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BDO Seidman, LLP
Accountants and Consultants



Financial Reporting

For Further Information

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The SEC Advisory Committee on Smaller Public Companies recently solicited input on the regulatory system for smaller public companies and passed a resolution that recommends extending the compliance date for Section 404 of Sarbanes-Oxley by an additional year for such companies. The resolution has been submitted to the SEC for further consideration.

Input Requested From Smaller Public Companies

On August 2, 2005, the Advisory Committee published a series of 29 questions to solicit public input from investors and companies on ways to improve the current regulatory system for smaller companies and to examine the impact of the Sarbanes-Oxley Act of 2002 (SOX). This input will be considered by the Advisory Committee in making its recommendations regarding important policy matters that will have a significant effect on smaller public companies. For example, the questions include:

- Various aspects of the effectiveness, applicability and cost of SOX to smaller public companies.
- What level of internal controls and assessment of those controls is appropriate for smaller public companies, including whether the costs of SOX Section 404 outweigh the benefits and whether smaller public companies should be exempted from the requirements of Section 404.
- How SOX has affected the relationship of smaller public companies with their audit firms, including whether existing accounting standards are appropriate for smaller public companies, and whether auditors should be allowed to provide more accounting assistance to smaller public companies without impairing independence.

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- Whether existing corporate governance and listing requirements are appropriate for smaller companies, including the independent director requirements.
- Is the current disclosure system appropriate for smaller public companies, including whether Reg. S-B is meaningful, and whether the planned phase-in of the accelerated filer requirements to 60 days and 35 days for 10-K's and 10-Q's be burdensome for affected smaller public companies.

Due to the significant nature of these questions to smaller public companies, we strongly urge companies to take this opportunity to provide input to the Advisory Committee. We believe all input will be carefully considered by the committee, and be an important part of their decision making process.

The SEC press release announcing the request for input is located on the SEC Web site at <http://www.sec.gov/news/press/2005-105.htm> and the questions are located at <http://www.sec.gov/cgi-bin/acspc-questions>. In addition, BDO Seidman's views on certain questions can be found in our May 31 letter to the Advisory Committee located at <http://www.sec.gov/rules/other/265-23/bdoseiman053105.pdf>. Companies and other interested parties are encouraged to

respond to the Advisory Committee's questions by Aug. 31, 2005.

Recommended Deferral of Section 404 Requirements

On August 10, 2005, the Advisory Committee approved a definition of what constitutes a "small" public company and offered it to the SEC for further consideration. The Advisory Committee's resolution is not an official rulemaking activity, nor does it change existing law. If adopted by the SEC, the recommendation would allow non-accelerated filers one more year to comply with Section 404 of Sarbanes-Oxley. Specifically, it would recommend that the SEC extend the date for compliance to the first fiscal year ending on or after July 15, 2007. Currently, compliance begins the first fiscal year ending on or after July 15, 2006.

This information is based on the verbal discussion of the Advisory Committee's August 10th meeting. It reflects our current understanding, but is subject to change/clarification if and when the SEC publicly comments on this development, via a press release or through other means. A webcast of the meeting is accessible at <http://www.connectlive.com/events/secadvisory0805/>.

Material discussed in this *Financial Reporting* letter is meant to provide general information and should not be acted upon without first obtaining professional advice appropriately tailored to your individual circumstances.