

NYSE – NASDAQ – Amex - Sarbanes-Oxley Act – Elements Impacting Audit Committees

TOPIC	NYSE	NASDAQ	Amex	Sarbanes – Oxley Act of 2002 and SEC Final Rules	Observations
Audit Committee Purpose	<p>Audit committee charter must address the purpose of the Audit Committee, which at a minimum, must be to assist the board of directors in the oversight of the:</p> <ul style="list-style-type: none"> ■ Integrity of financial statements ■ Company’s compliance with legal and regulatory requirements ■ Independent auditor’s qualifications and independence ■ Performance of Company’s internal audit function and independent auditors <p>The audit committee must also prepare a report as required by the Securities and Exchange Commission (“SEC”) to be included in its annual proxy statement (report to shareholders).</p>	<p>Audit committee charter must specify the committee’s purpose of overseeing the accounting and financial reporting processes of the issuer and the audits of the financial statements of the issuer.</p>	<p>Audit committee charter must specify the committee’s purpose of overseeing the accounting and financial reporting processes of the issuer and the audits of the financial statements of the issuer.</p>	<p>Audit Committee defined by the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) (Sec. 205)</p> <p>A committee (or equivalent body) established by and among the board of directors of an issuer for the purpose of overseeing:</p> <ul style="list-style-type: none"> ■ The accounting and financial reporting processes of the issuer; and ■ Audits of the financial statements of the issuer. <p>If no such committee exists, the entire board of directors will be considered the audit committee.</p>	<p>See KPMG LLP’s November 2003 <i>Defining Issues</i> relative to New Corporate Governance Listing Standards on KPMG’s Audit Committee Institute’s (“ACI’s”) Web site at http://www.kpmg.com/aci/DI.htm.</p>

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<p>Independence of Board and Audit Committee Members</p>	<p>Independent directors must constitute a majority of board of directors. Regularly scheduled executive sessions of non-management directors is required with independent directors required to meet separately at least once a year.</p> <p>No director qualifies as “independent” unless the board of directors affirmatively determines that the director has no material relationship with the listed company. Companies must disclose these determinations.</p> <p>Following are conditions that prohibit a director from being deemed independent:</p> <ul style="list-style-type: none"> ■ A director who is an employee, or whose immediate family member is an executive officer, of the company until 3 years after the end of such employment. ■ A director or immediate family member (other than non-executive employees of the company) receiving payments in excess of US\$100,000 per year other than for board service until 3 years after he or she ceases to receive such compensation. ■ A director who is an employee or immediate family member who is an executive officer of an entity that makes payments to or receives payments from the listed company and such annual payments exceed the greater of US\$1 million or 2% of the other entity’s gross revenues until 3 years after falling below such threshold. 	<p>Independent directors must constitute majority of board, except for controlled companies. Independent directors must have regularly scheduled executive sessions. (NASDAQ suggests executive sessions at least twice a year).</p> <p>The board is responsible to make an affirmative determination that a director has no material relationship with the listed company. Companies must disclose these determinations.</p> <p>Following are conditions that prohibit a director from being deemed independent:</p> <ul style="list-style-type: none"> ■ A director who is an employee, or whose family member is an executive officer of the company, until 3 years after the end of such employment. ■ A director or family member (other than non-executive employees of the company) receiving payments in excess of US\$60,000 during the current or any of the past 3 fiscal years other than for board service. ■ If the company makes or receives payments to or from an entity (including a not-for-profit) where the director or family member is a partner, controlling shareholder, or executive officer, and such payments exceed the greater of US\$200,000 or 5% of the recipient’s gross revenues. 	<p>Amex-listed companies must have boards comprised of at least a majority of independent directors, except for controlled companies and small business filers.</p> <p>Board meetings must be held on at least a quarterly basis. Independent directors must on a regular basis meet as often as necessary to fulfill their responsibilities, including in executive session without the presence of non-independent directors and management at least annually.</p> <p>No director qualifies as “independent” unless the board of directors affirmatively determines that the director does not have a material relationship with the listed company that would interfere with the exercise of independent judgment.</p> <p>Following are conditions that prohibit a director from being deemed independent:</p> <ul style="list-style-type: none"> ■ A director who is, or during the past 3 years was an employee of the company or a subsidiary or has an immediate family member that is or was an executive officer of the company or subsidiary during the past 3 years. ■ A director or immediate family member (other than non-executive employees of the company) accepting payments in excess of US\$60,000 during the current or any of the past 3 fiscal years other than for board service. 	<p>Sarbanes-Oxley (Sec. 301) establishes independence definition for audit committee members.</p> <p>The SEC’s final rule addressing this matter in Rule 10A-3(b)(1) defines independence for audit committee members as:</p> <p>(A) Not accepting directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); and</p> <p>(B) Not being an affiliated person of the issuer or any subsidiary thereof. For investment company issuers an audit committee member may not be an “interested person” as defined by the Investment Company Act of 1940.</p> <p>Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent considering the aspects noted above.</p>	<p>These requirements are in addition to those established by the stock exchanges in December 1999.</p> <p>The stock exchanges adopted rules in December 1999 which required that audit committees be comprised of at least 3 independent, financially literate directors, one of whom must have accounting or related financial management expertise. Each exchange provided a definition of independence; in all cases these definitions disqualified former employees and their family members for 3 years. Directors with cross-compensation committee links were also disqualified. NASDAQ and Amex disqualified directors whose personal compensation from the corporation, excluding compensation for board service, exceeded US\$60,000 a year, while the NYSE established no such guidelines. While all exchanges disqualified directors with business relationships that could impair their judgment, the NYSE allowed the overall board to assess whether relationships were impaired. The NASDAQ and Amex disqualified directors who were partners or executives with for-profit businesses that received revenues in excess of US\$200,000 or 5 percent of total revenues from the company.</p> <p>A more detailed description of these rules is included in the 1999 ACI publication “Analysis of the New Audit Committee Regulations” at http://www.kpmg.com/aci/other.htm#Analysis.</p>

This document was updated by KPMG’s Audit Committee Institute on March 31, 2004 as a summary of select elements of the Sarbanes-Oxley Act of 2002 and the NYSE, NASDAQ and Amex corporate governance listing standards approved by the SEC in November / December 2003. This summary is meant to provide a high level overview of elements of the new requirements that impact audit committees and reflects the status of these issues. This document does not incorporate all of the elements of these requirements, nor does it consider regulations that may have previously existed (such as the stock exchange listing standards and SEC regulations issued in December 1999). Audit committees should consult with legal counsel in the application of the Sarbanes-Oxley Act of 2002 and the stock exchange listing requirements to specific situations. © 2004 KPMG International. KPMG International is a Swiss cooperative of which all KPMG firms are members. KPMG International provides no services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. All rights reserved.

