<u>TRANSCRIPT</u>

Seventh Annual Meeting of the Securities and Exchange Commission Historical Society

June 6, 2006

JOHN RAMSAY: I will start with some introductory remarks while we wait for Chairman Cox to join. Welcome to the 7th Annual Meeting of the Securities and Exchange Commission Historical Society, on June 6th which happens to be the Commission's 72nd birthday. I'm John Ramsay the Society's President for the 2006-07 year. It's my pleasure to welcome those present here at the Commission's headquarters as well as those listening to our broadcast.

Over the last year, we've been able to substantially enhance the material that's available in our virtual museum and we've seen a phenomenal growth in the number of visits to the museum. We also have been able to continue to sponsor a number of quality programs like the one we're going to hear today that helps give historical context to the issues that confront the capital markets.

That requires a lot of help, of course, not just volunteer effort but also monetary contributions from a wide circle of individuals and organizations. On behalf of my fellow trustees, I want to give a heartfelt thanks to those who have contributed.

As I'm sure you know, not withstanding our name, we are completely independent of the SEC itself. We get no federal funds and we're entirely dependent on your generosity to continue our work.

Today's program is titled, 'Who's Counting? The Critical Role of Financial Reporting in the Capital Markets." I'd like to thank Robert Kueppers, my predecessor as President for the past two years, and this year's Chairman, for leading the development of this program. More than that, Bob, thanks from everyone connected to the Society for your leadership during that period of time. To say that you're a hard act to follow doesn't really begin to do justice.

I'd also like to recognize the other important contributors to today's program: the members of our Office of the Chief Accountant Committee, including chairs Linda Griggs and Garry Previts, along with Jack Albert, James Barge, Scott Bayless, Bob Colson and Terry Iannaconi.

I also would be remiss if I did not recognize Carla Rosati, our executive director. Carla doesn't ask for a whole lot of credit. But she certainly deserves a lot. The Society would not have achieved anything like its current success without her tireless effort and devotion.

In a few moments, we'll be joined by Chairman Cox and he will make some introductory remarks as well. Then we will go directly into the program. So if you'll bear with us a few moments more, we will get underway.

ROBERT KUEPPERS: Good afternoon. In the intervening time here I thought what I'd do is introduce our panel for the discussion. When the Chairman arrives, we will hear his remarks and then we can move into our program, "Who's Counting? The Critical Role of Financial Reporting in the Capital Markets."

I'm Bob Kueppers. I'm the 2006-7 Chairman of the Society and Deputy CEO of Deloitte & Touche LLP. I'm really honored today that we've put together a great program with great guest speakers. We're going to discuss some issues that I think are very relevant today, but also have their roots in our history, and I think will help to find where we go in the future.

Let me introduce our panel and I'll start on my immediate right, Pat McConnell. Pat's known to many of us as a senior managing director of Bear, Stearns & Co., and has been following the issues and reporting on the issues of financial reporting, financial statements, accountants and accounting for some years. In fact I consider Pat to be sort of the pioneer in really specializing in this arena. We've all enjoyed her work and her insights for many years, and now we get to enjoy it for the next hour as well.

On my far right is Don Nicolaisen, who may be recognized by some and apparently had little trouble getting into the building today. We really appreciate his return to his former agency where of course he served most recently as its Chief Accountant. Prior to that, he served for many years in the practice of public accounting, both in client roles as well as the national office of PricewaterhouseCoopers.

On my immediate left is Aulana Peters, a former Commissioner of SEC that many of us know. Aulana and I actually started the same month, June 1984. Since then, she has gone on to further great things, not the least of which is her service today on a number of very important and prominent audit committees. And even though she has the Commissioner perspective to bring, we're going to be asking her, from sitting in that audit committee chair, how does she view these issues and how does that contribute to our debate.

On my far left is Larry Salva, Senior Vice President, Chief Accounting Officer and Controller of The Comcast Corporation. Larry is also an alumnus of the SEC, having served his fellowship here a long time ago. We overlapped for part of our time. Larry is very active in the financial reporting community as a preparer or as an issuer, you might call him, if you're an SEC person. He is extremely active in FEI and its committee on corporate reporting. That's a very important group and Larry plays a leadership role there. So between preparer, audit community, regulator, analyst and I'll do my best to say something on behalf of my profession, we will hopefully cover the issues.

With that, let me turn it back to John.

JOHN RAMSAY: Thank you. I thanked a lot of other people earlier. Finally I want to give sincere thanks to Chairman Chris Cox for his support of the Society. Thanks first of all for allowing us to use this wonderful space. And thanks specially for demonstrating your support by being here with us in person. I know you've agreed to share a few remarks on behalf of the Commission. Please join me in giving a very warm welcome to Chairman Christopher Cox.

CHRISTOPHER COX: Thank you very much. I'm very pleased to see Bob Kueppers chairing this today because Bob and I have a lot in common. His grandparents lived across the street from me when I was growing up. Bob himself grew up just a few blocks away. So we're trying to keep this all in the family.

I want formally to welcome everyone to the 7th Annual Meeting of the SEC Historical Society. Our theme today promises to be not only interesting but comprehensive. Our modest topic is nothing less than the critical role of accounting and financial reporting in the capital market system. So how much time do you have today? We've got a lot to cover. I want to thank all of you for attending, especially the former Chief Accountants who so generously given up their time to be here.

I also want to thank former Commissioner Aulana Peters for taking part in today's panel. A special welcome is also in order for John Ramsay, managing director and deputy general council at Citigroup Capital Markets who is, as you all know, the new President of the Board of Trustees of the SEC Historical Society. So thank you very much, John.

In fact before we start I want to take time to single out the Historical Society and praise and congratulate the institution for the work that it does. All of us here in this building and our offices across the country have our feet firmly planted in the present as we look forward to the future.

But our past is also very important to the people who labor in this agency. It makes us proud to know what the Securities and Exchange Commission has accomplished over so many years on behalf of America's investors. And the repository of that pride is the SEC Historical Society.

The Society is independent from the object of its research and scholarship. Contrary to what many people think, it does not receive any funding from the SEC. We can, however, as individuals and support it. And I invite you all to do so and anyone who's listening to these proceedings.

And I should add that they're nice enough to give us staff discounts. Whether you decide to take up this offer or not, you should at least visit their magnificent website www.sechistorical.org. This is a museum where you can easily take the kids because it's virtual. You know you don't have to get dressed to go to this museum.

The Society is once again demonstrating how important it is to our ongoing mission by hosting this event today.

