

**“A Creative Irritant:
The Relationship between the SEC and Accounting Standard Setters”**

**SEC Historical Society 13th Annual Meeting Program
June 7, 2012**

ROBERT KUEPPERS: Good afternoon and welcome to the 2012 Annual Meeting program of the SEC Historical Society. I am Bob Kueppers of Deloitte LLP and President of the Society. On behalf of my fellow trustees, it is a pleasure to welcome you today, both those who are gathered here in the SEC’s auditorium in Washington D.C., as well as those watching live online our broadcast at www.sechistorical.org. Today we are going to have just a few minutes in the way of speeches, if you will, but the real focal point will be our program that will start in just a few minutes.

For more than a decade, the SEC Historical Society has presented this annual meeting program in conjunction with the anniversary of the founding of the US Securities and Exchange Commission on June 6, 1934. While we are independent and separate from the SEC and receive no funding from the public sector, we are certainly honored each year to help recognize this significant anniversary and appreciate the assistance from the SEC in permitting us this fine venue for our meeting.

As a former member of the SEC staff who continues to be very proud of my time at the commission, I would like to pay tribute to the staff both present and the past for their dedication and hard work to ensure fair and open markets for all investors. Today also gives me a chance to welcome our leaders for this coming year. As I begin my tenure as President I would like to recognize my fellow officers, Chairman Richard Nesson of Luness Partners, President-Elect Bruce Bennett of Covington and Burling, Vice-President for Development James Tricarico of Edward Jones, Vice President for Museum, David Martin of Covington and Burling, our Treasurer Abbie Arms of Shearman and Sterling, and our Board Secretary former SEC Commissioner Cynthia Glassman.

I also would like to welcome four new trustees to our board: Lisa Beth Lentini of Carlson Wagonlit Travel, Eric Roiter of Boston University School of Law, Linda Chapman Thompson of Davis Polk and Wardwell, and John White of Cravath Swaine and Moore. I guess in looking at that list they all happen to be alums as well but many of our board members have not worked at the SEC and we welcome all who want to help us.

My fellow trustees join me in thanking the generous support of many people, companies, foundations and associations who fund our work in sharing, preserving and advancing knowledge of the history of financial regulation. I would encourage you to read our 2011 Annual Report which is available online and which demonstrates our stewardship of contributions we receive. I think it’s notable that over 82% of all gifts go directly to our unique virtual museum and archive.

So all in all I am pleased to report that the state of the Society is quite strong. Both from the program and financial standpoint, we are well positioned to fulfill what I would like to think as three mandates. First, we preserve the history of financial regulation through papers, photos and other artifacts not readily available anywhere else. Second, we interpret history through Galleries, such as the upcoming The Richard C. Adkerson Gallery on the SEC Role in Accounting Standards Setting, that will be opening later this

year. And finally in a way, we create history as well. I think our original programs, like the one we are going to have this afternoon, our Fireside Chats and the like do just that. All these activities and everything we do is captured and available in our virtual museum and archive which is of course free at any time for anyone at any place given that it's virtual.

Last week marked the tenth anniversary of the opening of the virtual museum and archive. What I would like to do is introduce Carla Rosati who is not only the Society's Executive Director but also the founder of the museum to recognize the museum's anniversary. Thank you and enjoy the program.

CARLA ROSATI: "Sunlight is said to be the best of disinfectants, electric light the most efficient policeman." Louis Brandeis wrote those words nearly a century ago. If Justice Brandeis was alive today he would love our virtual museum and archive of the history of financial regulation.

Founded a decade ago, at the birth of the digital age, the museum breaks the boundaries of time and place, providing unprecedented access to primary materials on the history of the creation and growth of the regulation of the capital markets.

While the founders of the SEC Historical Society had thought to build a more conventional bricks and mortar repository, it was my vision to create a new type of museum, harnessing the power of the internet to make information free and accessible worldwide at all times to now more than one million visitors.

We celebrate the 10th anniversary of the virtual museum and archive and the values that it exemplifies: transparency, disclosure and a level playing field for, in the words of former SEC Chairman William O. Douglas, "The little fellow and the big shot alike." Thank you.

And now I would like to welcome the Honorable Mary Schapiro, 29th Chairman of the U.S. Securities and Exchange Commission.

MARY SCHAPIRO: Good afternoon. Thank you, Carla, for that refreshingly brief introduction and for all the work you do for the Society as Executive Director. And special thanks as well to Bob Kueppers and to all the volunteers and supporters of the SEC Historical Society for your hard work in preserving an important piece in American history. It's a pleasure to welcome you to the SEC and great to know that so many of you are watching us online today. But I wish you could have been here in this auditorium two days ago when we hosted our annual SEC Awards Ceremony. Hearing the accomplishments of the 100 individuals and teams we honored would have given you a much better idea of the professionalism and excellence that defines the SEC today than I can give you in my few minutes here. Honorees ranged from an administrative assistant who routinely works until the last train home that leaves Union Station and who bought her own laptop so she could do more work when she got home, to the Enforcement attorney who led the breakup of the largest insider trading ring ever on earth.

It's no secret that a few years back the SEC was on the receiving end of a lot of criticism, some even called its elimination. But the men and women of this agency showing the kind of spirit that was honored on this stage Tuesday afternoon came

together to move the agency forward and to show through our actions the importance of SEC to our capital markets and just how well we could do our job. This agency turned a page, becoming fundamentally more aggressive, efficient and effective. The changes made not only supported a period of almost unprecedented productivity over the last three years from record enforcement performances to numerous significant rulemakings that would allow us to carry out our mission more effectively than ever in the years ahead.

Over the last three years the SEC leadership and staff have worked better to redesign the SEC, investing in technology and human capital and significantly improving operations, implementing a new leadership strategy rooted in an entrepreneurial attitude and a collaborative approach, and executing against an aggressive investor protection agenda. When I came back to the SEC, my top priority was to make better use of resources, carefully investing long overdue budget increases in people and technology and improving management in ways that allowed us to make the most of our funds. We wanted not just to grow but to grow more efficient as well, expanding capacity faster than the budget numbers were rising. We broadened our hiring approach, searching for recruits with financial industry backgrounds and specialized experience. We now have traders, asset managers and academics on staff, in addition to attorneys and accountants, giving us correspondingly greater insight into the technologies and practices that drive today's financial markets. We increased the training budget to more than twice what it was in 2009. We significantly upgraded our case management system and other critical IT infrastructure. We improved agency operations by outsourcing non-core responsibilities like leasing, putting management professionals in the divisions in offices, and acting on the results of a comprehensive management study mandated by the Dodd-Frank Act. We built a first ever National Electronics System for handling thousands of tips, complaints and referrals we receive each year. After three years of intense effort, the SEC is simply a sounder agency on a fundamental level deploying people and technology more effectively and maximizing the impact of our limited resources. It's all part of the effort to build a more effective platform for the agency's future endeavors.