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<p>Independence of Board and Audit Committee Members (continued)</p>	<ul style="list-style-type: none"> ■ A director or immediate family member who is affiliated with or employed in a professional capacity by a (present or former) internal or external auditor of the company (or of an affiliate) until 3 years after the end of either the affiliation, employment, or the auditing relationship. ■ A director or an immediate family member is employed as an executive officer of another entity, where any of the listed company’s present executives serve on that entity’s compensation committee until 3 years after the end of such service or employment relationship. <p>Each of the above standards contains a 3 year look-back provision, except for the first year after adoption such look-back period is only 1 year.</p> <p><u>Audit Committee Only:</u> There is a more stringent definition of “independence” for audit committee membership than other independent board members. In addition to those criteria noted above, audit committee members must satisfy the requirements set out in SEC Rule 10A-3(b)(1) which states:</p> <ul style="list-style-type: none"> ■ Audit committee members are prohibited from receiving any payment other than payment for board or committee services. ■ Affiliated persons may not serve as an audit committee member. 	<ul style="list-style-type: none"> ■ A director or a family member is employed as an executive officer of another entity where at any time during the past 3 years any of the executive officers of the listed company served on the compensation committee of such other entity. ■ A director or a family member that is a current or former partner or employee of the outside auditor who worked on the company’s audit engagement at any time during any of the past 3 years. <p>In the case of an investment company, in lieu of the above conditions, a director who is an “interested person” is prohibited from being independent. (same as Amex)</p> <p><u>Audit Committee Only:</u> More stringent definition of “independence” for audit committee membership than other independent board members – includes rules set out by SEC Rule 10A-3(b)(1).</p> <ul style="list-style-type: none"> ■ Audit committee members are prohibited from receiving any payment other than payment for board or committee services. ■ Affiliated persons may not serve as an audit committee member. <p>Audit committee members are not deemed independent if they participated in preparing the listed company’s financial statements at any time during the past 3 years.</p>	<ul style="list-style-type: none"> ■ A director or immediate family member who is a partner in, controlling shareholder or an executive officer of an entity to which the company made, or received, payments that exceed the greater of US\$200,000 or 5% of the other entity’s gross revenues in any of the most recent 3 fiscal years. ■ A director or an immediate family member who is a current or former partner or employee of the outside auditor who worked on the company’s audit during any of the past 3 years. <p>Each of the above standards contains a 3-year look-back provision, except that for the first year after adoption for non-audit committee members such look-back period is only 1 year.</p> <p>A director or an immediate family member who is employed as an executive officer of another entity where at any time during the most recent 3 years any of the listed company’s executive officers served on the compensation committee of such other entity is also prohibited from being deemed independent.</p> <p>In the case of an investment company, in lieu of the above conditions, a director who is an “interested person” as defined by the Investment Company Act of 1940 is prohibited from being independent.</p> <p><u>Audit Committee Only:</u> There is a more stringent definition of “independence” for audit committee membership than other independent board members. NYSE rules to left apply as they reflect SEC Rules.</p>		<p>The SEC’s final rules on Audit Committee’s define the term “affiliated persons” (which may not serve as an audit committee member).</p> <p>Within SEC Rule 10A-3(e) the definition of ‘affiliated persons’ is as follows:</p> <ul style="list-style-type: none"> ■ The term <u>affiliate</u> of, or a person <u>affiliated</u> with, a specified person, means a person that directly, or indirectly through one or more intermediaries, <u>controls</u>, or is controlled by, or is under common control with, the person specified. ■ A person will be deemed not to be in <u>control</u> of a specified person for purposes of this section if the person: <ul style="list-style-type: none"> (1) Is not the beneficial owner, directly or indirectly, of more than 10 percent of any class of voting equity securities of the specified person; and (2) Is not an executive officer of the specified person. <p>‘Family Member’ is defined differently by each of the Stock Exchanges. NYSE’s and Amex’s definition is for ‘immediate’ family members as a person’s spouse, parents, children, siblings, mothers and fathers-in-law, brothers and sisters-in-law, daughters and sons-in-law, and anyone (other than domestic employees) who shares the person’s home. NASDAQ’s definition of ‘family member’ is the same except that it excludes the in-laws.</p> <p>“Cure” periods for NASDAQ and Amex related to audit committees are described on the next page.</p>

