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AMERICAN INSTITUTE
of
CERTIFIED PUBLIC ACCOUNTANTS

Annual Members Meeting

October 19, 1999
Sheraton Seattle Hotel & Towers
Seattle, Washington

ROY ALLEN & ASSOCIATES, INC.
521 Fifth Avenue, 17th Floor, New York, New York 10175
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P R O C E E D I N G S

CHAIRPERSON KIRTLEY: Good
afternoon, everyone. If everyone would take their
seats, please.

I would like to make a couple of
announcements before we begin this afternoon.

First of all, I would like to
tell you that if you would like a copy of Bob
Elliott's comments that he made at lunch, there
are copies available outside in the foyer at the
registration desk; or if you would like a video
copy of that, you can so indicate at the
registration desk. If you will just make sure you
note Elliott video so we can differentiate that
from the rest of the Council video.

The second thing that I would
like to announce, which I am very excited to
announce, is that we have just entered into an
extension of Barry's employment arrangement for a
five-year period beyond when it was due to expire
next year.

And so he is now through July of
the year 2005.

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And I think all of you know what a valuable asset he is to this Institute, especially at this point in our history as we deal with change and trying to adjust to the changing business world.

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And I am thrilled to announce that we have a five-year extension on Barry's contract.

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(Applause.)

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CHAIRPERSON KIRTLEY: At this time I would like to declare the 112th Annual Meeting of the American Institute of Certified Public Accountants to be in session and, in particular, offer a warm welcome to the members of the Institute attending this meeting that have not been here for the rest of the Council meeting.

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A copy of the Annual Joint Message from Barry and myself together with the audit and financial statements for the year ended have been distributed to you in our Annual Report. There are extra copies available at the registration desk if you do not have one or would like extras to take with you.

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The material will also appear in the Journal of Accountancy which is mailed to all members.

As I said yesterday before you went into breakout sessions, we would have a report on the results of the discussions in those breakout sessions, which our staff has worked diligently to summarize overnight to prepare.

And I will now ask two members of the Board of Directors, Ed Dupke and Scott Voynich, to provide you with an overall summary of the breakout group discussions.

Obviously, this will only be at a high level since we have not had much time to assimilate all of the specific results of the discussion in detail.

So, Ed/Scott, the podiums are yours.

MR. ED DUPKE: Thank you, Olivia.

It's Scott's and my pleasure to share with you the results of yesterday's breakout sessions.

If you recall, there were two

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issues, the "eye of the needle" issue - should all of those participating in our CPA/Information professional firms go through this eye of the needle, that is, the CPA Exam; and the second is, with all of the new disciplines providing professional services within our firms now, what is the best way for the AICPA to assimilate those and to respond.

Now, this is an august and austere group. I think it would be fair to say that perhaps many of you in this room are conservatives.

(Laughter.)

MR. ED DUPKE: We are dealing with major issues of change. And you all remember what our good friend and distinguished Chairman of the Institute, Marvin Strait, said when he talks about a conservative. And he says a conservative is a person who is in favor of progress and change and innovation, but not yet.

(Laughter.)

MR. ED DUPKE: I am very pleased to share that we did not see that yesterday. And I thank each of you who

2 participated in the sessions for your insightful
3 and candid comments.

4 This was a session of green
5 light thinking. It was a brainstorming session.
6 There were no right answers and there were no
7 wrong answers. And a review of these results will
8 indicate that there was really no clear mandate
9 or strong consensus on a particular issue. There
10 were just an awful lot of good ideas.

11 It was evident, however, that
12 there were some themes emerging throughout all of
13 the breakout sessions.

14 There was a need for broadening
15 competencies - this was mentioned in all groups -
16 but really no consensus or no strong consensus as
17 to how we should do that.

18 For example, we heard two
19 differing views on the CPA Exam.

20 One suggestion was to leave the
21 Exam as it is and view the CPA as a specialty and
22 then create some separate path of accreditation
23 for other competencies.

24 On the other hand, we also heard
25 that we should open the needle for a broader set

2 of skills to be tested in order to become a CPA.

3 There appeared to be general
4 agreement that the universities are pretty much
5 teaching to the Exam and that spending more money
6 on the current Exam the way it is won't
7 necessarily help.

8 Scott.

9 MR. SCOTT VOYNICH: Members of
10 Council continue to acknowledge the problem of
11 people not taking the Exam due to the belief that
12 there are more opportunities available without
13 it.

14 It was also the observation that
15 the Exam is fragmenting the profession by
16 focusing on the attest function.

17 On the other hand, we heard that
18 the Exam is a stepping stone and not an eye of
19 the needle problem.

20 Numerous groups noted that the
21 real issue is not the Exam but our image and that
22 we must change our image by educating the public
23 on what the broader CPA can do.

24 Some also stated that if the
25 market doesn't perceive the designation model as

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important, it won't be.

We heard expressed the usual frustration with issues other than the Exam that affect our ability to attract people to the profession.

They include staffing concerns such as the growing difficulty in finding qualified or non-qualified staff.

MR. ED DUPKE: Additional frustrations included the long hours that are required of members of our profession, inadequate starting salaries and general quality of life issues with which we all deal.

But there were a number of suggestions offered and these included a suggestion to consider an aptitude-based type of test and perhaps an expanded test on the Code of Ethics.

We also heard the rather radical suggestion that we should eliminate the CPA Exam altogether and create some kind of a new credential that would have its own exam.

On the other hand, it was suggested that maybe we should have two exams,

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one to focus on the test and another to focus on some other skills.

A variation, an interesting variation, of this suggestion was to have this new exam to approve and to qualify folks for core competencies, but to have five or more separate exams to permit the individual to have a choice of the credential to be determined.

There was even a thought that perhaps the AICPA should go its own way and have auditors be supported by the State Boards of Accountancy to assure continuity in the attest function.