Parallel to our investments in people and tools, we began to put in place a new more aggressive approach to our actions as well. We wanted to be more entrepreneurial and we have been. Let me give you a few examples. In reviewing the most recent wave of tech IPOs, our Division of Corporation Finance stepped into problematic revenue recognition practices, halting the use of misleading non-GAAP measures before these practices prevalent during the tech bubble of the '90s could take root again. CorpFin also created a continuous review program which focuses on filings by selected larger registrants and reviews those filings in real-time. Because the members of the teams have specialized expertise in the industries they oversee and an extensive personal contacts with company representatives, they are able to address and resolve potential issues as they arise. The result, investors are receiving markedly higher quality disclosures from some of the nation's most economically significant companies.

Over the last two years OCIE has put in place a new national examination program, customizing examination teams to the unique challenges registrants pose, standardizing examination materials and disseminating best practices throughout the country. The program greatly expands the use of risk based targeting as well. Better targeting combined with effective examinations are paying off; the rate of significant findings and enforcement referrals is up significantly. The Division of Enforcement had a tremendous

year last year. We brought a record 735 enforcement actions, obtained orders for \$2.8 billion in penalties and disgorgements and returned more than \$2 billion to wronged investors. Since 2009, the division has filed charges against more than one hundred entities and individuals and financial crisis related cases.

I think one initiative is particularly emblematic of the SEC's more collaborative and proactive approach. In 2009, the agency formed the Aberrational Performance Inquiry team, the API, structured around the idea that publicly available data could be used to identify hedge funds engaging in fraudulent practices before a tip is received or routine examination uncovers questionable behavior. Comprised of staff from Risk Fin, OCIE, Enforcement and the Office of International Affairs, this team uses risk models to identify funds that are worthy of further review. The Commission has already filed six fraud enforcement actions sourced directly from the API initiative and the staff are actively investigating additional funds identified through our analytics. In addition, we brought questionable behavior to the attention of regulators in 17 different countries, a number of whom have asked for our help in developing their own analytics-based approaches to their industries. By using risk analytics to proactively detect fraud, the API team is helping the Commission to stop hedge fund fraud earlier, limit losses and hold accountable those who seek to harm investors. Today the SEC is not just catching up to the markets; we are getting just a little bit ahead. And of course the agency has made substantial progress on our investor protection agenda. By the end of last year virtually every division and office in the agency had come together in the effort to propose or adopt more than three-quarters of the required Dodd-Frank rules.

A few highlights. We have finalized rules concerning shareholder approval of executive compensation and golden parachute arrangements. We have adopted new rules that have resulted in hedge fund and other private fund advisors registering with the SEC. And they have established a whistleblower program that is already providing the agency with hundreds of higher quality tips, helping us to limit investigatory dead ends and at the same time helping companies to enhance their internal compliance programs.

The next step will be finishing our proposals to essentially build from the ground up a new regulatory regime for over-the-counter derivatives, a task against which we working closer with the CFTC have already made significant progress. There is still a great deal of work ahead of us, finalizing the rest of the Dodd-Frank rules, strengthening money market funds, adopting consolidated audit trail rules and others. But I am proud that our staff have already made this one of the most productive periods in the agency's history. Just as important is a cumulative effect of individual accomplishments through our fundamental approach in improvements in culture, management approach and attitude, changes that will allow the SEC to continue to function at the same high level in the years ahead regardless of the challenges that arise. The burst of activity isn't just a result of circumstances or a reaction to the financial crisis. It's an indication that the SEC is evolving in step with the rapidly changing markets. It's been a busy time but there are a lot of proud people who even as we finish what is on our plates today are looking ahead to an equally productive future. Thank you.

GEORGE FRITZ: Thank you Chairman Schapiro and thank you for joining us. Welcome everybody. Good afternoon. We welcome you to our discussion of the SEC and accounting standards setting. My name is George Fritz. I am a retired PricewaterhouseCoopers partner and I am also the curator of The Richard C. Adkerson Gallery on the SEC Role in Accounting Standards Setting. This gallery will open in

December and will be a permanent part of the Society's virtual museum and archive of the history of financial regulation. It will be the ninth Gallery in the museum, but it has a couple of firsts associated with it. It is the first devoted to accounting and auditing and it is also the first to be solely sponsored for which we are eternally grateful to Richard C. Adkerson who happens to be here with us this afternoon. I am grateful to have the opportunity to thank him personally for his support and confidence. He is the President and CEO of Freeport-McMoRan Copper & Gold Inc., and we appreciate his and the Foundation's assistance and support. Mr. Adkerson is no stranger to the SEC. He was a public accounting fellow, a PAF as we more frequently say, in the late 1970s and you can still see his name in a bunch of old oil & gas SEC releases including one old ASR. He certainly knows his way around the SEC.

At the time when he was here as a PAF he was in the Office of Chief Accountant and reported to the then-Chief Accountant Clarence Sampson, who is our first panelist, He is here with his signature bow tie, we are glad to see that. He may have had a little help tying it this morning, as I am told. Clarence was the Chief Accountant from 1976 to 1987 and before that of course he was either an associate chief accountant or a deputy chief accountant or an acting chief accountant under Andy Barr and Sandy Burton years before that.

When he retired from the Commission, he joined the Financial Accounting Standards Board for a five-year stint from 1988 to 1993. So he's seen this odd coupling of regulator and private sector from both sides. When he was at the FASB, it was during the chairmanship of our second panelist, Dennis Beresford, here to my right. Denny was the FASB Chair for ten years beginning in 1987. Prior to that among many other things he had been the chair of the Accounting Standards Executive Committee. He is now at the Terry College of Business at the University of Georgia, still molding young accounting minds, thank goodness. He was followed at the FASB as Chair by the man to my left, Edmund Jenkins, who was the chair of the FASB from 1997 to 2002 and saw it all the way through Sarbanes-Oxley. In 1994, he finished chairing the Special Committee on Improving Business Reporting. I had to look at it because nobody knows it by that name; everybody knows it as the Jenkins Committee.

