UNITED STATES OF AMERICA
THE DEPARTMENT OF THE TREASURY

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ADVISORY COMMITTEE ON
THE AUDITING PROFESSION

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TUESDAY
JULY 22, 2008

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WASHINGTON, D.C.

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The Advisory Committee met in the Cash Room at the headquarters of the US Department of the Treasury, 1500 Pennsylvania Avenue, N.W. Donald T. Nicolaisen and Arthur Levitt, Jr., Co-Chairs, presiding.

MEMBERS PRESENT:

DONALD T. NICOLAISEN, Co-Chair
ARTHUR LEVITT, JR., Co-Chair (via telephone)
ALAN L. BELLER
MARY K. BUSH
TIMOTHY P. FLYNN
ROBERT R. GLAUBER
KEN GOLDMAN
GAYLEN R. HANSEN
BARRY C. MELANCON
RICHARD H. MURRAY
GARY JOHN PREVITS
 Damon SILVERS
SARAH SMITH (via telephone)
WILLIAM D. TRAVIS
PAUL A. VOLCKER
ANN YERGER
OBSERVERS PRESENT:
ROBERT HERZ
CONRAD HEWITT
MARK W. OLSON
ZOE-VONNA PALMROSE

TREASURY STAFF PRESENT:
KELLY AYERS
GERRY HUGHES
TIMOTHY HUNT
KRISTEN JACONI
STEVE LAUGHTON

REPORTED BY: CHARLES MORRISON
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>AGENDA ITEMS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. DISCUSSION OF SECOND DRAFT REPORT</td>
<td></td>
</tr>
<tr>
<td>A. Human Capital Chapter Update</td>
<td>7</td>
</tr>
<tr>
<td>B. Firm Structure and Finances Chapter Update</td>
<td>43</td>
</tr>
<tr>
<td>C. Concentration and Competition Update</td>
<td>90</td>
</tr>
<tr>
<td>II. Next Steps and Other Items</td>
<td></td>
</tr>
</tbody>
</table>
PROCEDINGS

(1:04 p.m.)

CO-CHAIR NICOLAISEN: Well, good afternoon. We now have a quorum. Transportation into Washington today is -- has been a problem for just about everybody who's tried to get here.

I left New York on the nine o'clock Shuttle and got to Reagan at noon with a diversion to Dulles and threatened return to New York. So, I'm just happy to be here.

My Co-Chair, Arthur Levitt, I think, will be joining us by telephone, is not able to get here this afternoon.

We have several other Members, mostly due to the weather and traffic and inability to physically be here, who will either join by phone or we'll have to catch up with them later if they're lost in transit.

We do have a quorum, so I call the meeting to order. I welcome everybody. I welcome our audience. I welcome those who are
joining us on the webcast.

This is an almost-to-the-last session where we'll have an opportunity to have an update as to the status of our report, the work that's been done on it, the things that are particularly noteworthy.

And, as has been our practice in the past, we'll ask each of our Subcommittee Chairs to lead the discussion in their area. I would, as always, encourage our observers to participate, to provide your input. All Committee Members are encouraged, if there's any doubt in any way, in any aspect of any of the recommendations that are being made, that you would voice your concern at this point, because we are nearing that point where we will call the report final in the very near term.

Sarah, I think, Sarah Smith, you're on the phone.

MEMBER SMITH: I am.

CO-CHAIR NICOLAISEN: Excellent.
Glad to have you.

Chairman Levitt, are you?

(No response.)

CO-CHAIR NICOLAISEN: No. I think that's it. I think Rodge Cohen will be joining us at some point, as will Rick Simonson, and I assume they will announce themselves as they come on.

Today we do not have witnesses before us, so this is the in-house discussion between the Committee and observers, and I think we've made a tremendous amount of progress, and I want to thank everyone for that.

I have looked at everyone's comments, as you respond through Kristen, and as you work your way through the document. And I think there's been extremely valuable input that we have.

This is getting to be what I think is going to be a very good report on the profession, very good update on the
profession.

So, with that, Subcommittee Chair Gary Previts, heading up the human capital section, I will turn it over to you and ask you to lead our discussion.

MEMBER PREVITS: Thank you, Don. Good afternoon everyone. I'm pleased to report on behalf of our Subcommittee to bring you up to date on the changes made in the second draft report, which can be relatively quickly highlighted and summarized and then we can open it to questions, and hopefully the hyperbole around these will not be distracting or without purpose.

We found that the structure of the recommendations, the five recommendations we have were sound, but were in need of some adjustment to take into consideration items which came to our attention since the drafting of the first round of our human capital section.

Among the issues -- and I wanted to
single out Gaylen and Lynn Turner for their particular memo of June 17th. I mentioned it to Gaylen this morning at the CAQ event that it helped sharpen our awareness for the need to take full advantage of what I think Barry calls the law of the land, 150 hour opportunity. And make sure that we put into there more than just hollow hours.

And much of what we’re facing today, you know, if you go back to when the concept of the additional professional education was added, there were studies such as the one that I’m just taking out of the stack here from one of my dusty shelves.

It was done in the early Eighties that, in fact, did study, based on the human resource records of firms, the ability of people with a graduate degree to succeed more rapidly through the exam, to stay longer and be retained longer by the firms, to be promoted more rapidly and so forth.

Criteria that we have not really
done a great deal to continue to evaluate over time, in part because firm records aren't always public records. And so, the problem with doing this in a kind of a statistical sampling way doesn't work because you don't have a control group.

But, if you do have firm records on HR and you can analyze those -- this isn't just a, you know, an easy question -- it's quite possible to begin to assess the benefits.

But that really goes back and begs a question. That was all studied back in the 1980s, and so today the opportunity before us is to figure out what it is that we need to do to extract full value from that educational opportunity.

Remember that there are, now, a majority of states -- a vast majority of states that require that educational component.

That being said, the supply and
demand study is out and it shows, you know, the first study in approximately three years with good information that's, I think, distributed to all the Members.

And so, there were a lot of things to chew on as a result of the communications from individuals who submitted material, and with the support of staff, we evaluated and considered and came up with some changes that would amplify the opportunity to reaffirm our expectations that curriculum examinations should capture this high level of educational opportunity which is now the law of the land, and to note that fraud examination, forensic auditing, financial risk management, a number of particulars, would be -- would also be appropriate subject matter.

To the extent that it was important to specify it, because technology has been so increasingly important, you know, 20 years ago or 25 years ago to think about the internet was beyond the realm of imagination.
We were in fax machines and bag phones, and so to talk about what it might be in the next decade is, you know, is increasingly challenged, but the need to recognize the benefits of technological innovation and teaching materials was added as a recommendation as well.

We spent considerable time talking about the minority representation recommendation, and in particular, to build on the suggestions made by Frank Ross at his last -- at our last meeting when he testified about the importance of mentoring, and the value of having a mentoring program to enhance minority retention.

And we also added a footnote item about the issue about the balance comment about qualified individuals who have the opportunity to remain in the country, either, you know, by increasing the current H1-B quota.

Now, this was not a position taken
for or against, it was a position that said, this is an issue. So, it's a footnote, Footnote 71.

Maybe the best way to leave this is with some perspective on where we are, and thinking about where we need to be. This morning we were treated to the old bromide, if you will, of Wayne Gretzky and skating to where the puck is going to be.

Having been in the classroom at Case now for 30 years and been an academic for 40 years, I would point out that the next ten years, I think, are going to be by far the most challenging in the last half-century.

We are going to see a demographic that's going to affect both the practice community and the academic community in our capacity to -- my best guess -- attempt to double the number of Master's level graduates.

To do that without some form of assistance or intervention, if you will, the way that science and medicine has done in the
past, may be particularly challenging.

These are personal remarks, not the remarks of the Committee, but I think I owe you an accounting for my best thinking, having been immersed in this project for the last nearly ten months.

In the last 30 years the academic community, which I guess I am a representative of, has produced no less than eight score and more schools that have achieved accounting accreditation.

The schools that you would recognize the names of, Baylor University, Baruch College, Brigham Young, University of Chicago, University of Southern California, Penn State, Lehigh, William and Mary, Dayton, Notre Dame, Minnesota, Ohio State, Denver, Howard University, Texas at Austin, Georgia, Tennessee, University of Illinois.

All of those programs have accredited graduate programs in accounting. They did not exist. The concept of accounting
accreditation did not exist 30 years ago.

In those days, if you put out 2000 Master’s students you would be fortunate. Maybe three. This past year the number was nearly 17,000. And this was done without a dime of federal money.

This was done based upon the sweat equity of the campuses of the States, and that challenge faces us, you know, the same kind of challenge, but we don't have to expand by a factor of eight. We only have to expand by a factor of two in ten years.

I think that's probably a good bet about, you know, supply capacity that's going to have to be paid attention to, along with all the recommendations.

So, I think our recommendations support going forward, giving careful thought to what it will take to create the human capital for the foreseeable future, as is always the case when you have reports of this type. The proof of the pudding will be in the
eating, or will we end up walking the talk?

I think the talk is about right. I think we've got the report and the recommendations about right. The ability to deliver on those recommendations will be the major challenge.

I want to thank all the Members of the Committee.

Sarah, you're over in London this morning, or are you back in the States?

MEMBER SMITH: I'm over here.

MEMBER PREVITS: Okay. I want to thank every member of the Committee for not ever pulling a punch, for saying what they felt and believed, and oftentimes, although the data was not as compelling or clear as we would have liked for, in good faith, wrestling with the issues and coming out with what I think is a good set of recommendations.

And, Barry, I'd invite you, since you're present, and Sarah, if she'd like to comment at all.
MEMBER MELANCON: I think just real quick, I think we tried to take the feedback, as Gary mentioned, and made some modifications. I think it really does reflect where the issue of human capital is today, and with some forward-looking activities, like the study group that's in there for the future.