MR. SCOTT VOYNICH: Some members of Council, however, reminded us of our duty to the profession by suggesting that the AICPA meet the needs of the CPAs exclusively since the Institute is an individual membership organization.

On the other hand, if it were a firm-based organization, we have the duty to meet the needs of a constituency which may be much broader.

All of the groups mentioned the

2 need to open up the profession but there was no
3 magic answer as to how to do that.

4 We had probably five different
5 themes or approaches that were mentioned.

6 One was the creation of a new
7 designation. In one way or another individuals in
8 all groups mentioned development of a new
9 designation such as a Certified Knowledge
10 Professional, a Certified Information
11 Professional, a Certified Business Adviser, a
12 Competent Professional Adviser, a Certified
13 Public Adviser, Certified Professional
14 Accountant, Global Business Adviser, or similar
15 title.

16 MR. ED DUPKE: And there were
17 two different tasks suggested to this type of new
18 designation in a majority of the breakout groups.

19 One was the generalist to
20 specialist approach wherein we recruit members
21 into the profession by testing those broad-based
22 business skills, certainly the Vision core
23 competencies, and not strictly accounting and
24 auditing. We would then call these people
25 Certified Knowledge Professionals or some other

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title.

And this would be a base for entrance into the profession. And then subsequently people would take specialty exams for Information Technology, for Auditing and the attest function, for Personal Financial Services or Business Valuation or all the other specialty areas.

Now, the opposing path was the specialist to generalist approach where we let specialists join the profession and then after a period of time, these individuals would become generalists under the new Certified Knowledge Professional or whatever designation that might be given.

We also heard support for another approach for the solution. As Bob mentioned in his address at noon, commerce is clearing becoming global, and a global umbrella designation, which would have under it national licenses and then for some type of business specialists, was also mentioned in a number of these sessions.

MR. SCOTT VOYNICH: On the

2 other hand, we heard support for continuing to
3 stay focused on what we do best, our traditional
4 accounting, auditing and tax services and let the
5 specialists go to specialty interest groups.

6 There was, however, one message
7 that came through loud and clear, and that was
8 the need to be sensitive to our members in
9 industry.

10 The challenges confronting the
11 profession are far broader than those simply in
12 basic CPA firms. It was even suggested that we
13 can create two separate organizations since
14 public and industry members have different needs.
15 This approach called for the AICPA to focus on
16 public practice and create a separate
17 organization specifically for members in
18 industry.

19 Finally, there was the approach
20 or theme calling for the consideration of mergers
21 with some smaller groups such as the CFP, the
22 CMA, Certified Broad Examiner, Certified Account
23 Auditors, et cetera, while also continuing to
24 explore global arrangements such as mergers and
25 alliances.

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One thing that was evident was the call to be global.

MR. ED DUPKE: Now, in addition, on both of the questions we discussed we heard a number of other comments.

These included our commonality is information and it's knowledge.

The attest function should be a specialization and the CPA designation should be a broad-based designation.

Another comment was that the AICPA should be the big tent for all professionals doing knowledge type work.

On the converse side, we heard comments such as widening the profession could contribute to its becoming irrelevant.

We clearly heard support, however, for the New York Society's effort in providing expanded membership for non-CPAs.

Yet a number of members wanted to be sure that there is clear evidence of a demand by non-CPAs to be members. Some members question whether or not we could create that demand.

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But we also heard sentiments offering and confirming there was true value in offering expanded membership.

MR. SCOTT VOYNICH: For example, it was suggested that opening the AICPA to non-CPAs could only happen if we offer a new competitive advantage to those who join.

We heard the expression that any new organization must appeal to non-CPAs and those that CPAs work with. But we must make sure we offer value to capture allegiance.

One strategy we did hear was that accreditation allows us to bind non-CPAs with our organizations and we should allow non-CPAs to hold accreditations granted by the AICPA.

However, we also heard expressed that some states are trying to open up to non-CPAs not associated with CPA firms and these efforts have been voted down.

On the issue of branding, we heard that we should not drop the CPA designation. We have one hundred years invested in brand. Instead we should enhance the certificate by stretching the CPA brand to

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encompass more competencies.

MR. ED DUPKE: There was, however, some skepticism as to how far we could stretch the CPA brand. If we were to expand too far, we could potentially dilute the value of the CPA, our independence, objectivity and integrity.

If we keep expanding what we want people to think we do, at some point we might no longer have a cohesive profession.

Also expressed was the view that the brand should focus not necessarily on what we do but how we do it.

Concern was also expressed that it would be difficult to be all things to all people. Can we, in fact, meet the content needs of all of these broader groups?

We also heard a confirmation and reaffirmation of the AICPA's image program. There was clear support for building on our reputation as the trustworthy and our integrity and our objectivity as business advisers.

After an analysis of all these results, it is clear that you supported several of these themes.

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MR. SCOTT VOYNICH: One was to expand our competencies.

Another was the need to broaden the designation and give consideration to the creation of a new designation.

A global emphasis was also a clear suggestion.

And, finally, the breakout groups did not foreclose on the suggestion of enlarging the CPA.

On behalf of the Board of Directors we would like to thank you. Your work in the breakouts was valuable. These were excellent sessions.

We are going to turn this information over to the Strategic Planning Committee who we've asked to consider and provide us with guidance.

I would like to close by saying that it's clear that we are going to be revisiting these issues and other fundamental ones in future sessions of Council.

Thank you.

(Applause.)

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CHAIRPERSON KIRTLEY: Thank you, Scott, and thank you, Ed, for -- I know you put a lot of work into preparing the summary of those comments and we appreciate that.

I think they do provide though a sense of the feeling of the participants in the discussion and underscore the importance of the issues that we are addressing.

And I'm sure, as Scott said, these are things that we will be visiting many times over in the near future.

Now we are going to move to Item No. 25 on the agenda, an update in the exciting Assurance Service area, with Al Anderson, who is our Senior VP of Technical Services.