Accountants of old may have thought that mentioning their occupation at a cocktail party wasn't the best way to strike up a conversation. But these days accounting is definitely a hot topic. It's getting a lot of attention for a very simple reason. How we account for our assets provides the underpinning for shareholder valuation. And more than ever before, most Americans are now concerned about this because that's the repository of their life savings and their future.

That's why it's so important to arrive at the right standards, ones that truly reflect reality in each industry. Capital formation in our country depends on it. If as Marshall McLuhan said in another context, "The medium is the message," then that medium is going to have to get a whole lot less complex.

Over the past 50 years, generally accepted accounting principles have developed to include over 2000 separate pronouncements issued in various forms by numerous bodies. The complexity inherent in our financial reporting system has resulted from the very best of intentions. It's born of the desire to protect investors.

But in recent years that complexity has resulted in problems for the financial reporting community and for the consumers of financial reports. Unnecessary complexity has added to the cost in financial reporting, and that in turn may have contributed to the numerous restatements. It's also been used to hide things rather than to disclose things to investors. Not surprisingly, users of financial statements including investors, creditors, regulators like ourselves and policy makers including Congress are demanding more balanced, comparable and understandable financial reporting. Preparers and auditors are looking for standards that are easier to understand and comply with. As a result the Securities and Exchange Commission has been encouraging a major national effort to remove unnecessary complexity from the financial reporting system.

As we all here know, we're taking steps toward simplification of this very system. The FASB is working to quantify all of the existing literature to establish a single source for all GAAP material. It is also, with our support, reassessing specific standards in major areas where rules are currently failing to provide transparent information such as accounting for leases, accounting for pensions and other post employment benefits, consolidation policies and accounting for financial instruments. The FASB is working toward a more principles-based approach to accounting.

Reducing complexity goes beyond the work of the FASB, however. The complexity that's crept into our system is the cumulative product of pressure from many different market constituencies. So a concerted and coordinated action plan by the SEC, the FASB, the PCAOB as well as market participants is what's called for. It's essential to the successful removal of the complexities in our financial reporting structure.

That effort's going to be a long one. But it's worth making in order to ensure that our capital markets remain strong and vibrant. I'm sure that this will be one of several topics that we're going to cover today because it's so central to financial reporting. This promises to be an excellent session. So now I'd like to turn it over to my neighbor Robert Kueppers.

ROBERT KUEPPERS: Chairman Cox, thank you for those kind words. The Society is a voluntary leadership organization and to be part of something is great. But to have the support of the Chairman, the Commissioners, division directors and the staff makes it all that much more fun. Thank you very much.

Before we begin our discussion I need to state that the opinions expressed today are solely those of the panelists and are definitely not representative of the views of the Society itself. I also want to point out that our panelists cannot give legal or investment advice or if they choose to do so I will recommend you not listen to it.

With those things out of the way let me explain how we're going to work this afternoon. I would like to take the next hour or so and turn to our experts with a series of issues that I think dovetail very nicely into some of the things that Chairman Cox has mentioned in his remarks. I think it's important to acknowledge before we begin that financial statements and the related disclosures that we're familiar working with, whether we're preparing, auditing, overseeing, analyzing or regulating, are really the core of the Commission's full disclosure system and they have served investors very well over many decades.

But as with all things, they have clearly evolved and the emergence of certain trends in United States with respect to financial statements I think are worthy of some exploration. About

20 years ago I was part of a group working with FEI looking at annual reports, in other words, the end product of what goes to meet the requirements of the proxy rules. We noticed that disclosures, what I call the F pages, have grown from 15 to 18 to 20 to now 40, 60, 70 pages. It's a great deal of information for investors to absorb. At the same time it's a product of all the improvements and requirements people have found a need for. But it causes you to stop and think where have we gone and where should we be going.

Let me start with one topic that I think is generally known to those who follow financial reporting, and that's the increasing use of fair value and measurement of financial statement components. It's not just the initial use of fair value and recording for the first time a transaction and asset and obligation so forth, but then the marking to market or the creation of differences from the initial recorded amount, and the fact that fair value is now very much part of the financial reporting fabric.

We also have some things that are recorded as historical cost and remain there either being depreciated or tested for impairment as the case may be. But what we end up with is what some might call a mixed attribute model. We've got some fair values, we've got some historical costs. When I was auditing in the mid 70s, I always liked historical costs because I could get a cancelled check and I could check my little tick mark and say I've audited that asset. But the world has changed a great deal.

Here's my question for the panel on this initial point, and it's really simplistic but I think it's one that we'll have time to explore in some depth. I'll pose this to Pat McConnell as our first responder and I'm sure our fellow panelists will have more.

Is the increasing use of fair value good for investors, and the quality of information they receive in the audited financial statements? Is the trend towards fair value the right way to go, Pat?

PAT MCCONNELL: Well, from my perspective fair values are not only good for investors, they're absolutely necessary to make rational and appropriate asset allocation decisions. That being said the move to fair value is not universally welcome. It's more like a trip to the dentist. I think investors are needed but just like a trip to the dentist they don't enjoy it. They don't enjoy the shift, the change in the metrics that they're looking at, the different way they have to use the information from changing historical cost. But just like a trip to the dentist I think they will sooner or later recognize that they have to go in the direction of fair values or they're going to lose their teeth when they make investment decisions.

In the meantime, we've got this mixed attribute model that Bob alluded to which is very difficult to use in valuation and asset allocation. An organization that I'm a member of, the Chartered Financial Analyst Institute, recently issued a draft paper called the Business Reporting Model which proposes a redo of the basic financial statements in this awkward period in the transition between historical cost and fair value. That presents sort of a matrix approach that we think would be very useful to investors to help them identify which bids are driven by historical costs and which are driven by fair values.

ROBERT KUEPPERS: Larry, as a preparer you've had to struggle with this first hand. Your views?

LAWRENCE SALVA: I actually am interested in what Pat just mentioned because I think of that same thing as being useful because we've created, or what has evolved in financial statements I think, is such a hybrid of mixed attributes that it's almost becoming incomprehensible. You need to break it down. I mean even if I take a line item in my financial statements and try to understand how much of it is measured at fair value and is periodically remeasured. And it's actually mixed in the same line with other things that might be at historical cost.

For example, in my investment portfolio, it might all be at fair value or for the most part at fair value. But some of it's running through comprehensive income while other portions are running through net income.