I do think that there are some challenges, but I do think, as you look at the whole landscape of the demographics of society, the profession actually has a leg up in winning that. It's just a matter of how it progresses over the next couple of years.

MEMBER PREVITS: Sarah, any comments?

MEMBER SMITH: Gary, I just wanted to mention that we did not ignore the several comments that came through from people who responded, the subject of addressing women in the profession.

And what we did, in looking at the data, we felt that putting the actual
statistics in the footnotes to the report would be helpful in explaining our thinking, which was that entry level is very healthy and over the last few years we've seen improvements each time the statistics have been done in terms of partnership and some more senior rank for women.

So, I didn't want people to think that we didn't look at that, nor do we not think it's important. We do think it's very important, but since the profession seems to be making strides, although, you know, possibly not as fast as we would want, that we felt putting in the statistics would help people see that.

MEMBER PREVITS: Don, I suspect that we've heard the feedback from the Committee Members. I'll perhaps turn it back to you for questions or however you care to proceed.

CO-CHAIR NICOLAISEN: Great. Thank you very much. Any comments, suggestions,
recommendations, questions, concerns? Anything that this Subcommittee has missed that you would have anticipated they would have dealt with?

MEMBER VOLCKER: What do you mean, human resources?

CO-CHAIR NICOLAISEN: Human resources.

MEMBER VOLCKER: Let me make a comment which may or not qualifying --

CO-CHAIR NICOLAISEN: Right there. This little button.

MEMBER VOLCKER: Maybe a little late, but when I read this it all sounded, you know, competent, interesting, but it missed what I feel.

The more I'm involved with accounting, the more I realize how difficult it is and the importance of it, and I don't think it receives sufficient attention in a lot of respects.

The profession doesn't have the
prestige it should have. I don't think it attracts the talent that it should, and one reflection of that is I think -- my impression, anyway, is the most prestigious universities and business schools don't even teach it, but they don't teach it as a separate subject, anyway. They touch upon it.

And shouldn't we say something about this, that you know, the profession is neglected, and it's not attracting the talent that it should. I read a lot of stuff here about education, broadening the education.

That's fine, but I don't think it quite gets to the point that, you know, the whole level of the profession ought to be raised in the public eye and in the eye of, I suspect, of accountants, themselves, to a considerable extent, because it really is a subject worthy of a lot of intellectual effort.

CO-CHAIR NICOLAISEN: Let me --

I'll let Gary comment in more detail, but this
had been very early on in the dialogue of the whole Committee, that had been observed, had been considered as a -- as a significant concern.

And I think that in the background of what will surface in other parts of this report, which are not yet complete, not yet drafted -- perhaps is a better term -- there will be a background section and it will also be a report of the Chairman, and in that area I think you can rest assured that we will have commentary to that effect.

I'm not sure that the solutions are necessarily easy. They certainly are long-term, and it won't be an on/off switch, but that has -- your observations are exactly right, and I think it's a concern that is shared, probably by every Member of this Committee, and I see our observers nodding their heads yes as well.

So, we do need to deal with that.

And I thank you for that input.
MEMBER PREVITS: Mr. Chairman, I appreciate the observation about prestige. I think that's -- you couldn't find a more hearty supporter of that concern in terms of the public image that we have and what we would need to have to carry the kind of support, I think, it's going to require to have the interventions to develop the capacity that would serve society at the highest levels, because I think the resource question about our capacity to educate people properly for the coming years is a clear and difficult challenge.

As far as getting into 'tis/'tain't about which campuses do and which campuses don't, I think before you walked in I had mentioned the accredited programs in accounting which go from very good schools, including the University of Chicago to Southern Cal, to all the -- most all the so-called Big Ten schools that have, I mean, I
think good research reputations.

It's true that perhaps, you know, some of them -- these were the accredited schools. There are still programs at Wharton, for example, that have not gone the accreditation route, but they still have very strong accounting programs.

So, I'd be less concerned about -- I think the word you used was neglected -- neglected at prestigious institutions. The president of our National Association, the American Accounting Association, last year is a professor at Yale.

Now, he calls himself a professor of economics, finance and accounting, so it's a different kind of, you know, caricature, but his interests are clearly in the financial reporting area.

And I think when you get to institutions in the Ivy's, maybe in that regard you're right, it's probably in the underrepresented. But from a popular point of
view of high-quality schools through the
country that have achieved accounting
accreditation, the record is clear.

Over 160 schools have paid that
price from the most notable to some that are
maybe less notable. So, you know, I wouldn't
hang a lot on the neglect at the prestige
campuses, although I think that probably does
count for a lot in certain circles.

The matter of the reputation of the
firm -- of the profession and its public
prestige, I agree. We have an issue.

CO-CHAIR NICOLAISEN: Rick?

MEMBER MURRAY: Thank you. I also
agree with and appreciate Chairman Volcker's
observations about the prestige challenge that
is faced here.

Having watched or been involved in
the profession for 40 years, it seems to me
that we've gone through an enormous growth in
competencies, but not a similar growth in
stature relative to peer groups that one might
measure in terms of attracting people into the profession.

My only concern is what we do with that observation, because it's one of those clearly evident truths, the articulation of which may make the solution more difficult to achieve than if we didn't quite say this is a profession that suffers from a lack of wide appreciation or sufficient attention at premier universities.

Otherwise, having made no contribution at all to this subject, I would like to thank Gary and his Subcommittee for what I think is an extremely thoughtful and valuable contribution to the Committee's work.

CO-CHAIR NICOLAISEN: Thank you, Rick.

I think the context in which all of us are addressing this is that the audit profession is critically important to an orderly and fair society, that they play a role that's unique, that it's highly valued...
and that perhaps that -- just that aspect hasn't been adequately communicated, either.

So, I think you'll -- I think we do have a delicate task to complete, but I would hope that if this Committee is known for nothing else, that we would come across as having reemphasized and stressed the importance to our capital markets of a very competent, strong audit profession.

And it gets back to the very reasons why Secretary Paulson chose to create this group and, you know, I think we're beginning to make some progress, but we will -- we'll put our effort into it.

Gaylen.

MEMBER HANSEN: Thank you, and I'd like to thank Gary for your Subcommittee's hard work on this.

I have raised, I think, at least in the draft, the question about the gender issue, and maybe you could comment on that. You know, when I graduated from college -- and
it wasn't 40 years ago -- it was 30 years ago, so I don't have as much experience as Rick does here, but there were four of us and we were all interns for the same firm from my school and there were two men, two women.

And I thought all four -- I thought things were balanced because of that. And then I found out that they weren't quite so balanced.

And over, you know, that 30-year period, I think they have come into more balance, but just the fact that I don't know that there's any CPA's on this Committee that are women -- representing women.

I just wondered if it isn't worth at least a comment. The importance that women play in the workplace, the flexible week schedule or working schedules that they have to deal with, do they have a track-to-partner in the firms that -- isn't any comment along those lines.

And I realize, you know, some
people might question whether women are a minority, depending upon your political persuasion. Irrespective of that, I just -- I just think they play such a critical role and I work with so many of them that are tremendously talented and competent, I wonder if it shouldn't be addressed.

MEMBER MELANCON: I'll take that one, Don.

And I know Sarah is on the phone, but I think the summary of the -- we had three women on the Subcommittee and we discussed this at considerable length.

I think all of those issues that you described about work-life balance issues which, by the way, you could make the same argument on a generational sense, not even on a male-versus-female sense.

It crosses all business and profession and industry issues, point number one. And I think we felt that, in fact, there's a lot of evidence that the profession
does a better job than many others in doing that.

If you look at lists that are published by commercial enterprises of best places to work and things of that nature, the profession -- not just the Big Four, by the way, many different size firms do very, very well on that list.

Secondly, we just published a report that shows the highest number of female partners in CPA firms in history, at 23 percent. That number will continue to grow. It's an evolution of greater than 50 percent of the entry class of CPAs being female for several years now, and the normal matriculation process to the partner level from a public accounting perspective.

That's not to diminish in any way the CPAs who -- female CPAs who have very significant roles in business and industry and in finance functions and otherwise.

And we did put that, as Sarah
mentioned in her comments, we did put that, and referenced that in a footnote because it was raised, Gaylen, as you said, and it was raised at the last meeting, and the Subcommittee wanted to reflect the fact that we had considered it. We put it in the footnote to acknowledge that that progress is there.

But that was the thinking of the Committee from that standpoint. The points all being very, very important, but essentially the progress is clearly there. The numbers that are record numbers, and some of the issues and challenges that you described are not unique to this profession. They are, in fact, -- they cut across all industries and all professions.

MEMBER SMITH: And just to second that, Barry, the fact that work-life balance has been talked of, in terms of both genders now.

It's really very critical to those
of us who have been or are in the profession. We think that's a very important point. We don't want to make that a female issue. I think that does not do well for us long-term.

CO-CHAIR NICOLAISEN: Gary, maybe it is worth taking a look one more time at the wording that's in the report around this, and I'm sure you're confident that -- that we've done that, but there is a sensitivity out there that perhaps we may not have fully captured, I think, the spirit of the Subcommittee.

And certainly the spirit of this Committee has been that we would like to see that representation continue, and I believe the firms are confident that they've been taking the steps to ensure that that happens.

Maybe we haven't -- maybe we can elaborate a little bit more in the report on that.

MEMBER PREVITS: I was just going to comment before Tim gets in on the
conversation, that we also are walking a fine
line here in minority representation in our
focus on that Recommendation, and so, you
know, we are very sensitive to having the
correct language in place.