You've heard in previous meetings about these developments that are taking place in the Assurance Services area since we launched that new effort a few years ago.

So, Al, if you will bring us up-to-date with respect to the new developments.

The podium is yours.

MR. ALAN ANDERSON: Thank you, Olivia.

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2 I'd like to start today's
3 presentation with first a videotape of some of
4 our Assurance Services Task Force Members and
5 members who are providing these services, giving
6 their outlook on assurance services.

7 (A videotape was viewed by all
8 assembled.)

9 MR. ALAN ANDERSON: That tape
10 sums it up very well from the standpoint of the
11 members and the volunteers who are putting a
12 tremendous amount of energy and resources to help
13 move this profession along, to move us up the
14 value stream, if you will, through assurance
15 services.

16 I think -- assurance services
17 have predominantly been in place and the task
18 force has been in place approximately two years.
19 I think we've made some significant headway in
20 accomplishing our goals and objectives.

21 But to kind of set the stage, I
22 want to refresh in everybody's mind what the
23 definition of assurance service is.

24 Assurance service is an
25 independent professional service that improves

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the quality of information or its content for decisionmakers.

And that's a very broad space from the standpoint of the things that we can do in this profession and that really is what our clients in the marketplace are looking for.

And I think as we have moved through into the situation, these services that we are working on are following an approach of as quick to market as possible and not be, quote, perfect.

It sort of follows in the -- when Bob chaired the Special Committee on Assurance Services, it was called the iterative approach, the software model approach.

And I think WebTrust is a classic example of that iterative approach and we will talk about that in a minute.

But I would like to call assurance services R&D for the profession. And it's the global profession. Throughout this conference we have been talking about how small the world is and how we need to come together as a group of practitioners from around the world to

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make things happen.

Even before, well before, this conference and this whole idea was unveiled, the American Institute of Certified Public Accountants and the Canadian Institute of Chartered Accountants had been working together on all of these assurance services. And, in fact, we now, as Barry indicated yesterday, we are now holding all of the Executive Committee meetings of the two groups together, in concert. We want to move hand and glove down that road.

Let's talk about the elements of these services. Let's first talk about WebTrust.

We have spent a significant amount of time this year building awareness from the standpoint of a Washington perspective because right in Washington there is a tremendous amount of debate and discussion, if you will, as to -- "privacy" is the buzz word right now.

If I go on the Internet, what is going to happen with my name, my personal information, my salary information? How is my privacy protected?

And there have been competing

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2 seals as we all know. We know that there's
3 Trustee and there's BB&B Online and there's
4 WebTrust.

5 Well, I have to tell you that I
6 have made several presentations in front of a
7 Subcommittee of the House of Representatives, the
8 Federal Trade Commission and the Department of
9 Commerce. And when you get those groups in the
10 room, they hear WebTrust and they say, this is
11 well positioned because it's broad in scope, it
12 is broader than just the privacy issue, because
13 if privacy is the issue today, tomorrow the issue
14 is going to be consumer protection, and WebTrust
15 is there.

16 And, frankly, what we have done
17 is to restate the iterative approach. We're now
18 on WebTrust Version 2.0 which fully embraces all
19 of the aspects of privacy that the online privacy
20 alliance and the Federal Government is working
21 towards.

22 And so we are well positioned in
23 this equation from that standpoint.

24 WebTrust for ISPs, which is
25 Internet Service Providers, is another service

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that we have just added to the market basket of e-commerce services which I think has also a tremendous amount of potential because right now all of the -- a substantial amount of e-commerce activities are going through Internet Service Providers.

These Internet Service Providers kind of hold the keys to the kingdom, if you will, for us to get at commercial websites to get the WebTrust seal.

In fact, our analysis tells us that if we get a WebTrust or ISP on a Internet Service Provider site, like, for instance, AOL or whatever, the cost of delivering the WebTrust service to the website, the e-commerce site, is about fifty percent of what the cost is if you did it stand-alone.

So we're -- our position this next few months is really going to try to get some Internet Service Providers online so then we can start marketing to those host sites that they are hosting to really get the WebTrust seal in place.

We also have WebTrust

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certificate authorities and we're working on a WebTrust for business-to-business.

We have always felt -- and if you look at the projections of the marketplace, the dollar magnitude of transactions that are going to go through the business-to-business tunnel or funnel, if you will, is going to be tremendous.

And we think that WebTrust, starting out with consumer protection and the consumer-to-business approach is going to position us very well from the standpoint of moving to the business-to-business model.

We have increased our communication through WebTrust letters and we have been licensing this internationally. We have United Kingdom, we have Ireland, we have Australia, we have New Zealand all licensed and offering the seal.

And actually there is a seal in Australia right now. There's at least three seals coming up in the United Kingdom and in the Netherlands in the next two months that will really broaden the scope of the WebTrust presence

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on a global basis.

And the other thing that I think is very important to note on the global basis is that we have made several presentations to the Economic Union about WebTrust. And because privacy in the data protection laws in the EU is very precise and a consumer in the EU is legislatively data protected, they are strong advocates -- EU is a strong advocate of WebTrust.

And on three different occasions they've come out saying WebTrust is their seal of choice. And we just need to get the Federal Government and the United States to make that similar type of equation.

What we have in WebTrust, the product, mix of tools, is we have a new guide for third party service providers. We have a new CPA WebTrust Alert, a practitioner's guide.

We are building competency models in all of these assurance services. We have an e-commerce competency model in place.

We are partnering with other organizations to provide the technical training because the one piece that I think some

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practitioners don't have is the real technical prowess to really get into the e-commerce arena.

And so we are going to be partnering with some serious technical trainers. We've talked to IBM and some other people to help us hold that particular training in place.

We are basically going to eventually have a strategy for our global efforts by getting EU support on this thing and we've also got some new marketing collateral and projects from that standpoint.

