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December 4, 2013

Office of the Secretary PCAOB
1666 K Street, N.W.
Washington, DC 20006-2803

Re: Rulemaking Docket No. 34

To the Board:

This letter is issued to state my views on the above-referenced proposed auditing standard regarding the auditor's report. (PCAOB Release No. 2013-005, dated August 13, 2013.)

What has been proposed in the document is of lower strength than the proposals put forth in the 2011 auditor's report concept release, but in fact, I believe some of the most important ideas in that release have been refined and made their way into this proposal. I believe the most useful – and controversial - part of the 2011 release was its suggestion for the inclusion in the report of an "Auditor's Discussion & Analysis," (AD&A) as well as its suggestion for the required inclusion of emphasis of matter paragraphs. Both of these suggestions were roundly disliked by preparers and by auditors. The information they would have provided, however, would have added more information than the simple pass/fail information provided by the current auditor's report. Furthermore, the information would have been presented from a point of view that would be symmetrical with shareholders' interests.

Currently, investors only receive assurance that financial statements conform to generally accepted accounting principles. That assurance totaled $4.8 billion for the S&P 500 in 2012 – quite a price tag for letting investors know only that financial statements met the requirements expressed in thousands of pages of GAAP literature. Some investors believe they should get more value for their audit fees. Some investors might even be willing to see audit fees increase if they were getting more valuable information from the auditor; after all, the audit is supposed to be executed for the benefit of the investors, not for the benefit of the auditors or the managers. The proposed AD&A and required emphasis of matter paragraphs of the concept release would have presented better information to investors than the current standard report.

I consider the "Critical Audit Matters" (CAM) part of the current proposal to be a direct descendant of both the AD&A and required emphasis paragraphs proposals of the 2011 concept release. In fact, I think the CAM proposal is an improvement over either of the two prior proposals. It would be the combined essence of both the proposed AD&A and the inclusion of emphasis of matters paragraphs. It *should* be a concise summarization of the most critical issues encountered by the auditor – something that would capture the interest of investors.

In my view, the main problem with the CAM is that it's very much of a free form document; it is not based on a strict template like the current auditor's report. It might be omitted by auditors who claim there were no critical audit matters, and it could become a telephone book - full of facts, long in volume but containing little true information. This is where the PCAOB and its inspections process are necessary to provide enough tension in the process to keep it working honestly. It is not sufficient to simply put the CAM disclosure requirement on the backs of the auditors; the PCAOB must also be ready to make sure it is being applied properly. From outside of the PCAOB, it is not possible to judge whether the PCAOB will be able to provide that needed tension. The inspection process will be more involved if the PCAOB inspectors are looking for evidence of audit matters that perhaps, in their judgment, should have been addressed as critical, but were omitted. Conversely, PCAOB inspectors may have to spend more time considering why certain CAMs were considered to be "critical" in the first place.

I am not suggesting that CAM requirements be somehow forced into a template. I am only suggesting that for it to work as intended, auditors will have to learn to write differently than in the past, and the PCAOB will have to regulate differently than in the past. Change creates friction in processes, and friction in processes can increase costs. One argument that I suspect will be used by those who do not support the CAM proposal: it will raise audit fees. In my view, added cost that produces investor-usable information is not wasteful. As pointed out earlier, investors might be willing to pay more to get more information.

Investors might not even notice if costs rose. The most-watched measure in the investment world is probably earnings per share, and for 2012, there were 80 firms in the S&P 500 for which the after-tax audit fees did not matter even one penny per share. If audit fees were to increase for every firm in the S&P 500 to just under the point at which earnings per share would be rounded off by one penny, audit fees in the S&P 500 would increase by $2.4 billion – a 50% increase in revenues, and without affecting earnings per share. The point: there is room to increase audit fees and deliver a service to investors that they want.

The other parts of the proposal seem far less important to investors, in my view. I support the changes to the auditor's responsibilities for other financial information included in the financial statements. The basic financial statement package, on its own, is not completely sufficient to convey financial information about the modern corporation; that is why other financial information has evolved over the years. Investors should have had at least minimal assurance that the auditor has considered it. The added reporting section on other financial information will finally provide that assurance. Though the added reporting section doesn't provide much in the way of investor-usable information, I hold that its importance lies in the fact that it will compel auditors to do sufficient work on the other financial information because their name will be attached to it.

I also support the inclusion of the auditor tenure information. I do not believe that such information will resolve the question of whether auditor tenure is a detriment to audit quality, but making the tenure information publicly and completely available will at least provide information to be used in developing objective analysis of such a hypothesis.

That concludes my comments. I have also attached a recent report my firm has published on the proposal, which includes some information about audit fees, and the "headroom" available for increase, that you may find interesting.

If you have any questions, do not hesitate to contact me. Best regards.

Sincerely,

Jack Ciesielski
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THE ANALYST'S
ACCOUNTING OBSERVER
Jack T. Ciesielski, CPA, CFA

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Rewriting The Audit Report: The PCAOB Moves Closer

In the summer of 2011, the Public Company Accounting Oversight Board issued a concept release intended to improve the way auditors communicate with investors. It wouldn't take much to improve it: the current audit report is the text equivalent of a light switch, which is either on or off. The current audit report is either a pass or fail grade: the financial statements conform to generally accepted accounting principles, or they don't conform. Investors, who foot the bill for the auditor's fees, have long wanted more benefits from the auditor's inside view of a firm's inside workings.

The 2011 concept release was ambitious enough. It proposed the inclusion of an Auditor's Discussion and Analysis; would have required and expanded the use of "emphasis paragraphs" in the report; proposed auditor assurance on other information outside the financial statements; and would have clarified language in the standard auditor's report, particularly with regard to auditor responsibilities.

Two years later, the PCAOB has issued a pair of proposed auditing standards – one on the auditor's report, the other on the auditor's responsibilities for other information in documents containing the auditor's report. Neither one completely embodies the concept release's proposed changes, but some of the 2011 proposal's DNA shows through in the proposed standards.

The PCAOB doesn't intend to change the actions of the auditor, only the way they tell investors how they did their work – and in theory, should not cause further cost increases to companies and their shareholders. In practice, auditors are likely to be very cautious about any "new and improved" information they provide to shareholders and will take care to insulate themselves from any additional liability; you can reasonably expect costs to increase. In this report, we take an educated guess at how much costs can increase before investors will notice.

I. What Do The Auditors Know?

If you're an investor, your greatest hope is that they know what they're doing. You'll receive assurance that the financial statements are presented in accordance with generally accepted accounting principles (GAAP), and apart from that you don't know much else. You won't be privy to any of the findings of the auditors that led them to conclude that indeed, the covered financial statements comport to tens of thousands of pages of text relating to accounting principles. That's not a lot of comfort to most investors. That's all that auditors are willing to provide under their government-granted monopoly, even though investors expect more. Those expectations can sometimes border on a wish for a guarantee, but almost universally, investors want more than just an on/off switch of an audit report. They'll always want information of a market-moving nature, something that auditors just aren't about to start providing separately from the company.

The 2011 concept release floated some ideas that might have been more market-moving than what we see in the current reports, but they were, as one would expect, wildly unpopular with an indignant audit profession. By comparison with the current reporting model, the suggestions in the concept release were downright edgy.

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Executive Summary

● To investors, the auditor's report has long been a minor element of the financial statement package. It merely assures an investor that the financial statements comply with thousands of pages of accounting standards.

● That's not a lot of assurance, and in a post-financial crisis world, investors wonder why auditors cannot play more of an investor's advocate role in their reporting to them.

● In 2011, the PCAOB issued a Concept Release on modifying the auditor's report. It proposed several bold changes: for instance, the inclusion of an "Auditor's Discussion & Analysis," and requiring the inclusion of "emphasis of matters" paragraphs in the report. It also proposed numerous modifications that were less dramatic, but contributed to an overall stronger and clearer message from the auditor to investors.

● Two years later, the PCAOB has issued a proposal after much feedback on the Concept Release. The two changes above do not appear in the same form in the proposed rule, but in their place, perhaps, the PCAOB has proposed the auditor disclose "Critical Audit Matters" (CAMs). Essentially, the auditor would be required to report to investors the particular audit matters that keep them awake at night.

● This is the most contentious part of the proposal, for it will put the auditor in a difficult spot. Discuss matters too openly, and they may raise investor concerns about the veracity of client accounting; discuss too little, and they may provoke PCAOB inspections to investigate a lack of CAMs.

● The proposal is likely to be opposed on the grounds that it will "add to audit costs." In the S&P 500, however, the Big Four auditors could add another $2.4 billion to their annual fees without nicking EPS another penny.

A quick recap of what might have been, from the 2011 concept release[1]:

1. Auditor's Discussion and Analysis (AD&A). An AD&A would be a document that lets the auditor express views on the firm's overall preparation of the financial statements, and would give the auditor a forum to present investors with views on the audit process. This is a document that could provide leverage with the firm's management in contentious matters: clients would have an interest in not seeing an AD&A addressing, say, auditor concerns over management's estimates in particularly income-sensitive accounts.

2. Required and expanded use of emphasis paragraphs. While emphasis paragraphs already exist, they're not required – and they're rare. The concept release would have made their appearance mandatory, and put a spotlight on the most significant financial statement issues and their geography within the financial statements. They could have illuminated investors about the areas bearing significant management judgments and estimates, areas of measurement uncertainty, and any other areas the auditors felt needed clarification.

3. Auditor assurance on other information outside the financial statements. The concept release teed up the idea that auditors express assurance on information other than the basic financial statement package: things like the Management's Discussion & Analysis; non-GAAP information and earnings releases. Given that the audit happens only once a year, but investors act on information all through the year, there's merit to the idea.

