

Financial Bill Exempts Smaller Reporting Companies from SOX 404(b)

July 23, 2010

Dear clients and friends:

Congress on July 15 approved the widely anticipated 2010 financial services bill that includes a permanent exemption for non-accelerated filers from the Section 404(b) provisions of the 2002 Sarbanes-Oxley Act (SOX).

Under that exemption, companies with market capitalization of less than \$75 million are not subject to Section 404(b). That section of SOX requires larger public companies to have an annual audit that reports on the effectiveness of internal controls over financial reporting.

The granting of a permanent 404(b) exemption for smaller companies is part of the **Dodd-Frank Wall Street Reform and Consumer Protection Act, HR 4173**. The U.S. House passed the bill on June 30 and the Senate passed it on July 15. President Obama plans to sign that bill into law during the week of July 19.

The provisions of the new law will take effect one day after the president signs it.

If non-accelerated filers had been made subject to SOX Section 404(b), it would have resulted in significant increases in annual audit fees.

In addition to granting a permanent Section 404(b) exemption for non-accelerated filers, the bill also directs the Securities and Exchange Commission to conduct a study to determine how it could reduce the burden of complying with Section 404(b) for companies whose market capitalization is between \$75 million and \$250 million. The study will consider whether such methods of reducing the compliance burden or a complete exemption for such companies would encourage them to list in the United States in their initial public offerings.

The SEC is required to submit a report to Congress on that issue within nine months of enactment of the law.

If you would like additional information on the new financial services bill, do not hesitate to contact us at (305) 373-5500.

Sincerely,



Frank Gonzalez, CPA/CFF
fgonzalez@mbafcpa.com



Steven Morrison, CPA
smorris@mbafcpa.com

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MORRISON BROWN ARGIZ & FARRA, LLP

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PUBLIC COMPANY ADVISORY

Our SEC Team:



Frank Gonzalez, CPA/CFF
fgonzalez@mbafcpa.com



Emilio Escandon, CPA
eescandon@mbafcpa.com



Yvette Garcia, CPA
ygarcia@mbafcpa.com



Steven Morrison, CPA
smorris@mbafcpa.com