I think we've got it right in the
new note, number 17, that we've added to the
report, but we'll take another look at it.

CO-CHAIR NICOLAISEN: Great. Thank
you very much. Ken, I think you were next,
and then Tim.

MEMBER GOLDMAN: Yes. I want to
actually possibly comment, follow up to a
comment that Chairman Volcker was saying.

And it comes back to -- I think
about when I, myself, when I learned
accounting, and I sort of watched what's going
on in terms of the subprime fiasco, the
mortgage fiasco and everything there.

And one of the things I have been
suggesting, and it's hard to get pushed
through, because I've been involved in an high
school endeavor, is the thought of financial literacy or lack thereof that starts really in high school and college, which really accounts for two things.

One is, folks don't take responsibility for their own finances because they don't understand them. And two is, you talk about the, you know, profession, and people having more dignity and so forth in the profession, and part of it is, I think, would be helped if we had a better familiarity with the profession early on.

So, I don't know if it's really part of the province of any of our Subcommittees, but it just strikes me, as you walk around and you see what's going on in the environment today, and then you see what we're trying to accomplish here, that a lot of it starts with just the lack of understanding of basic financial concepts, understanding your net worth, understanding how to take care of your own self as opposed to quote, unquote,
blaming it on someone else.

   So, I don't know how to put that in
   words, but it just strikes me that's sort of -
   - that's where really a lot of the issues
   start.

   CO-CHAIR NICOLAISEN: Right. Thank
   you. I know Barry probably feels like a lot
   of what the AICPA has done over the years
   doesn't necessarily get recognized, but I know
   that there has been -- there have been many
   campaigns to do exactly what you have
   described and an awful lot of people actively
   involved in it.

   The question is: how do you get
   broader exposure, perhaps, to ensure that --
   that it not only happens, but people respond.

   MEMBER GOLDMAN: Well, I just
   think, if I could add one thing, I just think
   part of it is to suggest strong enough, which
   hasn't always been successful, that high
   schools start teaching a basic course in
   accounting of some form or another, make it
simple, whatever, if you have to, but you start there.

So, when you come out of high school you have some knowledge of handling your own financial affairs.

CO-CHAIR NICOLAISEN: Good. Thank you.

Barry, I know you were anxious to -
-
MEMBER MELANCON: No, I won't go into a lot of detail. There is, just for your information, a Presidential Commission on Financial Literacy along the lines of which you have just said, Ken, that I hope that -- this Administration hopes survives multiple administrations similar to when we were all growing up with the Presidential Commission on Physical Fitness, so there is a major push in this -- in this town, and in government for that, of which the profession is a very key player in it.

I would commend you to
360degreesoffinancialliteracy.org, which is a major push of the profession’s investment along those lines.

But to your high school point, I know you were talking about it from a general business knowledge perspective. There is a fair amount of evidence that actually shows that, believe it or not, a person majoring in accounting, ultimately becoming an accountant -- and I know your point was general knowledge, but if they go to a high school that has an accounting course in high school, they are actually less likely to major in accounting.

So -- and we have some pretty hard evidence on that. So, it's -- I think what you -- if I could just amend your words, I think there's a general business awareness as opposed to accounting, financial literacy-type courses, and you will be happy to know that there are some states that are actually -- and we are supportive of that through the
CPA's societies, et cetera.

There are obviously costs associated with adding curricula in high schools, but there are some states that are embedding that into the high school curriculum.

Again, not accounting, per se, but the financial literacy point that you described, and there are a lot of programs like HeadStart and others that are focused on that. JumpStart, excuse me.

CO-CHAIR NICOLAISEN: Great. Thank you. Tim Flynn.

MEMBER FLYNN: I did take accounting in high school, so I don't know what that says for me, Barry, but -- and I'm glad I did.

I think the report is very well done. I just have a couple of observations and may tie back into what we've been talking about a few moments.

One, I think maybe up front is the
chance to celebrate some of the profession's success in the forepart of this dialogue. I think if we look at the gender issue and the dialogue around that, we've made tremendous progress as a profession in the last ten years on a gender basis.

We've focused on it. The retention -- for the first time in my firm's history, retention of our female management group is higher than our male management group, with 18.5 percent or so women partners, up from, you know, single digits seven years ago, and the profession on a whole is in high teens.

So, there's tremendous things happening, and the evidence there is that we've focused on it. We've looked at it. We've created environments, and there's been great progress.

I think that can draw an analogy to, from the standpoint of the other diversity we're talking about in the document, that if by focusing on it and driving that we can have
the same type of success, by not taking our
foot off the pedal on the gender side, but
taking that momentum into the minority side
and other parts of diversity.

So, I think that could be very well
-- and I think the point that Barry made, we
should celebrate a little bit. I don't know
how many other professions, the top four size
firms, at least in our profession, are all in
the great places to work for Fortune.

All four firms are a great place to
launch your career in Business Week. We're
represented, all firms, in Working Mother,
Diversity lists. I mean, there is tremendous
focus on the work place, and we have a lot of
really talented, smart people. A lot of
really talented, smart people.

Can we improve? Yes. Can we get
more business schools involved? Yes.
Advanced degrees? Yes.

But I think a little bit of
celebration of the talent in the profession
today doing the complex issues might be a way to lean on this a little bit in the forepart of the document.

MEMBER PREVITS: You will never find me opposing a party anywhere, Tim.

MEMBER FLYNN: That's not just the top four firms.

MEMBER MELANCON: Well, I just said that Tim is absolutely correct. I agree with what he said, but just, when you look at those lists, it goes beyond the four firms as well, so I think it's culturally in a lot of different places in the firm.

MEMBER FLYNN: I agree, Barry, but my point, I think, a little bit is that's very important and celebrate all that, but if you look at just the pure size of the profession that's represented on that list, just the pure numbers on that list and take any other industry or profession, it's incredible.

MEMBER MELANCON: I agree.

MEMBER FLYNN: And I think that's
the part that we have to leverage off of.

CO-CHAIR NICOLAISEN: Great. I think that's really good input and probably does deserve a section in maybe a few charts and graphs as well in the document.

It's one of the things that always happens with any Committee that studies something, you tend to look at the things that aren't working and you don't always talk about all the things that are working very well.

And we probably -- we probably can all go through this and do a little reflecting on do we have the right balance in the entire document.

I think this has been a very healthy discussion.

Bob, did you -- okay. Mark.

MR. OLSON: You may have just wrapped up the topic, and maybe I shouldn't offer this, but the concern I have is that if we were to pursue the idea of the accounting profession being respected, that strikes me as
a fairly ethereal goal.

I'm not sure that you can achieve respect. And I think that respect is conferred. And as I -- if we were to stand out and say, our goal is to become respected, I think you would have -- that would be the end result of a lot of the components I think that Tim just talked about.

The recognition of the quality of the work experience, the value of that work experience to society. If I look at -- if I look at professions that I think of as being prestigious, for example, in the medical profession, there are certain elements of the medical profession that are thought to be prestigious, but they are at a higher level. They are at a higher education level or that there has been a significant winnowing process with the people that get there.

I don't think of -- I don't hear the law profession being generally described as prestigious, although -- although I think
of the people who are judges, for example, are, so -- in the winnowing.

So, I think in order to achieve prestige, I think we would almost have to stratify the profession in a way that would -- that I think is inconsistent with the goal of this Committee.

And so, I would be -- I would much -- I think that the emphasis ought to be on the contribution of the profession and the value of the profession to both financial reporting and broadly, more broadly to the societal value.

CO-CHAIR NICOLAISEN: Right. Thank you, Mark.

I think Bob Herz said it in one of the very first meetings, that there aren't too many television programs or movies about CPAs, and he, I don't think, has had any movie contracts as Chairman of the FASB in the interim period, but if anyone has a recommendation as to who might play a starring
role, we certainly will entertain ways to get that in the document.

Thank you. I think it's been a very good discussion of human capital. Gary, thank you very much. Thank your Subcommittee very much for all of your efforts.

Let's turn next to Bob Glauber and Bob has had not the easiest Subcommittee issues to deal with. He's been dealing with firm structure and finances and many other things attendant to that.

If you would, would you please update the rest of the Committee on your progress.

MEMBER GLAUBER: Certainly. The issues may make it difficult, but I am most fortunate to have the Subcommittee I do, and I want to again say how fortunate I think I am to have been asked to chair the Subcommittee, composed as it is of such wise and knowledgeable people with diverse and strongly-held positions.
Let me do several things. First, let me update you and call your attention to the major changes in this draft as compared with the previous one.

And then what I'm going to do, one of our members is unable, because of scheduling conflicts, Lynn Turner, to be with us, and I did tell him that I would -- I asked him for a summary. I asked him for a summary of his positions that differ from -- in important ways from the Subcommittee's current draft, and I just told him I would present those to you.

For a list of the ways in which the Subcommittee's recommendations differ importantly from the previous draft, the first is in Recommendation 1, which centers on the creation of a national fraud center.

And you will note in the Recommendation there is a bracketed space. We are inviting applicants to lead in the creation of a national fraud detection center.
It's difficult to get the right person or group to do this. And we've, at one time or another, had several nominees, some which I think ultimately the Subcommittee felt was not just the right balance, some who declined the nomination.

So, we are at this point without anybody. We're going to continue to approach proper groups to see if we can't put in this recommendation a formal named entity.

Recommendation 2(a) which deals with the UAA's mobility provisions, I just want to make sure that you see that this now clarifies that our call for congressional legislation with a federal provision requiring states to adopt the UAA's mobility provisions would only apply to those states that have not already adopted those provisions.