4. Clarification of language in the standard auditor's report. While this part of the proposal wouldn't have expanded the audit report much, it would have cleaned up fuzzy concepts about what the auditor's job entails in the first place. This alternative would be less of an expansion of the auditor's report compared to the others, and provide more of an incremental description about the nature of an audit and the auditor's responsibilities. Clarifications pondered: the meaning of "reasonable assurance;" the auditor's responsibility for fraud; the meaning of auditor independence; and management's responsibility for financial statement preparation.

Two years later, the PCAOB has issued two proposed standards based on the 2011 concept release: *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion, and Reports on Audited Financial Statements*, and *The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report.* Neither will appear on the Amazon "most downloaded" list – the titles alone are almost a standard – but they do draw on some elements of the earlier proposal and they will provide investors with some new information to digest. A review of the basics of the two proposals is next.

[1] A concept release is a kind of trial balloon, or a testing of the water temperature, before a standard setter like the PCAOB publishes a proposal of something they intend to issue as a rule. See Volume 20, No.9, "A PCAOB Proposal: Not Your Father's Audit Opinion," for a full discussion of the concept release's provisions.

Proposed Auditor Reporting Standard

The proposed auditor reporting standard would continue the current pass/fail audit report model, yet it would add some very different information to it, in these three particular areas:

- Communication of critical audit matters.
- Basic elements of the audit report: added information about the auditor's independence, tenure, and responsibilities for other information in annual reports.
- Explanatory language: clarification of the auditor's responsibilities for fraud and financial statement footnotes.

Communication of critical audit matters. This is destined to be the most controversial element proposed. As described in the proposal, "critical audit matters" (CAMs) are those which involve the most difficult, subjective, or complex auditor judgments; pose the most difficulty to the auditor in obtaining sufficient appropriate evidence; or present the most difficulty to the auditor in forming the opinion on the financial statements. Critical audit matters are expected to be issues so important that they would ordinarily be included in the engagement completion document[2], or reviewed by the firm's engagement quality reviewer, or communicated to the audit committee, or any combination of these three. The auditor is not expected to perform new work to communicate CAMs; no new audit work is required by the proposed standard. The information about critical audit matters in the auditor's report would:

- Identify the critical audit matter;
- Describe the considerations that led the auditor to concluded that the issue is a critical audit matter; and
- Refer to the financial statement accounts and disclosures related to the critical audit matter, if applicable.

<u>If there are no critical audit matters, the audit report must give a statement to that effect as well.</u> It's not hard to see why auditors will resist modifying the audit report this way: the requirement puts them in a no-win situation. Presentation of CAMs could cast clients – who pay the auditor - in an unflattering light, and arouse short-selling activity as an unintended result of the auditor's actions. If they merely state there are no critical audit matters, or present safe, uninformative CAMs year after year, the auditor runs the risk of PCAOB admonishment. Take your pick: would you like a rock, or perhaps you prefer a hard place?

Other aspects of this provision may complicate the lives of auditors. Critical audit matters would best be captured and evaluated towards the *end* of the audit. That means there would be additional time pressure placed on the auditor when they are trying to wrap up the audit and deliver an opinion to the client, who is more concerned about filing their annual report with the SEC and releasing it to the public. It will complicate the audit firm's own work, and even though it won't require the performance of new audit tasks, it will certainly lead to more time spent on costly word-smithing with legal counsel. Expect "unintended consequences" to be a mainstay argument of the opponents of this proposal during the comment period, which ends December 11, 2013.

Yet investors could benefit from the disclosures; at the very least, they'll be getting something more for the money they authorize to be forwarded to the auditors every year. If auditors discuss control deficiencies as critical audit matters - even if they are resolved to their satisfaction – they'll be adding some color to the internal control opinions. The audit report receives criticism for disclosing little to investors but a pass/fail grade; the internal control opinion is no more informative to investors than the audit report. The DNA from the 2011 concept release is evident in this proposed requirement: though there is no "audit discussion & analysis," or required and expanded emphasis paragraphs, this proposed addition captures precisely the kind of insider insight that auditors should possess, and brings it into the open for investors.

Basic Elements of the Auditor's Report. The PCAOB's proposal would clarify the language in the auditor's report in order to improve the public's understanding about the audit and auditor's responsibilities, including the auditor's responsibilities for other information beyond the financial statements. While the existing report is retained, the proposal would require a description of some of the auditor's responsibilities, such as the auditor's responsibility for the notes to the financial statements and for finding fraud.

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[2] This is a required PCAOB document summarizing the significant issues and findings resulting from the completion of the audit.

The PCAOB's proposed reporting standard would add several new elements to the auditor's report:

- Auditor independence - a statement about the auditor's current requirements to be independent of the company, to improve financial statement users' understanding about the auditor's independence obligations and to remind auditors of their obligations;
- Auditor tenure - the year the auditor began serving as the company's auditor, so as to provide financial statement users with information about the length of ties between the auditor and the company; and
- Other information - the auditor's responsibilities for, and the results of, the auditor's evaluation of other information in annual reports filed with the SEC containing the financial statements and the related auditor's report. Think of supplementary information, or most commonly, the Management's Discussion & Analysis. The auditor does not audit this information and will explicitly say so in the audit report.

In a way, the independence clarification is reminiscent of Sarbanes-Oxley's Section 302 requirement, which made CEOs and CFOs attest to the integrity of the financial statements filed with the SEC – something that probably caused sweaty brows and shaky hands for many officers. Here, the PCAOB is requiring the auditor to explain more about the legal concept of auditor independence and to declare that they are required to be independent as a firm registered with the PCAOB. Sweaty brows and shaky hands may spread to audit offices, too; in the current reporting model, the *only* mention of independence is in the phrase "Report of the Independent Auditor."

The auditor tenure disclosure will not likely have any discernible impact on the work of financial statement users. The PCAOB has been shouted down on its 2011 Concept Release suggesting mandatory auditor rotation, and this seems to be a way of dropping the subject and managing to declare some sort of victory. Having the tenure information available will give ammunition to those who want to pursue the rotation subject from either side of the debate; they will at least have tenure data for arguing their position, and it would doubtless make academic researchers happy as well.

The auditor need not perform any additional steps to have grounds for making these statements in the audit report. Yet there will probably be "tighten up" costs made by auditors to make sure that any assertions they make – particularly any assertions about independence, whether explicit or implied – do not return to bite them. The PCAOB anticipates there may be cost-related implications for both auditors and companies.

Explanatory Language. Currently, auditor reports are required to include explanatory language or paragraphs in the auditor's report, when necessary. For instance, such additional information is needed when there is substantial doubt about the ability of a company to function as a going concern, or when there has been a correction of material misstatements in previously issued financial statements. The proposed auditor reporting standard does not change this, nor does it expand the scope of the requirement. It does, however, include a clearer delineation of the auditor's responsibilities for material misstatements of the financial statements – including misstatements due to error or fraud, and including disclosures in the financial statements.

Again, there's nothing here that directly improves the lot of financial statement users.

Proposed Auditing Standard on Other Information

The audit report proposal doesn't stand alone; the PCAOB issued it simultaneously with a proposal on "other information (OFI) outside the financial statements." Examples of other information, beyond a company's financial statements and auditor's report, included in SEC 10-K filings are the "Selected Financial Data" tables and Management's Discussion & Analysis. Currently, auditors are charged with reading and considering the other information – but they don't have a reporting responsibility for what they may find.

That will change if this proposal passes. As proposed, the auditor will have increased responsibility for examining other information, and will have a reporting duty for the other information in a separate section of the audit report. The auditor will still need to read the other information, looking for material inconsistencies, material misstatements of fact or both. That determination will be made by comparing the other information to audit evidence already obtained. The auditor will need to evaluate 1) the consistency of amounts in other information and the manner of presentation; 2) consistency of any qualitative statements in the other information and its manner of presentation; 3) other information not directly related to financial statements, as compared to relevant audit evidence obtained and conclusions reached; and 4) amounts in other information calculated using amounts therein, or from the financial statements, or from relevant audit evidence.

The auditor's report will contain a brand new section entitled "The Auditor's Responsibilities Regarding Other Information," and it will contain:

- A statement that the auditor evaluated whether the other information contains a material inconsistency with the financial statements, a material misstatement of fact, or both;
- Identification of the annual report that contains the other information, and the audited financial statements and the auditor's report;
- A statement that the auditor's evaluation of the other information was based on relevant audit evidence obtained and conclusions reached during the audit;
- A statement that the auditor did not audit the other information and does not express an opinion on the other information; and
- A statement that, based on the evaluation, the auditor:
    - Has *not* identified a material inconsistency or a material misstatement of fact in the other information; or
    - *Has* identified a material inconsistency, a material misstatement of fact, or both in the other information that has not been revised, and a description of the inconsistency, misstatement of fact, or both.

Is the proposed improvement for other financial information better that the current situation, where the auditor "reads and considers" OFI behind the scenes, and gives no assurance to financial statement users that they did anything? Yes. At the same time, though, there's not a lot of new or ground-breaking information provided to financial statement users in the report on other financial information. The only time it would really be of interest to financial statement users is when the auditor really has identified problems with the OFI and states so in the report. That's a situation that should be exceedingly rare; the ability of the auditor to contradict management in their own report is a powerful lever that should persuade managers to appreciate the auditor's point of view.