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<p>Qualifications of Audit Committee Members</p>	<p>NYSE Commentary – Each member of the audit committee (minimum of three) must be financially literate, as such qualification is interpreted by the company’s board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the audit committee. In addition, at least one member of the audit committee must have accounting or related financial management expertise as the company’s board interprets such qualifications in its business judgment. While the NYSE does not require that a listed company’s audit committee include a person who satisfies the definition of audit committee financial expert set out in Item 401(e) of Regulation S-K, a board may presume that such a person has accounting or related financial management expertise.</p>	<p>Each NASDAQ listed company must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement. Additionally, each listed company must certify that it has, and will continue to have, at least one member who meets the definition of “financial expertise” presented in the “Observations” column to the right.</p> <p>A NASDAQ board may presume that a member that meets the SEC’s definition of an “audit committee financial expert” qualifies as a financially sophisticated audit committee member under the NASDAQ rules.</p> <p>Revised NASDAQ listing standards eliminate exceptions in previous listing standards for the audit committee requirements for Small Business issuers.</p>	<p>Each Amex listed company must have, and certify that it has and will continue to have, an audit committee of at least three members, each of whom is able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement.</p> <p>In addition, Amex-listed companies must certify it has and will continue to have, at least one member that is financially sophisticated which will follow the definition of “financial expertise” presented in the “Observations” column to the right.</p> <p>Audit committee and board composition requirements applicable to Small Business (SB) filers were revised. SB filers are only required to maintain a board comprised of at least 50 percent independent directors, and an audit committee of at least two members, comprised solely of independent directors, who also meet the requirements of SEC’s Rule 10A-3. Previously, a majority of the board was required to be independent.</p>	<p>Sarbanes-Oxley (Sec. 407) and the SEC (Item 401) require disclosure of whether the audit committee has at least one audit committee financial expert (“ACFE”) and if an audit committee does not have an ACFE the reason why must be disclosed. The SEC rules go beyond the requirement of Sarbanes–Oxley by requiring issuers to disclose the name of the ACFE and affirm that the expert(s) is (are) independent of management, as determined by the issuer’s board of directors, or provide reasons why they are not.</p> <p>The SEC defined ACFE as a person who has, through education and experience as a public accountant, auditor, CFO, controller, CAO or similar functions, the following attributes:</p> <ul style="list-style-type: none"> ■ Understanding of GAAP and financial statements ■ The ability to assess the general application of GAAP in connection with accounting for estimates, accruals and reserves ■ Experience in preparing, auditing, analyzing or evaluating financial statements of similar issuers or actively supervising one or more persons engaged in such activities ■ An understanding of internal controls and procedures for financial reporting ■ An understanding of audit committee functions 	<p>Prior listing standards for NASDAQ and Amex allowed an audit committee member to be able to read and understand financials within a reasonable period of time. See revised requirements at left.</p> <p>Definitions of “financial expertise” previously established by the stock exchanges in December 1999 are less restrictive than the “audit committee financial expert” definition provided by the SEC.</p> <p>NASDAQ and Amex had and continues to define “financial expertise” as having past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. NYSE had allowed the board of directors to interpret such qualification in its business judgment.</p> <p>NASDAQ and Amex have also provided for “cure” periods if an issuer fails to comply with the requirements for audit committee composition. A member who ceases to be independent for reasons outside their “reasonable” control may, with notice to the Stock Exchange, remain on the committee until the earlier of the next annual shareholders’ meeting or one year from the occurrence.</p> <p>If the audit committee does not have a member who meets the SEC’s definition of an “audit committee financial expert,” that fact must be disclosed even if the listing requirement is met.</p>

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Audit Committee Service Restrictions	<p>Service on more than three public company audit committees requires:</p> <ul style="list-style-type: none"> ■ Board determination that simultaneous service would not impair ability to effectively serve ■ Disclosure of board determination in annual proxy statement 	<p>One <u>non-independent director</u> who is not a current officer or employee or a family member of a current officer or employee of the listed company may serve on the audit committee pursuant to “exceptional and limited circumstances” for no more than two years, and is prohibited from serving as the chair of the audit committee. Directors not satisfying the audit committee independence requirements of the SEC Rule 10A-3 are not eligible for this exception.</p>	<p>One <u>non-independent director</u> who is not a current officer or employee or a family member of a current officer or employee of the listed company may serve on the audit committee pursuant to the “exceptional and limited circumstances” exception for no more than two years, and such director may not serve as chair of the committee. Directors not satisfying the audit committee independence requirements of SEC Rule 10A-3 are not eligible for this exception.</p>		<p>The NASDAQ and Amex stock exchanges allow certain independence requirements for audit committee members to be waived for one member of the audit committee under “exceptional and limited circumstances.” In certain circumstances, this waiver can be applied if it is disclosed that the company’s board of directors determined that membership on the committee by the individual is in the best interest of the company and its shareholders; the nature of the relationship and the reason for that determination.</p>
Auditor Retention and Fees	<p>The duties and responsibilities of the audit committee of NYSE-listed companies, at a minimum, must include those set out in Rule 10A-3(b)(2) of the Exchange Act.</p> <p>These requirements include the direct responsibility for the appointment, compensation, retention and oversight of the work of the external auditor and the external auditor must report directly to the audit committee.</p>	<p>NASDAQ-listed company audit committees must have the specific audit committee responsibilities and authority necessary to comply with SEC Rule 10A-3(b)(2).</p> <p>These requirements include the direct responsibility for the appointment, compensation, retention and oversight of the work of the external auditor and the external auditor must report directly to the audit committee.</p>	<p>Amex-listed company audit committees must have specific audit committee responsibilities, authority and procedures necessary to comply with Rule 10A-3(b)(2) under the Securities Exchange Act of 1934.</p> <p>These requirements include the direct responsibility for the appointment, compensation, retention and oversight of the work of the external auditor and the external auditor must report directly to the audit committee.</p>	<p>Sarbanes-Oxley (Sec. 301) defined the audit committee’s responsibility related to registered public accounting firms (i.e., external auditors) as being “directly responsible for the appointment, compensation and oversight” of the work of any registered public accounting firm engaged for the purpose of performing an audit for the issuer:</p> <ul style="list-style-type: none"> ■ Including resolution of disagreements between management and the auditor regarding financial reporting; and ■ Such registered public accounting firm must report directly to the audit committee <p>In the SEC’s final rule on audit committee responsibilities, the SEC added that the audit committee is also directly responsible for the ‘retention’ of the auditor to the definition contained in Section 301 of Sarbanes-Oxley.</p>	