It also -- this Recommendation also now updates the numbers on the number of states that have adopted these provisions. It's now up to 31 states.
Recommendation 5, which is the auditor's report, we have essentially combined our old Recommendation 5 and Recommendation 1(b), which also dealt with the auditor's role in fraud detection and made them into a single recommendation which deals with improving the auditor's reporting model.

Recommendation 6, we now recommend that the PCAOB will be -- undertake a standard-setting initiative to consider mandating the engagement partner's signature on the auditor's report.

We had put that possible provision out for comment in the last draft and, indeed, we have adopted that now.

And then finally Recommendation 7 on transparency reporting, we recommend that firms file an audited financial statement with the PCAOB on a confidential basis beginning in 2011.

In addition, as we have before, we recommend that the firms file a public report,
including a report similar to the EU-40 -- Article 40 transparency report, and other audit quality indicators as recommended by the Subcommittee on Concentration and Competition.

What you will note, and we again put this out for comment, in this recommendation we simply leave it at recommending that these audited financial statements be filed with the PCAOB.

What is not in this draft, which I should point out to you is any recommendation on litigation reform. Again, in the earlier draft we said we were putting out for further discussion some possible idea on litigation reform.

What I have to report to you is that the Subcommittee is unable to reach a consensus on any meaningful and actionable litigation reform recommendation.

We have worked, I think, very hard with the encouragement of the chairs of the Committee and really, the committed attention
of the Subcommittee, and their indulgence in a number of meetings, but we just have been unable to reach consensus on what would be a meaningful and actionable litigation reform recommendation; the views just really are quite disparate.

After further talk with the senior management of the Committee, I have agreed that the best way for us to try to proceed from here is to produce a fair and balanced statement by the Subcommittee of the various views on litigation reform and the issues surrounding litigation reform.

And we are working on that. I hope we will have a success. We plan to convene another meeting of the Subcommittee at which we will discuss this further, and I hope to be able to present to you such a statement.

It would be a statement of the differing views on the range of these issues surrounding litigation reform, and to do it in a balanced way that left the entire
Subcommittee comfortable as to its presentation.

So that's where we are. Just for completeness, as I said I would before, let me just note on behalf of Lynn Turner, who is unable to attend today's meetings, sort of the -- his major points of disagreement with the current chapter draft.

On Recommendation 1, he would oppose, and indeed in part because of his opposition, we have taken out the Center for Audit Quality as the lead in forming this national fraud center.

Furthermore, he does not believe fraud detection best practices will be of much help.

On Recommendation 3, auditing firm governance, he believes that the recommendation should require a majority of independent board members.

Currently, the Recommendation doesn't specify any number of independent
board members, but he does recommend that there be independent board members on the boards of the large auditing firms.

He believes that this governance change should be, quote, accomplished without requiring significant changes to either the independence requirements or the liability regimes of the firms, that is, in particular, adding independent board members.

And we've had some discussion of whether it will be possible to do that in the context of the current liability regime facing the firms.

As regard to Recommendation 5, the auditor's report, he disagrees with the following statement in this Recommendation. Some say the public -- this is a quote in the Recommendation -- some say the public may believe that auditors will detect more fraud than those in the profession believe can be reasonably expected. He disagrees with that statement.
And then finally, on transparency reporting, he believes audited financial statements should be made available to the public, and particularly audit committees and investors.

So, Mr. Chairman, that is a summary of his positions, and indeed, a summary of the changes in this draft of the Subcommittee's chapter.

Perhaps other members of the Subcommittee would like to make some comments.

CO-CHAIR NICOLAISEN: Rick, would you --

MEMBER MURRAY: Thank you, Bob.

Your generous comment about the Committee requires a rebuttal that the Committee's good humor and good health has depended entirely on your ability to keep us capable of that state of affairs, Bob. Thank you for your leadership.

Just a few basic observations about what we have not yet been able to agree on in
respect of the liability issues.

    I think it is clear that, despite an extraordinary amount of time and effort and leadership on Bob's part, we are unable to agree as to whether or not there is a sustainability hazard to the business model of the large public company audit firms that compels remediation in some form in the public and capital markets' interests.

    And I don't anticipate that the remaining time and opportunity for contemplation is going to change that difficulty.

    There has been a second issue that I think needs to be acknowledged as an impasse, in fact, and that reflects the work of the Subcommittee as to the extent that there is a general recognition that liability is at least an annoying -- annoyingly troublesome fact of life for the large firms.

    We have a difference of view that has not been fully reconciled as to whether
the cause of that condition is primarily a
failure of audit quality or whether it is a
condition also heavily and inevitably
influenced by the intrinsic burdens of bearing
the responsibilities of public company
auditing in the economic conditions that we're
dealing with today.

Recognizing those impasses, I think
is a necessary conclusion and one that we
ought to deal with openly and candidly.

I agree with and support the
recommendations that have been made. I
believe they're sound. I believe there may
need to be some observations added at the end
of the day as to where those Recommendations
may aggravate the liability problems for those
of us who are concerned about them.

And when the report is put together
as a full Committee report, I think it will be
important that we find the way to avoid
creating the impression that the collective
recommendations of our Subcommittee and the
other Subcommittees are accepted by the Committee as a whole as being effective remediations of the problem.

I think this is -- the fault line we have not been able to close within our Subcommittee is a fault line that needs to be recognized as part of the full Committee's report, and in that respect there is -- there are a few elements of the language in the competition section that bear upon the same issues that I've just identified as irreconcilable by us that here or before the issue is -- the report is issued, need to be reconciled so that we aren't appearing to be saying two different things in the same report.

CO-CHAIR NICOLAISEN: Good. Thank you, Rick.

Gaylen.

MEMBER HANSEN: Bob, thank you, and you had said that -- this goes to a Recommendation number 1 and the fraud center
and applications, and I've -- actually, when I was reading through this I wondered who that bracket was that was going to head that up.

But, early in the discussions when this came along, NASBA was one of the names that was thrown out there, and that's not something that NASBA has campaigned for.

They do have a subsidiary called the Center for Public Trust, and I've been wondering about whether that would fit in their, you know, their mission statement and their background.

I discussed that with the NASBA leadership over the last couple of days, and despite not campaigning for it, I think that's something that they would enthusiastically entertain, and so I think that is a possibility if you'd maybe -- maybe want to consider and talk to the folks at NASBA, I being one of them, but I think that is a possibility.

CO-CHAIR NICOLAISEN: Right. For
those who may be listening on the web, NASBA is --

MEMBER HANSEN: The National Association of State Boards of Accountancy.

CO-CHAIR NICOLAISEN: Right. Thank you. Which is a very large group.

Any other comments, observations, recommendations?

Bill?

MEMBER TRAVIS: Thanks, Don. I'd like to throw my hat in the ring and thank Bob for his yeoman's job on a very challenging and frustrating, at times, discussion.

I want to focus my remarks on the litigation environment. It's been a difficult discussion for us, and so I went back to the early remarks of Secretary Paulson about the purpose of this Advisory Committee and some of the reasons for the Advisory Committee. And he highlights some things that I think are important to bring to bear.

One of those things is he commented
early on about his concern about the litigation environment in the US, and as you can see from our particular set of recommendations, the litigation environment hits in more than one place.

I think the firms generally agree that having independent directors in their organizations would be a plus. However, as we've discussed in our Subcommittee, the ability to attract anyone to those roles is highly tied to the ability to obtain insurance or to protect themselves in a litigious environment.

Another recommendation has to do with the disclosure of audited financial statements, and one of the key objections that the firms have raised is not necessarily just relevance of the information, but the increased litigation risk that would result from having that information be public when it's not readily available to the plaintiffs' bar, plaintiffs' attorneys at this point in
time.

And, as we've discussed in a variety of scenarios, is there a challenge to the long-term global competitiveness of the US environment, and the ability of globalizing the US audit firms -- or the audit firms because of the litigious environment in the US.

So, I think it's critical that we address this issue. In my opinion it would be unconscionable not to address the issue because I think it's been fairly clearly stated that the loss of one of the major four firms would be a serious, if not catastrophic, blow to the US capital markets.

I think the risk of that loss is significant enough because of the impact, that we need to take this very seriously and we need to get the two sides together to agree on the facts and agree on a solution that makes some sense.

Because, to simply say the elephant
is in the room and we can't agree on whether it's an elephant or a really large rhinoceros makes no sense.

I think we absolutely have to get together to come up with a recommendation on behalf of the US capital markets that does make sense so that we protect the interests of our economy and protect the interest of a very important profession as it relates to protecting investors.

CPA firms have a lot of work to do to continue to build their trust and respect. I agree with the comments earlier, it's not something that is given, it is something that is earned.

It's much like a brand. You can market all you want, but ultimately it's your actions that will determine whether you deserve the brand you get.

And so, I think the firms have made a lot of progress. I think transparency on what the firms are up to is really, really
important to go to build trust in the firms, but I also think getting to the table with the two disparate sides and coming up with a recommendation is something we have to do.

Thank you.

CO-CHAIR NICOLAISEN: Ann.

MEMBER YERGER: I don't want to have a repeat of a Subcommittee meeting, so let me just first of all say to the record, Bob, thank you very much. I know this has been difficult and I think it's really a compliment to the Treasury Department that they've created such a diverse Committee with individuals with very diverse opinions on very important issues.

I think that I am comfortable with the direction that the Subcommittee is headed with this statement. With all due respect, I just don't think the two sides are going to be able to bridge what I see as a huge gulf.

I think there is a very sincere difference of opinion about whether the data
provided supports a public policy recommendation that would somehow change the liability regime that's covering the audit profession versus other organizations in our securities litigation environment.

And that is really where we are. So, I want to thank you, Bob, and I'd like to thank all the Committee members. I know this has been a difficult issue, but personally I think that we are now headed in the right direction on this.