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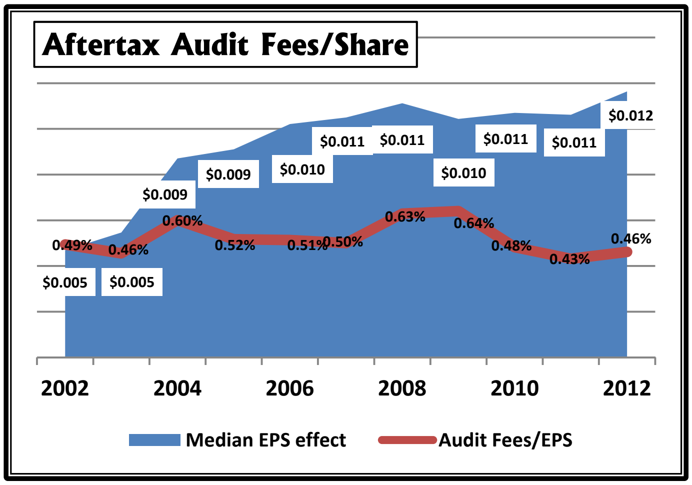
Throughout the proposal, the PCAOB takes pains to point out that the changes do not require the auditor to perform new audit procedures. The changes are aimed at the reporting by the auditor, not the work done by the auditor. Theoretically, there should be no additional costs incurred by the auditor, but the PCAOB also admits in the document that costs will nevertheless be likely to increase. The auditor is expected to say more in the report, which means a foundation has to be built in order to support their statements – and that will lead to increased file-stuffing and memo-writing, at the very least. How much additional audit cost can be supported before investors even notice? This is explored in the next section.

II. If An Auditor Increases Fees…

Would an investor notice? It all depends on earnings per share, which gets investor attention like nothing else.



The graph at left tells an important story about the total audit fees for 450 companies[3] in the S&P 500 since 2002. The shaded plot shows the median total after-tax audit fees per share for the firms, carried out to three places to make the trend more visible. From less than a penny a share in 2002 – only $0.005 per share – the median total fees have tripled to $0.012 in 2012. In absolute dollar terms for the 450 firms, total pretax audit fees have grown at an annual clip of 8.4%. (See table below.) Auditing: a growth industry?

There's less than meets the eye. The line plot in the graph shows the median after-tax audit fees divided by median diluted EPS. The 2012 percentage of audit fees to EPS is just less than 2002's level – 0.46% versus 0.49%.

When looking at absolute dollars, be careful. Despite increased audit fees, it's no more onerous a piece of EPS than in the days before Sarbanes-Oxley. In 2002, the Act was passed; audit fees increased, as can be seen in the following table. Sarbanes-Oxley's burden increased the work done by auditors, and decreased the kind of services they could perform for their clients: no more consulting engagements. The total fees drawn down by auditing firms did not increase at nearly the same rate as the total audit fees – an annual rate of only 3.8% per year over the ten-year stretch, not much more than the 2.5% inflation rate over the same period.

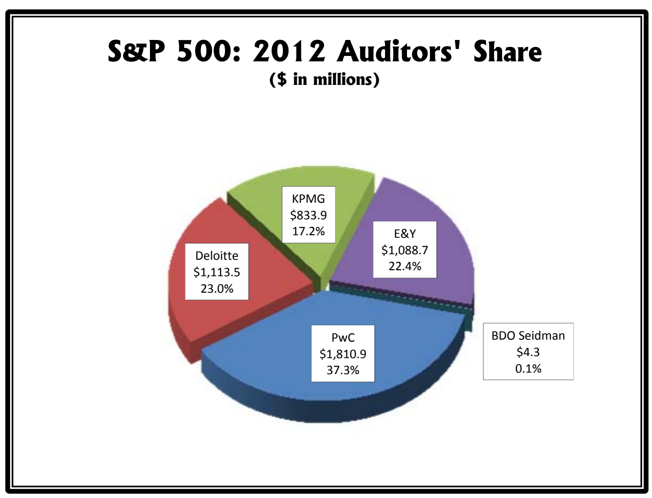
Audit & Audit-Related, Tax & Other Fees For The S&P 500: 2012 - 2002

($ in millions)	10 Yr. CAGR	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Audit	*9.5%*	$3,909.2	$3,769.0	$3,662.5	$3,650.1	$3,647.1	$3,594.3	$3,519.1	$3,282.5	$3,082.3	$1,909.4	$1,581.5
Audit-related	*3.3%*	582.0	503.5	488.2	474.6	494.0	512.3	444.2	399.9	424.0	472.2	422.3
Total audit fees	*8.4%*	$4,491.2	$4,272.6	$4,150.7	$4,124.7	$4,141.1	$4,106.6	$3,963.3	$3,682.4	$3,506.2	$2,381.6	$2,003.9
Tax	*-3.7%*	551.5	528.1	509.5	488.9	477.0	490.4	472.8	495.0	661.8	785.0	806.4
Other	*-20.7%*	71.4	70.1	64.7	37.1	28.7	21.6	28.6	50.6	66.0	117.6	721.9
Total fees	*3.8%*	$5,114.1	$4,870.7	$4,724.8	$4,650.6	$4,646.8	$4,618.5	$4,464.7	$4,227.9	$4,234.1	$3,284.2	$3,532.2

Source: Audit Analytics, company proxy filings.
Table is for 450 S&P 500 firms only, prepared on basis described in footnote 3 below.

The chart at right shows how the 2012 audit-and audit-related fee pie was divided among the S&P 500's auditing firms. Total audit and audit-related fees were $4.85 billion for 496 firms; four of them were involved with spinoffs[4] and did not have separate audit fees in their proxy.

All hail PwC! There's no contest: PwC is the clear leader with 37.3% of all the audit and audit-related fees for the S&P 500. Deloitte and E&Y are nearly tied for a distant second. PwC has the most clients in the S&P 500 (155) and the highest average total audit fees ($11.68 million). There's a huge gap between PwC and last place Big Four member KPMG: almost $1 billion. Oddly, that's even bigger than the $829 million gap between KPMG and diminutive BDO Seidman.



[3] Total audit fees are composed of audit and audit-related fees as stated in a firm's annual proxy statement. Audit-related fees are charges for services indirectly related to the annual audit. Examples would be reviews of interim financial statements, and due diligence on mergers and divestitures. There are 450 firms in the example because 50 firms did not have proxies as far back as 2002, and to include them for part of the time span would have distorted the trend. Firms did not always have proxies because they may have not been public as long ago as 2002. This was frequently the case with "spin-off" firms.

[4] AbbVie (an R.G. Associates, Inc. holding – see back page of report), ADT, Kraft Foods, and News Corp. did not report audit fees independently of the firms from which they were spun (AbbVie and News Corp.) or were spinning off (the other two).

2012: S&P 500 Auditors & Their Fees by Industry

	PwC			E&Y			Deloitte			KPMG			BDO Seidman			Grand Total		
($ in millions)	Firms	Fees	% Fees	Firms	Fees	% Fees	Firms	Fees	% Fees	Firms	Fees	% Fees	Firms	Fees	% Fees			
Automobiles & Components	4	$86	59%	1	$13	9%	1	$42	29%	1	$3	2%				**7**	**$144**	**3%**
Banks	3	35	27%	6	$43	34%	2	$7	6%	3	42	33%				**14**	**126**	**3%**
Capital Goods	13	213	35%	11	111	18%	11	127	21%	5	153	25%				**40**	**604**	**12%**
Commercial & Professional Services	4	20	22%	6	22	25%	2	48	53%			0%				**12**	**91**	**2%**
Consumer Durables & Apparel	5	29	36%	6	31	40%	3	9	12%	2	10	12%				**16**	**79**	**1%**
Consumer Services	2	9	14%	5	28	45%	3	17	27%	2	9	14%				**12**	**62**	**13%**
Diversified Financials	9	310	51%	7	77	13%	5	95	15%	6	131	21%				**27**	**614**	**7%**
Energy	14	126	40%	15	98	31%	5	32	10%	9	62	19%				**43**	**318**	**1%**
Food & Staples Retailing	1	4	8%	4	33	61%	2	11	20%	1	5	10%				**8**	**54**	**4%**
Food Beverage & Tobacco	9	75	37%	6	63	31%	4	10	5%	6	55	27%				**25**	**203**	**5%**
Health Care Equipment & Services	11	59	26%	10	60	26%	5	88	38%	4	22	10%				**30**	**229**	**2%**
Household & Personal Products	2	21	28%	1	4	6%	2	45	58%	1	7	9%				**6**	**78**	**9%**
Insurance	6	182	40%	5	57	13%	8	185	41%	3	28	6%				**22**	**451**	**5%**
Materials	13	111	46%	4	24	10%	6	74	30%	7	35	14%				**30**	**243**	**4%**
Media	6	85	44%	4	59	30%	3	22	11%	2	28	15%				**15**	**194**	**4%**
Pharma, Biotech, Life Sciences	9	122	50%	7	35	15%	4	27	11%	3	57	23%	1	$2	1%	**24**	**244**	**5%**
Real Estate	2	3	5%	8	21	33%	3	16	24%	5	25	38%				**18**	**65**	**1%**
Retailing	4	12	12%	12	44	43%	8	23	22%	7	21	21%	1	3	2%	**32**	**102**	**2%**
Semiconductors & Equipment	7	24	31%	7	42	55%			0%	2	11	14%				**16**	**77**	**2%**
Software & Services	8	106	35%	8	63	21%	4	72	24%	9	61	20%				**29**	**302**	**6%**
Technology Hardware & Equip.	8	92	43%	8	83	39%	3	25	12%	3	13	6%				**22**	**212**	**4%**
Telecom Services	2	5	8%	1	24	35%			0%	3	40	57%				**6**	**70**	**1%**
Transportation	1	5	8%	4	24	44%	3	19	34%	3	7	13%				**11**	**55**	**1%**
Utilities	11	78	33%	2	29	12%	17	121	51%	1	9	4%				**31**	**237**	**5%**
Total	**154**	**$1,811**	**37%**	**148**	**$1,089**	**22%**	**104**	**$1,113**	**23%**	**88**	**$834**	**17%**	**2**	**$4**	**0%**	**496**	**$4,851**	**100%**
Average audit & audit-related fee		**$11.68**			**$7.31**			**$10.50**			**$9.48**			**$2.15**				

Source: Audit Analytics, company proxy filings.