But I might almost suggest that maybe what we need to do is take a moratorium on introducing more fair value into the primary financial statements. I'm all for introducing more fair value into disclosures, into supplemental information. But it may be a mistake to add more into the primary financials without stepping back and dissecting the financials that exist already, and try to get a better insight for investors into what's measured at fair value and what's remeasured.

Also step back and take a look at what's the objective of the primary financial statements. We get a better look at the conceptual framework and the primary objective of financial statements, the combined objective if you will of not only accounting for stewardship, because I, like you Bob, was very comfortable with knowing what historical cost was and I'd also like to know what return is on historical cost. And you lose some of that if you just move totally to fair value. So a moratorium, at least a slowdown in terms of introducing more fair value, may be warranted.

Another good reason for slowing that down is that the accountants have to retool their minds to stop thinking like accountants and start thinking more like valuation specialists. There's a very different thought process that goes into fair value than historical cost accounting.

PAT MCCONNELL: I agree with Larry's last comment. But if I go back about 30 seconds into his comments I'm not sure that I would agree that the movement towards fair value of accounting should be slowed down. I think that the concern as to how the value is going to be audited, the fair value management assigns to an asset can be audited is a very valid one. But there's no doubt that the investor will benefit once we figure out the logistics of how to use the information. Initially, you can anticipate, and I'm speaking as an audit committee member, that it will take the profession sometime to ramp up because right now there's probably a dearth of valuation expertise at the audit level. But golly gee, they've been doing it for the past 10 years every time a new requirement is imposed and I have complete faith that my former clientele, the accounting profession, will figure out how to audit this information.

DONALD NICOLAISEN: Bob, if I might I would like to build on that a little bit as well. I too have faith in the audit and accounting profession. I'm also quite confident that the demand for mark to market accounting will continue to increase, especially for financial instruments where a market price is readily obtainable in publications such as the Wall Street Journal. It's undoubtedly easier to obtain and understand the basis of a market price cited in the Wall Street Journal than it is to put in context the historical cost of a transaction – such as the acquisition of a building – that occurred decades earlier, especially when there have been additions, depreciation, impairments and other changes.

I think where all of us become more quizzy and have some degree of reservation is when market prices are estimated using models and where there's little active trading information. In that case, the accuracy of market value determinations are reliant upon the model and that those who apply the model do so in good faith, applying sound and impartial judgment.

That's' the area where there does need to be more work and where experience will provide lessons regarding reliability. But I don't think it's a matter of either market value or historical cost. Fair value has tremendous relevance, but historical costs are also important because they are broadly used for tax purposes. We are likely going to have to maintain historical cost data for a very long time unless the various tax codes around the world were to change dramatically. On balance, I believe that the relevance of fair value information for investors is the preferable standard for many assets and liabilities and that while there is still value to historical cost information, it is less informative than fair value.

ROBERT KUEPPERS: Don, what you're touching on opens the next follow-up question. The debate always tends to be relevance versus reliability. Historical cost, if nothing else, is certainly reliable because it is rooted in an actual transaction presumably a bargain transaction at market. Whatever it is for that circumstance and at the same time overtime you'll end up losing relevance one would argue. And so there's a little bit of tension between the relevance versus reliability.

It would seem to me that in recent times with the progress of fair value being embedded in the model that relevance is winning and that's not a bad thing, I wouldn't suggest that. But there is sort of two sides and I think what each of us has maybe touched on but not really explored is okay, the mixed attribute model is eventually just going to trend toward having a complete mark to market on all assets and liabilities if you think of the balance sheet.

And we're getting into some areas and I'll touch on this and see if you have any thoughts or comments where I would argue in the derivatives arena, for example, just the existence of what some might call the hedging exception has what's led to the complexity of those standards, those interpretations, has led to one may argue our entire industries reverted to taking what I don't for a minute suggest is not a legitimate advantage the way the standard is constructed.

But that one exception has fostered a lot of complexity, a lot of confusion on the part of preparers and auditors and I just wanted to know if we can go out one more time and get your take on relevance versus reliability. Are we breeding complexity by having sort of mixed attributes? I'm actually mixing some things up and framing that. But, Larry, I think you might again as a preparer might have a particularly good take on that.

LAWRENCE SALVA: I think that the crux of my concern is the complexity. We're in the middle of an evolution towards fair value where I think fair value is very relevant, very important. But to have it introduced into the primary financial statements you have either some industries or some constituents fight very vehemently to create exceptions to rules. They believe that to match what they're doing, something like the hedge exception for good economic reason, they want the financials to reflect what they believe should be the appropriate depiction of what they're doing from the business side.

So you build in an exception to just all fair value running to the P&L. So to go back to my investment portfolio of debt securities; one could be at historical amortized cost, another investment security could be running through comprehensive income and another one through net income. Also, the exception that some people don't really focus on: the fair value of the trading portfolio and the fact that the FASB actually allowed you to put into your trading portfolio some thing that you really don't intend to sell quickly, you don't run a trading desk -- you're just a commercial company – and you could just designate, when you acquire it, that it's a trading security. And then the unintended consequence that comes out of something like that where the FASB then decides that the cash flows from the sale of a trading security should be in the operating section of your cash flow statement. And all of a sudden, just because of how something was classified, you have this unintended consequence of changing a major metric; something in your financials that should be indicative of what your ongoing operations are all about. And to try to get your financials to be transparent you have this additional exercise of calling out to investors, "Hey, wait a minute. My cash flow really is bolstered this period by the sale of a security that happened to be classified as a trading security."

Accounting is -- I once had it described to me -- accounting is the language of business. And it's a very complex language. We've made it more and more complex and our challenge is –- I was once admonished -- make sure you don't lie with that language. But it's sometimes hard to get across the right point to the various audiences using the language that's been constructed.

So I absolutely agree that fair value is relevant and, and more and more important in financial information. But I'm concerned that in the primary financial statements we're at such a stage where it's just a complex environment. It's very difficult to get across those messages in one set of primary financial statements with the mixed model that we have now.

ROBERT KUEPPERS: Larry, what you were talking about the investment example I thought was particularly good and what it caused me to remember is that even though the investments may be fair value, the debits or credits could run through other comprehensive income and they wouldn't actually run their cycles through your earnings and earnings per share. But any given quarter, any given year end, you could literally, legitimately take those securities that have embedded gains, sell all of those, and maybe hang on to the ones that aren't in that status and contribute to your earnings although you would not have necessarily the quality of earnings you might like to have if they were generated through your co-operations.

And then it would suggest to me that the key is disclosure, investor understanding, what makes up the fact that you maybe met the Street’s expectations that quarter. And again, there’s nothing wrong under the GAAP to doing that provided that I think that it’s transparent.

