines or amendments relating to the enhancement of fraud and obstruction of justice sentences.
§905	Amendment to Sentencing Guidelines Relating to Certain White-Collar Offenses	The United States Sentencing SEC will promulgate guidelines or amendments relating to the certain white-collar offenses.
§1104	Amendment to the Federal Sentencing Guidelines	The United States Sentencing SEC will promulgate guidelines or amendments relating to the sentencing guidelines applicable to securities and accounting fraud and related offenses.
APRIL 26, 2003		
§101(d)	Accounting Board	The SEC shall take such action as is necessary to see that the Accounting Board is able to carry out the requirements of the Act.
§303(d)	Improper Influence on Conduct of Audits	The SEC shall issue final rules and regulations relating to the unlawful acts of officers and directors taking any action to fraudulently influence, coerce, manipulate, or mislead any independent public accountant engaged in the performance of an audit or the preparation of financial statements.
§301	Public Company Audit Committees	The SEC shall issue rules prohibiting the national securities exchanges and national securities associations from listing of any security of an issuer that is not in compliance with this Section (audit committee: (1) solely responsible for audit function, (2) new independence definition for members (no receipt of consulting, advisory or compensatory fees from issuer, not an affiliated person), and (3) establish procedures for retention and treatment of complaints regarding accounting and other control and financial matters and for anonymous confidential submission by employees of concerns regarding accounting or auditing matters).
JULY 30, 2003		
§108	Study and Report on Adopting Principles Based Accounting	The SEC shall submit a report detailing the findings of the study analyzing principles vs. rules based accounting and the feasibility of implementing a principles-based financial reporting system.
§207	Study and Report on Mandatory Rotation of Registered Public Accounting Firms	The Comptroller General shall submit a report analyzing the potential effects of requiring the mandatory rotation of registered accounting firms.

§403	Disclosures of Transactions Involving Management and Principal Stockholders	The disclosure of transactions involving a director, officer, or 10% stockholder (i.e., Section 16 reports) must be filed electronically with the SEC within two business days and the issuer must provide a copy of such statement on its website.
§501	Treatment of Securities Analysts	The SEC shall have adopted rules designed to address conflicts of interest that can arise when securities analysts recommend equity securities in research reports and public appearances.
§501	Treatment of Securities Analysts	The SEC shall have adopted rules designed to require each securities analyst to disclose in public appearances, and each broker or dealer in each research report, conflicts of interest that are known or should be known by the securities analyst.
§701	Study Regarding the Consolidation of Public Accounting Firms	The Comptroller General shall submit a report addressing the factors that have led to the consolidation of accounting firms, the impact of the condition, and any ways to increase competition and the number of firms capable of providing audit services.
OCTOBER 23, 2003		
§102	Registration with the Accounting Board	Unlawful for any person that is not a registered accounting firm to prepare or issue an audit report.
§201(a)	Auditor Independence	Unlawful for a registered accounting firm to provide the non-audit services detailed in this section.
§208(b)	Auditor Independence	Unlawful for registered accounting firm to prepare or issue audit report if the firm or associated person engages in activities prohibited by Subsections (g)-(l) of §10A of the Exchange Act or rules thereunder (prohibited non-audit activities, preapproval of audit and nonaudit services, 1 year cooling off period for hiring member of outside audit team as senior financial official, audit partner rotation, and reports to audit committees requirements as established in Title II of the Act).
TIMING UNCLEAR		
§103	Auditing, Quality Control, and Independence Standards and Rules	The Accounting Board shall, by rule, establish ethics standards to be used by accounting firms. Such rules should include provisions set forth in the Act.
§105	Investigations and Disciplinary Proceedings	The Accounting Board shall establish, by rule, fair procedures for the investigation and disciplining of registered accounting firms and associated persons.
§106	Foreign Public Accounting Firms	Any foreign public accounting firm that prepares an audit report to an issuer shall be subject to the Act and the rules of the Accounting Board.
§107	SEC Oversight of the Accounting Board	The SEC has oversight and enforcement authority over the Accounting Board.

§109	Funding	The Accounting Board shall establish a reasonable accounting support fee to be equitably assessed among issuers.
§404	Management Assessment of Internal Controls	The SEC shall prescribe rules requiring each annual report to contain an internal control report stating the responsibility of management for establishing and maintaining an adequate internal control structure; auditors to attest to and report on management's assessment.
§409	Real Time Issuer Disclosures	Each issuer reporting under §13(a) or 15(d) shall disclose to the public on a rapid and current basis such additional information concerning material changes in the financial condition or operations of the issuer, in plain English, as the SEC determines is necessary to protect investors.
§1001	Corporate Tax Returns	The Act indicates it is "advisable" for the CEO to sign the Federal income tax return of the corporation.

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Because sound legal advice must necessarily take into account all relevant facts and developments in the law, the information you will find in this Advisory is not intended to constitute legal advice or a legal opinion as to any particular matter.