Above is a breakdown of the audit and auditing-related fees for the S&P 500 by industry, and by auditing firm. Auditing firms often seem indistinguishable from one another, due in no small measure to the monotony of the auditor's report under reconsideration. They've often tried to distinguish themselves from each other, however, by pursuing an industry specialization. The financial effects of that specialization are evident in the table above: there are quite a few firms that garnered 50% or more of all the audit/audit-related fees for a particular industry. (Highlighted figures above.) The greatest dominance occurred in the Food & Staples Retailing industry, where Ernst & Young took home 61% of all audit and audit-related fees; next was the Automobiles & Components industry where PwC accounted for 59% of such fees.

Audit fees have risen, and they're certainly concentrated in the hands of a few powerful firms. Yet investors do not often complain about high audit fees. They're expecting that auditors are delivering something of value to them, even if they don't often fawn over the service they've received. (It's hard to get excited about an auditor's clean opinion on financial statements.) In addition, audit fees are a relative bargain in a couple of ways. First, they're fractionally over a penny a share – and they've only mattered a penny a share since 2003. (See the graph on the preceding page; though the median audit fees as a component of EPS is carried out to three places for clarity, it would be a penny per share for all of the last ten years on a two-place basis, just as it is reported.) Audit fees are a relative bargain in another way: total annual fees are usually less than the total annual pay packages for just the top five executives. In fact, at many firms, they're less than just the cash paid to the top five executives. [5]

Audit Firm Fees For The S&P 500: 2012 - 2002

($ in millions)	10 Yr. CAGR	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
PwC	***8.4%***	$1,703.2	$1,644.4	$1,614.5	$1,617.9	$1,535.6	$1,500.5	$1,463.8	$1,413.4	$1,424.0	$955 .3	$763.6
E&Y	***7.3%***	1,002.4	987.6	940.3	920.2	941.0	909.8	867.0	766.4	725.9	529.8	495.4
Deloitte	***8.9%***	992.3	899.2	865.5	863.0	924.1	988.0	936.7	853.8	748.6	485.9	421.6
KPMG	***9.6%***	789.0	736.8	726.1	719.2	736.0	702.5	690.7	643.8	602.7	408.1	316.4
BDO Seidman	***11.3%***	4.3	4.6	4.2	4.3	4.4	5.7	5.1	5.0	4.0	1.7	1.5
Grant Thornton	***NA***	--	--	--	--	--	--	--	--	1	.8	3.2
Arthur Andersen	***NA***	--	--	--	--	--	--	--	--	--	--	2.2
	8.4%	$4,491.2	$4,272.6	$4,150.7	$4,124.7	$4,141.1	$4,106.6	$3,963.3	$3,682.4	$3,506.2	$2,381.6	$2,003.9
Annual % change:		***5.1%***	***2.9%***	***0.6%***	***-0.4%***	***0.8%***	***3.6%***	***7.6%***	***5.0%***	***47.2%***	***18.8%***	

Source: Audit Analytics, company proxy filings. Table is for 450 of the S&P 500 firms: only those with available data for all 11 years were used to keep the trend intact.

PricewaterhouseCoopers' growth is the most striking of the Big Four – almost a billion dollars of added revenues over 10 years of Sarbanes-Oxley Act repercussions – client consulting restrictions, increased oversight from PCAOB, internal control reporting – caused a near-doubling of audit and audit-related fees between 2002 and 2004. Yet from 2004 through 2012, fees have increased at a gradual annualized rate of 3.1% per year. In fact, during the financial crisis years of 2007-2009, the fees scarcely budged. It's hard for anyone to say auditor fees have run amuck.

[5] See Volume 22, No. 9, "2012 S&P Executive Pay: "I'll Pour. You Say When." August, 2013. Page 8 discusses the comparison between executive pay in the S&P 500 and the auditors' fees.

At what point would investors sit up and notice audit fees? If they ever became a factor in missing earnings estimates, investors would probably rebel. These days, one does not usually hear of an earnings miss due to increasing audit fees. Though the PCAOB proposal doesn't require time-consuming new audit procedures – for instance, a requirement to physically inspect foreign-domiciled assets or to increase accounts receivable confirmation procedures to a specified minimum threshold – it will doubtless cause firms to engage in more prophylactic documentation of audit judgments and decisions. File cabinets will be more stuffed than ever if the "critical audit matters" reporting comes to fruition. Maybe as a result of increased auditor reporting, audit fees may take a bigger nick out of earnings than a penny a share, and auditors might start getting blame in earnings calls. (Of course, that might draw more attention to the new reporting done by the auditor, and managers might not want to go there, either.)

For now, assume that investors are calm about audit fees when they're at an average of a penny a share. Assume further that they won't stay calm if earnings per share are nicked by another cent per share, regardless of whatever the current level may be. For firms at the 2012 median of one cent per share, that may sound like there's room for auditors to double their fees, but it isn't so. If the audit fees increase beyond $0.0049 per share, their effect on EPS will actually be *one* whole cent.[6]

For an individual firm, figuring out the EPS maximum effect is a minor exercise in reverse-engineering. Simply multiply $0.0049 by the diluted shares outstanding, and divide the result by an after-tax effect of 65%. The result is the audit firm's "room to cover." How much room to cover exists for auditors to raise their fees without impacting EPS by one more penny - in the whole S&P 500?

	Incremental Revenue Realization:	
($ in millions)	Increase by $0.0049/share	Increase Current Fee to $0.0049/share
PricewaterhouseCoopers	$798.1	$61.1
Ernst & Young	618.5	96.6
KPMG	475.2	36.3
Deloitte	462.6	53.5
BDO Seidman	3.0	0.2
	$2,357.3	$247.9

The answer is "quite a bit." The table at left shows how much additional revenue would be realized by each of the current auditing firms of the S&P 500 if their extra file-building can be billed to the client, up to the point where it won't affect EPS. There could be a potential $2.4 billion of additional revenues for the auditors to capture before EPS "rounding" forces budgetary control.

The second column of numbers is interesting, in that it represents the portion of the total where the auditors aren't even currently realizing $0.0049 of audit fees per share. Surprisingly, there are 80 firms in this category. They're listed in the table on the next page.

* * * * * * * * * * * * * * * * * *

Take a moment to review the lessons of the above exercise. It's not intended to show how much auditors could grab for themselves before shareholders feel like they're pockets are being picked. Nor is it intended to imply that because audits are relatively cheap – and some might be *really* cheap – that auditors aren't doing a good job. The idea that "you get what you pay for" isn't always accurate. Bargains can be found in all walks of life! (Ask any active investment manager. It's their raison d'etre.)

It would help investors if there were some uniform indicators of audit quality so there could be a better assessment of "getting what you pay for" than just being vaguely contented with a lack of audit failures. Developing a uniform set of audit quality indicators is one thing the PCAOB has not accomplished yet, and there's no telling if they ever will.

The reason the above exercise is worth doing: in any financial standard-setting area, whether accounting standards or auditing standards, the "cost of a change" argument is always used as a justification by some parties for doing nothing. Without a doubt, that argument will be trotted out by opponents of this reporting proposal. The existing costs for auditors are fairly explicit, however. In this exercise, the cost information has been used to frame a level of tolerable (unnoticeable?) cost increase.

That doesn't mean that the proposal is good or bad. It just means that when commenters start balking at a change – *any* change - because of "added costs," it's helpful to know how much additional cost might affect shareholders.

[6] Prove it to yourself: open Excel and type .0049 into a cell with currency formatting set for two places. The result will be $.00. Change it .005, and the result will be $.01.