And it's important also to note that each of these three panelists was there at the creation of the Emerging Issues Task Force of the FASB, the EITF, in 1984. Denny and Ed were charter members and Clarence was the FASB observer at the time. So they were there when it all started and I think you would agree that these men are uniquely qualified to discuss this topic that we have today, which is the odd coupling of the regulator and the private sector. The regulator is the overseer and the private sector is the actual one that established the accounting standards. The SEC of course has the statutory authority under the federal securities laws to establish accounting standards. But early on in its existence it saw that it did not have the resources either in terms of people, time or funding to establish standards so they looked out to the public accounting community -- which was the private sector at that time -- for help and the private community responded. So instead of actually setting the standards, it effectively delegated the standards setting authority to the private sector, again which for decades was the public accounting community.

We are going to discuss how this odd coupling worked for decades, whether it is effective. We will look at some moments of tension, like the investment credit, business combinations, perhaps stock options, if the scars aren't too fresh, maybe a couple of

other matters, maybe even some matters with the Financial Accounting Foundation. And the title of our program - you may wonder where that came from. "A creative irritant" was an expression that Sandy Burton used to like to use to describe the SEC's role in dealing with the private sector. He said, "We have to be like the sand in the oyster. We have to be a creative irritant to oversee and prod, to make sure things go in a way that seems reasonable."

So, at this point, I would like to engage our panel and ask them for their views of how this odd coupling worked, was it effective, did it serve the interests of all parties, the commission, the public investor, and the accounting community? And exactly what form did the oversight take, was it active or passive? Clarence, can we start with you?

CLARENCE SAMPSON: Sure. George asked me to talk about this oversight role that we had in the profession, in the whole picture really not just the profession, I just stopped and asked myself "What do we mean by oversight role?" I know that was in my duties, it showed whenever I gave a speech. I never thought of myself as an oversight person in that kind of context. I thought of the SEC and myself as part of it is, being a person who tried to find out what was going on in the accounting profession, how it had affected public financial statements and in getting the kind of information and things that would go with that. As opposed to oversight, I thought of myself as a participant in the process. I had to look at what they were doing. Meet with them periodically, every three months with a lot of committees in the AICPA and with the FASB. Mostly with the staff there. And that's what we did. We looked to see what was going on, looked at what they were doing, what we thought about it. Did it fit the picture of what made sense for public financial statements, not as in what we would do, but as something that is in the picture of things that would be appropriate to do. That's the essence, the way we looked at it was what they are doing consistent with the public good. We also as a part of that and both of these gentlemen, all three of them really can tell you about that the meetings we had with them. They wanted to know what we were doing, because we were looking at financial statements, and making decisions as to how people were applying those financial principles to make sure that they understood what we were doing, in case we were doing something they ought to talk to us about. So, we talked to each other and we were fairly close most of the time and I think we did a pretty good job over that period of time.

A little story. When I came to the Commission the Chairman at that time met with me and talked with me. He said, "I want you to take care of all the accounting problems during my term, five years." Well, you all know that you can't do that. Accounting needs keep changing over time and we'll have the similar list at the end of five years that we had now. The same type of list which is getting more updated of what things we are doing. It is to say, it is a participating process, we met and talked to each other, and we hoped and felt that we were meeting our oversight responsibilities.

DENNIS BERESFORD: When the FASB was established pursuant to the recommendations of the Wheat Committee, Leonard Savoie, who was the president or the chairman of the AICPA, the full time director, wrote or gave a speech that said something to the effect that this wasn't going to work well because the SEC was going to be too involved and would interfere with the process and he warned against it. So, I think that initially, with the first few years, there was reluctance by the FASB to be too open about the process and they were playing their cards pretty close to the vest. But that

worked out, particularly with Clarence's cooperation with Don Kirk when Don became the second chairman of the FASB.

So, by the time I became Don's successor, the third chairman of the FASB, it was really pretty much all okay. We just had to kind of keep things going. I think, by that point, we really felt at the Board that it was just our job to try to take care of all the problems as Clarence mentioned, there was always a new list of issues and our job was just to keep the SEC informed about the issues and do our job and not try to favor any particular interest and so forth and make sure that the SEC was informed about the issues. Clarence, I think, on more than one occasion said that the SEC did not necessarily have an answer in mind on particular issues, but that there was usually a range of possible outcomes that would probably be satisfactory and it was really the FASB's job to find the right answer within that range and to keep the SEC staff and the Commission informed about that. And clearly over time there was a range of interest levels at the Commission level in accounting matters and I would say, during my time, I think, I served under four different Chairs of the SEC, one only very briefly. The interest in accounting got higher and higher over that time and there was probably an increasing level of interest at the Congressional level too. I think Ed had more of this during his time and that affects the interaction between the Board and the SEC, but I was also advised by Clarence and others that the Commissioners come and go, but the staff people will be there for a longer period of time. So, we should be sure that we work very closely with them as well.

GEORGE FRITZ: Thanks, Denny. Ed?

EDMUND JENKINS: Well, I would like to start a little bit before even the FASB because the relationship has existed between the private sector and the SEC, really since the beginning of the SEC. And there were some rocky periods primarily because the private sector standard setting system was not what it should have been. We went through the period of the Accounting Principles Board, for example, the immediate predecessor to the FASB. And there were a lot of concerns about the independence and objectivity of that organization at the end at least. That's what really led to the FASB and I think it created a situation between the accounting profession and the private sector, because I consider the accountants at the SEC to be part of the accounting profession as well. The accountants at the SEC weren't really completely comfortable with the role the private sector was playing at that point. I agree with my colleagues' comments about the evolution of working together, but Denny and I at least had experiences with the SEC before we became associated with the FASB, working with clients, as they resolved SEC and accounting issues in connection with either public offerings of securities or annual reporting and it was through that process of resolving issues with both Office of the Chief Accountant and Corp Fin that we became not colleagues, but we became comfortable with one another and with our respective integrities. And I think that was an important time period and an important test when Clarence was there, right after Andy Barr, and then succeeding as Chief Accountant. We did develop a good rapport and respect for one another, and a confidence in that we would all treat things fairly. And that our primary objective was to get good financial reporting in the interest of investors and our clients. Both Denny and I worked in public accounting for many years. We were interested in good financial reporting as well and I think the issues that we brought and the development of those issues was important. I think the EITF was a critical change in the atmosphere. We were in a period of time, we'll talk more about this if we have time later, when there was a concern about financial reporting in the sense of what came to be known as lowest common denominator accounting. Show me where in the literature it

says that I can't do that kind of approach and that was a tough time, I think, between the private sector and the SEC.