I wonder if audit committees understand these finer points. Do they get into appreciating how fair value can on one hand give you a certain balance sheet answer and perhaps at another time give you very sort of separate income statement answer that cycles through the P&L.

PAT MCCONNELL: I hesitate to say yes and I'm sure as heck I'm not going to say no. But I, I can assure you that in my experience the audit committees are presented with these issues and the issues are addressed within the committee. And we have to struggle to sometimes and sometimes not to understand the difference between management’s point of view because what Larry has just said definitely resonates with me as a member of an audit committee.

But also, you have to bear in mind that sometimes textual disclosure doesn’t tell the whole story. If you can hide issues and facts and the numbers, you certainly can hide them in textual disclosure. And frequently, I think that increasing disclosure also increases the complexity of the periodic reports that we have to file.

So bottom line is, yes, it is of concern but at the bottom line, I think that as an audit committee member you would be hard put to choose in most circumstances to focus and say I only want to know what’s the reliable figure as opposed to the relevant figure. Mind you as an audit committee member we have to make sure that management’s financial reporting fairly presents the financial condition and I don't know how you can do that unless you are focused on what is relevant in addition to being reliable. In my point, from my perspective it’s not always an either/or situation and hopefully more often than not it’s a mixture of the two. And so it’s difficult. But who promised us a rose garden?

ROBERT KUEPPERS: Thank you. Don, I'm going to turn to you next because you’re in our committee as well, and in fact rumor has it that you may in fact qualify to be a financial expert. In that context at least I’d love to get any thoughts you have. And then maybe we'll let Pat have the final word.

DONALD NICOLAISEN: Without limiting my response to that of an audit committee member, it does seem to me that if you have the opportunity to learn one piece of information – fair value or historical cost – that fair value if the most relevant. For example, if Larry were to purchase an asset from me, I suspect that the one piece of information that he would most like to know is what is the fair value of that asset, not what I paid for it.

When I think about the reasons that contributed to the broad use of a mixed attribute model, at least part of the cause was a focus on the income statement with an intent of avoiding surprises to earnings. Examples include hedging, cost spreading and other mechanisms that defer the effects of volatility in operating results that exist in our capital. The result in some cases is a balance sheet driven by detailed rules, which may or may not reflect the underlying economics of specific assets and liabilities of an entity.

Some would argue that's good because it enables management to communicate with investors about performance of the entity as they manage the business. Others believe that we would be better served by having reliable market value information available for balance sheet assets and liabilities that comports with their underlying economics. I personally believe that balance sheet does matter and that the latter model is preferable because it is tied to economics.

AULANA PETERS: Could I just add one thing because I did want to indicate that Larry's example of how you treat income from a trading security, was it? What was it?

LARRY SALVA: Yes, actually I was focused on was the cash flow classification of the proceeds of the sale of a trading security versus one classified as available for sale.

AULANA PETERS: That really resonated with me because it was an issue that was brought to the audit committee on a company that I serve. And we'll get into this later. But I think it does tee up how these decisions that management makes and the board accepts need to be left alone, unless it's definitely wrong, by regulators. I have experienced a situation in which the company was required to change its accounting because the item was viewed as being a misclassification and financial statements had to be restated and we all know how we hate to do that where there was absolutely no bottom line impact. So there was not one bit of difference to the bottom line.

So we have to be thinking if to the extent we move towards fair value, to the extent that we move towards more principle- based accounting, that we need to have more open and flexible view when we're reviewing the final results and be judicious in those that we take to task because you disagree that it could've been or should've been done a different way.

ROBERT KUEPPERS: We are going to get into that in just a minute. Pat, any final thoughts before I move on to our next topic?

PAT MCCONNELL: I think Aulana just raised a very good point that's often missed: a financial analysis classification of an item in the balance sheet, in the income statement, in the cash flow statement really, really, really matters. Because different weights are placed on them and industries take different views depending on how an item is characterized.

There's been in valuation a big shift away from when I started in this business 30 years ago doing valuations based on multiples of earnings and more towards what would be viewed as fair value type valuation, models enterprise value, EBITDA, discounted cash flow. And there's a movement and a focus of a movement away from focusing on reported GAAP earnings and a focus on either operating cash flow or free cash flow.

And as that shift is occurred what we've been noticing is that management hasn't missed that. I mean, the industry shifted away from looking at earnings because they perceived that earnings was being managed. And so they started looking at operating cash flow and free cash flow because they thought it could be less managed and hasn't been missed by management and management has found ways to manage operating cash flow and free cash flow.

But I don't think that addresses your question of relevance and reliability trade off. But it is an interesting issue in the investment community now.

ROBERT KUEPPERS: It is a great issue but the point is that value is perceived by people who are experts in this, may not emanate from the financial statements but other techniques that we all understand, just kind of cash flows being among them are, are really what people look to. So the question is, have the financial statements at least for that purpose lost the usefulness they may have once had when we were doing perhaps a little more naïvely multiple base models and the like?

This really tees up our next facet. We've touched on it but we've not really talked about it directly and that is the standard's complexity issue; it needs us all to step back and say how do we ever get here. I've got some really very capable and I mean top notch client service partners who in all honestly will say, look I'm pretty smart and I'm a CPA but if I've got a client that has a complicated situation with derivatives, with securitizations, with 123(R), with variable interest entities. And they've got all of these matters present it's very difficult today to feel that the company in the first instance is going to get their accounting right the first time. It is the auditor, an individual, a man or a woman who's responsible for signing their report. You can do that without a lot of experts and a lot of help because it just isn't possible.

So we step back and say how did things get so complicated and there're lots of reasons for that. But the answer often is these standards are so rules based that on the one hand you can circumvent them by making certain that the rules are dealt with the one way or the other. And on the other hand we've gotten away from what the basic principle is. So let's move from rules based to principles based standards and it sounds so darn appealing because we all strive for simplicity.

So the question really for the panel is what are the challenges and impediments to achieving that, assuming you believe it's a good idea moving from rules based to principles based.

And secondly, and I think this is very relevant for the Commission, how is this going to change the way the Commission and staff work with registrars, work their auditors because right now we're just pretty much oftentimes a bright line or right answer you get into principles-based standards and there's a lot more judgment involved. So there's may be completely different questions. But I think of them as related and Don, maybe I will just kick it off for you to start and see what your views might be.