Another service that we have is the ElderCare service.

ElderCare is really focused on two arenas: one, helping the elderly person maintain their lifestyle if they want to do it on their own; or also be able to help the children of the elderly to provide for their daily needs if, in fact, they do need to have the care and attention needed.

We have in ElderCare five training courses out there and they're completed: ElderCare interview, an ElderCare practice manual system, ElderCare medical and psychosocial

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issues, financial issues on aging, and legal issues on aging.

We also have a competency model. We have a practitioner's resource guide and a marketing tool kit. The marketing tool kit is positioned to help CPA firms. You can get the CD-ROM and you can put your logo on it and send it out to your clients, to your perspective clients, to market ElderCare services.

We think that the ElderCare is starting to take off. There is a lot of practitioners who have bought the practice guides and we think they are building their niches and making things happen.

The practice guide, by the way, does reference -- does have a section in it on how to scope out your ElderCare practice within your local and geographical arena.

Another thing that we are doing in ElderCare which I think is very exciting is we are looking at a relationship with a national party that can help practitioners source out and scope out nursing care homes, adult day care facilities and things of this nature.

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2 And, in addition, we are looking
3 at a business-to-business model. ElderCare is
4 something that could be an employee benefit. So
5 we are building a business-to-business model so
6 that we can maybe start marketing it as an
7 employee benefit to corporate America.

8 As Barry indicated yesterday,
9 performance measurements, CPA Performance View,
10 is really on the cusp of really being a
11 tremendous potential service for our profession.
12 We have done some -- a significant amount of
13 market research and the marketplace permission is
14 out there for CPAs to offer this service.

15 Unfortunately, that market
16 research also said the profession hasn't actively
17 gone out and tried to capture that space.

18 I believe this is some space
19 that will provide tremendous value to corporate
20 America and also tremendous value to protecting
21 the public interest. These performance measures
22 right now are going unsubstantiated. The
23 performance measures right now are being used by
24 financial analysts.

25 We're building this piece, this

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whole system, to be able to service that need.

As the tape had indicated, performance measures is initially phrased and scoped out as a consulting service. From that standpoint we are helping corporate America develop their long-term strategies.

Many corporate companies today establish corporate strategies, but then do not create the performance measures to ascertain whether, in fact, they are achieving those corporate strategies.

So that's the primary focus of performance measures today, to build a connection between strategy and the measurement. And we have some monitoring tools and a process in place to make this thing work.

We have made a relationship with a company called PB Views to have a software program called CPA Views which will help corporate America manage and monitor their performance measures.

It also will help a CPA firm if they have this software to manage and calculate and help create performance measures for their

1

2 clients. It doesn't have to be sold to the
3 client. The CPA firm can use it and basically,
4 like a writeup service, calculate and monitor
5 those particular measures.

6

7 We have a new practice guide
8 that is going to be out, the 50 Plus Practice
9 Aids, to help the practitioner move this forward.
10 This is going to be available on or about
11 December 1st.

12

13 We have a new three-day training
14 course which is really going to -- and that first
15 training session is going to be held in December
16 as well, and that is really going to help the
17 practitioner, in addition to understand the
18 performance measuring process, help them also
19 understand what they need to do within their firm
20 to get behind a program such as thing, to change
21 the culture in their firms and really make some
22 things happen.

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24 We have a competency model that
25 has been developed. We are building some
26 marketing aids. And as I mentioned earlier, the
27 market research is certainly very positive.

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29 Well, this is just an example of

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what this software does, from CPA Views. The green chart says that overall performance is okay, but when you start seeing little buttons that signify red, you can drill all the way down to find out what measure is not achieving your target.

And that's the real value because it's very visual. A CEO, a CFO, the Board of Directors can get into this and read this thing and the color coding will alert them to what measures are not performing based on this thing. This is a software relationship that we have.

In addition, at the end of each reporting period or whenever you want, you can get basically the executive briefing book on all your performance measures and it will track through exactly what it is that are performing as expected and which are performing not as you wanted them to.

So we are pretty excited about this total package that we think has been built for performance measures.

SysTrust. As Barry also

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2 indicated yesterday, and as we reflected at this
3 whole Council meeting, technology and the way
4 things are going is that corporate America is
5 going to want to close virtually, they want to
6 close within a hour of a month and a period and a
7 day end.

8

9 We have to position our
10 practices to be able to provide those services.

11

12 In the migration towards
13 continuous assurance, a starting point is CPA
14 SysTrust. That basically verifies the quality of
15 the system, that it's reliable and is performing
16 as expected.

17

18 And, frankly, as I was listening
19 to Jake Netterville's presentation yesterday
20 about Audit Committees, if I were on an Audit
21 Committee, I would see a tremendous need to
22 require or request a SysTrust engagement as an
23 Audit Committee member to make sure that there's
24 third party reporting that the system is working,
25 broader than that of a financial statement audit.

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27 And I see a tremendous amount of
28 value there.

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30 We think that we need some

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serious technology training in this particular program as with WebTrust and so we are looking to align with Isaca. They have a whole slate of technical training programs that would fold very nicely into what the practitioner is going to need to move SysTrust forward.

SysTrust is clearly at the starting point of the future, of what I see are audit and attest practices moving forward.

We also are developing a three-day training program fully recognizing what is happening with Y2K. We really are not going to roll out this program until late '99, like in late December, because we don't really want a lot of practitioners getting involved in SysTrust which will then embody and encompass the Y2K issue.

So we've strategically decided to push that out there from that standpoint.

CPA Risk Services is a new service that the first meeting of that group started in early September of this year and they are really trying to figure out what is a risk service, a risk-based service.

2 There is a tremendous amount of
3 risk management and risk service being offered by
4 a lot of firms across the country. But there is
5 no one single model, there is no consistency in
6 delivery, and there's no branding for the
7 profession.