The public accounting profession wasn't always able to stop this downward spiral of accounting practices, and ultimately the EITF was formed to help put a stop to that. I think Clarence did a wonderful thing, when right out of the box in the formation of the EITF, he indicated that the SEC staff would expect the decisions of the EITF would be followed in practice. I think that was a very critical point and I think it has carried forward.

GEORGE FRITZ: Do you want to say anything else about the EITF since we brought that up?

CLARENCE SAMPSON: Just a couple of things. One of my problems at that point in time, I always attended the meetings of the EITF and I had to sit there in the audience and listen to what was being said and of course a lot of people disagree with each other. Always the foremost thought in my mind was, is anything that anybody is saying here not going to be acceptable to the SEC? And more than once I had to say, we might not accept that. We got that solved. And it always worked. The system, therefore worked pretty well.

DENNIS BERESFORD: Just to amplify Ed's comments, there was frankly not the highest quality of accounting going on in practice at that point. Firms didn't want to take the hard position on their individual clients in some cases because they were concerned that another firm would go along with something. So, the EITF was a way of making the collective hard decisions, I guess, you might say when one firm wouldn't stand up to the individual position that they knew was the right way to do it.

GEORGE FRITZ: Certainly in those days there were lot of investor bankers shopping for opinions and trying to trot them out, and unfortunately if one firm accepted the proposal of a hypothetical transaction, the pressure was on the rest of the firms to accept it.

Fortunately, there was a good relationship, I think over the decades, between the regulator and the so-called private sector, if you will. But there were moments of tension and somewhere a little more in the public than others. And the panelists agreed to discuss a few of them. The first one perhaps was with the investment credit. This is in the early days of our roles in the accounting profession, but nonetheless we all remember it. In the early days of the Kennedy administration, they proposed the investment tax credit as a spur for capital investment and for growth. The APB had just been formed a couple of years before, hadn't put out any opinions yet. And it put out the first two opinions in response to the Revenue Act of 1962, under the Kennedy administration, the second of which was on the investment credit and it said that the deferred method should be followed, not flow through. And that met just a hailstorm of criticism and shortly thereafter the SEC said, "Well, we'll accept either method," in effect almost killing off the APB in its infancy.

It didn't but I mean it survived but do you all want to talk about that at all? Or was it too early in our collective careers? But it was a high moment of tension.

CLARENCE SAMPSON: I can make a point by talking about it briefly anyway. One of the highlights of my time at the Commission was the fact that the political arena did not very much affect the accounting profession. If it had I wouldn't have been able to stay

there. And that was one of the issues where the decision came from the Commission itself as opposed to from a Chief Accountant. The Commission almost always agrees with the Chief Accountant. But at that time that came from the Commission and people had to deal with it, right?

DENNIS BERESFORD: Right. I think that's the important point, George, over 50 years or so. This time we are talking about there have been only a relative handful of issues that have really become true political issues. I mean there are politics involved in almost every standard. I literally received a call from a reporter this morning about an issue that is on the FASB's agenda right now on lease accounting where there are some political issues involved. But the impact or the final standard has only been decided you might say on political grounds a couple of times, really, which I think is a great thing for our process.

EDMUND JENKINS: Can I?

GEORGE FRITZ: Sure.

EDMUND JENKINS: I agree with those comments, the investment tax credit is a good issue but this specific issue has implications beyond that. We are talking really about a basic accounting principle when you talk about the investment tax credit. Deferral versus flow through, it impacts other accounting decisions as well including accelerated depreciation and the whole gamut of exactly what is an asset and so on. And invariably when it gets too political we get the wrong answer and we saw that in some of these other issues that I think we will talk about now.

DENNIS BERESFORD: Just to add a little maybe not argument but to the discussion, what's the wrong answer is often in the eyes of the beholder. That's what sometimes can be problematic as well. That particular issue happens to be one that some reasonable people disagree.

EDMUND JENKINS: Yes, including Denny and me.

DENNIS BERESFORD: Politics definitely interfered with the outcome but there were reasonable people on both sides of the conceptual accounting for that issue.

GEORGE FRITZ: It's interesting what Ed's old partner Leonard Spacek said in APB4 in his dissent when the Accounting Principles Board acknowledged that both methods would have to be acceptable. He said, "I believe this Opinion approves accounting of the type that precipitated the 1929 financial crisis, and that history is being repeated by actions of the very authorities created to prevent such catastrophes."

EDMUND JENKINS: I might have even written that.

GEORGE FRITZ: Anything else on investment credit? We move on to one that actually our gracious sponsor has been helpful in, that's oil and gas. This was a very big one, the moment of tension perhaps. In 1977, the FASB issued a statement saying the best method of accounting for oil and gas - for dry hole costs or whatever you want to call it - is the successful efforts method and that brought a hailstorm of criticism particularly the smaller producers. And the SEC then later said, well, we think either method should be allowed and as a matter of fact we think that there is a better method that they proposed

but which eventually did not enact. Interestingly enough, in the Accounting Series Release they reversed the FASB while continuing to pledge support for the FASB which I know must have been a tough tight wire to walk. Clarence, you want to talk about that moment of tension?

CLARENCE SAMPSON: It's interesting that the next issue you bring up was a political issue. When the FASB got into this issue there was a lot of resistance from the smaller accounting oil and gas producers and explorers. And it soon became evident that to me from the commission level but it was more than just a commission level. Of course it was coming from the small people to the Congress to the Commission to me. It soon became evident that they were certainly not ready at that point in time to accept that. And how many accounting hearings have you ever heard of at the SEC? I don't think I had but one in my entire time there. But we held accounting hearings in Houston four/five days and four/five more days in Washington. I had commissioners at all of those meetings, five of them in Washington and less in Houston of course. And we decided we all had to attend the hearings. And we did and came up with this method by one of our people here in the audience, Mr. Richard Adkerson, who suggested this to me and it made some sense. And we decided we should look at it. We spent a lot of time looking at it and we had active meetings. We had people at the Commission, I don't know, I don't remember time periods at this point but six to eight months, meetings every so often on weekly basis and talked about this. And then we actually developed some rules and proposed some for circulation, people to talk about them. You know I haven't been there for a long time. I think that's right. I think we got to the exposure stage but as we... maybe we didn't. But anyway we looked at input from a lot of people whether or not we went to the exposure stage.