CO-CHAIR NICOLAISEN: Ann, thank you.

Tim.

MEMBER FLYNN: Thank you. I guess I'll throw my weight toward Bob and his leadership as well. I'm not sure anybody could have navigated us through like he did, because they have been very spirited and, I think, meaningful discussions, and I think it does represent the balance of the Committee and the views, and I think that's what makes
our capital markets work and everything else, is to have these kind of debates and put forth our strong intentions.

Ultimately, though, I think this will be a policy issue. I think Alan Beller's comments at the last meeting were very much on point. The world is globalizing. The regulatory environment is globalizing. The accounting standards, the accounting literature is globalizing and the firms are globalizing.

Why? Because the capital markets are globalizing, and there's been a tremendous shift in capital markets in the last couple of years, and those flows are going to continue to change.

And there could be a time when it's everybody else in the firms together except for the US, as Alan talked about, and that is a real issue and a real possibility, and that would not be a good thing for the profession or the capital markets.
So, I believe it's important for us to set forth the arguments on both sides. I don't think we're going to get to a resolution, and I respect that, but I think we owe it to ourselves to come forward with both arguments and challenge this debate to stay in the forefront and keep it alive, because the world's going to globalize around us and this issue has to be dealt with.

And I'm confident that if we can set the right tone and get the right facts out there that we can continue this journey and debate together and we can see it two and three years from now, and we will look different than we do today.

I'm convinced of that, and I think the EU and what they're doing, you know, and the other parts of the world will drive us to that point over time.

And so I would encourage us to come together for that last phone call to bring forward the balanced point of views and to
make sure that we challenge the capital market system collectively, not to lose this debate.

This is very important for the profession, but I think equally important for the capital market system in the US as well.

CO-CHAIR NICOLAISEN: Thank you. I think it is difficult for people who are used to -- which is this entire Committee -- used to taking decisions and then having actions occur as a result.

It is difficult to say we can't reach that point. I am convinced, though, we have reached that point and I have sat in on enough of the Subcommittee's deliberations and have had enough conversations with others to appreciate that this is a gulf that is pretty wide.

I do think that it is an extremely responsible thing to do to undertake what is in process, which is to identify, capture the views as they've been expressed, because at some point with passage of time, other things
will happen and it will be visited in some fashion or another.

And for that reason alone, I think, having expended nearly a year's effort in the work of the Subcommittee, that it's a valuable contribution to at least capture what had been expressed as this very wide group of divergent views and it is far more complex than anything that I had thought about coming in here.

There are aspects to this that are fact-intensive, are complicated, and do have impact upon other market participants, not just the auditing profession.

So, I appreciate your efforts, Bob.

MEMBER GLAUBER: Well, Mr. Chairman, I will again state the Subcommittee's commitment to try and accomplish just what you've asked us.

I think what we're seeking to provide is a statement which reflects the diversity of views in a balanced way, that it doesn't favor one view over another. And it's
in that spirit that I think we will work
forward to try and produce the paper you want.

CO-CHAIR NICOLAISEN: Good. Damon.

MEMBER SILVERS: Yes. Thank you, Don. And I apologize for being late.

I have a couple of comments about
this Committee's work. First, on occasion
during the last few months, I've been involved
in the litigation discussion, and I would add
my compliments to Bob for all of his efforts.

I also -- I think it's been clear
from the beginning of this Committee's work
that this issue and this Subcommittee had
great -- was both an extremely important,
serious issue and one that had a certain
amount of peril for the overall mission of our
Committee.

And I think that Bob and the
comments of his Committee Members show a
commitment to not -- to working through a
difficult set of circumstances in a way that
allows us as a whole to move forward in our
work, and -- express my appreciation for that.

Two more specific comments. First -- and this goes, I think, to the spirit of what I just said. I think that it's important that, as the Subcommittee brings its final language together as hopefully -- hopefully doing what Tim laid out to do, it's important that we not -- we not allow this matter to become a matter that then gets sort of fought line by line through the whole document, and the sort of -- second- and third-order of considerations take over.

I think that is the route to not -- that is the route to sort of unraveling our work and I'm very much opposed to doing that. I know, I mean, I think we've successfully avoided doing that so far.

Secondly, and off the litigation subject, I believe that I understood, since I came in late, I believe I understood Gaylen to be referring in his comments a few moments ago to the question of the fraud center and where
that might be located, and I understand there was some conversation about that before I arrived.

I think it is important in setting up such an undertaking that it be clearly located in a public -- it has to have a sort of public sector origin or route to it.

I think that, obviously, the talents and -- the talents and resources of the auditing profession and in its manifestation in the firms, of academics and of others, need to be brought to bear, but I think it's extremely important that it be under the umbrella or be shepherded in some fashion by a body that is -- whose mission is a public mission.

There are a number of different possible sources of that. Gaylen does raise one that I hadn't thought of, but I wanted to make sure that that thought is, you know, embodied in the record here, here today.

So, thank you.
CO-CHAIR NICOLAISEN: Thank you, Damon.

Barry.

MEMBER MELANCON: Thank you, Don. I know that the Subcommittee worked real hard on this -- on a lot of issues here and I think -- you know, I could -- I won't repeat, but I would support both Bill and Tim's comments.

I think the global issues of -- and I'm sure they'll be captured in this fair and balanced document that you're talking about, Bob. I think that the --

MEMBER GLAUBER: In a fair and balanced way.

MEMBER MELANCON: Right. I think the US -- because, again, sort of my comments like I said in the human capital area when we were talking about the female representation issue, the liability system in the US is -- is a part of the US competitiveness or lack of competitiveness issues that have to be addressed in some form or fashion.
And as you have global markets, there are clearly different outcomes from a liability perspective that exist as we could use other examples, regulatory approaches, et cetera, that have been discussed in other approaches.

And so, I think getting those points out there is a very important aspect. I would ask that -- two things. One is on the Recommendations related to, I guess, transparency, and maybe it's at least one other place in the document, there is a reference to a size cut that is based on the number of audits that a firm conducts. In this case a hundred.

And I would strongly urge that that is the wrong cut. And I understand where that comes from because it's in the Sarbanes-Oxley Act, and that's where PCAOB makes the line of demarcation between an annual inspection and a once-every-three-year inspection.

And I respect that. But, as we
look at the mission of this, one of the things that we focused on, and Damon's Committee has focused on, is the issue of more options in the marketplace, the competitiveness of other firms, et cetera.

And I know, in dealing with these firms, which below the top six or seven firms, eight firms, I deal with a tremendous amount. And the issue of what these requirements are, whatever the Recommendations are, being a decision point to them as to whether they go over the number of audits, the hundred audits.

And I don't think we want a Recommendation that builds into a smaller firm's psyche and decision-making process that I'm going to do, you know, 95 audits and not go up again.

I think we need to apply a risk approach to this. And the way I think the risk approach is, would be on the size of audits.

So, you know, if -- I would argue -
- I'm not saying this is the only way to do it, but, you know, something that would say, these Recommendations would apply to a firm if you've audited a Fortune 500 at any time in the last three years, as an example, because that goes to the investor risk, the capital -- the larger capital environments as well.

    And it doesn't put into the system a disincentive for firms to continue to grow to be other viable options in the marketplace in a certain size spectrum.

    So, I would strongly urge a change in that wording, regardless of what the ultimate Recommendation is, but the applicability to it.

    And then the last point is on the transparency issues, and there is some wording to this. I would -- you know, to the extent you are editing this or whatever, I think the tie of -- to quality, quality indicators, I think, Zoe-Vonna talked about that at a couple of the last meetings, et cetera, is the real
investor protection point.

And I think the profession is -- is very receptive to those types of things. And so I would -- I would continue to reemphasize that as you work and get to the final recommendations in those areas.

But that first point on the size continuum, I wouldn't want to undo some of the -- some of the notions to the smaller firms that we have.

CO-CHAIR NICOLAISEN: Right. And I'm certain that all of the Subcommittee Chairs would be happy to entertain a -- you know, any edits or any suggestions that you'd care to forward to them, and it may be an efficient way to do it as well.

Gaylen.

MEMBER HANSEN: Yes. I was just going to follow up with Barry's comments. I think what he's describing here is an accurate description of what's taking place in the marketplace.
Firms will -- not necessarily not want to -- what will happen is they'll cull out their client lists and drop the smaller ones at the very bottom of the 100 list so that they don't go over 100.

And I would happen to agree with you that that's not the outcome that we want in terms of sizing. So, I think that that's something that we should, you know, perhaps consider.

CO-CHAIR NICOLAISEN: Damon.

MEMBER SILVERS: We've now had several comments about our work in the context of a global -- globalizing capital markets, and I think it's important that, as we're having a public meeting, that something be said about the way that at least some investors think about this matter.

Because, I think they're -- as Don observed about litigation, it's more complex than it seems. The United States has -- continues to have, I think, a pretty widely-
accepted premium on company cash flows.

If you list in our markets you will
get a better multiple than if you get in other
markets. This is extremely important to
maintain in the context of the United States'
current account deficit and our dependence on
foreign capital flows to finance the current
way in which we manage or mismanage our
economy.

And it is difficult to unpack all
the factors in the way we do things that
produces that extra multiple. The -- and it
is dangerous, both to investors and to the
country to start dismantling those, sort of
piecemeal, aspects of our system, our capital
market system that gives comfort to investors
that their money is safe, and that the
information they're investing based on is
relatively accurate.

That being said, there definitely
is a trend toward a single global capital
market. And there is -- it will be, in the
long run, irresponsible of the major actors in
the world economy not to construct a unified
oversight system for that unified market.

In fact, it's clearly obviously irresponsible now that we have no such thing.