DONALD NICOLAISEN: It sounds easy to simplify, but in actuality, it will be an enormous challenge. We didn't get to where we are today overnight. Creation of our current myriad of accounting rules occurred over many years, in part as a reaction to new transactions and in part to deal with accounting abuses. When I began my career in the 1960s, the volume of accounting guidance was limited. Many of the key principles were consolidated and captured in a bulletin of fewer than 50 pages, but which addressed virtually all the major areas of financial reporting. Financial statements looked very different back then, not so much as to form and presentation, but more so in length. Today's financial reporting is very detailed, rules-based and lengthy.

Speaking of rules, I was reading Business Week on the train here this morning and this week's magazine had a very good series of articles commenting on Enron. One of the sound bites was that Enron is an example of what can happen if there is compliance with the letter of accounting rules, but not the spirit of the same rules. Principles go to the spirit of what's required.

I've said this before and, those in the preparer community should not be offended by comment, but preparers and others often argue for the status quo or for exceptions to proposed rules. Exceptions add complexity. And one of the most difficult jobs at the FASB is to write accounting standards that gain broad support of the preparer community. Changes in accounting, even to simplify, are sometimes dragged out so long that by the time a new standard takes effect, it has little impact or there are exceptions which nullify the expected impact.

An example of a complex series of rules involves the accounting standards for financial instruments and their derivatives. The standard permits different valuations for the same security if held for differing purposes and sets forth detailed rules for deferring hedging gains and losses. The result is a document of more than 800 pages that is essentially rules driven, rather than principles based. In today's environment of litigation, there is also comfort to having rules. Another reason to avoid principles.

I think it took us a long time to get to where we are today and it will take time and considerable rigor for us to make a change from our rules based accounting to accounting that is principles based. To be effective, a principles based approach should have few exceptions to basic principles. There will still be a need for sufficient guidance involving implementation. Many companies today have implemented strong controls over the introduction of new products and the accounting for them. There will be a continuing need for make sure that accounting guidance keeps pace with business developments.

LAWRENCE SALVA: I haven't been in the profession quite as long as Don but I kind of long for those days as well when I grew up thinking of myself kind of more as the generalist. I did have one specialty which fortunately was taken away from me when they did away with poolings of interests. In fact I told the a FASB board member once, faced with the prospect of having to learn a new specialized body of knowledge once they did away with poolings. I had the choice of either leaving the public accounting profession or learning about derivatives – so I left public accounting and went to something simple like a cable company. When someone talks to me about an accounting issue, I try to get at the root and think about what is the transaction. And there is a sense you come up with -- a common sense and accounting sense – of what the right answer is.

And unfortunately after I go through that process, then the exercise is to search the body of written rules to find if a rule has been written that might say my accounting sense is wrong because there is an exception. I think I understand the principles and part of the challenge now is that we are dealing with a profession that isn't all of our same vintage.

There are lots of people who have never lived in or grew up in a principle based accounting world. All they've done is apply rules all their lives. And when I talk to some of those people, I've had some interesting debates -- one person once said to me to try to refer to the principle underlying an EITF issue. I pointed out that EITF's were all rules; there are no principles whatsoever in the EITF issues -- at least there are not supposed to be. Those are all supposed to be set by the FASB.

It's going to take a really long time for us to get to principles because not only do we have to have principles based standard setting, you then have to have principles based applications and then you've to have principles based regulation and/or enforcement.

I think about what was once buried in a staff accounting bulletin and it was actually written in the context of encouraging registrants to come in and talk to the staff about complex or novel areas, because the consequences of a disagreement after the application of the accounting and the publication of your financial statement can often be severe. So it was encouraged that people come in and consult.

But it used to be where you came in and the staff, whether it is before or after the fact -- and this is not intended to be critical of the current staff or it has just evolved to this -- where it seems like there ought to be two questions asked: a) did you get the accounting right and if you didn't, second question, is b) how bad was it?

And it used to be restatements were reserved for only the most egregious applications and errors that were in financials. And it doesn't seem like the second question is asked frequently enough -- especially given how complicated everything is.

As staff, we would have to go out and make speeches to tell people that we came across an issue and we don't like a particular application and everybody was on notice. And if you were put on notice by one of those speeches and you had one of those transactions sometimes you would have to come in and talk to the staff about whether it's an ongoing transaction, whether you are going to change your accounting prospectively or retroactively, and the whole benefit I thought to the PAF program -- I still think it is -- that there is an interaction between the accounting profession and the regulator -- and there is a better appreciation of where everybody fits in the financial reporting model. We are going to need that again for us to be able to move to principles based standards and application.

PAT MCCONNELL: On the issue of principle versus rules based, my observation would be that if you have principle based standards and I think that in most if not all standards that have been issued by the FASB there is an underlying principle. Sometimes you've to dig pretty hard to find it. But where they seem to go astray is where they put in exception and options. And if you are going to have principle based standards they can't have exceptions or options. And this goes back to your first issue.

I don't think that you can have standards that don't have exceptions and options until we have one single measurement attribute; otherwise you have got gaming between standards; you've got mismatches in the income statement. So, until we resolve what our measurement attribute is going to be, I don't think that you are going to avoid the exceptions and the options and therefore you are going to have to have rules based accounting because you need rules to tell you when the exceptions and the options are appropriate.

DONALD NICOLAISEN: Pat, let me respond to that. I believe that we will continue to have different measurement attributes for some time. It will take time to put all the tools and training in place. In the interim, the issue to me is where is the dividing line in applying different valuation techniques. Today, that line is hard for investors to see; additionally, comparisons between companies can be difficult. I believe that we can improve financial reporting, even using a mixed attribute model, by reducing options that currently exist in accounting and by requiring financial statement presentation in a manner which highlights the differing valuations. Technology exists today that didn't exist when I entered the profession and it may be the salvation.

XBRL is one good example and there are other tools that can be web-based and designed to extract detailed information that is specific and will enable comparisons from company to company. I am disappointed that the accounting profession has not made better use of available technology to communicate with investors. That can change, but we need the support of the business community, auditors, standard-setters and regulators. I have been encouraged by the efforts that the Commission is making to accept XBRL filings and by the FASB in its efforts to simplify accounting. But the amount of effort required is significant.

I think that provides an opportunity for us to move forward and to maybe do that on a more accelerated basis than if we were just to think about principle based only. I would say the there is always going to be an element of tension between the preparer, auditor and regulator, and I think that's healthy. It would be a mistake to think that the regulators are your friends.

I do think that the Commission does do a good job of trying to distinguish between those things that have great significance and are message important and those things that are bumps along the way. Accidents do happen.