8 So what we are creating is a
9 model. The task force is building a model and
10 that model will be ready in February. And then we
11 are going to build products and services around
12 that particular model so that we can brand risk-
13 based services for the profession.

14 And we will actually present the
15 model to the Board of Directors at our February
16 Board of Directors' meeting in 2000 to get their
17 understanding and advice on how this model is
18 going.

19 And we have some other assurance
20 services on the horizon that we are looking at.

21 We are looking at fraud and
22 trying to focus on how we can do that with
23 assurance services. We are working cross-
24 functionally or cross-team with our Consulting
25 Executive Committee in this arena.

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And we are also looking at health safety and environmental issues as to where we can fit in an assurance service aspect.

There has been a tremendous amount of energy and activity that has taken place in assurance services over the last two years and we are definitely building some momentum.

We need the profession to get behind it because it moves all of us up the value stream and start providing the services that our clients need to really take to the bottomline for corporate America.

That's all I have.

Thank you very much.

(Applause.)

CHAIRPERSON KIRTLEY: Thank you, Al, very much.

As you can see, there are a lot of exciting things. And I remind you again that these sessions are being videotaped, and if you couldn't make your notes quickly enough in order to take that back to your home states, I would encourage you to get a copy of the videotape so

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you can review that with your membership.

Let's now move to Item 26 on the agenda.

It's my pleasure to introduce to you Mr. Fred Bertino, President and Chief Creative Officer of Hill Holliday advertising.

Mr. Bertino is here to present the updated elements of the CPA Image Enhancement Campaign which includes radio, new print ads and three new TV ads, which I hope some of you have already seen being aired over the last week or so.

Fred, you have the floor.

MR. FRED BERTINO: Thank you for inviting me to explain some of the work we are doing together in advertising, and also, more importantly, to share with you some of the marketing strategy thinking behind that work which oftentimes goes unnoticed.

I think one of -- because I know I'm one of the few things standing between you and the break and your hotels, I'm going to be very quick.

I would like to start where we

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should start really, which is with the objective of the campaign and of the work.

And our primary objective was to continue to evolve the perception of the CPA profession among our external target constituencies.

And that -- I've heard a lot of talk about that today, just in the last fifteen minutes I've been sitting in the audience how important that is to do.

We also want to accelerate the transformation of the profession's self-image which I think is also important, how we feel about ourselves.

Secondarily, I think we have an objective to inspire students and interest young people to consider to enter the profession. I think talent going forward is a big problem for all of us.

The next thing we would like to do is to -- we've developed a brand position. And that's the platform upon which all the work would be based.

We started with the results of

2 the Vision Project and four major work streams
3 combined to develop the positioning of brand
4 strategy. And those included internal interviews,
5 including a fair amount of interviews of
6 individuals in this room - thank you very much -
7 customer interviews, industry profiles and some
8 targeting work that included psychographic and
9 demographic targeting work.

10 We came up with six brand
11 positions. We tested them pretty rigorously and
12 came up with one that we felt was the most
13 relevant platform for us going forward.

14 And that quite simply is "The
15 CPA, the essential force for top performance."
16 And that's our brand position upon which all of
17 this work was built.

18 Our strategy to express that: we
19 knew we had to address the needs of customers and
20 clients and demonstrate the value of working with
21 a CPA beyond the traditional accounting and
22 attest functions, and stimulate the desire to
23 engage CPAs more broadly than ever before.

24 We need -- in short, we need to
25 change the way people thought about us.

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The tonality we are going to use this year reinforces existing CPA brand attributes, but it also introduces new ones.

So you'll see the current attributes expressed - competence, reliability, integrity - but you're also going to see more aspirational attributes introduced - insightful, creative, and forward-thinking. We think that's important and true of who you are today.

In terms of media vehicles:

The national print, example like USA Today -- which I hope you all took a look at the ad in USA Today, it looks pretty good -- The Wall Street Journal, Forbes, Fortune magazine, BusinessWeek, US News;

Targeted network television and cable - CNN, CBS Sunday Morning, College Football;

And also the unsung hero medium, as I like to call it, local radio hooked up with our State Societies.

I would like to get to the work itself. I'm going to start with print.

And I would like to say that we

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2 are going to use each medium in the best way
3 possible. And in print we would like to connect
4 with our audience through the use of visual
5 metaphors which expand the boundaries of their
6 expectations as to the kinds of problems the CPA
7 can help them with.

8 Because we weren't designing
9 them in billboards, I'll read it for you.

10 The first one: Every business
11 plan has a few wrinkles, or so they say.

12 And I'll read the copy.

13 "Nothing in life is guaranteed.
14 Even less is guaranteed in business. But when you
15 work with CPAs, you understand the implications
16 of every step you make. You know the
17 alternatives. You're ready for anything that
18 comes up along the way. There may be wrinkles,
19 but you never even know it in the end. The CPA,
20 never underestimate the value."

21 And then -- you can't really see
22 it very well, but on the left side we're also
23 going to get more specific this year. And in a
24 highlighted color we are actually going to list
25 the kind of services that we are talking about:

2 consulting services, financial planning,
3 performance management, technology services,
4 international services, information integrity and
5 assurance services, all leading right down to our
6 CPA logo.

7 The next ad: "On a clear day you
8 can see the future of your business."

9 "You don't need a crystal ball
10 to see the future of your business. You just need
11 a CPA. With their insight, knowledge and
12 foresight, CPAs can help you achieve top
13 performance in a rapidly changing business
14 environment. They can see openings others
15 overlook. They see the ones to avoid so you can
16 clearly see what's ahead for your business. The
17 CPA, never underestimate the value."

18 The final one: "Windows of
19 opportunity customized for any business."

20 I won't read the copy for that
21 one.

22 The graphic open layouts,
23 inviting to read, not intimidating, clear simple
24 messages that drive home the point that a CPA can
25 help you maximize your performance in more ways

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than you thought.

I'd like to go to the broadcast now.