And during that it became evident that this method of treating the value of the oil and gas assets discovered in your financial statements was not going to be acceptable for several reasons, one it is not easy to come up with. A lot of people didn't like it. People that would have... a lot of people didn't like it. Anyway we ultimately concluded that we didn't think we could succeed in developing an accounting method and having it accepted. So as a way of dealing with that issue and at the same time coming up with good information for the public in this process and that the smaller companies would be somewhat satisfied with anyway, we came up with the idea of requiring that they disclose the value of the oil and gas reserves that they had discovered but not accounted for. And that worked out pretty well. But there was a side issue that Denny referred to earlier that took place along the way there which I think improved our whole process. My lawyers when we made a decision as to what we were going to do about this problem, my lawyers told me I could not talk to the FASB about it. I could not tell them that we were going to cut their feet up from under them. Later on after this all happened I thought to myself, I should have done it anyway but I didn't. I listened to my lawyers and as a result of that relationships between the SEC and the FASB became very much better. Because the chairman at that time who was Don Kirk recognized that he had to talk to me more often than I had to talk to him more often. And the whole process improved. We met with their staff more. We met with them more. I went to more FASB meetings I think after that. And the process itself worked pretty good. It was not a bad result overall but it was an interesting one along the way.

GEORGE FRITZ: Denny, do you want to add anything to that?

DENNIS BERESFORD: I don't have anything to add on that topic.

CLARENCE SAMPSON: One thing I might add to the process is far to the FASB getting started there was a law, energy law that was passed...

RICHARD C. ADKERSON: Eventually we did all the work. I think in that process there was... and that was back in the '70s where there were a number of energy laws passed following the oil embargo and the issue of what was called windfall profits or obscene profits by oil companies was a big political issue, that was apart from financial reporting. And in one of those laws that was passed there was a directive to the SEC that they will require to develop accounting practices for the oil and gas industry which was separate from the general responsibilities on the securities laws. And so one of the reasons your lawyers told you that, Clarence, was in that specific case you were working under some legal requirements that were beyond your normal requirements on the securities laws. And it was somewhat controversial for the SEC to defer initially to the FASB on that case because of that specific legal requirement and then in the law there had to be a separate rule making after the FASB adopted Statement 19 under a separate law. Then the SEC had to do its own rulemaking and then they had to expose that for comment. And so there was an entirely separate legal process at the SEC and the accounting staff had to face then. They put in a different category.

CLARENCE SAMPSON: Thank you, Richard. You can see what age does to you.

GEORGE FRITZ: It's interesting and in the Accounting Series Release on that the Commission acknowledged that they were trying to comply with this law which gave it a specific requirement to develop accounting. But it said in the law that it could look to the FASB. So then in the ASR it said, "but we think we have a different responsibility under the securities laws than we do under this law. This law requires that we develop a practice where under the securities laws we have the authority to establish accounting principles but not the requirement." I mean it was a very thin reed of distinction that was made in the ASR and seemed to work at the time I guess.

Okay, thanks very much, I appreciate that. I don't see any scars on Denny so I am going to ask him if he wants to talk a little about stock options and some of the incredible back and forth that went on with that.

DENNIS BERESFORD: It was actually a lot of fun. It was a wonderful learning experience in the sense of getting to meet a number of members of Congress and a lot of chief executive officers and things of that nature. But in the final analysis obviously the FASB decided that disclosure was the better answer given the fact that a piece of legislature was in process that almost certainly would have been passed that would have negated the final rule that would have required expensing. We decided that it made little sense for us to go ahead and require expensing and then have this legislation passed that would have reversed the expensing. But more importantly it would have then said from that point on the SEC would have had to redo our process on every standard which would have for all practical purposes made the FASB's process meaningless. So five out of the seven FASB board members felt at that point that it was better for us to sustain the standard setting process rather than to require expensing of stock options. Arthur Levitt in his book said that that was the biggest mistake he had made in not supporting the FASB on that matter. Frankly our decision as a Board had been made prior to his visiting the Board members and telling us that he didn't think that was the right thing to do to go ahead and require expensing.

At that point, all four of the other Commissioners had already said in speeches, in interviews and so forth that they didn't support expensing options. All members of Congress except for maybe Congressman Dingell had essentially said that they didn't support it. I guess maybe one or two people in the business world, Warren Buffet was in favor, none of the accounting firms were in favor. I recall, Ed, you and Dick Measelle visiting with me and saying that while you as a firm felt that theoretically we had the right answer, there was just too much pressure from your clients to be able to sustain that position. So even a firm like Arthur Andersen who always had done the right thing in the past felt that there was too much business pressure on this issue. So we got the word and five of the seven board members felt that it was better to live to fight another day on this issue. Now I facetiously said on a few occasions that we had actually the game plan in mind all along, that we knew that we didn't have the political capital to get stock option expensing in and we just went through this whole process to get the required footnote disclosure, at least make that major step forward. That's not really true, but we did make a major step forward to get at least that done so the companies had to start disclosing the effect. And that itself did result in a lot of companies taking a harder look at their option granting activities. And then when Sarbanes Oxley was passed a few years later and then we had the market crash and so forth, companies started getting religion and the FASB looked at again and it was not exactly a slam dunk the second time around but it was a lot easier for the FASB to move forward at that time.

All's well that ends well. It was a very difficult process and I was being a little facetious when I said it was a lot of fun but it was a learning process.

EDMUND JENKINS: I didn't think it was fun at all. And I was not a standard setter at that time but Denny is correct that managing partner of Arthur Andersen and I went down... went to the FASB and talked about this towards the end of the issue. Our concern really was more altruistic. We were really and sincerely concerned about the future of the FASB and Denny has expressed that concern. And we had that same concern at Arthur Andersen as well because we felt that the FASB finally, after several different types of standard setters, was the right answer and we wanted the FASB to continue. But it was a very difficult situation. I have been asked in my five years as chairman of the FASB why didn't we put stock option accounting back on the agenda. And there are several answers to that. One is that we had plenty on our plate and no shortage of issues to discuss. But the background reason was really that it was still too raw. Because of the experience in 1994 that Denny has described, I didn't feel that it was the right time. If I had served another five years it would have been on my agenda. I don't know if I could have convinced my fellow members to pick it up but it would certainly have been on my agenda. I was very pleased when the FASB did pick it up and carried it through. I think the atmosphere between the FASB, the SEC and Congress had changed considerably after 1994 until 2002 when I left the FASB. There was a much greater understanding I think on the part of members of Congress, and in particular their staff, of the role of the FASB, much clearer recognition that the FASB was not a part of the Federal government but was a private sector standards setter and a much greater recognition of the worth of the FASB and how it performed and its independence and objectivity. And I think all of that put together plus the passage of time is what enabled the FASB to be successful in coming up with good accounting now for stock options.