AULANA PETERS: Well briefly, I agree with all of the above which is why this is an issue on which I'm neutral and those of you know me know that I'm a person of strong opinion and I'm neutral on this because I think this has become part of the human condition. And we don't know the answer yet. And I'm not sure frankly that we'll ever know the answers.

Don pointed out when he was a young accountant, GAAP was principle based. but, over the years, people sought guidance and they became more complex and complicated as guidance is issued and now we have what is called something that is called rules based.

I would comment to you on keeping track of what is going on in the world outside the United States with the adoption of the international accounting standards. And perhaps they do tell themselves that the IASB tells itself as having presented the world with a principle based set of accounting principles and from what I'm reading in the foreign press because, everybody in the EU has to adopt them -- there aren't up for it.

They have really got their knickers in a twist over there because nobody knows what they are supposed to do with these principle based standards and what the financial statements really are communicating once they have been applied. So, as I say I'm neutral and if you want a referee I'll give you my number.

ROBERT KUEPPERS: Wow, I've never known you to be neutral but I guess there is a first for everything. I've a couple of thoughts on principle based standards and then I think we have time for one more good discussion.

I think the real challenge of principle based standards is because it is very hard to find anybody who thinks it is a bad idea. But it is the change in behavior and what some would term as gamesmanship around applying standards today and Larry's point is excellent. An generation of young people in the auditing profession has grown up only with rules.

Preparers might have some very specific goals and reasons that are decent business reasons to have a transaction come out a certain way. The discussions of course are going to be not a client telling me as an auditor -- show me in the book where it says I can't do that -- but the discussion should be -- is this transaction, is this accounting, comport with the principle that is set forth in the standard that governs this area of accounting, and to be able to have a legitimate debate with the regulators, sometimes with differences in judgment.

That feels like a very different world that lots of us have been living in but for one I'm ready to get off the merry-go-round anyway and do something that makes a little more common sense. and sometimes it would come down to the honor of respect if you will, the relationships between auditor -- client, auditor -- regulator, client -- regulator to see something in a way that might results in more that one right answer.

I remember when I was on the staff with Clarence Sampson, we would have registrars come in to do pre-filing. There were times when he said that they have support for their position; I don't particularly like it, but I don't have a basis to tell them no. After Howard Hodges stormed out of the room, we generally got through the issue, but that was his orientation. There is more than one right answer and this has to feel right to me. This has to make sense. There has to be substantial authoritative support. And even though I don't agree, I'm not going to say no because I respect their process, I respect the way they have pulled this together and we go to the next one.

I think all this causes me to ask even a more pressing question perhaps or a broader question. For instance, whether we are talking about complexity or whether we are talking about the number of restatements or whether we are talking about principles versus rules, we are still talking about a set of historical, audited, financial statements. The three primary statements, the income, the balance sheets, the cash flow statements, the related disclosures, the MD&A, the whole package.

The real question in my mind is, have we reached a point in the development of financial reporting where maybe some might suggest that this isn't meeting the needs of investors, this really isn't working.

Perhaps Pat is right, we first need a single measurement attribute, perhaps others are right if we just take what we have and focus on one area and keep evolving it. Others might say, well what about operating measures, what about GAAP measures, which have been a huge issue with the Commission.

Figuring out a common sense way to allow investors to get those measures, provided the management can justify their usefulness. Where are we going and where should we go in the whole financial reporting model. And if we've reached a point in the history, just the development of the world I guess that we should be taking a fresh look, stem to stern, however you want to say it. I would love to get the panelists' views.

PAT MCCONNELL: As I alluded to earlier, the Charter Financial Analyst Institute has put out a paper that it is trying to look forward and say the statements that we have now aren't as useful as they might be for investors and what might be way forward and it has proposed a new set of financial statements in this report. And as I mentioned earlier, there really isn't an income statement in this new set of statements.

There is a statement of changes in net assets available to existing common share holders. It includes all transactions that would affect existing shareholder's equity in the statement, so it is not your tradition income statement and it is lined up in columns and it is also got a different sort of breakdown on the left side.

There is another statement of the beginning and ending balance sheet numbers to help investors understand what are cash flow, what are evaluations, what are re-measurements, what are changes in estimate. It's a unique set of statements that are I think that it would be worthwhile for people who are interested in evolving the current financial reporting model to take a look at. I think it has an advantage that it could be applied and should be applied to the existing mixed attribute model and as you move more and more towards the fair value model, a lot of the columns in the thing collapsed.

DONALD NICOLAISEN: I think it is time for us to move forward with innovative thinking. We can do things better. The investor suffers from an overload of repetitive information - SEC filings that have lengthy footnotes, MD&A, the president's letter and segment information that is often redundant - and complicated accounting rules that are not principles based. Technology is undoubtedly part of the solution. But so too are the efforts of FASB and other standard-setters to simplify accounting standards.

AULANA PETERS: Both Don and Pat have stated that the time has come to take a fresh look at the financial reporting model and I wholeheartedly agree with that. FASB and others have been talking about doing that for at least five or six years. I do not consider myself qualified to speak to what that new model might look like but what Pat described is very interesting.

I suspect that we might be better off with a revolutionary change rather than a evolutionary change because otherwise you never get there. You get financial statements and believe me as a member of couple of boards of directors I've seen over the past 10 years or seven years the financial statements grow from 12 to 15 pages to 50 pages because of additional disclosures and most of these disclosures are textual disclosures to explain the numbers in the income statement and the balance sheet et cetera.

Don is right; technology should provide us a tool to change the format and while I know very little about this new technology, I do know what is out there and I do know that corporate America is trying to deal with it. Some more quickly than others.

So, and perhaps it is the future and perhaps SEC should or the PCAOB should be really organizing a task force or assigning to the staff to figure out the potential for this particular technology, this tool, so that we can require people to have the technology.

LAWRENCE SALVA: We talk about this as the financial reporting model but as the letters already indicate, XBRL is business reporting which might be a little bit broader. I think about some of the things that are in our earnings press release that people are interested in that are not in the primary financial statements. I think you absolutely are on to it, Don.

If you can get technology to handle some of the business reporting data -- the data elements that some people are interested in that clearly are attempted to being communicated through financial reporting -- they are linked together. If you can allow data access through XBRL to a number of our securities, which I was focused on earlier, I go back to my investment portfolio.

You don't have to classify or tell people which of your securities are classified as trading and we make a point of trying to do that so people can understand why our income statement fluctuates the way it does.