And in broadcast we have thirty seconds in television to make one single point. We would like to use a classic problem/solution style advertising. And we want to dramatize the problem very simply and with a little bit of humor, a little bit of irreverence, with a little quirkiness to engage the viewer.

In this case we are going to dramatize the problem of not getting enough business insights, setting up the CPA as the solution to come to for real business insights.

I would like to roll the first couple spots, the first three spots.

(A videotape was viewed by all assembled.)

MR. FRED BERTINO: That one is my favorite too.

(Laughter.)

MR. FRED BERTINO: In broadcast again we want to create an overall awareness and dramatize the problem.

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In radio we can do a little bit more work as well. It's twice as long, sixty seconds.

We still want to engage the viewer, still want to use some humor. It's theatre of the mind. In radio we need to create the visual picture that you see in broadcast and in print.

I do believe radio is an unsung hero medium. There's nothing more powerful than the imagination.

This first spot is attributed to Seattle with all its coffee shops.

I would like to play the first couple of radio spots.

(Audio presentations were heard by all assembled.)

MR. FRED BERTINO: We did a lot of focus group testing with this work: Dallas, Chicago, New York, Atlanta. We got a very, very positive response and we really are communicating the kinds of things that we need to be communicating to build the CPA brand going forward.

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2 And I think, you know, some of
3 the verbatims, CPAs can do more than just
4 accounting, they offer general business insights,
5 are necessary to move me in the next step of my
6 business.

7 This is a CPA in the present,
8 turning the page and looking at the CPA of the
9 future.

10 I think overall -- I know we all
11 have our favorites, specific executions. And I
12 think that there is one thing that I've learned
13 over the years as a marketer, and that's -- it's
14 almost counter-intuitive, but if you ask
15 consumers out there, they'll tell you that they
16 hate advertising, but they love the ads.

17 But the truth is, as a marketer,
18 they really isn't one ad, one execution, no
19 matter how much or how powerful and how much you
20 like it or how powerful it may be. What really
21 builds brands and builds companies is the power
22 of an advertising campaign: a solid platform
23 idea, executed imaginatively over time.

24 And I would argue that our
25 "never underestimate the value" campaign has us

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well on the way to achieving that goal.

Thank you very much.

CHAIRPERSON KIRTLEY: Thank you, Fred, very much.

I think we will all enjoy hearing those as we ride to work in the morning and as we watch our TV programs.

I would ask Jerry Esselstein, Chair of the Finance Committee, and Clarence Davis, our CFO at the AICPA, to give us the Report of the Financial Statements for the year ending July 31, 1999 and other matters that are on the agenda of the Institute's Finance Committee.

Those of you who are actually looking at your agenda may be wondering why I'm not telling you to go to break right now.

We are running about fifteen minutes ahead of schedule. We only have forty-five minutes left on the program. And so we thought everyone would probably appreciate getting out just a tad early.

(Applause.)

CHAIRPERSON KIRTLEY: So if you

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feel you have to have a break or need a cup of coffee, if you wait until the end of this report, it will be sitting outside.

MR. JERRY ESSELSTEIN: I thought for sure that Olivia was going to say just go ahead and take the break during the Finance Committee's Report.

(Laughter.)

MR. JERRY ESSELSTEIN: Good afternoon.

It's a pleasure to be early on the agenda. It's a pleasure to be flexible enough to accommodate the changing agenda.

And Clarence and I are proud to be here today. Right, Clarence?

MR. CLARENCE DAVIS: Without question.

MR. JERRY ESSELSTEIN: We are not nearly as organized as you're used to seeing us organized. As a matter of fact, there were a couple of questions that I had to clarify before we got to the presentation.

We do have the report for the right set of books; right?

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(Laughter.)

MR. CLARENCE DAVIS: This is a very sick person.

(Laughter.)

MR. JERRY ESSELSTEIN: Many of you are aware that I am the outgoing Chair of the Finance Committee.

(Applause.)

MR. JERRY ESSELSTEIN: As a matter of fact, I'm been outgoing all my life.

But as a matter of fact, again, you know, I'm on rented. I think at noon today my responsibilities were over. But I'm on rental time at this point.

We do have a brief report for you today. The reference is to Item 27 on your agenda.

I also want to make sure, as I'm sure you all have, to look at the published financial statement report, specifically management's discussion and analysis in the financial statement. That will parallel a lot of our comments here today.

Many of my comments as we start

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out are part of the assurance services that were talked so much about.

As the Chair, I have felt incredible responsibility to share with you from time to time my confidence in the systems and the people. I can only tell you, and it's so easy being at the tail end of the agenda, it's so easy as you feel the confidence in the people that are running the AICPA, both from a volunteer basis and from a paid staff basis.

It has been an incredible pleasure. My confidence has only built in the three years that I've been on the Board. I look forward to serving in any way or shape that I can in future years. It's been a privilege and I've been honored to be on the Board and I've been honored to be the Chair of your Finance Committee.

Before we proceed, I would like to remind everyone, Clarence Davis has only been with us a short ten months or so. With overtime he tells me that on a full-day equivalence it's about a year-and-three-quarters. He's keeping a pretty close watch on that time.

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2 But Clarence has been a
3 phenomenal -- and I underscore the word
4 "phenomenal" -- acquisition for the AICPA. One of
5 my concerns, just pure human common sense anxiety
6 moving and being the Chair in the transition of
7 CFOs, was that it could either be one of the best
8 days or best events of my life, or it could be
9 one of my worse.

10 I can assure you that Clarence
11 has been the right man at the right time. He has
12 done a phenomenal job at the AICPA and he has
13 made my job as Chair incredibly easy.

14 The report before you today, we
15 are going to talk mainly about the AICPA, but
16 keep in mind in the annual report these
17 statements include the results of the AICPA along
18 with the Division of CPA Firms, the American
19 Institute of Certified Public Accountants
20 Foundation, the AICPA Benevolent Fund and the
21 Accounting Research Association.