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<p>Pre-approval of Non-Audit Services and Prohibited Services</p>				<p>Sarbanes–Oxley (Sec. 201) and SEC Section 10A of the Securities Exchange Act of 1934 (“SEC Section 10A”) Subsection (g) and (h) reaffirms that auditors can provide tax and other non-audit services that are not “prohibited.”</p> <p>Audit committees must pre-approve all services provided by the company’s independent auditor.</p> <p>Independent auditors may not provide eight specified non-audit services, plus any other service that the Public Company Accounting Oversight Board (see below) determines, by regulation, is impermissible.</p> <p>Sarbanes–Oxley (Sec. 202) and SEC Section 10A(i) require disclosure to investors in periodic reports of approval of non-audit services.</p> <p>Sarbanes–Oxley (Sec. 101) established the Public Company Accounting Oversight Board (“PCAOB”). Some of the Sarbanes-Oxley requirements will be subject to interpretation or additional guidance issued by the PCAOB. Discussion of the requirements of Section 101 are not reflected in this summary but may be found in Title I of Sarbanes–Oxley.</p>	<p>Additional guidance has been provided by the SEC and in August 2003, the SEC issued a Frequently Asked Questions (“FAQ”) regarding the rules over auditor independence, which includes the pre-approval of services. The FAQ can be accessed at http://www.sec.gov/info/accountants/ocafaqauidind080703.htm.</p> <p>None of these provisions limit the amount of audit or non-audit services provided by the external auditor although disclosure of current and prior year fees is required in the annual proxy statement. This disclosure requires break-out of fees in the following categories:</p> <ul style="list-style-type: none"> ■ Audit ■ Audit-related ■ Tax ■ All other

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<p>Evaluation of External Auditor Qualifications and Independence</p>	<p>At least annually, the audit committee must evaluate the qualifications, performance and independence of the external auditor.</p> <p>The audit committee must obtain and review a report by the independent auditor describing:</p> <ul style="list-style-type: none"> ■ The firm’s internal quality control procedures ■ Material issues raised by most recent <ul style="list-style-type: none"> ■ internal quality-control or peer review ■ inquiry or investigation into audits by governmental or professional authorities in the last 5 years ■ steps taken by firm to deal with such issues ■ All relationships between the independent auditor and the company. <p>Audit committees must evaluate the independent auditor’s qualifications, performance and independence, taking into account opinions of management and the company’s internal auditors.</p> <ul style="list-style-type: none"> ■ Including all relationships between independent auditor and company ■ Review should include evaluation of “lead” audit partner ■ Consider audit firm rotation <p>Audit committee should present its conclusions with respect to the qualifications, performance and independence of the independent auditor to the full board of directors.</p>	<p>The audit committee’s responsibility with regard to independence must include:</p> <ul style="list-style-type: none"> ■ Ensuring receipt of a formal written statement delineating all relationships between the auditor and the company consistent with Independence Standards Board Standard 1. ■ Actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor ■ Taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor. 	<p>The audit committee’s responsibility with regard to independence must include:</p> <ul style="list-style-type: none"> ■ Ensuring receipt of a formal written statement delineating all relationships between the auditor and the company consistent with Independence Standards Board Standard 1. ■ Actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor ■ Taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor. 	<p><u>Auditor Independence</u></p> <p>Sarbanes-Oxley (Sec. 203) and the SEC Section 10A(j) require rotation of the lead (or coordinating) audit partner (having primary responsibility for the audit), and the audit partner responsible for reviewing the audit, every five years as well as for other partners participating on the engagement.</p> <p>Sarbanes-Oxley (Sec. 207) required the General Accounting Office (GAO) to conduct a study and review of potential effects of mandatory rotation of audit firms, the results of which were required to be reported to Congress within one year from enactment of Sarbanes-Oxley. See “Observation” column to the right for information on the GAO study.</p>	<p>Independent Standards Board (ISB) Standard No. 1 requires that the outside auditor provide a report that discloses all relationships with the Company that the auditor believes may impact independence and objectivity. The audit committee is responsible to receive, evaluate, and discuss this report with the external auditors. Since December 2000 the SEC has required that companies provide in their proxy statements a report from the audit committee to shareholders that discloses that the audit committee has reviewed these issues with the external auditor.</p> <p>The required GAO study relating to mandatory rotation of audit firms was issued in November 2003 and can be accessed at http://www.gao.gov/new.items/d04216.pdf. In addition, additional details on the questionnaires and summary survey responses were issued in a report from the GAO in February 2004 and can be accessed at http://www.gao.gov/new.items/d04217.pdf.</p>

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External Auditor Communication and Resolution of Disagreements by the Audit Committee	<p>Review with independent auditor any audit problems or difficulties encountered, any significant disagreements with management and management’s response. Among the items the audit committee may want to review with the auditors are:</p> <ul style="list-style-type: none"> ■ Accounting adjustments noted or proposed but passed (as immaterial or otherwise) ■ National office consultations ■ “Management” or “internal control” letter issued or proposed to be issued <p>Review with the external auditor the responsibilities, budget and staffing of internal audit function.</p>			Sarbanes-Oxley (Sec. 301) and SEC Rule 10A-3(2) require the audit committee be responsible for resolution of disagreements between management and the auditor regarding financial reporting.	
Hiring of Auditor Personnel and Independence of Former Auditor Personnel as Directors	<p>Audit committee to set clear hiring policies for employees or former employees of independent auditors. Hiring policies should take into account that pressures may exist for auditors consciously or subconsciously seeking a job with the company they audit. NYSE noted that these individuals are often valuable additions to corporate management.</p> <p>A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the company is not “independent” until three years after the end of the affiliation or the employment or auditing relationship.</p>	Prohibits a director from being independent if they are, or have a family member who is, a current partner of the company’s outside auditor, or was a partner or employee of the company’s outside auditor who worked on the company’s audit at any time during any of the past three years.	Prohibits a director from being independent if they are, or have an immediate family member who is, a current partner of the company’s outside auditor, or was a partner or employee of the company’s outside auditor who worked on the company’s audit at any time during any of the past three years.	Sarbanes-Oxley (Sec. 206) and the SEC’s Section 10A Subsection (l) does not allow a registered public accounting firm (external auditors) to perform any audit service if the company’s CEO, CFO, CAO, Controller (or equivalent) was employed by the audit firm and participated in any capacity in the company’s audit during the one-year period preceding the date of initiation of the current audit.	<p>Some companies have established a two-tiered policy – one that prohibits the hiring of auditor personnel for the selected senior positions and another related to lesser positions within the company.</p> <p>Auditor independence risks should be considered as these policies are developed. SEC rules also require the former audit firm personnel to sever all financial and other relationships with the audit firm.</p>