Where 2012 Total Audit Fees Are Less Than $.01/Share

($ and shares in millions)	Auditor	Diluted Shares	($0.0049 x Shares)/65%	Current Total Fees	Incremental Potential	Incremental Potential %
Fastenal	KPMG	297.2	$2.24	$0.69	$1.55	226.4%
Lowe's	Deloitte	1,152.0	8.68	2.99	5.69	190.0%
CSX	E&Y	1,040.0	7.84	2.75	5.09	185.1%
Southwest Airlines	E&Y	757.0	5.71	2.23	3.48	155.7%
Gilead Sciences	E&Y	1,582.6	11.93	4.92	7.01	142.4%
Paychex	E&Y	364.7	2.75	1.15	1.60	139.1%
Home Depot	KPMG	1,511.0	11.39	4.84	6.55	135.5%
Altria Group	PwC	2,024.0	15.26	6.50	8.76	134.7%
Progressive	PwC	607.8	4.58	1.96	2.62	133.5%
Hudson City Bancorp	KPMG	496.6	3.74	1.61	2.14	133.2%
Walgreen	Deloitte	880.1	6.63	2.97	3.67	123.8%
Kimco Realty	PwC	406.7	3.07	1.37	1.69	123.3%
Cisco Systems	PwC	5,404.0	40.74	18.97	21.77	114.7%
Huntington Bancsh's	Deloitte	863.4	6.51	3.13	3.37	107.6%
Cabot Oil & Gas	PwC	422.0	3.18	1.56	1.62	103.8%
Linear Technology	E&Y	237.8	1.79	0.89	0.90	101.1%
Intel	E&Y	5,160.0	38.90	19.58	19.32	98.7%
Frontier	KPMG	991.8	7.48	3.94	3.54	90.0%
PulteGroup	E&Y	384.6	2.90	1.54	1.36	88.7%
EMC	PwC	2,205.6	16.63	8.82	7.81	88.5%
Cerner	KPMG	351.4	2.65	1.44	1.20	83.3%
LSI Logic	PwC	580.5	4.38	2.40	1.98	82.7%
AT&T	E&Y	5,821.0	43.88	24.40	19.48	79.8%
Fifth Third Bancorp	Deloitte	945.6	7.13	4.02	3.10	77.1%
Whole Foods Market	E&Y	368.9	2.78	1.58	1.20	76.0%
D.R. Horton	PwC	359.0	2.71	1.54	1.17	75.6%
Microsoft *	Deloitte	8,470.0	63.85	36.86	26.99	73.2%
Dollar Tree	KPMG	230.7	1.74	1.01	0.73	71.5%
Denbury Resources	PwC	388.9	2.93	1.75	1.19	67.9%
Southwestern Energy	PwC	348.6	2.63	1.61	1.02	63.3%
Oracle	E&Y	4,844.0	36.52	22.54	13.98	62.0%
Kohl's	E&Y	237.0	1.79	1.20	0.58	48.5%
Wal-Mart	E&Y	3,389.0	25.55	17.52	8.03	45.8%
Corning	PwC	1,506.0	11.35	7.85	3.50	44.6%
Nvidia Corporation	PwC	625.0	4.71	3.27	1.44	43.9%
Regions Financial	E&Y	1,387.0	10.46	7.34	3.11	42.4%
Comcast	Deloitte	2,717.0	20.48	14.40	6.08	42.2%
Host Hotels & Resorts	KPMG	719.6	5.42	3.85	1.58	40.9%
Applied Materials	KPMG	1,277.0	9.63	6.96	2.66	38.3%
Delta Airlines	E&Y	850.0	6.41	4.66	1.75	37.7%

	Auditor	Diluted Shares	($0.0049 x Shares)/65%	Current Total Fees	Incremental Potential	Incremental Potential %
Boston Scientific	E&Y	1,406.7	$10.60	$7.79	$2.82	36.2%
Public Storage	E&Y	171.7	1.29	0.96	0.34	35.5%
Hormel Foods	E&Y	268.9	2.03	1.50	0.53	35.4%
Windstream	PwC	584.5	4.41	3.26	1.14	35.1%
HCP	Deloitte	428.3	3.23	2.42	0.81	33.6%
Republic Services	E&Y	368.0	2.77	2.09	0.68	32.5%
Lorillard	Deloitte	390.1	2.94	2.23	0.71	31.6%
Target	E&Y	663.3	5.00	3.85	1.15	30.0%
ONEOK	PwC	210.7	1.59	1.23	0.36	29.4%
Ross Stores	Deloitte	222.8	1.68	1.31	0.37	28.5%
Equity Residential	E&Y	319.8	2.41	1.89	0.52	27.3%
CarMax	KPMG	231.8	1.75	1.37	0.37	27.1%
Altera	PwC	324.5	2.45	1.94	0.51	26.2%
Noble Energy	KPMG	360.0	2.71	2.16	0.56	25.9%
Pfizer	KPMG	7,508.0	56.60	45.19	11.41	25.3%
Price, T. Rowe *	KPMG	261.0	1.97	1.58	0.39	24.6%
QEP Resources	PwC	178.7	1.35	1.11	0.24	21.3%
Dollar General	E&Y	334.5	2.52	2.09	0.43	20.8%
Union Pacific	Deloitte	476.5	3.59	3.02	0.58	19.1%
Broadcom	KPMG	576.0	4.34	3.69	0.66	17.8%
Monster Beverage	Deloitte	183.1	1.38	1.17	0.21	17.7%
Qualcomm	PwC	1,741.0	13.12	11.17	1.96	17.6%
Bed Bath & Beyond	KPMG	227.7	1.72	1.49	0.23	15.3%
U.S. Bancorp	E&Y	1,896.0	14.29	12.40	1.89	15.3%
Starbucks	Deloitte	773.0	5.83	5.10	0.73	14.3%
Forest Laboratories	BDO Seidman	266.8	2.01	1.77	0.24	13.5%
Schwab, Charles	Deloitte	1,275.0	9.61	8.50	1.11	13.1%
Urban Outfitters	Deloitte	146.7	1.11	0.99	0.12	12.2%
Carnival	PwC	779.0	5.87	5.30	0.57	10.8%
CVS Caremark	E&Y	1,280.0	9.65	8.74	0.91	10.4%
Adobe Systems	KPMG	502.7	3.79	3.44	0.35	10.2%
Wells Fargo	KPMG	5,351.5	40.34	38.07	2.28	6.0%
People's United Fin'l.	KPMG	338.4	2.55	2.41	0.14	5.7%
KeyCorp	E&Y	943.3	7.11	6.76	0.35	5.2%
Yahoo!	PwC	1,202.9	9.07	8.70	0.37	4.2%
Analog Devices	E&Y	306.2	2.31	2.22	0.09	4.1%
Cintas	E&Y	124.5	0.94	0.90	0.04	3.9%
Exxon Mobil *	PwC	4,628.0	34.89	33.60	1.29	3.8%
TJX Companies	PwC	747.6	5.64	5.50	0.13	2.4%
Crown Castle Intl	PwC	291.3	2.20	2.19	0.00	0.1%

***R.G. Associates, Inc. holding. See note on back page.** *Source, all tables this page: Fees - Audit Analytics, company proxy filings; shares – S&P Research Insight database.*

Highest Dollar Potential Increases

($ and shares in millions)	Auditor	Diluted Shares	(0.0049 x Shares)/65%	Current Total Fees	Incremental Potential %
Bank Of America	PwC	10,840.9	81.7	104.4	78%
General Electric	KPMG	10,564.0	79.6	92.5	86%
Coca-Cola	Deloitte	4,584.0	34.6	35.2	98%
Ford	KPMG	4,015.0	30.3	40.8	74%
JPMorgan Chase	E&Y	3,822.2	28.8	83.6	34%
Merck	PwC	3,076.0	23.2	33.4	69%
Citigroup	Deloitte	3,015.5	22.7	84.3	27%
Procter & Gamble	E&Y	2,930.6	22.1	33.5	66%
Verizon Communications	KPMG	2,862.0	21.6	27.2	79%
Johnson & Johnson	PwC	2,812.6	21.2	44.0	48%

The table at left shows the firms with a potential increase of more than 20 million in total audit fees before affecting EPS by another penny. Obviously, these are some of the largest firms in the S&P 500 by any measurey – but their huge shares outstanding make large audit fee increases possible without affecting shareholders. Below: the 30 S&P 500 firms with the largest percentage difference from their current total audit fees, *if* the fees were raised by 0.0049 per share.

Greatest Percentage Change From 2012 Total Fees

($ and shares in millions)	Auditor	Diluted Shares	(0.0049 x Shares)/65%	Current Total Fees	Incremental Potential %
Vertex Pharmaceuticals	KPMG	211.9	1.60	1.60	99.8%
Express Scripts	KPMG	747.3	5.63	5.72	98.5%
Medtronic	PwC	1,027.5	7.75	7.88	98.3%
Reynolds American	PwC	567.9	4.28	4.36	98.3%
Coca-Cola	Deloitte	4,584.0	34.56	35.23	98.1%
Bristol-Myers Squibb	PwC	1,688.0	12.72	13.04	97.6%
Wisconsin Energy	E&Y	232.8	1.75	1.80	97.4%
Micron Technology	E&Y	991.2	7.47	7.70	97.0%
Brown-Forman	Deloitte	215.0	1.62	1.67	96.8%
Red Hat	PwC	195.8	1.48	1.53	96.5%
Norfolk Southern	Deloitte	325.2	2.45	2.55	96.1%
Apple	E&Y	945.4	7.13	7.46	95.5%
Amgen	E&Y	787.0	5.93	6.27	94.7%
Texas Instruments	E&Y	1,146.0	8.64	9.15	94.5%
CME Group	E&Y	332.3	2.51	2.78	90.2%

	Auditor	Diluted Shares	(0.0049 x Shares)/65%	Current Total Fees	Incremental Potential %
Kroger	PwC	536.6	4.05	4.49	90.2%
EOG Resources	Deloitte	270.8	2.04	2.28	89.4%
Lilly, Eli & Co.	E&Y	1,117.3	8.42	9.50	88.7%
Sysco	KPMG	592.7	4.47	5.07	88.1%
TripAdvisor	KPMG	141.3	1.07	1.22	87.5%
Ventas	PwC	294.5	2.22	2.56	86.8%
General Electric	KPMG	10,564.0	79.64	92.50	86.1%
Family Dollar Stores	PwC	118.1	0.89	1.04	85.8%
DirecTV	Deloitte	644.0	4.85	5.72	84.9%
Plum Creek Timber	PwC	161.9	1.22	1.44	84.7%
eBay	E&Y	1,313.0	9.90	11.72	84.5%
Regeneron Pharmaceuticals	PwC	115.4	0.87	1.05	82.6%
Weyerhaeuser	E&Y	542.3	4.09	5.03	81.3%
Health Care REIT	KPMG	226.0	1.70	2.11	80.8%
Xilinx	PwC	272.6	2.05	2.55	80.5%

III. What Next?

The comment period for the PCAOB's proposal closes on December 11, 2013. So far, there are few comments – but that's typical. The bulk of comments on proposals like this usually arrive in the last days of the comment period - and very often, in the week following the comment period's close.