And, if you look at the differences in the way in which markets are regulated -- the major markets are regulated, the United Kingdom, continental Europe, Hong Kong, et cetera, there are many differences in many areas, and some of those differences the business community or the audit firms prefer the US version, and some, they prefer the overseas version or versions, and investors, likewise.

The need for a process to begin to create frameworks, to have a single system is dire, but it would be extremely dumb to start acting unilaterally before such a framework discussion is in motion, because of the things I alluded to earlier.

And I am hopeful that that framework discussion is in the process of
coalescing slowly in a variety of different ways.

I can point people to, in areas outside of the auditing profession, to extensive conversations between leaders in the European Parliament and leaders in our Congress about the -- what the term is, the shadow banking system, about private pools of capital.

Clearly, there's a whole discussion that some people in this building have taken part in in relationship to the credit crisis with their European and global counterparts.

There are obviously many discussions that investors take part in in relationship to trying to see aspects of non-US regulatory systems that we like incorporated in the US system, ranging from the kinds of transparency issues around audit firms that we have had in front of us to a variety of corporate governance devices that exist, particularly in the UK that investors
like.

This complex fabric -- and this extremely politically-complicated and kind of long-term process is one that is, I think, recognized by everybody who's familiar with the way that the markets are moving. It's just a vital, vital process.

But, you know, the one thing that you don't do, I think -- I think we all know, the one thing that you don't do is when you're going to enter into such a kind of complex negotiation, you don't make all your concessions before you reach the table.

And I think that's, in a nutshell, the way investors look at this. I also think that the question of what is good for the United -- for US competitiveness in relation to this set of issues, I think has often gotten completely backwards, that what is good for US competitiveness in this area is what will maintain that -- that excess multiple.

And having integrity in our markets
represented by effective auditors with a clear sense of professionalism and a clear sense of accountability has got to be a pillar of that.

And so, in fact, weakening those structures is not just not pro-competitive, it is harmful to the competitiveness in our markets in the ways that matter most, both to investors in the markets as a whole and our nation, so long as we continue to need these foreign capital inflows in the way we do today.

CO-CHAIR NICOLAISEN: Great. Thank you.

Bob.

MR. HERZ: I apologize if this was already covered when I stepped out to comb my hair.

In regard to Recommendation 6 and the Recommendation that the certain audit firms, you know, whether it's 100 or how you do the cut, file audited financials confidentially with the PCAOB.
I just wanted to, both for my own benefit, but maybe also the report might benefit from kind of the Committee's thinking, Subcommittee, and the Committee's thinking on that because we heard, I think, fairly strong testimony both ways on the issue.

Some private, primarily, investors saying we think that they ought to file -- make generally available audited GAAP financials and pointing to the UK model and the like, and then others countering, but we're not the UK. We have our litigation worries, and why is that necessary for understanding -- you know, how does that contribute to the objectives that we're trying to attain?

And so, I'm not going to make a judgment in balancing those two things, but you came to this conclusion that somewhere in between those two ideas to ask, starting in 2011, I think, for these firms to, with the PCAOB file audited GAAP, or maybe by that time
IFRS or whatever, financial statements.

And I'm just kind of interested, because I don't think when I read the report, which is very succinct, I kind of understood exactly how you came to that, other than that it's somewhere in between and why you think that might still be of benefit for -- you know, the reasons behind that.

MEMBER GLAUBER: Well, let me at least start to respond for the Committee, Subcommittee. I think the additional color you've given has been quite proper. There was a diversity of positions, as you have summarized as to whether these should be made public or not.

And this represents the Subcommittee's consensus position among those different positions. One can make arguments on both sides, as you did in your summary, and I think this is the position the Subcommittee has come to, knowing that it should support this and the entire Committee should support
MR. HERZ: I guess, and I kind of say, okay, I'm Mark Olson now in 2011, and I start getting these and, okay, they're in some confidential file and I benefit from your insights as a former regulator, you know, what's Mark supposed to do with these, and it's not clear to me.

MEMBER GLAUBER: Well, he can do with them as he chooses. This Subcommittee is not going to tell him, is all. I could imagine sustaining a number of positions. And, in fact, the world, by 2011 may be very different as regards the public availability of these audited financial statements.

I don't know, but -- and it may be very different, by the way, with regard to issues that Damon spoke so eloquently about, the litigation issues.

But, in that context, I would imagine that the then head of the PCAOB will make some determination within the guidance.
that the PCAOB receives.

CO-CHAIR NICOLAISEN: I'll add just a little more color to that. Chairman Levitt and I also sat in on these discussions and I think we're satisfied that the Committee had really done its work, had taken conclusions where they had a major consensus, that there was adequate give-and-take, that it was a very good process and that we were -- we were in our place with the progress that would be made by implementing this recommendation.

Neither Chairman Levitt, nor I think that this should be the end of it. Our strong views for a lot of reasons, most of which lead to, or revert back to transparency and public interest, are that the firms should have their financial statements available to the investing public.

And I think we will be very clear on that as we express our views in the final report. But for purposes of the Subcommittee's work, and I'd have to say that
it represents tremendous progress and a lot of
give and a lot of take, and we're willing to
readily accept that and are appreciative of
the work that the Subcommittee has done.

I think it's an important milestone.

MR. HERZ: Thank you. I think that
.helps me -- helps me a bit, sort of -- I mean,
you know, I would also agree that just the
exercise of going -- preparing audited
financials to be audited is a good exercise
and obviously, in itself.

That's kind of the premise we're
working on generally on this Committee, but it
wasn't clear to me whether, you know, as Bob
said, he doesn't know what they would do,
whether there's some kind of a procedure, the
capital adequacy, something else that the --
that would be expected and the public would

CO-CHAIR NICOLAISEN: Great. Thank
you.
Anyone else? Alan.

MEMBER BELLER: Revisiting globalization yet one more time, I share the view and I share almost all the views that Damon expressed with respect to globalization. I think protecting our market premium is critical.

I think that there are other elements of competitiveness of the capital markets that are also critical, although I certainly, not for an instant, believe that we should sacrifice investors to any of them.

Where I do worry is I think waiting for successful development of global capital markets regulation, which is the right ultimate objective, it's something I've been waiting for and a little bit of working for towards since about the early Eighties.

I think its realization is somewhat like the realization of world government, however, which is that it's going to take a while. And the markets will not stand still
and wait for it.

And what that means is that all of our market participants, including investors and all of our regulators and self-regulators have to operate with a keen realization of the directions in which the market is going, absent probably some of the neat structures that we'd like to have.

And I think that -- whoever the outcome of our debate about litigation reform and countless other things, what that means is that our regulators and market participants have to operate to the extent they can effectively, multilaterally in a global environment.

That means working very hard to make sure that US regulators have a seat at the various global tables, that other US market participants have an effective voice and an effective seat at various global tables.

I think what, you know, what the
FASB or the IASB have been doing since 2000 is an example of how that can work.

That's going to be the task that we face, and while I certainly agree with Damon that unilateral action without an appropriate regard for what can be done multilaterally and what can be -- and what has to be done in our interest is not a good way to go.

I would also note that there's a corollary to that, and I'm quite confident it's a corollary that Damon agrees to as well, though I won't put words in his mouth, and that is that unilateral failure to take action in those same circumstances, leaves you -- could leave you in the same place.

And so I think it's -- it's not a -- we can sit on our hands and wait to see what happens. We have to be thoughtful. We have to engage. And that is the right way to deal with globalization.

CO-CHAIR NICOLAISEN: Alan, thank you.
And, Damon, thank you.

I think that this is an important area that is touched on in probably every aspect of the Recommendations that we have, whether directly or indirectly; we are part of a global society, and we need to be aware of that, and I think Alan's view, I share, that we -- it will be better if we're part of the solution than if we're not engaged.

So, I support, and I think Damon, you're in exactly that same place, and we support that. And I don't want to -- as much as I love this topic, I don't want to occupy the rest of the afternoon on globalization, but I thank you for that input.

Bob, anything else from your Subcommittee?

MEMBER GLAUBER: Well, I had intended to give a 15- or 20-minute talk on the issue of globalization, but I think I've just been told you prefer that not.

We can engage this issue and it
will be, I'm sure, in the final report. It is an issue that we cannot avoid, as we've all said, so let me just leave it there.

CO-CHAIR NICOLAISEN: Great. Well, than you very much. Thanks, Bob, for your leadership on this Subcommittee. Thank you very much to all the Subcommittee members.

While the debate has been lively and spirited within the Subcommittee, as you've also seen here, I've been particularly impressed by the respect that everyone has shown for the points of views that have been raised with which they may not readily agree. And I think that's a test of how successful this process has been. So, I thank you for that.

Let's move on to Damon Silvers and your Subcommittee on Concentration and Competitiveness.

MEMBER SILVERS: Thank you, Don.

We have made a series of meaningful, but not structural changes, I
would say, to the draft in our area. I will
go through them briefly. In the order which --
- not in the order of their importance
necessarily, but in the order in which they
appear in the document.

The first is, we had in -- both in
the comments we received and the deliberations
of our Subcommittee a great deal of interest
in barriers that exist, and I think the belief
of the Subcommittee is that some of them are
inappropriate.

Barriers that exist to firms
changing their auditors, and a concern based,
I think, on the members of our Committee's
experience with these particular moments in
the life of a business that the departing
auditor is not always appropriately
collaborative in relation to that.

And so there's new language on page
-- in Recommendation 1. I'm not going to give
you the page number. Recommendation 1, that
notes there are significant costs associated
with changing auditors and fees can be charged for predecessor auditor's opinion on previously filed financial statements, and urges auditors that predecessor auditors fully cooperate and communicate with their successor auditors, and we've had some discussions about how one might, from a sort of oversight perspective, encourage that.