22 The results were combined in
23 accordance with the reporting requirements set
24 forth in Statement of Position 94-3, Reporting of
25 Related Entities by Not-For-Profit Organizations.

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2 The breakeven budget that ended
3 July 31, 1999 called for an excess of revenue
4 over expenses of \$200,000.

5 As you have seen, the actual
6 results of the AICPA were a deficit of about \$2.2
7 million. This deficit was planned, replanned,
8 through the year as opportunities presented
9 themselves to the AICPA, and the Finance
10 Committee took a broad-brush overview of
11 liquidity and of our fund requirement that was
12 outlined by you of twenty to twenty-five percent.
13 And we were looking for dollars to invest in many
14 of the activities that we have shared with you
15 today and that you have seen over the last two
16 days.

17 I can only refer to Olivia's --
18 well, first, Barry's comments yesterday, which I
19 thought were on target and somewhat overwhelming
20 as to the agenda of the AICPA.

21 I refresh your memory of
22 Olivia's comments before lunch today on the
23 accomplishments of the past year in the seeds
24 that have been planted, and then, again, to Bob
25 Elliott's comments at lunch when you see the

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overwhelming task ahead of us as a profession.

I am confident we can spend twice the dollars that we have available to us. The issue is one of allocation of resources.

I can assure you that the team at the AICPA, the Finance Committee and the Chair, are up to that task as we try to blend the right priorities and set the allocation of these resources.

Now, I would like to turn the podium over to Clarence and for his comments and overview of the year-end results.

MR. CLARENCE DAVIS: Thank you, Jerry, and good afternoon.

First, I would like to discuss how did we do compared to the budget for fiscal 1999 and the forecast presented at the May, 1999 Council.

The excess expenses over revenue reflect the investment in the new and innovative initiatives of the Institute as approved by the Board.

The net expenses were higher than budget, but slightly lower than the May

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2 forecast, due to the decision to deploy a portion
3 of prior years' realized gains on marketable
4 securities into key initiatives, including Vision
5 implementation, political involvement,
6 international activities, knowledge management
7 and diversity.

8 The AICPA, looking at it over a
9 four-year period, reflects the following.

10 The four most recent years
11 reflect overall growth in the revenue and
12 improvement in the gross margin percentage.
13 Revenue-producing activities have increased
14 approximately \$4.5 million while costs of sales
15 has decreased by \$1 million.

16 This reflects a \$5.5 million
17 improvement at the gross margin level.

18 While revenues from revenue-
19 producing activities were slightly lower in 1999
20 versus 1998, the gross margin was higher as a
21 result of a change in product mix.

22 Dues, as a percentage of
23 operating revenue, remains consistent at thirty-
24 eight percent.

25 Total operating expenses have

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2 increased over the four-year period and reflect
3 the significant investments by the AICPA in new
4 and innovative programs and services as well as
5 technology.

6 \$120 million of expenses for
7 1999 is slightly less than the \$121 million
8 budgeted for 1999.

9 The fund balance.

10 As the slide illustrates, the
11 fund balance at July 31, 1999 is \$35.4 million.
12 Because any operation must be supported by a
13 sufficient capital base, the Board approved a
14 policy in 1988 stating that the fund balance goal
15 should be twenty to twenty-five percent of annual
16 revenues.

17 This target was achieved as of
18 July 31, 1997 and was exceeded in 1999. In fact,
19 it is now 25.5 percent of annual revenue.

20 Next.

21 A few comments on our
22 membership.

23 At the end of this past July,
24 the Institute had 336,635 voting members, a one
25 percent increase in 1999, and had approximately

1
2 15,700 student affiliates and associates, showing
3 a continued growth in our profession.

4 Members in industry continue to
5 exceed the membership in public practice.

6 Next, some demographics.

7 Similar to last year, twenty-
8 seven percent of the membership is female and
9 twenty-two percent of the membership is thirty-
10 five years old or younger.

11 The AICPA considers the under-
12 35 critical to its future.

13 Now, for the benefit of new
14 Council Members, I will present a brief summary
15 of the fiscal 2000 budget approved at the May
16 Council meeting.

17 The budget for fiscal 2000 plans
18 an excess of revenue over expenses of \$200,000 or
19 roughly breakeven and \$1.4 million excess
20 operating expenses, which reflects the
21 significant funding of strategic initiatives
22 during fiscal 2000.

23 The major components included in
24 this budget are:

25 A dues restructuring;

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A strategic expansion of the
AICPA online activities;
Implementation of knowledge
management system infrastructure;
Various strategic planning
initiatives;
Reformation of the library into
a Center for Knowledge and Information;
Other Vision-related activities
including expansion of the Center for Excellence
in Financial Management, introduction of the
Center for Investment Advisory Services, and
introduction for new accreditations.
Also expanded advertising
related to the image of the CPA and other
programs offered by the Institute.
The budget also provides \$1.4
million for unbudgeted projects. The Finance
Committee and the Board believe that this
provision is essential to enable the AICPA to
respond to the rapidly changing profession and
any new initiatives that may require immediate
funding.
Next is our capital budget for

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the fiscal year 2000.

The capital budget was carefully reviewed to assure continued advancement in the use of technology for meeting member service needs.

And, finally, fund balance.

As a result of this budget and the actual 1999 results, the fund balance is projected to be \$35.6 million at the end of fiscal 2000 or 23.01 percent of total revenue and, therefore, will fall well within the target range of twenty to twenty-five percent.

That concludes this part. I would like to turn it back over to Jerry.

MR. JERRY ESSELSTEIN: Again, I would like to emphasize the point that in the opinion of the Finance Committee and its Chair that the AICPA has a strong financial position and a strong liquid position.

We recognize, as Barry would be first to add, that we need additional resources, but we think that we are doing an incredible job with the resources and the allocation of them that we have.