Should investors care enough to peck out a response? The answer is a guarded "yes." What's actually proposed in the document is of much lower strength than the proposals put forth in the 2011 concept release, but that doesn't make them worthless. The most controversial part of that release was the call for an "Auditor's Discussion & Analysis," which was widely disliked, yet would have presented a point of view that should properly be symmetrical with that of the shareholders. So it is with the AD&A's direct descendant, the "Critical Audit Matters" part of this proposal. It won't be the auditors supporting this – if investors want it, they're going to have to provide the support for it. The Critical Audit Matters section is not going to happen by default.

One point of the AD&A critics was that it could all too easily become a "phonebook[7]" – full of facts, long in volume but holding little true information. That was a valid concern about the AD&A, and it's a valid concern about its direct descendant, the "Critical Audit Matters" section put forth in the current proposal. The "Critical Audit Matters" is the single most important change proposed: narrower in scope the AD&A, it should cut directly to the heart of matters. Maybe the auditor's interests are not always be aligned with the investor's interests – but the investor is always interested in the auditor's point of view.

There's "phonebook potential" in the Critical Audit Matters presentation, for sure. Yet that doesn't hold up as a reason not to give it a try. Any financial reporting disclosure has the potential to be lame boilerplate when it's not executed conscientiously. It would be ridiculous to argue that no disclosures should ever be made just because they could be neutralized by semi-malicious intent. Besides, with the PCAOB conducting examinations of audits, investors would have to hope their presence might prevent firms from going down the path of seemingly safe, say-nothing reports on CAMs.

Beyond the proposal to present critical audit matters, the remainder of the proposal doesn't bring much new information to investors. The auditor tenure data is new information, but it surely isn't information that will directly lead to investor action. The proposal can't be criticized for clarifying auditor independence, or criticized for more clearly stating the auditor's responsibility related to misstatements due to error or fraud. Nor can it be criticized for better stating the auditor's responsibility for other financial information. It's hard to get too worked up about these improvements, however. They seem to be minute changes that should have been done long ago; it's hard to call them ground-breaking.

You might call the Critical Audit Matters ground-breaking, however – which is exactly why it will be stoutly opposed by the auditing community. We'll know how much they opposed it, in roughly another month.

[7] "Phonebook" is a somewhat anachronistic term. In pre-internet days, telephone companies published thick, weighty books listing the phone numbers of people with telephones in a certain locale, including their legal names and addresses. Ripping them in half was a test of strength for body-builders, in fact. It is used here to denote a thick hard-to-read book, in much the same way the term "Sears catalogue" was once used.

Appendix: 2012 Audit And Audit-Related Fees, By Industry & Auditor

(in millions)	PwC		Ernst & Young		Deloitte & Touche		KPMG		BDO Seidman	
	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees
Automobiles & Components										
BorgWarner	5.4	0.1%								
Delphi Automotive			13.3	0.3%						
Ford	40.8	0.8%								
General Motors					42.0	0.9%				
Goodyear Tire	14.9	0.3%								
Harley-Davidson							3.0	0.1%		
Johnson Controls	24.5	0.5%								
Automobiles & Components Total	**85.6**	**1.8%**	**13.3**	**0.3%**	**42.0**	**0.9%**	**3.0**	**0.1%**		
Banks										
BB&T	9.1	0.2%								
Comerica			2.2	0.0%						
Fifth Third Bancorp					4.0	0.1%				
Hudson City Bancorp							1.6	0.0%		
Huntington Bancshares					3.1	0.1%				
KeyCorp			6.8	0.1%						
M&T Bank *	3.7	0.1%								
People's United Financial Inc.							2.4	0.0%		
PNC Fin'l Services	21.8	0.4%								
Regions Financial			7.3	0.2%						
Suntrust Banks			9.4	0.2%						
U.S. Bancorp			12.4	0.3%						
Wells Fargo							38.1	0.8%		
Zions Bancorp			4.5	0.1%						
Banks Total	**34.6**	**0.7%**	**42.6**	**0.9%**	**7.2**	**0.1%**	**42.1**	**0.9%**		
Capital Goods										
3M *	14.4	0.3%								
Ametek			4.8	0.1%						
Boeing					26.4	0.5%				
Caterpillar	34.7	0.7%								
Cummins	10.0	0.2%								
Danaher			16.9	0.3%						
Deere					16.0	0.3%				
Dover	7.3	0.2%								
Eaton			24.4	0.5%						
Emerson Electric							30.9	0.6%		
Fastenal							0.7	0.0%		
Flowserve	8.8	0.2%								
Fluor			7.8	0.2%						
General Dynamics							21.0	0.4%		
General Electric							92.5	1.9%		
Grainger W.W.			3.0	0.1%						
Honeywell	21.8	0.4%								
Illinois Tool Works					17.6	0.4%				
Ingersoll-Rand	15.8	0.3%								
Jacobs Engineering			6.8	0.1%						
Joy Global			3.3	0.1%						
L-3 Communications Holdings	17.6	0.4%								
Lockheed Martin			16.5	0.3%						
Masco	8.9	0.2%								
Northrop Grumman					14.1	0.3%				
Paccar			6.6	0.1%						
Pall							7.8	0.2%		
Parker Hannifin					8.9	0.2%				
Pentair					13.5	0.3%				
Precision Castparts					8.4	0.2%				
Quanta Services	3.9	0.1%								
Raytheon	11.5	0.2%								
Rockwell Automation					5.6	0.1%				
Rockwell Collins					3.9	0.1%				
Roper Industries	4.7	0.1%								
Snap-On					3.6	0.1%				
Stanley Black & Decker			13.4	0.3%						
Textron			7.7	0.2%						
United Technologies	53.8	1.1%								
Xylem					8.8	0.2%				
Capital Goods Total	**213.2**	**4.4%**	**111.2**	**2.3%**	**126.7**	**2.6%**	**152.9**	**3.2%**		
Commercial & Prof. Services										

(in millions)	PwC		Ernst & Young		Deloitte & Touche		KPMG		BDO Seidman	
	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees
Avery Dennison	5.2	0.1%								
Cintas			0.9	0.0%						
Dun & Bradstreet	6.1	0.1%								
Equifax			3.8	0.1%						
Iron Mountain Inc.					6.6	0.1%				
Nielsen Holdings			7.0	0.1%						
Pitney Bowes	7.2	0.1%								
Republic Services			2.1	0.0%						
Robert Half	1.9	0.0%								
Stericycle			1.4	0.0%						
Tyco International					41.3	0.9%				
Waste Management			7.1	0.1%						
Commercial & Prof. Services Total	**20.4**	**0.4%**	**22.3**	**0.5%**	**47.9**	**1.0%**				
Consumer Durables & Apparel										
Coach					3.1	0.1%				
D.R. Horton	1.5	0.0%								
Fossil					2.8	0.1%				
Garmin			2.8	0.1%						
Harman International							5.2	0.1%		
Hasbro							4.4	0.1%		
Leggett & Platt	1.9	0.0%								
Lennar					3.4	0.1%				
Mattel	7.4	0.2%								
Newell Rubbermaid *			8.9	0.2%						
Nike	12.4	0.3%								
PulteGroup			1.5	0.0%						
PVH			4.0	0.1%						
Ralph Lauren			3.7	0.1%						
VF Corp *	5.4	0.1%								
Whirlpool			10.4	0.2%						
Consumer Durables & Apparel Total	**28.7**	**0.6%**	**31.4**	**0.6%**	**9.3**	**0.2%**	**9.6**	**0.2%**		
Consumer Services										
Block, H&R					3.2	0.1%				
Carnival	5.3	0.1%								
Chipotle Mexican Grill			0.6	0.0%						
Darden Restaurants							2.0	0.0%		
Int'l Game Technology	3.5	0.1%								
Marriott			6.3	0.1%						
McDonald's *			12.0	0.2%						
Starbucks					5.1	0.1%				
Starwood			7.1	0.1%						
Wyndham Worldwide					8.5	0.2%				
Wynn Resorts			1.8	0.0%						
Yum! Brands							6.8	0.1%		
Consumer Services Total	**8.8**	**0.2%**	**27.8**	**0.6%**	**16.8**	**0.3%**	**8.9**	**0.2%**		
Diversified Financials										
American Express	23.3	0.5%								
Ameriprise Financial	9.1	0.2%								
Bank Of America	104.4	2.2%								
Bank Of New York Mellon							31.5	0.7%		
BlackRock					20.3	0.4%				
Capital One Financial			12.5	0.3%						
Citigroup							84.3	1.7%		
CME Group			2.8	0.1%						
Discover Financial Services					6.7	0.1%				
E*Trade Financial					5.8	0.1%				
Franklin Resources	7.8	0.2%								
Goldman Sachs Group	63.7	1.3%								
Intercontinental Exchange			4.7	0.1%						
Invesco			6.6	0.1%						
JPMorgan Chase	83.6	1.7%								
Legg Mason	8.6	0.2%								
Leucadia National Corp	2.8	0.1%								
McGraw-Hill Financial *			10.1	0.2%						
Moody's							2.5	0.1%		
Morgan Stanley					53.7	1.1%				
NASDAQ OMX			6.8	0.1%						
Northern Trust							6.4	0.1%		
NYSE Euronext	6.9	0.1%								
Price, T. Rowe *							1.6	0.0%		