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<p>Certification of Financial Information by CEO/CFO</p>	<p>CEO must certify to NYSE each year indicating he or she is not aware of any violation by the company of NYSE corporate governance listing standards.</p> <p>CEO must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any material non-compliance with any applicable provision of NYSE Section 303 (A) of the listing standards.</p>	<p>NASDAQ-listed companies must provide NASDAQ with prompt notification after an executive officer of the listed company becomes aware of any material noncompliance by the listed company with the requirements of NASDAQ’s Rule 4350 of the listing standards.</p>	<p>Amex listed companies must notify Amex promptly after an executive officer of the company becomes aware of any material noncompliance by the listed company with the requirements of the SEC’s Rule 10A-3 of the Securities Exchange Act of 1934 and Section 803(a) of Amex’s listing standards.</p>	<p>CEO and CFO must certify annual and quarterly reports stating that the financial reports have been reviewed and based on the officer’s knowledge contain no untrue statement or omission of material fact and fairly present the Company’s financial condition, results of operations and cash flows (Sarbanes-Oxley Sec. 302 and 906).</p> <p>Signing officers are responsible for establishing and maintaining internal controls and among other statements must have evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by the filing and disclose any changes in the issuer’s internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect internal control over financial reporting. (Sec. 302).</p> <p>Under the SEC’s final rules, signing officers have to disclose to auditors and audit committee:</p> <ul style="list-style-type: none"> - All significant deficiencies and material weaknesses in design or operation of internal control over financial reporting which are likely to adversely affect the issuer’s ability to record, process, summarize and report financial information - Any fraud, whether or not material, that involves management or other employees with a significant role in internal control over financial reporting. <p>Signing officers must indicate in the report whether there were significant changes in internal control over financial reporting or in other factors that could significantly affect internal control subsequent to the date of their most recent evaluation.</p>	<p>SEC issued regulations effective August 29, 2002 regarding the CEO and CFO certification of annual and quarterly reports. A separate certification is required for each principal officer.</p> <p>The SEC release included the concept of “disclosure controls and procedures” that reflects an issuer’s controls and procedures that are designed to ensure that information required for SEC disclosure can be accumulated in a timely manner. The signing officers must acknowledge, on a quarterly basis, their responsibility for establishing and maintaining such disclosure controls and procedures.</p> <p>The SEC suggests that “certification committees” be established by companies to comply with the evaluation of the effectiveness of the design and operation of disclosure controls and procedures.</p> <p>This SEC release does not change the Securities Exchange Act of 1934 requirement that reporting companies establish and maintain systems of internal controls with respect to their financial reporting obligations.</p> <p>In June 2003, the SEC modified the 302 and 906 certifications. See KPMG LLP’s June 2003 <i>Defining Issues</i> relative to this topic on ACI’s Web site at www.kpmg.com/aci/DI.htm</p>

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Assessment of Internal Controls	NYSE Final Rules has General Commentary to Section 303A.07(c) which states that while the fundamental responsibility for the company’s financial statements and disclosures rests with management and the independent auditor, the audit committee must review certain items including major issues as to adequacy of the company’s internal controls (as discussed on the next page) and any special audit steps adopted in light of material control deficiencies.			<p>Sarbanes-Oxley (Sec. 404) requires that the issuer’s annual report must contain a report on internal controls.</p> <p>The SEC’s final rule implementing Section 404 requires management’s annual report on internal control over financial reporting to:</p> <ul style="list-style-type: none"> ■ State management’s responsibility for establishing and maintaining adequate internal control over financial reporting; ■ Contain a statement identifying the framework used by management to evaluate the effectiveness of internal control over financial reporting; ■ Contain an assessment of the effectiveness of internal control over financial reporting as of the end of the issuer’s fiscal year; and ■ State that the issuer’s independent auditor has issued a report on management’s assessment. <p>An issuer also must include the independent auditor’s report on management’s assertion as part of the annual report.</p>	<p>The SEC issued final rules effective March 31, 2003 regarding the implementation of this portion of the Sarbanes-Oxley Act. In March 2004, the Public Company Accounting Oversight Board approved Auditing Standard No. 2, <i>Audits of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements</i>. Under this standard, the audit of internal control, required under Section 404 of Sarbanes-Oxley, would be integrated with an audit of the financial statements. This standard is subject to approval by the SEC. The Standard, a summary of the Standard prepared by the PCAOB, and KPMG LLP’s <i>Defining Issues</i> on this topic can be accessed on ACI’s Web site, at www.kpmg.com/aci/gov.htm#pcaob.</p>

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Audit Committees Review of Accounting and Related Issues	<p>NYSE Final Rules has General Commentary to Section 303A.07(c) which states that while the fundamental responsibility for the company’s financial statements and disclosures rests with management and the independent auditor, the audit committee must review:</p> <ul style="list-style-type: none"> ■ Major issues regarding accounting principles and financial statement presentations, including any significant changes in the company’s selection or application of accounting principles ■ Major issues as to the adequacy of the company’s internal controls and any special audit steps adopted in light of material control deficiencies ■ Analyses prepared by management and / or the independent auditor setting forth: <ul style="list-style-type: none"> - Significant financial reporting issues and judgments made in connection with the preparation of the financial statements - Effects of alternative GAAP methods on the financial statements ■ The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements ■ The type and presentation to be included in earnings press releases (paying particular attention to any use of “pro forma” or “adjusted” non GAAP information), as well as review the financial information and earnings guidance provided to analysts and rating agencies. 	<p>Each NASDAQ-listed company must conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and the company’s audit committee or a comparable body of the board of directors must approve all such transactions.</p>	<p>Section 120 of Amex’s corporate governance listing standards, states that related party transactions must be subject to appropriate review and oversight by the audit committee or a comparable body of the board of directors.</p>	<p>Sarbanes-Oxley (Sec. 204) requires an auditor to report on a timely basis to the audit committee (as refined by SEC Section 10A(i):</p> <ul style="list-style-type: none"> ■ All critical accounting policies and practices used by issuer ■ GAAP alternatives discussed with management and the alternative preferred by the audit firm ■ Other material written communications with management. Examples include but are not limited to: management letter; engagement letter; independence letter; summary of unadjusted audit differences; and management’s representation letter. <p>The SEC’s rule specifies that the timing of these communications between the auditor and the audit committee should occur prior to the filing of the audit report with the SEC and any subsequent reissuance of such report. As a result, these discussions will occur, at a minimum, during the annual audit, but the SEC expects that they could occur as frequently as quarterly or more often on a real-time basis.</p> <p>Companies disclose all material off-balance sheet transactions and other relationships that may have a material effect (Sec. 401).</p> <p>Companies are required to make “Real Time” disclosure of material changes in financial condition (Sec. 409).</p>	