This is -- Members of the Subcommittee have been particularly active in considering and framing these recommendations, and I invite Ken and Mary to chime in here when I'm finished and make sure I get these concerns properly captured.

Secondly, we have a Recommendation 1(a) that mandates -- that recommends the disclosure of agreement provisions that issuers enter into, limiting their choice of auditor.

In the initial language in this area we had talked about that disclosure in the context of a registration statement.
We've now broadened that to include 10K and proxies, you know, to capture ongoing businesses that enter into such agreements.

In Recommendation 1(b), where we had urged that regulatory bodies, the government agencies, make efforts to incorporate smaller firms in the variety of places where they involve and consult with the auditing profession.

We now note those programs that do exist now that do do -- that are focused on that. The SEC's Office of Small Business Policy, the PCAOB's Forum on Auditing in the Small Business Environment and FASB's Small Business Advisory Committee.

I think we do so, I am not going to read you the language, but we do so with a certain amount of compliment to all involved.

Fourth, in Recommendation 2(b) which is the rehabilitation mechanism, it has been the Committee's view, I think, really from the beginning, that this mechanism does
not work in the context in which there's an issue as to whether an audit firm would have committed a crime where there is a question about that or there's a question about whether a firm's leadership is moving in the direction where, if they haven't committed a crime, they might soon, that this mechanism isn't going to work if there isn't some communication between the SEC, which would have the triggering authority under the rehabilitation mechanism, and the criminal authorities, the Justice Department in particular.

This is a very -- this is very touchy business because it is at least not my personal intention to in any way suggest that there ought to be a double standard here in our criminal law.

And the -- or that in any way the Committee was seeking to limit or muzzle the Justice Department in its carrying out of its duties.

So, this required a certain amount
of interaction with the Justice Department. The Justice Department are busy people and it's taking a little time to get us there.

And we do have language now that lays out the notion that there ought to be a -- that the Justice Department ought to be in touch with the SEC when this sort of matter arises with respect to a -- with respect to a firm that is covered by the rehabilitation provision.

And the Committee is satisfied with the language we have, the Justice Department is satisfied with the language we have, and I consider that no small achievement.

CO-CHAIR NICOLAISEN: Congratulations on that.

MEMBER SILVERS: So, the next -- the next language, we have a Recommendation 3 that goes to the disclosure of audit quality indicators by audit firms and the PCAOB working on trying to define what appropriate indicators would be.
Here, there was some discussion of the notion that there ought to be both indicators that are output-based and input-based. Output-based means results in terms of -- and there could be many different ways of measuring the results from audit firms.

Input-based would mean things like partner, personnel per client or that sort of stuff. I mean, the resources put into auditing by the firm or resources put into human capital development by the firm, a variety of indicators about the strength of the firm not going to what its actual audit results are.

So, that distinction and the Committee's interest in seeing both types of indicators explored, is now made clear in the document.

Recommendation 5 notes that -- that there might be an interest on the part of audit committees and investors in obtaining data beyond the name of the senior audit
partner, engagement-specific data, such as the auditor's tenure with the public company, that should be disclosed in conjunction with the shareholder vote on selection of auditors.

Finally, and this was the subject of some discussion at our last open meeting, based on a question from Gaylen Hansen. The Subcommittee solicited the views of smaller audit firms on the impact of globalization.

I don't mean to start that again, but we did -- we did follow up on Gaylen's comments and solicit those views, and we received several very thoughtful comments from the smaller firms, for which we are grateful.

The gist of those comments, I think, really was that globalization does represent both some significant challenges to those firms, and there was some -- some listing of what those challenges were.

The firms did not go into much greater detail than that, or become -- or go from the listing of the challenges to being
prescriptive about how those challenges might be approached by this Committee or by other people involved -- other institutions involved in the structuring of the global auditing environment and the accounting environment.

The Committee felt that in this circumstance, that the appropriate approach that was then to add language to this final section, noting just that, that there were -- that there were challenges that the auditors, smaller firms felt that they faced in a globalizing environment and make a few references to what some of those challenges were.

And note that it was the Committee's view that regulators, those involved in structuring that environment be attentive to those challenges and seek to mitigate them as much as possible in the interest of the overall purposes of our recommendation in terms of strengthening smaller firms and enhancing broader -- a
broader degree of competition in the market for public company auditing services.

I believe that concludes the changes we've made. I'll ask my fellow Committee Members if I've missed anything or mischaracterized anything or if there's anything they'd like to add on any of the items.

MEMBER GOLDMAN: Thanks. No, I would actually -- I'm not going to add too much. I actually wanted to do a thank you. It's amazing to me sometimes how some words we sort of put mumbo-jumbo, and all of a sudden they come back from the Treasury Staff and they are so lucid.

So, I do want to express my total thanks to a very well -- in my opinion, anyway, a very well-written document and there really is a lot of thanks to the Treasury Staff. So, that's really my first point.

The second point is, I think the thing we always -- we strive to do, and I'm
happy with it, is to create directionally substantive, actionable recommendations so that -- so something will come out of this and be important going forward.

And I feel, as Damon has said, that we do -- we have developed a set of recommendations that will provide -- will be very helpful in this process. That's -- even though some of them have been controversial.

Also, thanks to Alan Beller for Recommendation 2, because he was really very instrumental in sort of the -- that's one of the "Ah has!?" in life, when you go through a committee and you are looking for really a key recommendation and he was very helpful in crafting that.

The last point I would say is this was one that Damon mentioned relative to -- to me it's really important with -- and some of the data does definitely suggest we are going in the right direction in terms of more competitiveness amongst the various auditing
firms, and so that was sort of the basis of one of my thoughts here relative to continuing to improve the competitive environment which means the ability to relook at other auditing firms, other than the one you're currently utilizing.

So, I just know as a -- from my perspective, both as a CFO, as well from many boards, there definitely tends to be reluctance to engage -- you know, to gauge, in putting out for competitive bid, if you will, to look at other firms.

It comes from really several vantage points. One is, you are concerned about the costs from the outgoing firm. You're concerned about the opinions that they may come up with, your concern about the various work papers, whatever, that they may -- you may need to have transferred.

Also, it's interesting, you are concerned about the way a different firm or even a different partner may look at the same
facts and come out to a different conclusion.

It turns out that also occurs in the same firm many times. And so, one of the risks you always have when the five-year rotation, is a new partner may see the facts in a different light, and you end up going through, and actually, in some cases, changing some of the judgments you've made previously.

But the gist of what we've tried to add here is to -- again, I'm not sure it's perfect yet, but at least the gist is to create a more level playing field -- maybe that's what I want to say -- a more level playing field so that firms can more easily from time to time put out for bid, if you will, and look at other auditing firms and make a selection on a whole variety of different criteria, some of which, by the way, may come out -- come up with some of the audit quality metrics we asked for.

It may come up with some of the financial statements we've asked for, although
right now they're still very private, so that is some of the basis that I think, as we go from four large to maybe six or eight or a hundred, however you want to look at it, is the more you have a level playing field to compete, I think will be very helpful for this industry.

MEMBER SILVERS: Don, could I just add one more thing I neglected to say, which Ken reminded me of.

You go first.

MEMBER BUSH: No, no.

MEMBER SILVERS: All right. Very briefly, that although it's not our Committee's work, that the Committee -- our Subcommittee took an intense interest in the transparency issues that the Firm Structure Committee was taking up.

Our Committee is made up largely of investors and people involved in the audit committee processes, and very much wanted to see increased transparency.
I think that -- I'm not sure that we're really satisfied with it being held in a vault some place at the PCAOB, but we're also really interested in the consensus and moving forward.

But I thought it was important to register, you know, the strong feelings, I think, on the part of our Committee, that this was an important initiative that Bob has shepherded through to consensus.

CO-CHAIR NICOLAISEN: Great. Thank you.

Mary.

MEMBER BUSH: Thank you. First I want to just echo Ken's comments about compliments to the Treasury Staff for making good, lucid material out of our mumblings. They were outstanding.

I also want to compliment Damon for really being an outstanding Chairman and pushing our work -- our work forward, with high quality.
The general comment that I would like to make really reflects back on some of the comments that were made earlier about globalization and what's happening in the global capital markets.

You know, as I look at, you know, particularly our Subcommittee's work, but then really the work of the entire Committee, it's really all about not sitting still while global markets are changing, and maintaining the edge for our markets, but also not sitting still as we face the extraordinary challenges in the capital markets that we are facing today.

And, as I think about our Subcommittee's work, you know, I think it moves from the end of prevention all the way to the end of a process when something -- something catastrophic happens.

And in the category of prevention, some of the things that Damon has mentioned, you know, the development of indicators by the
PCAOB of audit quality, the monitoring of those indicators if the PCAOB so agrees to do that.

And all of that, of course, goes to the issue of transparency and hopefully to the issue of prevention, in case there are problems, you know, with a -- with one of the auditing firms.

And then at the other extreme, of course, is the mechanism that Damon referred to that Alan helped us develop which I think is extremely important.

And the one thing that I want to point out about that that I thought was really essential for that mechanism to make sense in a well-rounded way, is the inclusion of the -- if you will, the opinion or the satisfaction of the Justice Department with the language, because I think the key point there is not so much their notifying the SEC if they are about to bring criminal investigation.

The key point is really that the
discussions are held early and that they understand the consequences of any action that they might -- that they might be contemplating taking.

So, I think that's just hugely important and I think it's a major step forward so that hopefully we would not experience the kind of situation where another major auditing firm was taken out, if you will. Thank you.

CO-CHAIR NICOLAISEN: All right. Thank you.

Tim Flynn.

