
SARBANES-OXLEY SECTION 404(b): COSTS OF COMPLIANCE AND PROPOSED REFORMS

SEC ADVISORY COMMITTEE ON SMALL AND EMERGING COMPANIES
SEPTEMBER 13, 2017

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EXISTING EXEMPTIONS FROM SOX 404(b)

Non-Accelerated Filers

- Public Float <\$75M
- *If unable to calculate public float:*
Annual Revenues <\$50M

***Exemption under
Dodd-Frank Sec. 989G***

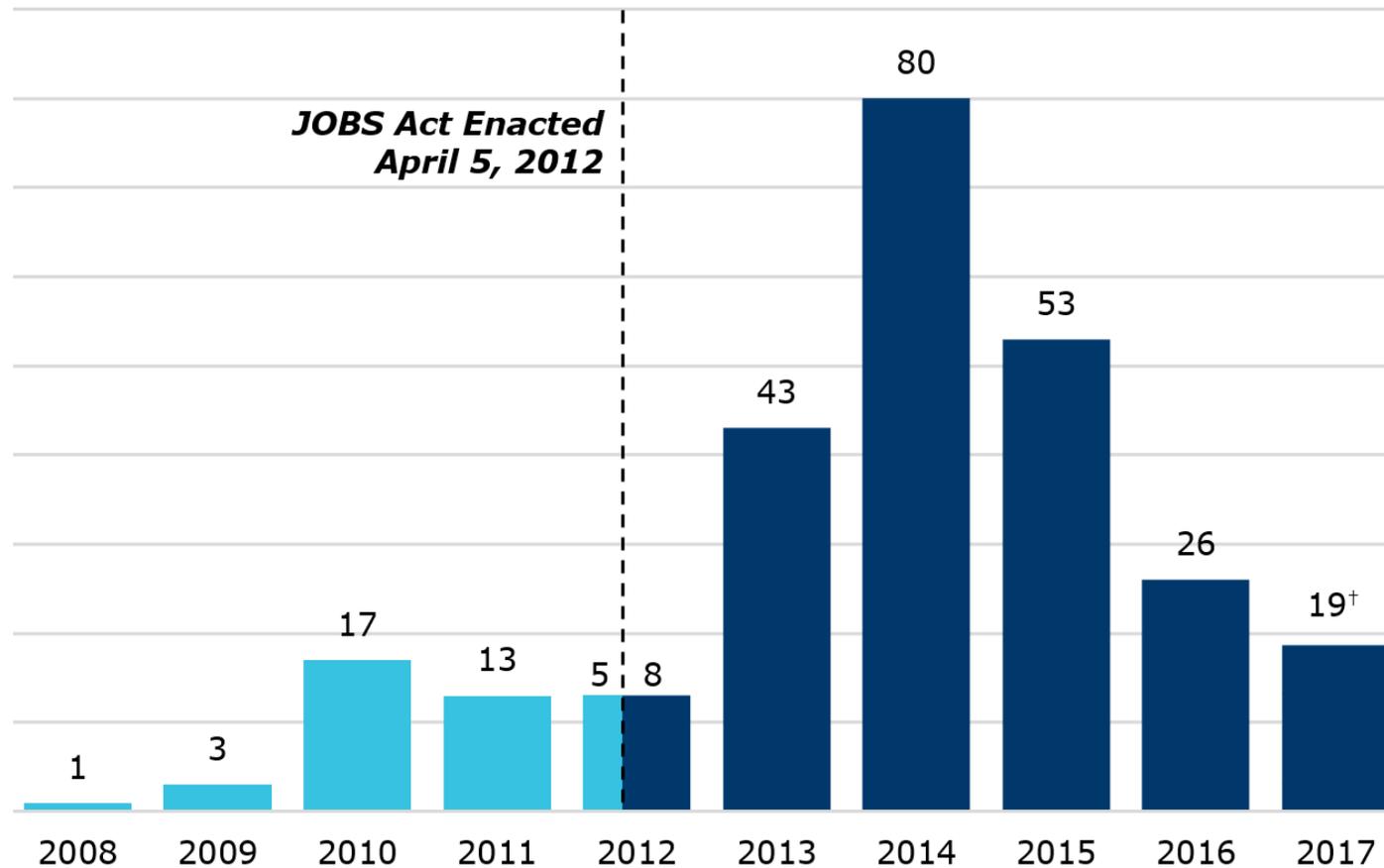
Emerging Growth Companies

- Annual Revenues <\$1.07B
- Public Float <\$700M (not a
“Large Accelerated Filer”)
- Non-Controvertible Debt <\$1B

5-year JOBS Act exemption

229 BIOTECH EGCs APPROACHING SOX 404(b) PHASE-IN

Biotech IPOs Per Year, 2008–2017



SOX 404(b) COSTS, PRE-JOBS ACT COMPANIES

Company A

- Public Float: \$200M
- Employees: 60

Audit Fee	\$250,000
External Consultant	\$40,000
Internal Labor	\$150,000
TOTAL	\$440,000

Company B

- Public Float: \$560M
- Employees: 80

Audit Fee	\$240,000
External Consultant	\$30,000
Internal Labor	\$105,000
TOTAL	\$375,000

SOX 404(b) PROJECTIONS, EGCs

Company C

- Public Float: \$85M
- Employees: 60

Audit Fee	\$250,000
External Consultant	\$60,000
Internal Labor	\$50,000+
TOTAL	\$360,000+

Company D

- Public Float: \$240M
- Employees: 45

Audit Fee	\$325,000
External Consultant	\$125,000
Internal Labor	\$15,000
TOTAL	\$465,000

PROPOSED NON-ACCELERATED FILER DEFINITION

A company would have to meet one of the following criteria to qualify as an SRC and a non-accelerated filer:

Public Float	<\$250M
<u>OR</u>	
Annual Revenues	<\$100M

- *Public float test recommended by the SEC Advisory Committee on Small and Emerging Companies, September 2015*
- *Revenue test recommended annually by the SEC Government-Business Forum on Small Business Capital Formation, 2009-2010 & 2012-2016*