And if you can just data tag all of your securities so that people can go into your footnote figure out or if they want to run a model that figures out -- that will be very powerful in terms of expanding people's understanding of financial statements. So if you think of this as more broadly than financial reporting and consider business reporting.

My disadvantage was coming in as an accountant into my company, not as a business person growing up in the company. One of the things I did was reach over to Investor Relations; Investor Relations doesn't report to me but I needed to understand what their job was and who they spoke to and what their needs were. And a lot of their needs aren't met through the financial statements and that's the part that we have to try to pull together.

ROBERT KUEPPERS: Let me observe something and I'll just declare that although I'm not neutral I agree with everybody. I mean Pat's points are excellent. Don certainly has been dealing with this issue both in his prior role and continues to show leadership in that area. I agree with Larry. XBRL is a wonderful tool but, I'm thinking that this might be a huge deal, not just a big deal.

In other words, is this a task force -- is this a Presidential Commission; I hasten to say that this is not a Congressional issue. I think it's an issue, though, that would have to bring together the private sector, the existing regulators in very much a leadership role. But, even if you do that and you come up with a model or a series of recommendations that might take a while or a very long time to implement, we are living in a global environment and we have got an international standards setter. Can we even think about legitimately doing this within our borders or would this whole effort need to be global in focus? And if that's true, can we ever get it done? To me, that's the bigger ultimate issue. We only have a couple of minutes but it'd take maybe 30 seconds. I'll start with Pat.

PAT MCCONNELL: Well certainly I believe that if you are going to redo the basic financial statement that definitely has to be done on a global basis because you need at least a common starting ground so you have comparability. As far as XBRL goes, I think it has great deal of potential.

My sense is that there are two types of preparers out there. Preparers who are scared to death which will resolve in them reporting things that they don't report today, and those that are hoping that it will allow them to report things that they don't report today.

XBRL is being developed on a global basis; the international financial reporting standards are already tagged to go into XBRL. So if you are filing statements under IFRS, I'm told that it's easy. I can't believe it's actually easy but they say it is easy to do your statements in XBRL to provide XBRL format. But in today's global environment, all of this stuff needs to be developed on a global basis.

DONALD NICOLAISEN: I agree with the global comment. Solutions should cross national borders. The part that does cause me some concern is that it is also very easy to get caught up in diplomacy and the politics of whose system is best and how to adequately involve everyone in the process without causing delay. Perhaps we are at the point where there is enough good direction already started and for the public and private sectors to build on that start.

It is important that the private sector play a lead role, whether domestically or globally, in developing solutions to financial reporting that are better, cheaper and faster. If we develop a superior product, it ought to sell itself.

AULANA PETERS: I don't think that you really bring about change through consensus necessarily, at least not very quickly. So I would say that everybody has to be working on this and as Pat has pointed out, it's already being formulated in the international arena.

There is nothing wrong with us taking the lead and trying to do something new and as Don says, if the accounting profession here in the United States turns up a good product, it should be relatively easy to sell and become global eventually. Hopefully faster than the standards now converge.

LAWRENCE SALVA: I agree.

ROBERT KUEPPERS: Larry I'm glad that this is being web cast because we have a two word answer from Larry Salva, I appreciate that. Let's close down our panel and I ask you in giving them a big thank you for all their insights.

We are actually going to stay put for the last segment of our program and that is to hear from Scott Taub, the SEC's acting Chief Accountant, for his views on some of the things that we've touched down today. Scott.

SCOTT TAUB: Good afternoon, everybody. As most of you know, I do a lot of speaking to get the word out about what happening in the Office of the Chief Accountant. Amongst these speeches and presentations, I've had some daunting time slots. I've spoken at a 7:00 a.m. session after a late night reception. I've done a training session on a Sunday morning. I was the last speaker in a conference that ended on a Saturday afternoon. And once, I had to follow Paul Volcker; not only was he a better speaker with far more interesting things to discuss, but he is also about 6 foot 9 inches. When I got to the podium, I had to reach up over my head to get the microphone. Of course I had been the last speaker before lunch or drinks. But none of those slots were as challenging as this one, because today I stand between a bunch of SEC staff members and free ice cream. So, I'll keep this brief.

Of course I do need to remind you that I speak only for myself today and not for the Commission or my colleagues on the SEC staff.

You've just heard a distinguished panel discuss many of the key issues facing the financial reporting world. Normally I would tell you what the SEC is doing regarding those issues. But, given the audience, many of you already know of those efforts. So instead, I'm going to spend the next few minutes on several key issues and the framework under which the SEC and other participants in the financial reporting process think about the issues. The right mindset in these areas will help ensure that reporting in the future will serve the capital markets as it should and will allow us to more easily drive down errors and the cost of reporting while making things more understandable for investors, or as Don said cheaper, better, faster.

In keeping with the fact that we are at a meeting of the SEC Historical Society, I'm going to start with a quote of one of my predecessors, Mike Sutton, regarding the objective of financial reporting.

> "Public policy objectives…should not supplant or compromise the essential goal of financial reporting to public investors, providing reliable decision-useful information to shareholders and prospective shareholders. Accounting and disclosure should have no other public policy objectives than to provide the best possible financial reporting to investors that will serve as a sound basis for investment decisions. To accomplish those objectives, financial reporting must portray economic transactions and events and economic performance in a neutral way, without slanting the results to favor any one economic interest."

Unfortunately many standards today include compromises that are intended to allow the reporting of economic events to be deferred or that simply allow certain things to not be reported at all in the interests of encouraging, or at least not discouraging, certain transactions.

I've sometimes spoken very candidly on this subject and I've been rebuked for it, by policymakers, senior officers of companies and even my best friend who happens to be controller for a dotcom company. So, instead of sticking out my neck out again, I'll reinforce the message by looking to Chief Accountant Sandy Burton who said in 1973:

> "If on the basis of realistic economics data, investors would require a greater return on capital, it is not desirable to coax them into an investment on the basis of defective measurements. I have heard…from others the argument that showing the truth would cause higher costs…or what have you. I don't believe this is adequate justification either morally or economically for falsehood in financial statements."

To ensure vibrant markets, we need to make sure that investors get standards to choose transparency over predictability, relevance of information over precision of calculation and the needs of investors over those of management, regulators and others.

Now to help me make my next point, I'll turn once again to one of my predecessors, Chief Accountant Clarence Sampson, who you've heard mentioned here today already.In 1985, Clarence said,

> "Fair presentation is hard to define but you know it when you see it. It is not 'fair' to account for a transaction in a manner which presents in the best light of the company

regardless of the realities of the circumstances. It is not 'fair' for a company to structure transactions to report desirable results, thereby artificially disguising its real results."