MEMBER FLYNN: Just a couple words on the work. I think it's very good work that you all have done. I think one only has to be in the profession to feel the competitiveness of it. It is a very competitive profession and I think with all this discussion, we shouldn't lose sight of that.

You compete for business every day on quality, in talent, and it's very, very
competitive.

I would ask the Subcommittee to go back and look at the language that came in around auditor change and access to work papers and those types of things.

It clearly doesn't reflect my view in a broad sense, in particular with some of the discussion about high fees being charged and so forth.

I'd like to get a sense for the testimony or just some of the background around that because that, to me, is not -- is not how the profession behaves, and I think the profession works very strong to communicate when all of the transitions do happen, once that's been decided, and work through very difficult issues sometimes because sometimes with changes you revolve around regulatory environments or litigation issues.

And so I think you have -- I'd like to make sure that you just go back and look at
that in context. I know there's a footnote representing an anonymous private investor, former auditor and former CFO on that section, and I guess I would just ask him a point of process.

If someone doesn't come forth with their name and says they're anonymous, I'm not sure we should credit too much in footnotes to anonymous letters. That might be something we should think about in terms of how we're going to put substance and what gets access into the report.

So, those are just some comments that I'd like to make in regards to the work, but overall, I really appreciate the effort you've put forth.

CO-CHAIR NICOLAISEN: Good. Thank you, Tim.

Rick.

MEMBER MURRAY: Thank you, Don.

Throughout this Committee's life Damon has been both clear and articulate in
expressing his view, and I assume, of others on his Subcommittee, that litigation is deemed a valuable motivator to audit quality and an strength of the competitiveness of the US marketplace.

That is, of course, one of the key issues on which the Structure and Finance Subcommittee has wrestled throughout that year, having been assigned responsibility for dealing with that topic and one of the issues on which we have come to a clear and articulate impasse.

Damon asked in his opening remarks earlier that we not try to tinker with the language elsewhere in the report, and I accept the challenge insofar as I'm able.

There are two issues, Damon, that I would ask be given further consideration on the proposition that language, as it exists currently in your report, ignores the impasse that the Subcommittee with the primary responsibility for this has come to.
One of those is on, in the opening paragraph of your Recommendation 2 you note the problem of the issue of catastrophic risks and follow it with the statement, these risks include general financial risks and risks relating to failure in the provision of audit services and non-audit services, including civil litigation.

In my view, that attempt to be balanced is perhaps not entirely successful, and leaves an undue impression that audit failure is the greater cause of this problem.

And I would ask that you and your Committee consider whether, because this is merely descriptive and not operational, you might accommodate our impasse in a manner that's a bit more -- or even reference our impasse when it is articulated. It may be a way to deal with this.

The second issue that I was not able to pass by deals with your recommendation to second-step -- and that's on page 13 in
this presentation.

In describing the effect of adopting this recommendation, you use the language, in order to ensure the stable functioning of the capital markets.

I read that as a very strong statement of confidence that this Recommendation 2 will be a solution to the concern about the elephant that Gary Previts describes, and will put to rest any need to worry about the business model and sustainability of the large firms.

I don't question your right to make the recommendation, but I would ask here again if you might acknowledge that this is an aspiration and not an expectation.

MEMBER SILVERS: Can I ask where that sentence is?

MEMBER MURRAY: Page 13. It is the second paragraph under second step, the third line --

MEMBER SILVERS: Oh, yes, I see.
Okay.

MEMBER MURRAY: I would have said nothing more, Damon, if you hadn't made your observation about your distress over our transparency conclusion.

I would suggest that I have a similar discomfort with your recommendation, that there be shareholder approval annually for the appointment of auditors, but in a similar spirit of good will, I would accede to your right to make that recommendation.

MEMBER SILVERS: May I respond for a moment?

CO-CHAIR NICOLAISEN: Absolutely.

MEMBER SILVERS: It's certainly not the intention of the Committee, in looking at this language, to suggest an agreement about some of the sort of ultimate concerns that Rick was discussing where there is none.

And it strikes me that, Rick, your comments on this particular language you are pointing to in you concern should be easily
resolvable. I don't think we need to negotiate it here today, but I think we can work that out to your satisfaction.

MEMBER MURRAY: Thank you very much, and just a final comment. I heartily endorse everything that Bill Travis said about the sad consequence of our being unable to agree, and Bill, I appreciate your putting that view forward.

I share your view. I don't share your confidence that we have the capacity to improve upon where we are.

CO-CHAIR NICOLAISEN: Thank you. Any of our Committee members that have joined by telephone, any questions, comments, suggestions?

CO-CHAIR LEVITT: Keep the faith.

CO-CHAIR NICOLAISEN: I'm sorry?

CO-CHAIR LEVITT: Don, this is Arthur.

CO-CHAIR NICOLAISEN: Oh, Arthur.

Good afternoon to you. Anything that you'd
like to add to this or ask about?

CO-CHAIR LEVITT: Well, you know, I think that we have a difficult undertaking, but I think the fact that we've approached it with the kind of openness and civility leads me to believe that we're going to come out of this with some significant Recommendations and in those areas where we have not been able to arrive at consensus, I think we'll be able to define the areas of contrast in a way which I think will also be constructive.

And I think the Committee Chairs have done an absolutely fantastic job.

CO-CHAIR NICOLAISEN: Great. Thank you very much.

I don't want to cut this off if there are others who would care to add anything to this discussion.

(No response.)

CO-CHAIR NICOLAISEN: Hearing none and seeing no tents going up, we are now at that point where the -- the body of the report
that includes recommendations is pretty far along.

Our next meeting is scheduled for Friday, September 26th. We believe we're going to be able to do that telephonically. That's our plan.

In the interim period what we would like to have happen today is to have this Committee approve for posting in the public record for a 30-day comment period, the draft as it is now existing, recognizing that, of course, we heard some things today, and there will be some modifications as we continue to work our way through the process.

I would entertain a motion to call for that vote.

MEMBER PREVITS: So moved.

MEMBER GOLDMAN: Second.

CO-CHAIR NICOLAISEN: Thank you very much. Thank you.

And we'll ask Treasury to do a roll call of each individual member.
MR. LAUGHTON: Mr. Beller.
MEMBER BELLER: Yes.
Ms. Bush.
MEMBER BUSH: Yes.
MR. LAUGHTON: Mr. Cohen. Not here.
Mr. Flynn?
MEMBER FLYNN: Yes.
MR. LAUGHTON: Mr. Glauber.
MEMBER GLAUBER: Yes.
MR. LAUGHTON: Mr. Goldman.
MEMBER GOLDMAN: Yes.
MR. LAUGHTON: Mr. Hansen.
MEMBER HANSEN: Yes.
MR. LAUGHTON: Mr. Levitt.
CO-CHAIR LEVITT: Yes.
MR. LAUGHTON: Mr. Melancon.
MEMBER MELANCON: Yes.
Mr. Murray.

MEMBER MURRAY: Yes.

MR. LAUGHTON: Mr. Nicolaisen.

CO-CHAIR NICOLAISEN: Yes.

MR. LAUGHTON: Mr. Previts.

MEMBER PREVITS: Yes.

MR. LAUGHTON: Mr. Silvers.

MEMBER SILVERS: Yes.

MR. LAUGHTON: Mr. Simonson. Not here.

Ms. Smith.

MS. SMITH: Yes.

MR. LAUGHTON: Mr. Travis.

MR. TRAVIS: Yes.

MR. LAUGHTON: Mr. Turner. Not here.

Mr. Volcker.

MR. VOLCKER: Yes.

MR. LAUGHTON: Ms. Yerger.

MS. YERGER: Yes.

CO-CHAIR NICOLAISEN: Excellent.

Sounds like the ayes have it, and that we did,
in fact, maintain more than our quorum. And I thank everyone for that.

I want to especially thank Treasury Staff. They've been working incredibly hard, very, very long hours and I'm always shocked to get emails and responses to phone calls on Saturday nights and Sunday mornings and every other time in between and I recognize that that has taken it's toll. It's not an easy thing to do, and I'm sure that all of us want to express our appreciation to Treasury Staff for doing that. We really sincerely do appreciate your efforts, and we thank you.

(Applause.)

CO-CHAIR NICOLAISEN: I'd also note that Zoe-Vonna Palmrose, I believe, is returning back to the academic world, will be leaving the SEC at the end of this month.

She has been a very, very important contributor to our efforts as an observer, and we would hope that you would continue, Zoe-Vonna, to provide your input and support, and
we wish you all the best as you return to the academic world, and bring the messages that you've heard this Subcommittee make would be appreciated.

Our observers. Thank you. It's tough to be the observer and not hold the pen, and I know that for those of you who are in that position, it's a real challenge, but we thank you for your support.

We thank you for your questioning. We thank you for your civility, and we look forward to your continued input as we bring this report to conclusion.

Those watching by webcast, those of you in our audience, elsewhere, we would certainly encourage you to continue to comment during this 30-day comment period on the report as it's crafted at this point in time.

I think you've heard that there will be some thought about some of the ultimate wording that will be in the document, and there's a very important piece from Mr.
Glauber's Subcommittee that continues to be worked on.

All input is appreciated, and I thank you for your time, for your commitment, for your willingness to be part of this process with us.

It is an important aspect of our capital markets and I think we've continued to show a willingness to make what is a good profession even better. So, I thank you for that.

Chairman Volcker, anything that you care to add?

MEMBER VOLCKER: I don't think so.

CO-CHAIR NICOLAISEN: Chairman Levitt, any final words?

CO-CHAIR LEVITT: No.

CO-CHAIR NICOLAISEN: If not, we'll call this meeting adjourned. Thank you.

(Thereupon, at 3:04 p.m., the Meeting concluded.)