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Audit Committees Discussion of Financial Reporting and Other Information	<p>Discuss annual and quarterly financial statements, including MD&A with management and independent auditor.</p> <p>Discuss earnings press releases.</p> <p>Discuss financial information and earnings guidance provided to analysts and rating agencies.</p> <p>Discuss risk assessment and risk management policies set by management, including major financial risk exposures and the steps management has taken to monitor and control such exposures.</p> <p>NYSE commentary states that the audit committee’s responsibility to discuss earnings releases and financial information and earnings guidance, may be done by providing general information (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). This discussion is not required to take place in advance of each earnings release or each instance in which a company may provide earnings guidance.</p>				<p>The SEC enacted a requirement, effective after December 15, 2000, that a “report to shareholders” be included in the annual proxy statement and contain an audit committee report stating whether the committee had: (1) reviewed and discussed the audited financial statements with management; (2) discussed with the auditors the matters required by SAS 61; and (3) received and discussed with the auditors the independence matters required to be identified by Independence Standards Board Standard No. 1. The report also states whether, based on the procedures performed, the members of the audit committee recommended to the board of directors that the audited financial statements be included in the Company’s Annual Report on Form 10-K.</p>

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<p>Whistleblower Communication Process</p>	<p>At a minimum, NYSE-listed company audit committees must have duties and responsibilities set out in SEC Rule 10A-3(b)(3) regarding ‘complaints’.</p> <p>SEC Rule 10A-3(b)(3) requires audit committees to establish procedures for the receipt, retention and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls or auditing matters and ensure that such complaints are treated confidentially and anonymously.</p> <p>In view of the external management structure often employed by closed-end and open-end funds, the NYSE also requires the audit committees of such companies to establish such procedures for the confidential, anonymous submission by employees of the investment advisor, administrator, principal underwriter, or any other provider of accounting related services for the management company, as well as employees of the management company. Such procedures must be set forth in the audit committee charter.</p>	<p>NASDAQ-listed company audit committees must have the specific audit committee responsibilities and authority necessary to comply with SEC Rule 10A-3(b)(3).</p> <p>SEC Rule 10A-3(b)(3) requires audit committees to establish procedures for the receipt, retention and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls or auditing matters and ensure that such complaints are treated confidentially and anonymously.</p> <p>Audit committees for NASDAQ investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.</p>	<p>Amex-listed company audit committees must have the specific audit committee responsibilities, authority and procedures necessary to comply with Rule 10A-3(b)(3) under the Securities Exchange Act of 1934.</p> <p>SEC Rule 10A-3(b)(3) requires audit committees to establish procedures for the receipt, retention and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls or auditing matters and ensure that such complaints are treated confidentially and anonymously.</p> <p>Audit committees for Amex listed investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.</p>	<p>Sarbanes-Oxley (Sec. 301) and SEC Section 10A-3(b)(3) require audit committees to establish procedures for:</p> <ul style="list-style-type: none"> ■ Receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters ■ Confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. 	

TOPIC	NYSE	NASDAQ	Amex	Sarbanes – Oxley Act of 2002 and SEC Final Rules	Observations
Audit Committee Charter	<p>Audit committees must have a written charter that addresses:</p> <ul style="list-style-type: none"> ■ Purpose of the Audit Committee ■ An annual performance evaluation of the audit committee ■ Duties and responsibilities of the audit committee <p>Charter must be posted on the Company Web site.</p>	<p>Each company must certify that it has adopted a formal written audit committee charter and that the audit committee has reviewed and reassessed the adequacy of the formal written charter on an annual basis.</p> <p>Audit committee charters must specify:</p> <ul style="list-style-type: none"> ■ The scope of the audit committee’s responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements ■ Responsibility for: ensuring its receipt of a formal written Independence letter from the auditors; actively engaging in a dialogue with the auditor with respect to any disclosed relationships; and taking appropriate action to oversee the independence of independent auditors ■ Purpose of the audit committee ■ Responsibilities and authority of the audit committee described below: <p>The audit committee must have the specific audit committee responsibilities and authority necessary to comply with the SEC’s Rule 10A-3 (b)(2) – (5), concerning responsibilities related to: (i) registered public accounting firms, (ii) complaints relating to accounting, internal accounting controls, or auditing matters, (iii) authority to engage advisors, and (iv) funding as determined by the audit committee.</p>	<p>Each listed company must certify that it has adopted a formal written audit committee charter and that the audit committee has reviewed and reassessed the adequacy of the formal written charter on an annual basis.</p> <p>Audit committee charters must specify:</p> <ul style="list-style-type: none"> ■ Scope of responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements ■ Responsibility for: ensuring its receipt of a formal written Independence letter from the auditors; actively engaging in a dialogue with the auditor with respect to any disclosed relationships; and taking appropriate action to oversee the independence of independent auditors ■ Purpose of the audit committee ■ Other specific requirements necessary to comply with the SEC’s Rule 10A-3 (b)(2) – (5) as described to the left in the “NASDAQ” column. 		<p>The SEC previously had required that proxy statements indicate if the audit committee had adopted a written charter, and the stock exchanges required that each listed company have an audit committee charter that described the scope of the committee’s responsibilities and how they were carried out. Each issuer must certify that it has adopted a formal written audit committee charter and that the audit committee has reviewed and reassessed the adequacy of the written charter on an annual basis and a copy included in the proxy statement at least every three years.</p> <p>Many audit committee charters were updated to reflect various elements of the revisions to the exchange listing standards and Sarbanes-Oxley.</p>

