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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

ROUNDTABLE ON MODERNIZING THE SECURITIES
AND EXCHANGE COMMISSION'S DISCLOSURE SYSTEM

Wednesday, October 8, 2008

Securities and Exchange Commission

100 F Street, N.E.

Washington, D.C. 20549

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1 (Applause.)

2 MR. REED: Good morning Commissioners and good
3 morning panelists.

4 I will begin with just a few brief ground rules for
5 today. We have prepared a number of questions for the
6 panelists, but periodically, as you know, the Commissioners
7 both present and Commissioner Aguilar, who appears by video,
8 may ask questions.

9 We have asked you not to present opening
10 statements, as you know, but have encouraged you and
11 encouraged members of the audience who are listening via the
12 internet or C-SPAN to take advantage of the opportunity to
13 file written comments, and you can get more information about
14 that on our website.

15 Toward the end of the panel we will have a minute
16 or so to have each panelist present some closing comments and
17 I will speak in a moment about how we will divide up the
18 subject matter for today, but we will ask each question of a
19 different panelist. If you would like to interject, just
20 raise up your name card or try to make eye contact. One of
21 the three of us will try to ensure that we will try to get to
22 everybody, so you can jump in as often as you want to.

23 And I guess one more housekeeping measure is the
24 restrooms are out the doors and to the left for anybody who
25 doesn't know at this point.

1 Some of the things that we look for is a broader
2 sensitivity analysis, somebody forecasting what happens when
3 the market does slow down. Today's market is one that
4 couldn't be predicted, but all the models had things
5 continuing to look upward swinging. We want to make sure
6 that the analysis going in is presented back out, not just a
7 one percent swing, but what is a five percent swing due to
8 the information?

9 MR. BERKELEY: I would just like to comment on the
10 comment that was made about people looking to analysts. One
11 of the things that we ought to add to Chairman Cox's list of
12 problems, such as the regulatory gap, is the unintended
13 consequences of the evaporation of research on thousands of
14 public U.S. companies. It is not a simple problem, but we
15 ought to be looking out of box at things like allowing
16 companies to pay to have sensible comparative reports written
17 on themselves.

18 Right now, if the company pays for research, it is
19 perceived as somehow tainted. There is no incentive in the
20 broker-dealer business model these days to write any research
21 on any but the most frequently traded stocks. So you will
22 have 25 to 30 percent on the most liquid stocks and no
23 analysts on thousands of stocks that are perfectly viable
24 companies and I really recommend that to the Division of
25 Corporate Finance to look at.

1 MR. DOGGETT: I just wanted to follow up that both
2 the International Accounting Standards Board and the
3 Financial Accounting Standards Board, we feel they have been
4 very active in coming up with sets of disclosures that will
5 be helpful to investors. There are many things in their
6 recent requirements and their professional review of illiquid
7 markets, recommendations in there we feel will have benefit
8 as they become incorporated.

9 MR. WHITE: I thought maybe we would change
10 directions here for a moment now. I guess we have been
11 talking about this so far from the investor or user side. If
12 we could switch for a few minutes and talk about it from the
13 filer or company side. And I guess what I really would like
14 is a kind of basic description from, I guess I will say the
15 three groups that we have represented here today, of how you
16 prepare information and file it and assure yourself of its
17 accuracy in the process.

18 And I guess I would like to start from the large
19 company perspective, Bob, if you could talk about it from
20 Xerox, and then we will go to the smaller company perspective
21 to Kara and how you do it at Bluefly, then from - I will ask
22 our fund representatives to put on their filer hats and ask
23 Tim and Paul to come in. Bob, can I start with you?

24 MR. SORRENTINO: Yes. John, if I get too
25 long-winded, just stop me, okay?

1 (Whereupon, at 10:53 a.m., a brief recess was
2 taken.)

3 PANEL TWO: MODERNIZING THE SEC'S DISCLOSURE SYSTEM

4 MR. LUTZ: Welcome back.

5 First of all, I would like to thank the panel for
6 an interesting and somewhat spirited discussion. When we
7 first proposed that topic to Chairman Cox, he just looked at
8 me and said, "Oh, that will really excite them," and I
9 promised that we would make it interesting, and I think the
10 panelists certainly did.

11 MR. WHITE: That's because you didn't know that the
12 national treasure was going to emerge.

13 MR. LUTZ: We always have hidden surprises here.

14 So we looked at what the current system is. This
15 panel will explore what a system could look like if we moved
16 to an electronically-based structured database form of
17 disclosure. It is a big question, it is a big issue,
18 involving a lot of detail. Certainly we are not going to be
19 able to cover everything given the limited amount of time
20 that we have, but I think we have enough people on the panel
21 to give you some very specific ideas as well as stir up some
22 interesting discussion.

23 So now I will turn it over to our panel. Joining
24 both Buddy Donohue and John White is Jim Kaput. Jim is a
25 special counsel to the 21st Century Disclosure Initiative.