The FASB writes standards that are intended to be applied by people who are trying to accurately report the effects of transactions. The exact opposite of that is entering into a transaction intended at the outset to result in reporting that is inconsistent with the economics of that transaction.

Sometimes when I talk about the evils of structuring, those I speak to raise the concern that it is difficult to identify accounting-motivated structures. But I don't think that's the case at all. Like Clarence said, "you know when you see it." I believe that a good, knowledgeable accounting professional knows when he or she is abusing the literature instead of applying it in the manner in which it was intended, and it is those abusive situations that ought to be ended.

I'll again look to the past to help me envision the future of financial reporting and plagiarize the comments of Chief Accountant Andrew Barr, who said back in 1963, "Accounting is not an exact science. Precise rules and mathematical formula cannot be devised as guiding principles. Accounting decisions are largely a matter of judgments."

Unfortunately we've gotten into a place today where there is something of an aversion to applying judgment. Often, the answer people seek is whichever one is perceived to be safest, but those answers are not always the most transparent for investors. And we constantly get calls for every potential interpretive matter to be documented and the answer officially blessed.

This of course leads us further into complexity and rules-based standards, which we say is a place we don't want to go. The SEC staff has of course written at length about this in our 2003 report on objectives-oriented accounting standards.

As that report noted, successfully implementing principle-based standards will necessitate an even greater reliance on professional judgment. This will be difficult if practitioners continue to be reluctant, afraid or unable to make well-reasoned professional judgments. Some of the factors that have gotten us to this point are clear. Fears of litigation continue to rise. Scrutiny of accounting and auditing is as high as it has ever been. It is not surprising in this environment that people feel like they are exposed if they rely on their own judgment to make important reporting decisions.

Many have blamed the SEC in large part for this state of affairs, suggesting that our actions raised the fear of being second-guessed to the point where people just aren't willing to leave open that possibility. I continue to try to do something about that. We obviously shouldn't be objecting to well-founded, reasonable judgments that are made within the context of the existing accounting literature. Keeping with the pattern of the speech, I tried to find words from a former Chief Accountant to help me here, and I did find this on the subject of judgment from Walter Schuetze in 1993:

> "Some people say that financial statement preparation ought to be left, in large part, to the judgment of those who prepare and audit financial statements. That we should have broad, general financial accounting reporting standards emanating from the FASB, with their implementation being left to the issuer of the financial statements and its auditor. That approach will not work….broad general rules left to the judgment of issuers and auditors have not worked and will not work."

Okay so maybe Chief Accountants over the years haven't always sent completely consistent messages. I do believe though that what Walter was really complaining about was biased and unprincipled judgments that are improperly described as "the application of judgment." Of course, we ought to object to that one when we see it. In the same 1963 speech that I referred to before, Andrew Barr, reading from a previous publication, explained this quite well:

> "The acceptability of judgment and estimate in accounting does not extend to willful or wishful expedience. The estimates and judgments must have a rational basis under the circumstances, that is, justification stronger than self-seeking arbitrary choice and stronger than a desire to have accounting figures show what one wishes them to show."

In the end, while bright lines need to be respected when they exist in GAAP, there are plenty of places where accounting literature calls for the application of judgment. Preparers and auditors need to be professionals and make the necessary adjustments to ensure high-quality reporting. And so long as those judgments result in transparent reporting, they are unlikely to raise concerns that would cause us to object.

I'll quote Clarence Sampson one more time to make my last point. Clarence noted, "Management knows more about the company than investors or creditors and can often increase the usefulness of financial statements by identifying certain events and circumstances and explaining their financial effect on the company."

I have a slide that I use when I do presentations that urges the companies to go beyond the minimum requirements if needed to better communicate with investors. The recommendation along these lines is included in the SEC staff report on Off-Balance Sheet Arrangements. Too often though, the attitude seems to be that if a disclosure isn't explicitly required, then there is no reason to make it. I actually heard an executive of a company suggest that there wasn't a disclosure violation in regards to backdating of stock options because the executive compensation rules don't specifically require disclosures about backdating. And I constantly hear people cite the fact that key performance indicators aren't in SEC reports as evidence of a deficiency in the standards or rules. This is despite the fact that there is nothing to stop companies from disclosing those key performance indicators voluntarily but not many of them choose to do it.

Let's face it, there is no way that the SEC and the FASB can write standards and rules that comprehensively list all of the disclosures that might be important to investors. Indeed, attempts to do that are likely to contribute to confusion, even more complexity and disclosure overload. We'll be much better off if, instead of disclosing only what is specifically required, companies disclose the key information, whether there is a specific requirement to disclose that piece of information or not. If this happens, quality of disclosure will improve without any new regulatory burden.

In conclusion let me say that I hope you've enjoyed spending these few minutes exploring the financial reporting issues of today with me, with the members of this panel and with the others whose words I've used so liberally in putting together these remarks. There is a lot to do as we move forward but the Historical Society reminds us and the preparation of these remarks reminded me in particular that we can often learn a lot about these issues today by looking to the past. Thank you very much for your attention.

ROBERT KUEPPERS: Scott, thank you very much. I appreciate your remarks and I think they fit very well with the discussion that we had here in the panel. And I would like to thank the panel once again for all their contributions. A reminder to you that Scott's remarks and our panel's discussion are now part of a permanent collection in our virtual museum and archive at www.sechistorical.org.

The audio version can be accessed at any time and a transcript will be posted. I think our website also is being made MP3 compatible so I expect to see you all in the Metro with podcasts of our remarks today. I'll also point out that Scott very appropriately quoted many of the former Chief Accountants, starting with Carman Blough in 1935. Some of our recent Chief Accountants including many of the quoted gentlemen today, have their oral histories in our museum and archive. And I think it would be great for you, if you are interested in these topics, to take a listen.

Our new President John Ramsay, noted earlier that today does mark the 72nd anniversary, or birthday if you will, of the SEC's founding in 1934. And now it is time to recognize and celebrate that. I invite you all to the foyer outside the auditorium for an ice cream social. While you are there, take a look at the bust of James Landis, who is one of the principal authors of the original securities laws in the 1930s and who was also the second Chairman of the SEC, after Joseph Kennedy.

That bust is on long term loan to the SEC from the Society. Thank you again for being with us today on our Seventh Annual Meeting. And we look forward to your participation next year. Good afternoon.