TOPIC	NYSE	NASDAQ	Amex	Sarbanes – Oxley Act of 2002 and SEC Final Rules	Observations
Audit Committee Meetings and Executive Sessions	Audit committees must meet separately on a periodic basis with management, internal auditors and the independent auditors.	NASDAQ listing standards specify that independent directors must have regularly scheduled meetings at which only independent directors are present (executive sessions). NASDAQ's Interpretive Material also states that it is contemplated that executive sessions will occur at least twice a year, and perhaps more frequently, in conjunction with regularly scheduled meetings. There is no separate specification for audit committees.	Audit committees of Amex listed companies must meet on at least a quarterly basis.		Based on a survey conducted by National Association of Corporate Directors (“NACD”), <i>2003-2004 Public Company Governance Survey</i> , audit committees meet an average of 6.7 times per year for 3.1 hours each meeting plus conference calls (quarterly). The feedback that ACI has received indicates that the number and length of audit committee meetings has increased significantly during the last 2 years.
Internal Audit Requirement	Each NYSE-listed company must have an internal audit function. NYSE Commentary- Listed companies must maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management process and system of internal control. A company may choose to outsource this function to a third party service provider other than its independent auditor.				Audit committees should understand the work plan of the internal audit department to be certain it: Addresses the company's significant risks Is relevant to the financial reporting process (e.g., what work is performed on internal controls) The budget, staffing, responsibilities and reporting lines of this function warrant consideration by the audit committee and NYSE requires that this be discussed with the external auditor.

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Use of Advisors by the Audit Committee	<p>At a minimum, NYSE-listed company audit committees must have duties and responsibilities set out in SEC Rule 10A-3(b)(4) and (5) regarding ‘advisors’.</p> <p>SEC Rule 10A-3(b)(4) and (5) states that audit committees must have authority and funding to engage independent counsel and other advisors, as it determines necessary to carry out its duties.</p>	<p>NASDAQ-listed company audit committees must have the specific audit committee responsibilities and authority necessary to comply with SEC Rule 10A-3(b)(4) and (5).</p> <p>SEC Rule 10A-3(b)(4) and (5) states that audit committees must have the authority and funding to engage independent counsel and other advisors, as it determines necessary to carry out its duties.</p>	<p>Amex-listed company audit committees must have the specific audit committee responsibilities, authority and procedures necessary to comply with SEC Rule 10A-3(b)(4) and (5) under the Securities and Exchange Act of 1934.</p> <p>SEC Rule 10A-3(b)(4) and (5) states that audit committees must have the authority and funding to engage independent counsel and other advisors, as it determines necessary to carry out its duties.</p>	<p>Sarbanes-Oxley (Sec. 301) and SEC Section 10A-3(b)(4) and (5) requires that audit committees have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.</p>	
Audit Committee Evaluation	<p>Annual performance evaluation of audit committee required.</p> <p>NYSE also requires that a listed company’s corporate governance policies address the annual performance evaluation of the board. The listing standards further state that the board should conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively.</p>				
Audit Committee Communication with Board of Directors	<p>Report regularly to the board of directors any issues concerning:</p> <ul style="list-style-type: none"> ■ Quality and integrity of financial statements ■ Compliance with legal or regulatory requirements ■ Performance and independence of independent auditor ■ Performance of internal audit function <p>Audit committee should present its conclusions with respect to the qualifications, performance and independence of the independent auditor to the full board.</p>				

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Continuing Education for Board Members	The Company’s Corporate Governance Guidelines must address director orientation and continuing education.	NASDAQ’s Corporate Governance Summary of Rule Changes dated November 2003 indicates that NASDAQ is committed to helping board members understand their governance responsibilities. It also states it is partnering with experts to provide opportunities for directors to receive relevant continuing education. One such initiative is an alliance with National Association of Corporate Directors to provide corporate governance education services to NASDAQ listed companies through the NASDAQ Corporate Services Network at NASDAQ.net.			We expect that more companies will deliver tailored, company specific training at the board and committee level.
Code of Business Conduct and Ethics	<p>Companies must adopt and disclose</p> <ul style="list-style-type: none"> ■ Corporate Governance Guidelines ■ Code of Business Conduct and Ethics <p>Company Web site must include charters of its most important committees (at least audit and if applicable, compensation and nominating committees), corporate governance guidelines and code of business conduct and ethics. Each 10-K must state that this information is available on the Web site.</p> <p>Each code of business conduct and ethics must require that any waiver of the code for executive officers or directors may be made only by the board or a board committee and must be promptly disclosed to shareholders.</p>	Each NASDAQ-listed company must have a code of conduct applicable to all directors, officers and employees. A code of conduct satisfying Rule 4350 (n) must comply with the definition of ‘code of ethics’ set out in Section 406(c) of Sarbanes-Oxley and any related regulations promulgated by the SEC. In addition, the code must provide for an enforcement mechanism. Any waivers of the code for directors or executive officers must be approved by the board and must be disclosed in a Form 8-K within five days, along with the reasons for the waiver. The code of conduct must be publicly available.	Each Amex-listed company must adopt and publicly disclose a code of conduct and ethics applicable to all directors, officers and employees, that also complies with the definition of ‘code of ethics’ set out in Item 406 of SEC Regulation S-K.	<p>Code of Ethics for Senior Financial Officers (Sec. 406)</p> <p>Each issuer to disclose:</p> <ul style="list-style-type: none"> ■ In its periodic reports— whether it has adopted a code of ethics for its senior financial officers (and if not, why not) ■ In a Form 8-K or in “dissemination by the Internet”—any change in, or waiver of, the code of ethics. <p>Final rules were issued by the SEC on January 23, 2003 and can be accessed on the SEC’s Web site at http://www.sec.gov/rules/final/33-8177.htm.</p>	Although neither the Act nor the stock exchanges specify where in the corporate governance structure this issue should fall, many boards of directors have delegated the oversight of the code of business conduct and ethics to the audit committee or a separate corporate governance committee.