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At this time I would like to thank the AICPA staff, specifically Clarence, on a job well done throughout the year.

And if we can have the lights turned up, we'll entertain any questions that you might have.

I asked that the lights be turned up for my benefit. These things are bad.

Do we have any questions on the financial report?

(No response.)

MR. JERRY ESSELSTEIN: Hearing none, thank you very, very much.

And, again, it was a pleasure to serve you.

(Applause.)

CHAIRPERSON KIRTLEY: I want to say thank you -- add my thanks to Clarence for an outstanding job.

I also want to say thank you to Jerry. He has done a fantastic job in chairing the Committee. He has been very dedicated. He brought about considerable improvements in the reports that come before the Board and for this

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Council meeting.

Jerry, we thank you for your time and your efforts.

MR. JERRY ESSELSTEIN: Thank you.

CHAIRPERSON KIRTLEY: I am now pleased to introduce Steve Schenkel of J. H. Cohn, LLP, the independent auditors of the AICPA, who will present the auditor's report.

Steve.

MR. STEVEN SCHENKEL: Thank you, Olivia.

Good afternoon.

Jerry and Clarence just discussed with you the financial results for the year ended July 31, 1999.

We were engaged to audit the financial statements of the AICPA and related organizations as of and for the year ended.

Based on the results of our audit, we have issued an unqualified opinion on these financial statements.

In addition, we were also engaged to examine the management's assertions

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included in the Statement of Management's
Responsibilities for Financial Statements and
Internal Control, which is contained in the
Annual Report, that the AICPA and related
organizations maintained effective internal
control over financial reporting and over the
safeguarding of assets against unauthorized
acquisition, use or disposition as of July 31,
1999 based on the criteria established in the
Internal Control Integrated Framework issued by
COSO of the Treadway Commission.

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In previous years I have
mentioned that the opinion placed the AICPA at
the forefront of reporting. This continues to be
so even today.

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In connection therewith, our
opinion is that the AICPA maintained in all
material respects an effective internal control
over the aforementioned.

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At this point I would like to
briefly discuss the interaction we have with the
Audit Committee, management and the internal
audit/quality assurance team.

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The audit process at the AICPA

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2 is ever evolving. It consists of meetings with
3 management and internal audit throughout the
4 year, as well as periodic meetings with the Audit
5 Committee, generally five times per year, to keep
6 abreast of new developments and new additions.

7 As you've just heard from
8 Clarence and Jerry, 1999 represented another year
9 of changes and challenges for the AICPA.

10 Accordingly, our audit plan was
11 certainly impacted by these changes, but also by
12 how management delivered on these initiatives.
13 Our audit indicated that management delivered
14 appropriately.

15 In addition, the Audit Committee
16 operating through its charter -- one which, by
17 the way, adopted the Public Oversight Board's
18 Audit Committee recommendations, and one which
19 was considered exemplary by the Blue Ribbon Panel
20 -- discusses not only the required
21 communications, which I will address next, but
22 throughout the year and at the end of the audit,
23 qualitative assessments on items such as the
24 accounting principles utilized by the AICPA,
25 appropriate presentations, estimates used,

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adoption of accounting pronouncements when applicable.

Additionally, during the year some of the required communications included our overall audit approach, whether it be, complies or substantive in nature or a combination of both, the control environment and related activities, our risk assessment as the auditors, significant audit areas including estimates and coordination with the internal audit/quality assurance team.

I've just briefly discussed certain aspects of the audit.

Before I ask if there are any questions, I would like to express our appreciation to Council, the Board of Directors, the Audit Committee and the AICPA management team and staff for the privilege of serving as your auditors and the cooperation we receive.

Thank you.

Are there any questions?

(Applause.)

CHAIRPERSON KIRTLEY: Are there any questions of our independent auditors?

(No response.)

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CHAIRPERSON KIRTLEY: Thank
you, Steve, very much.

We now turn to the open forum
portion of our annual members meeting. We have
set aside time for you to give you another
opportunity to raise any questions or items which
are on your mind or which you believe would be of
general interest to this group.

Is there any business to come
before this meeting?

(No response.)

CHAIRPERSON KIRTLEY: Seeing
none, it's time to make just a couple of
announcements before we conclude.

I've been asked to urge you to
let us know on the evaluation forms received in
your packet, either by letter or e-mail, what you
think of this meeting or for that matter Council
meetings in general.

We are continually investigating
different meeting formats and want to be
responsive to your wishes.

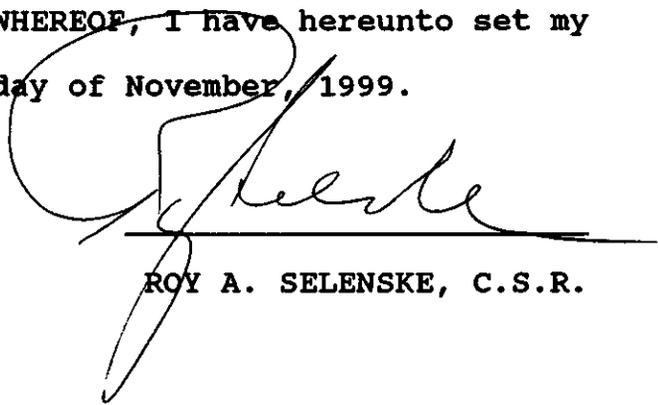
So if you have any suggestions,
please let us know. Drop us an e-mail.

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STATE OF NEW YORK)
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I, ROY A. SELENSKE, a Certified Shorthand
(Stenotype) Reporter and Notary Public within
and for the State of New York, do hereby certify
that the foregoing pages 1 through 63 taken at
the time and place aforesaid, is a true and
correct transcription of my shorthand notes.

IN WITNESS WHEREOF, I have hereunto set my
name this 19th day of November, 1999.



ROY A. SELENSKE, C.S.R.

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