GEORGE FRITZ: And if I jump ahead just a bit, the effects of Sarbanes Oxley. Do you think that the funding issue has made a significant improvement to the FASB's independence, the fact that the trustees don't have go out any more hat in hand?

EDMUND JENKINS: I think on balance it's a bit better. My concern during Sarbanes Oxley's development and I am sure you all know its mostly Paul Sarbanes, Oxley came in at kind of the last minute to give some other party support to it. But my concern was to keep as a part of whatever regulations were going to be developed, the FASB independent and in the private sector. Fortunately Sarbanes agreed with that and so we did have this funding issue. And at least from an appearance perspective it was a problem and it also took a lot of work to raise the funds. Most of it came from the accounting profession, from the accounting firms, but not all of it and we needed the difference to meet our budget. So on balance I think from an appearance perspective its better and I am not aware of any issues that have led members of Congress or others to believe that the FASB is now part of the Federal Government.

DENNIS BERESFORD: George, I agree that on balance it's probably better but I am concerned that we now have government you might say control of the budget in that it has to be approved by the SEC. And the SEC is subject to Congressional oversight and at some point there may be a proverbial sword overhanging. And I always felt that the previous system worked pretty well. There was a kind of a market test you might say that the contributions were subject to if the FASB got too far off the reservation that things were so far, things weren't just being generally accepted you might say that contributions should dry up to a degree. But on balance the new system is working so far.

EDMUND JENKINS: It's an appearance issue.

GEORGE FRITZ: I know the trustees did the bulk of the work. Did they ever expect you to go with them?

DENNIS BERESFORD: That was always delicate. I tried to make myself available anytime a corporation wanted to talk about issues if people felt that they wanted to discuss a particular technical issue and so forth and it would probably be a valuable input for the board on an issue. Fortunately not all 12,000 public companies wanted to avail themselves of it and I didn't advertise that situation so it didn't happen very often.

EDMUND JENKINS: We at the FASB always made ourselves available to any of our constituents to talk about any financial reporting issues that were on our agenda or not. But I was never called upon to put my arm on any corporation for funding.

GEORGE FRITZ: One other technical question about moment of tension. I am not sure how much tense it was but it was certainly tension among industry I suppose and that is business combinations. And we had the curious evolution from the APB's 16 and 17 and ultimately to Ed kind of resolved in what 2002?

EDMUND JENKINS: 2000...

GEORGE FRITZ: Can we talk a little bit about how we went through poolings, part-poolings and part-purchase and eventually into where we are today? And to what extent did the SEC have a hand in that? The SEC was writing a lot of ASRs about the specifics

of helping to get pooling done - like the 25% sales rules, sales after 30 days of published results and all that?

CLARENCE SAMPSON: To tell you the truth, George, I can't remember a whole lot about that issue that was important enough for me to keep in mind for this long anyway. The SEC had its own thoughts on that issue from time to time on pooling and purchase and writing off goodwill which was... not everybody at the SEC agreed either on some of those issues. And I don't remember enough about it to talk about it. I don't think.

DENNIS BERESFORD: Well, we all referred to the Arthur Andersen book on the interpretations to figure out what was the right way to do all of these tricky things.

EDMUND JENKINS: Of course, we are talking about the period immediately subsequent to APB Opinions 16 and 17 on business combinations and goodwill. And because of the arcane complexity of those two standards and some of the rules which were not very principle based there was the immediate need for a whole series of interpretations. And the AICPA and the SEC put together a group of people, and they met several times to develop interpretive guidance that were then published, I think initially, by the AICPA. They later were incorporated into the Arthur Andersen Book of Interpretations along with some other interpretations. But they were designed to help practitioners apply these standards in a consistent way and the SEC supported that for that very reason. Because otherwise they would have been inundated with issues raised upon examination of financial statements and filing documents as to whether this was acceptable or not. And so I think that was a precursor in a sense to the EITF in that particular area. And it worked, it worked pretty well but I don't think its any secret that business combinations when I agreed to be chairman of the FASB was going to be first on my agenda, if I could get my fellow members of the FASB to participate. And we did and it was a tough battle, very tough, we held public hearings in Silicon Valley. They weren't like the public hearings that the FASB held out there on stock options where the companies, the high-tech companies let everybody off work and had a parade with a band. That's the truth. And the reason for that is that I met ahead of time with some leaders of the high-tech community out in San Francisco and I said, we are willing to have a public hearing in San Francisco, but I am not going to go through the circus that you guys put on with respect to stock options and they agreed and we didn't have it. And we were able to hold those public hearings there, in New York and at the FASB itself, and ultimately get through this issue and come up with a standard which still gets tinkered with.

CLARENCE SAMPSON: The SEC was very happy to have that to rely on. Looking at financial statements I can remember that. And I also can remember discussions and I am not sure with who about the time to be used to amortize goodwill. And we were involved in those discussions and it came out to be satisfactory.

GEORGE FRITZ: I can shift gears just for a second again on moments of tension. The FASB itself has been through a variety of iterations in terms of the number of members and the voting rules of the super majority versus majority. And that's involved lots of pressure from outsiders and the SEC has gotten involved in that as well particularly in one instance Arthur Levitt. But there has been periodic pressure - principally from representatives of the so called preparer community - to modify the control of the Board. Would you gentlemen like tell us a little about that and how the SEC helped or didn't help?

CLARENCE SAMPSON: I don't think the Chief Accountant's Office was very involved in that. We were looking to all the accounting issues not how many people had to be at the head of the pin.

DENNIS BERESFORD: I think that's right. The Financial Accounting Foundation is the group that oversees the FASB and makes those kinds of decisions in terms of the number of board members and voting requirements and things like that, George, for the most part. And those things that you mentioned are decisions that have been made during my term. I am not sure if those changes occurred during Ed's term but the FAF has changed in character over the years and it changed dramatically towards the end of my term when Arthur Levitt was the chairman of the SEC and he got very involved in the process. And to the benefit I believe of the FASB, to the great benefit because frankly the Board wasn't getting very much support from the trustees, I would say for the record. We were getting almost as much flak from our trustees as we were getting from the constituents on many of the issues whether stock options or whatever, other issues as well. And I won't name names or anything of that nature right now but Levitt shook things up and said we needed more public interest trustees. On the FAF board he insisted that we reorganize, I think there were five new trustees that came in at that time and reduced the influence of the preparer and public accounting communities and brought people in that were more user oriented or at least more general interest oriented and that has continued through certainly Ed's tenure and Bob Herz and Leslie Seidman now and I think that's made a real improvement to the process. Earlier, I recall the SEC was getting a lot of flak from the business community on the so called economic consequences. This was going to have a big effect on a lot of rust belt companies who were going to have these huge accruals that might wipe out equity and that a lot of people would lose their retiree health care coverage and so forth. The SEC was asked to challenge the FASB on whether we were doing a good cost benefit analysis and much the same with some of the issues that have been raised right now about lease accounting. And the FASB invited some people from the SEC to come down from the Office of Economic Analysis. And we put all of the files that we had on the project on one long table, probably twice as long as this table and said, "Have at it. This is what we put together." They were basically overwhelmed. They didn't know where to start. In other words we had done a lot of work to put this together. I am not sure exactly what they had in mind per cost benefit but it was still a great deal of work. My point was simply that there was still a lot of flak that was coming from many different directions. We weren't getting much support from the trustees on that we were getting negative support if I can put it that way. Ed, I think probably things were pretty much rosy during most of your time, at least from that standpoint.