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Loans to Officers and Directors				Sarbanes-Oxley (Sec. 402) prohibits companies from making personal loans to directors or executive officers. Consumer credit companies may issue certain loans if it is done in the ordinary course of business on the same terms and conditions made to the general public. Existing loans may not have a material change in terms.	
Application to Non-U.S. filers (Foreign Private Issuers)	<p>Foreign private issuers listed with the NYSE are permitted to follow home country practice in lieu of the provisions of NYSE listing standards Section 303A, except that such companies are required to comply with the requirements of Sections 303A.06 (audit committee requirements), .11 (disclosures noted below) and .12(b) (notification of material non-compliance).</p> <p>Foreign private issuers listed with the NYSE are required to disclose significant ways that their corporate governance standards differ from those followed by domestic companies under NYSE listing requirements.</p>	<p>Foreign private issuers may request exemptions from the NASDAQ listing standards, to the extent compliant with the SEC rules, including without limitation the standards related to audit committees required by Section 10A(m) of the Exchange Act and Rule 10A-3.</p> <p>Foreign private issuers are required to disclose the receipt of any exemptions to NASDAQ’s corporate governance requirements (Rule 4350), permissible under the Sarbanes-Oxley Act or rules promulgated by the SEC thereunder, at the time of their first U.S. listing and annually, as well as a statement of alternative measures taken in lieu of the waived requirements. Disclosure of receipt of exemption is required for new listings and filings made on or after January 1, 2004.</p>	Each foreign Amex issuer seeking relief under certain provisions of the listing standards should provide written certification from independent counsel that the non-complying practice is not prohibited by home country law. This is to the extent not contrary to SEC rules, including Rule 10A-3. The company must provide disclosure of any significant ways its corporate governance practices differ from those followed by domestic Amex-listed companies. Disclosure may be provided on the company’s Web site and / or in its annual report as distributed to shareholders in the U.S. If only available on its Web site than the company must disclose this fact in annual report.	The Act generally does not distinguish between U.S. and non-U.S. issuers. Any non-U.S. issuer that has securities registered under Section 12 of the U.S. Securities Exchange Act of 1934 or that is required to file reports under Section 15(d) of the Exchange Act is considered a “public company” for these purposes and is subject to the Act.	

TOPIC	NYSE	NASDAQ	Amex	Sarbanes – Oxley Act of 2002 and SEC Final Rules	Observations
Effective Date and Transition	<p>Generally, the NYSE has mandated transition by the earlier of a company’s first annual meeting after January 15, 2004, but no later than October 31, 2004. Foreign private issuers will have until July 31, 2005 to comply with the audit committee requirements that are applicable under Section 303A(6).</p> <p>There is a transition rule with regard to the “look-back” provision for new independence standards. NYSE will phase in the “look-back” provisions by applying only a one-year look-back for the first year after adoption of these new standards. The 3-year look-back will begin to apply from and after the date, which is the 1st anniversary of the SEC approval date of this listing standard (SEC approval date was November 4, 2003).</p>	<p>The provisions of NASDAQ Rule 4200(a) and 4350 (c), (d) and (m) regarding director independence, independent committees, and notification of noncompliance shall be implemented by July 31, 2005 for foreign private issuers and small business issuers. For all other issuers, the NASDAQ rules are effective upon a company’s first annual meeting occurring after January 15, 2004 but no later than October 31, 2004. The three-year look back provision applies immediately upon effective date.</p> <p>There are accelerated implementation requirements with respect to code of conduct, related party transactions, and disclosure requirements applicable to foreign private issuers that receive exemptions.</p>	<p>Generally, the Amex has mandated transition by July 31, 2005 for foreign-private issuers and small business filers, and for all other issuers by the earlier of the issuer’s first annual shareholders meeting after March 15, 2004 but no later than October 31, 2004.</p> <p>For a staggered board, if the company would be required to change a director who would normally not stand for election in such annual meeting, the company may continue such director in office until the second annual meeting after the date specified above, but no later than December 31, 2005 (unless inconsistent with SEC Rule 10A-3).</p>	<p>Provisions of the Sarbanes-Oxley Act have numerous effective dates tied to the enactment date of the legislation (July 30, 2002), timing of rules required to be proposed and adopted by the SEC, or the date the Public Company Accounting Oversight Board commences operations.</p> <p>Relevant effective dates mandated by the SEC can be found within the final rules on the SEC Web site at www.sec.gov and within various editions of KPMG LLP’s <i>Defining Issues</i> that cover many of these topics. KPMG LLP’s <i>Defining Issues</i> relative to the provisions of the Sarbanes-Oxley Act, the final SEC rules, and the revised listing standards can be accessed on ACI’s Web site at www.kpmg.com/aci/DI.htm</p>	<p>Amex also indicates that with respect to independent directors who are not members of the Audit Committee, the applicable “look-back” period will be only one year for the first year after the adoption beginning December 1, 2003 with respect to board composition.</p>

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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This document was updated by KPMG’s Audit Committee Institute on March 31, 2004 as a summary of select elements of the Sarbanes-Oxley Act of 2002 and the NYSE, NASDAQ and Amex corporate governance listing standards approved by the SEC in November / December 2003. This summary is meant to provide a high level overview of elements of the new requirements that impact audit committees and reflects the status of these issues. This document does not incorporate all of the elements of these requirements, nor does it consider regulations that may have previously existed (such as the stock exchange listing standards and SEC regulations issued in December 1999). Audit committees should consult with legal counsel in the application of the Sarbanes-Oxley Act of 2002 and the stock exchange listing requirements to specific situations. © 2004 KPMG International. KPMG International is a Swiss cooperative of which all KPMG firms are members. KPMG International provides no services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. All rights reserved.