(in millions)	PwC		Ernst & Young		Deloitte & Touche		KPMG		BDO Seidman	
	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees
Schwab, Charles					8.5	0.2%				
SLM Corporation							5.1	0.1%		
State Street			33.7	0.7%						
Diversified Financials Total	**310.2**	**6.4%**	**77.3**	**1.6%**	**95.0**	**2.0%**	**131.5**	**2.7%**		
Energy										
Anadarko Petroleum							6.9	0.1%		
Apache			6.5	0.1%						
Baker Hughes					19.0	0.4%				
Cabot Oil & Gas Corp.	1.6	0.0%								
Cameron International			4.7	0.1%						
Chesapeake Energy	7.2	0.1%								
Chevron	27.2	0.6%								
Conoco Phillips			17.7	0.4%						
CONSOL Energy			2.4	0.1%						
Denbury Resources	1.7	0.0%								
Devon Energy							4.1	0.1%		
Diamond Offshore Drilling					1.5	0.0%				
Ensco							3.6	0.1%		
EOG Resources					2.3	0.0%				
EQT Corp			2.3	0.0%						
Exxon Mobil *	33.6	0.7%								
FMC Technologies							5.9	0.1%		
Halliburton							13.3	0.3%		
Helmerich & Payne			1.5	0.0%						
Hess Corporation			12.0	0.2%						
Kinder Morgan	10.0	0.2%								
Marathon Oil	7.9	0.2%								
Marathon Petroleum	6.9	0.1%								
Murphy Oil							5.0	0.1%		
Nabors Industries	4.7	0.1%								
National Oilwell Varco			8.3	0.2%						
Newfield Exploration	2.1	0.0%								
Noble	5.3	0.1%								
Noble Energy							2.2	0.0%		
Occidental							10.4	0.2%		
Peabody Energy			5.9	0.1%						
Phillips 66			11.8	0.2%						
Pioneer Natual Resources			3.3	0.1%						
QEP Resources	1.1	0.0%								
Range Resources			1.5	0.0%						
Rowan					1.8	0.0%				
Schlumberger	15.6	0.3%								
Southwestern Energy	1.6	0.0%								
Spectra Energy					7.1	0.1%				
Tesoro Petroleum			4.3	0.1%						
Valero Energy							10.3	0.2%		
Williams Companies			11.6	0.2%						
WPX Energy			4.7	0.1%						
Energy Total	**126.5**	**2.6%**	**98.5**	**2.0%**	**31.7**	**0.7%**	**61.6**	**1.3%**		
Food & Staples Retailing										
Costco							5.2	0.1%		
CVS Caremark			8.7	0.2%						
Kroger	4.5	0.1%								
Safeway					8.0	0.2%				
Sysco			5.1	0.1%						
Wal Mart Stores			17.5	0.4%						
Walgreen					3.0	0.1%				
Whole Foods Market			1.6	0.0%						
Food & Staples Retailing Total	**4.5**	**0.1%**	**32.9**	**0.7%**	**11.0**	**0.2%**	**5.2**	**0.1%**		
Food Beverage & Tobacco										
Altria Group	6.5	0.1%								
Archer Daniels Midland			15.0	0.3%						
Beam	3.7	0.1%								
Brown-Forman	1.7	0.0%								
Campbell Soup	4.2	0.1%								
Coca-Cola			35.2	0.7%						
Coca-Cola Enterprises			4.4	0.1%						
ConAgra							7.5	0.2%		
Constellation Brands							3.9	0.1%		
Dr. Pepper					3.4	0.1%				

(in millions)	PwC		Ernst & Young		Deloitte & Touche		KPMG		BDO Seidman	
	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees
General Mills							7.8	0.2%		
Hershey Foods							5.2	0.1%		
Hormel Foods			1.5	0.0%						
Kellogg	9.1	0.2%								
Lorillard					2.2	0.0%				
McCormick			4.2	0.1%						
Mead Johnson Nutrition					3.5	0.1%				
Molson Coors	3.9	0.1%								
Mondelez	18.8	0.4%								
Monster Beverage					1.2	0.0%				
Pepsico *							26.1	0.5%		
Philip Morris International	23.3	0.5%								
Reynolds American							4.4	0.1%		
Smucker, J.M. Company			2.5	0.1%						
Tyson	4.0	0.1%								
Food Beverage & Tobacco Total	**75.1**	**1.5%**	**62.9**	**1.3%**	**10.3**	**0.2%**	**54.8**	**1.1%**		
Health Care Equip. & Services										
Abbott Labs *					27.1	0.6%				
Aetna							10.4	0.2%		
AmeriSource Bergen			4.3	0.1%						
Bard, C.R.							4.1	0.1%		
Baxter Int'l	10.0	0.2%								
Becton Dickinson			7.8	0.2%						
Boston Scientific			7.8	0.2%						
Cardinal Health			7.1	0.1%						
Carefusion			4.5	0.1%						
Cerner							1.4	0.0%		
CIGNA	10.0	0.2%								
Covidien					17.2	0.4%				
DaVita							6.4	0.1%		
DENTSPLY International	3.7	0.1%								
Edwards Lifesciences	2.3	0.0%								
Express Scripts	5.7	0.1%								
Humana	6.2	0.1%								
Intuitive Sugical			1.8	0.0%						
Laboratory Corp of America	1.5	0.0%								
McKesson					11.5	0.2%				
Medtronic	7.9	0.2%								
Patterson Companies			1.5	0.0%						
Quest Diagnostics	3.4	0.1%								
St. Jude Medical			6.6	0.1%						
Stryker			6.9	0.1%						
Tenet Healthcare					5.3	0.1%				
United Health Group					26.9	0.6%				
Varian Medical Systems	3.8	0.1%								
Wellpoint			11.4	0.2%						
Zimmer Holdings	4.2	0.1%								
Health Care Equip. & Services Total	**58.7**	**1.2%**	**59.7**	**1.2%**	**88.0**	**1.8%**	**22.3**	**0.5%**		
Household & Personal Products										
Avon Products	10.2	0.2%								
Clorox			4.4	0.1%						
Colgate-Palmolive *	11.2	0.2%								
Kimberly Clark					11.5	0.2%				
Lauder Estee							7.0	0.1%		
Procter & Gamble					33.5	0.7%				
Household & Pers. Products Total	**21.4**	**0.4%**	**4.4**	**0.1%**	**45.0**	**0.9%**	**7.0**	**0.1%**		
Insurance										
ACE	18.2	0.4%								
AFLAC							6.5	0.1%		
Allstate					10.4	0.2%				
American Int'l Group	88.5	1.8%								
AON			20.5	0.4%						
Assurant	12.1	0.2%								
Berkshire Hathaway *					28.0	0.6%				
Chubb			8.7	0.2%						
Cincinnati Financial					2.2	0.0%				
Genworth Financial							12.1	0.2%		
Hartford Finl.					19.1	0.4%				
Lincoln National			10.3	0.2%						
Loews					19.3	0.4%				

(in millions)	PwC		Ernst & Young		Deloitte & Touche		KPMG		BDO Seidman	
	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees
Marsh & McLennan					25.7	0.5%				
MetLife					77.0	1.6%				
Principal Financial Group			8.5	0.2%						
Progressive	2.0	0.0%								
Prudential Financial	47.0	1.0%								
Torchmark					3.2	0.1%				
Travelers Companies							9.0	0.2%		
UNM Group			8.6	0.2%						
XL Capital	13.8	0.3%								
Insurance Total	**181.6**	**3.7%**	**56.6**	**1.2%**	**185.0**	**3.8%**	**27.5**	**0.6%**		
Materials										
Air Products & Chemicals							6.7	0.1%		
Airgas							2.2	0.0%		
Alcoa	14.0	0.3%								
Allegheny Technologies			3.7	0.1%						
Ball	6.6	0.1%								
Bemis *	3.9	0.1%								
CF Industries							2.8	0.1%		
Cliff Natural Resources					3.9	0.1%				
Dow Chemical					27.0	0.6%				
Du Pont	20.7	0.4%								
Eastman Chemical	8.6	0.2%								
Ecolab	12.2	0.3%								
FMC							2.9	0.1%		
Freeport McMoran			9.3	0.2%						
Int'l Flav. & Frag.	5.2	0.1%								
Int'l Paper					20.7	0.4%				
LyondellBasell	10.3	0.2%								
MeadWestVaco	7.5	0.2%								
Monsanto					10.2	0.2%				
Mosaic							5.4	0.1%		
Newmont Mining	6.7	0.1%								
Nucor	3.4	0.1%								
Owens-Illinois Inc.			6.9	0.1%						
PPG Industries					8.7	0.2%				
Praxair	6.7	0.1%								
Sealed Air							11.5	0.2%		
Sherwin-Williams			3.6	0.1%						
Sigma-Aldrich							3.0	0.1%		
U.S. Steel	5.1	0.1%								
Vulcan Materials					3.3	0.1%				
Materials Total	**110.8**	**2.3%**	**23.5**	**0.5%**	**73.8**	**1.5%**	**34.5**	**0.7%**		
Media										
Cablevision Systems							4.7	0.1%		
CBS	9.6	0.2%								
Comcast					14.4	0.3%				
DirecTV					5.7	0.1%				
Discovery Communications	4.5	0.1%								
Disney	21.3	0.4%								
Gannett			3.8	0.1%						
Interpublic	31.9	0.7%								
Omnicom Group							23.6	0.5%		
Scripps Networks Interactive					1.9	0.0%				
Time Warner			17.3	0.4%						
Time Warner Cable			6.2	0.1%						
Twenty-First Century Fox			31.7	0.7%						
Viacom	13.0	0.3%								
Washington Post	4.2	0.1%								
Media Total	**84.5**	**1.7%**	**58.9**	**1.2%**	**22.0**	**0.5%**	**28.4**	**0.6%**		
Pharma., Biotech. & Life Sciences										
Actavis	13.4	0.3%								
Agilent Technologies	6.4	0.1%								
Alexion Parma.	2.2	0.0%								
Allergan			5.1	0.1%						
Amgen			6.3	0.1%						
Biogen IDEC	4.2	0.1%								
Bristol-Myers Squibb					13.0	0.3%				
Celgene							5.5	0.1%		
Forest Laboratories									1.8	0.0%
Gilead Sciences			4.9	0.1%						