EDMUND JENKINS: I felt that I had very strong support from the trustees and they were very good to work with. I thank you and I know that Levitt had a large role to play in getting that process established. I will tell you a couple of stories. David Ruder, who was a former chairman of the SEC, became a member of the FAF and he was extremely helpful in getting us involved in the restructuring that took place with the International Accounting Standards Committee to turn it into the IASB. He worked like a colleague with pencil and paper to help us develop our positions on those issues and he argued for us and he was a great help. Manuel Johnson, who was the vice-chair of the Federal Reserve, became the chair of the trustees. He was very helpful in introducing us and giving us access to individuals in Washington so that we could tell our story. Those are just two examples. I think, the current Chairman, who is Jack Brennan, has been very

active and he is very helpful and he's a business person. All of them I think have done a great job.

GEORGE FRITZ: Thank you. I know, Ed, one thing we talked about beforehand you mentioned you thought was particularly important in the communication of the SEC with the preparer and accounting communities was the annual SEC Conference which I think you had a hand in one of the first if not the first. Do you want to talk a little bit about that and how it helped and what it did? I think Clarence was the first I am sure.

EDMUND JENKINS: I am sure Clarence was there. Sandy Burton was the one who talked to the AICPA Committee on SEC regulations of which I was a member at the time about this idea and Ray Groves, who later became the chair of Ernst and Young, was on that committee and he and I did in fact chair the first SEC conference. It was held at the Capitol Hilton and we had, I have forgotten the number, but compared to the 8 or 9 or 10,000 people that attend around the world now, I think there was an order of magnitude of 250 to 300 people there. The idea was that while the major accounting firms had lots of expertise in SEC matters, lots of access to individuals to help us resolve problems, there were a large number of public accounting firms that had one or two SEC clients and didn't know much about how to react and how to work in an SEC environment. And it was dangerous because they could make a mistake that would have significant implications to them legally through the securities acts. So the idea was, through the AICPA and the SEC, let's set up this conference and invite primarily non-major firm participants so that they can hear, they can get to talk directly to the Chief Accountant, to CorpFin people, to others. Commissioners always participated; it helped them understand the process and what goes on at the SEC. That was the objective. It has gone far beyond that now. But I think the conference was a very important factor in the relationship, and the working together between the SEC and the private sector.

GEORGE FRITZ: You mentioned the SEC Regs committee. That was an important communicative device.

EDMUND JENKINS: It was back then, but I don't know what it does now.

GEORGE FRITZ: It exists within the Center for Audit Quality, I think.

EDMUND JENKINS: Okay. I think it got largely replaced with the EITF and other activities.

GEORGE FRITZ: Looking forward just a bit, it is tough for us who are no longer in practice to look forward, but one of the major efforts that the SEC is looking at and the FASB as well is convergence internationally. Whether that could be done, they're still talking about it, they're talking about "condorsement" and a variety of other matters. Do you gentlemen have any thoughts about it or suggestions for the SEC and the profession? And also in that connection, the difference between principles based standards and rules based standards and how that can all be worked out and can the Commission have the kind of influence on the IASB that it has on the FASB? Where do you think this might go?

EDMUND JENKINS: I'll take up one, that's principle based versus rule based standards. I think that's a misnomer and I think it drives us crazy because it doesn't help anything. I think the FASB standards are principle based. We've tried and generally followed the

conceptual framework, which is more robust than any conceptual framework that anybody else has including the SEC, except that I hope they follow FASB's conceptual framework. And so I think that our standards, FASB standards, are principle based. Now, is every little piece of it principle based? No, why? I think there are three reasons, and I've been saying this now for 15 years. I think, one is, we still have this environment where registrants ask their auditors why can't I do this? Show me where it says, I can't do this? If we are going to have principle based standards by definition they have to be not detailed. Second is that the accounting profession itself doesn't insist that we use conceptual standards, principle based standards, if there's a rule which says otherwise. That gets into another issue of preferability perhaps. The third reason is the SEC staff itself wants these rules, so that they can make decisions based on some concrete facts rather than the necessity of applying judgment. And the accounting profession is the same way. So, as we go through our standard setting process and we come up conceptual based exposure draft. Someone says, "What about this, what about that. Should we apply the standard this way or that way?" So we keep adding to these standards as the process goes forward more and more details until the ending result is a cookbook that looks like it is a detailed standard and rules based standard and not a principle based standard.

DENNIS BERESFORD: I got the FASB started on the international track, you might say very slowly in 1987 and at that time I didn't have any end game in my mind. But I saw the idea being that the FASB would continue to be a leader worldwide, and that internationalization would be a big part of the process at some point. And I think what SEC Chief Accountant Jim Kroeker is going to be proposing in the next couple of weeks or so, is along those lines that the FASB will continue to be a very viable and active part of the process. But that the international component will be very important that this condorsement or endorsement, notion will be one of having the US try to build off of the international accounting standards as the baseline. And then have the FASB either adopt those standards as they are or make whatever adjustments seen necessary for the US environment and add whatever additional interpretations or additional guidance where things are not covered by the international body for the US environment. Which all seems necessary given the fact that the SEC continues to have the statutory responsibility for public companies. So, again, if I'd been smart enough 25 years ago to see all this coming, I think, it is pretty consistent with that objective.

CLARENCE SAMPSON: I really haven't followed this issue at all. Really, I'm retired. I've been here for 20 years now and I've been wondering how this is going to come out because one of the things the SEC staff does and it still continues to do, is talk to companies who say, yes it says that, but our circumstances are special. They have to deal with that. There has to be a way to deal with that. You can't have absolutely all rules, but you've all principles, sort of maybe even creating problems for yourself by all the companies you are going to have which don't want to follow these principles. So, good luck.

