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**SECURITIES LAW UPDATE July 7, 2008**

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**SEC ADOPTS FURTHER DELAY IN EFFECTIVENESS OF AUDITOR  
ATTESTATION OF INTERNAL CONTROLS  
FOR SMALLER REPORTING COMPANIES**

As expected and as previously discussed in our Securities Law Update of February 4, 2008, the Securities and Exchange Commission (the "SEC") has recently adopted a further one-year extension of the Section 404(b) auditor attestation requirement for smaller reporting companies. Under the new extension, the Section 404(b) auditor attestation requirement will apply to smaller public companies beginning with fiscal years ending on or after Dec. 15, 2009.

Note, however, that management's assessment on the effectiveness of internal controls over financial reporting became effective beginning with annual reports on Form 10-K for fiscal years ended on or after December 15, 2007. Therefore, most smaller reporting companies have already filed their first management's assessment and will continue to do so under temporary SEC rules until full internal controls assessment and attestation is phased in.

The SEC is undertaking a cost-benefit study of the auditor attestation requirement for smaller reporting companies. The study will collect and analyze cost and benefit data from a broad array of companies currently complying with Section 404 under recently-issued guidance for reporting companies and auditors. The new guidance for management and the new auditing standard are intended to reduce the compliance costs of Section 404 while strengthening its focus on material controls. The SEC acknowledges that so far the costs associated with 404 compliance have been significantly higher than were originally projected when the Sarbanes-Oxley Act was adopted.

**For more information, please contact:**

**Lance Jon Kimmel tel. 310/557-3059 [lkimmel@seclawfirm.com](mailto:lkimmel@seclawfirm.com)**