(in millions)	PwC		Ernst & Young		Deloitte & Touche		KPMG		BDO Seidman	
	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees
Hospira					4.1	0.1%				
Johnson & Johnson	44.0	0.9%								
Life Technologies			4.9	0.1%						
Lilly, Eli & Co.			9.5	0.2%						
Merck	33.4	0.7%								
Mylan Laboratories					5.8	0.1%				
PerkinElmer					4.1	0.1%				
Perrigo			3.1	0.1%						
Pfizer							45.2	0.9%		
Regeneron Pharmaceuticals	1.1	0.0%								
Thermo Electron	14.1	0.3%								
Vertex Pharmaceuticals			1.6	0.0%						
Waters	3.4	0.1%								
Zoetis							6.4	0.1%		
Pharma., Biotech. & Life Sciences Total	**122.1**	**2.5%**	**35.4**	**0.7%**	**27.1**	**0.6%**	**57.1**	**1.2%**	**1.8**	**0.0%**
Real Estate										
American Tower					6.6	0.1%				
Apartment Invt. & Mgmt.			2.2	0.0%						
AvalonBay			1.8	0.0%						
Boston Properties	1.8	0.0%								
CBRE Group							8.5	0.2%		
Equity Residential			1.9	0.0%						
HCP					2.4	0.0%				
Health Care REIT			2.1	0.0%						
Host Hotels & Resorts							3.8	0.1%		
Kimco Realty	1.4	0.0%								
Macerich							3.1	0.1%		
Plum Creek Timber			1.4	0.0%						
Prologis							4.5	0.1%		
Public Storage			1.0	0.0%						
Simon Property Group			8.2	0.2%						
Ventas			2.6	0.1%						
Vornado Realty Trust					6.7	0.1%				
Weyerhaeuser							5.0	0.1%		
Real Estate Total	**3.1**	**0.1%**	**21.2**	**0.4%**	**15.7**	**0.3%**	**25.0**	**0.5%**		
Retailing										
Abercrombie & Fitch	2.6	0.1%								
Amazon.com			7.2	0.1%						
AutoNation							2.4	0.0%		
AutoZone			1.7	0.0%						
Bed Bath & Beyond							1.5	0.0%		
Best Buy					6.3	0.1%				
CarMax							1.4	0.0%		
Dollar General			2.1	0.0%						
Dollar Tree							1.0	0.0%		
Expedia			5.5	0.1%						
Family Dollar Stores	1.0	0.0%								
GameStop									2.5	0.1%
Gap					4.9	0.1%				
Genuine Parts			4.5	0.1%						
Home Depot							4.8	0.1%		
Kohl's			1.2	0.0%						
Limited Brands			4.3	0.1%						
Lowe's					3.0	0.1%				
Macy's							5.9	0.1%		
Netflix			1.3	0.0%						
Nordstrom					2.4	0.0%				
O'Reilly Automotive			1.5	0.0%						
Penney, J.C.							4.3	0.1%		
Petsmart					1.6	0.0%				
Priceline.com					2.5	0.1%				
Ross Stores					1.3	0.0%				
Staples			9.3	0.2%						
Target			3.8	0.1%						
Tiffany & Company	2.9	0.1%								
TJX Companies	5.5	0.1%								
TripAdvisor			1.2	0.0%						
Urban Outfitters					1.0	0.0%				
Retailing Total	**12.0**	**0.2%**	**43.8**	**0.9%**	**22.9**	**0.5%**	**21.3**	**0.4%**	**2.5**	**0.1%**
Semiconductors & Semi. Equip.										

(in millions)	PwC		Ernst & Young		Deloitte & Touche		KPMG		BDO Seidman	
	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees
Altera	1.9	0.0%								
Analog Devices			2.2	0.0%						
Applied Materials							7.0	0.1%		
Broadcom							3.7	0.1%		
First Solar	3.5	0.1%								
Intel			19.6	0.4%						
KLA-Tencor	2.9	0.1%								
Lam Research			5.2	0.1%						
Linear Technology			0.9	0.0%						
LSI Logic	2.4	0.0%								
Microchip Technology			2.3	0.0%						
Micron Technology	7.7	0.2%								
Nvidia Corporation	3.3	0.1%								
Teradyne	2.3	0.0%								
Texas Instruments			9.1	0.2%						
Xilinx			2.6	0.1%						
Semiconductors & Semi. Equip. Total	**24.1**	**0.5%**	**41.9**	**0.9%**			**10.7**	**0.2%**		
Software & Services										
Accenture							14.2	0.3%		
Adobe Systems							3.4	0.1%		
Akamai Technologies	2.7	0.1%								
Autodesk			3.4	0.1%						
Automatic Data Processing					9.9	0.2%				
CA							10.8	0.2%		
Citrix Systems			4.6	0.1%						
Cognizant Technology Solutions	3.1	0.1%								
Computer Sciences					19.8	0.4%				
Ebay	11.7	0.2%								
Electronic Arts							4.8	0.1%		
Fidelity National Info. Services							5.1	0.1%		
FiServe					4.9	0.1%				
Google			15.4	0.3%						
IBM	67.6	1.4%								
Intuit			4.2	0.1%						
MasterCard Inc.	8.0	0.2%								
Microsoft *					36.9	0.8%				
Oracle			22.5	0.5%						
Paychex			1.2	0.0%						
Red Hat	1.5	0.0%								
Salesforce			5.5	0.1%						
Symantec							9.7	0.2%		
Teradata	2.5	0.1%								
Total System Services							3.9	0.1%		
VeriSign							2.3	0.0%		
Visa							7.3	0.1%		
Western Union			5.8	0.1%						
Yahoo!	8.7	0.2%								
Software & Services Total	**105.9**	**2.2%**	**62.6**	**1.3%**	**71.6**	**1.5%**	**61.5**	**1.3%**		
Technology Hardware & Equip.										
Amphenol					4.1	0.1%				
Apple			7.5	0.2%						
Cisco Systems	19.0	0.4%								
Corning	7.9	0.2%								
Dell	17.9	0.4%								
EMC	8.8	0.2%								
F5 Networks	1.5	0.0%								
FLIR Systems Inc							2.5	0.1%		
Harris			6.5	0.1%						
Hewlett-Packard			45.4	0.9%						
Jabil Circuit			4.9	0.1%						
JDS Uniphase	4.4	0.1%								
Juniper Networks Inc.			5.0	0.1%						
Molex			4.7	0.1%						
Motorola Solutions							6.0	0.1%		
NetApp					4.5	0.1%				
Qualcomm	11.2	0.2%								
SanDisk			3.0	0.1%						
Seagate Technology			5.8	0.1%						
TE Connectivity					15.8	0.3%				
Western Digital							4.6	0.1%		

(in millions)	PwC		Ernst & Young		Deloitte & Touche		KPMG		BDO Seidman	
	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees	Fees	% Fees
Xerox	21.0	0.4%								
Technology Hardware & Equip. Total	**91.6**	**1.9%**	**82.8**	**1.7%**	**24.5**	**0.5%**	**13.1**	**0.3%**		
Telecom Services										
AT&T			24.4	0.5%						
Centurylink							8.9	0.2%		
Crown Castle Intl	2.2	0.0%								
Frontier Communications							3.9	0.1%		
Verizon Communications							27.2	0.6%		
Windstream	3.3	0.1%								
Telecom Services Total	**5.5**	**0.1%**	**24.4**	**0.5%**			**40.0**	**0.8%**		
Transportation										
CH Robinson Worldwide					2.3	0.0%				
CSX			2.8	0.1%						
Delta Airlines			4.7	0.1%						
Expeditors International							2.5	0.1%		
FedEx			14.7	0.3%						
Kansas City Southern							2.1	0.0%		
Norfolk Southern							2.6	0.1%		
Ryder	4.5	0.1%								
Southwest Airlines			2.2	0.0%						
Union Pacific					3.0	0.1%				
United Parcel Service					13.4	0.3%				
Transportation Total	**4.5**	**0.1%**	**24.3**	**0.5%**	**18.7**	**0.4%**	**7.2**	**0.1%**		
Utilities										
AES			20.0	0.4%						
AGL Resources	3.3	0.1%								
Ameren	5.9	0.1%								
American Electric Power					12.1	0.2%				
Center Point Energy					5.8	0.1%				
CMS Energy	4.7	0.1%								
Consolidated Edison	5.5	0.1%								
Dominion Resources					5.6	0.1%				
DTE Energy	5.4	0.1%								
Duke Energy					14.7	0.3%				
Edison Int'l	10.1	0.2%								
Entergy					11.7	0.2%				
Exelon	25.2	0.5%								
First Energy	7.5	0.2%								
Integrys Energy					3.9	0.1%				
NextEra Energy Resources					9.8	0.2%				
NiSource					6.6	0.1%				
Northeast Utilities					4.4	0.1%				
NRG Energy							8.9	0.2%		
ONEOK	1.2	0.0%								
Pepco Holdings	6.2	0.1%								
PG&E					5.1	0.1%				
Pinnacle West Capital					2.2	0.0%				
PPL			9.1	0.2%						
Public Service Ent.					6.5	0.1%				
SCANA Corp					2.7	0.1%				
Sempra Energy					10.7	0.2%				
Southern Co.					12.2	0.3%				
Teco Energy	2.3	0.0%								
Wisconsin Energy					1.8	0.0%				
Xcel Energy					5.3	0.1%				
Utilities Total	**77.5**	**1.6%**	**29.1**	**0.6%**	**121.3**	**2.5%**	**8.9**	**0.2%**		

Source: Audit fee data from Audit Analytics and company proxy filings; Auditor from S&P's Research Insight database.

***R.G. Associates, Inc. holding. See note on back page.**

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