GEORGE FRITZ: You have to kind of imagine whether or not, I wonder whether or not all members of IOSCO will view international accounting the same way or whether they will each have a different interpretation.

DENNIS BERESFORD: They don't know. The SEC found that out in one of their recent studies.

EDMUND JENKINS: I'm quite pleased with how far we've come in the international accounting standards setting arena. I think the establishment of the IASB with its different format, with its organization, with its structure, has become... if you weren't around when the IASC was in existence and there was a 45 member group, politically appointed by each country's government ... a structure that is an FASB structure in almost all aspects. That has been a very important change. I think the progress that has been made to bring standards together, while it is not perfect and probably never will be perfect, has been excellent. The IASB probably will always have more political pressure internationally than we have here. I think, we've come a long long way and with the global capital markets we very much need global accounting standards.

GEORGE FRITZ: Do they have concepts statements?

DENNIS BERESFORD: They do, yes. They are also working with the FASB to try to come up with a revised version, that is sort of still in the water right now.

GEORGE FRITZ: I see. Well, a question that I wanted to ask along the way was how important have the concepts statements been to the FASB?

DENNIS BERESFORD: Well, at least during my time at the board and I would be interested in Ed's thoughts. They were very important in a way. They certainly served as a starting point in the staff's analysis. The staff takes the first shot at all issues, analyzes the question and then presents recommendations to the Board. The Board debates them and it comes up either agreeing or disagreeing, coming up with their own recommendation on individual issues and then we go through scores, dozens of issues, and we try to put them together in an overall standard. They try to come with a conceptual rationale for each of those decisions. So the problem is that different people have different views on whether the concept supports one position or another position. So, after you've done that for 50 or 100 different issues for a particular standard, then you have not necessarily agreed with the staff on each of those individual positions. But you have a series of decisions you've reached overall, then the staff has to go back and somehow figure out how to write a standard with those 100 or 50 decisions that may or may not have been consistent with the reasoning that they have in their original memo and come up with both a standard that has the decisions plus a basis for conclusions that has some reasoning in it. We tried very hard, again during my time, to make sure that the basis for conclusion has good reasoning and that as much as possible that reasoning is included in the basis for conclusions. Sometimes it worked and sometimes it didn't. Sometimes at the end of the process, I would look at the first draft of the document and there wasn't a single reference to the concept statements and I would say. "Come on people, we've got to at least try to find some concept that works here." So, George, I mean, we really tried very hard to do it and it was there in our minds, but sometimes it was a little difficult to really document. Ed, is your experience different?

EDMUND JENKINS: No. I think the process you described is pretty much what it was then. That was 10 years ago now, but I think the concepts had a particular importance to the members of the FASB that did not come from a professional accounting background. They were not public accounting individuals. As you know, we have several that are not. For them to try to decide standard setting issues in a vacuum was particularly difficult. I think, those of us that had dealt with the accounting standards, and applied accounting standards daily as auditors, most of us, had a pretty good feel for the state of the art, if

you will, what was acceptable and what wasn't. But some of those individuals had not had that experience.

So, I think utilizing the concept statements for them was very good and I think that's an added value to it, but otherwise, I basically agree with Denny and that's what I was trying to describe when I said that I think our standards are conceptually based.

GEORGE FRITZ: One more question because we are nearing conclusion very soon. Clarence, I'm curious, one of the things that I thought was very good for the SEC to begin was the public accounting fellow program and I think it was in the 70s, in the early 70s.

CLARENCE SAMPSON: Yes.

GEORGE FRITZ: How did that help the Commission? I mean, obviously was helpful for the people, but how did that work?

CLARENCE SAMPSON: It worked extremely well. It actually started through the presidential intern, if that's the right word, program, our first fellow did not come through the SEC's fellow program. But he worked out extremely well and it was Sandy's idea and it was a great idea. We get access to a number of young hard working people coming in from the accounting profession, mostly from the big firms and they do good, they work hard, and guess what, when they come to the commission, you can see the SEC's hat. They think the way we think while they are at the commission and they are really great people. Without their program, I'm not sure what we would've done to make things work.

DENNIS BERESFORD: It is a terrific thing for the firms. George, one of my responsibilities in the national office of Ernst & Ernst, back then, was to help scour the firm for candidates and once it was up and established for a couple of years, we had no trouble finding people because they knew it was going to be a great experience and they would almost certainly be admitted to the partnership once they got back. This was because they were just terrific performers and several went on to extremely key positions in the firm.

EDMUND JENKINS: I had the similar responsibility at Arthur Andersen and one of the individuals that I was able to place here is Richard Adkerson. So, that maybe says it all, but we did the same sort of thing at the FASB, we had fellows as well and your current chief accountant Jim Kroeker was a fellow at the FASB. So, it has worked well, I think, for all of us.

GEORGE FRITZ: Just before we close, I would like to ask each of you, if you have any closing thoughts about this odd couple relationship we've been discussing this afternoon or thoughts of the future. I would appreciate that. Clarence, any final thoughts?

CLARENCE SAMPSON: I suspect, I said most of my final thoughts when I started out. This was a combination of efforts by both the public profession and the SEC to make this thing work. This worked reasonably well. always problems, this worked reasonably well.

DENNIS BERESFORD: George, once in a while, it was a bit of an irritant, but it was always very creative. I think it worked extremely well and I always felt that I had great support from the SEC.

EDMUND JENKINS: Right, I can just echo all that. I think it was a great experience. We helped one another. We had confidence in one another for the most part and we ended up getting almost always a good answer.

GEORGE FRITZ: Okay, we are about at the end of this program today and I sincerely want to thank these three great panelists, Clarence, Denny and Ed for participating, for coming here and doing this. It has been an honor for me to be with them. You know, I was just a foot soldier and it's great to be able to be with the generals.

Today's broadcast is now permanently preserved in the collection of the virtual museum and archive of the history of financial regulation in video format and an edited transcript will be added later on. I encourage you to visit The Richard C. Adkerson Gallery on the SEC Role in Accounting Standards Setting when it opens in the museum in December. It too will be a permanent part of the museum and a significant addition to the history of financial regulation preserved there.

I would like to end the program, if I may with one of my favorite quotes, not from any accounting tome, but from Neil Simon's play 'The Odd Couple.' In that play, Oscar Madison at one point says, "An accountant! What would I know? We are not perfect. We all have faults." So, I hope that today's discussion demonstrates while we may have faults from time to time, we are always trying to do it right.

Thank you for being with us today. Good afternoon.