

## MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the FactSet and Investorside SEC Audio Conference Call. During the presentation all participants will be in a listen-only mode. Afterwards we will conduct a question-and-answer session. [Operator Instructions]. I would now like to turn the conference over to Mr. Scott Cleland. Please go ahead, sir.

### Scott Cleland, Co-Founder, Investorside Research Association and CEO, Precursor

Welcome to our joint FactSet/Investorside Conference Call to discuss the SEC's recent interpretive guidance on client commissions, formerly referred to as "soft dollars." This call is for institutional investor use only; and, moreover, the views expressed here are those of the panel members, not of Investorside or FactSet Research Systems. This is Scott Cleland. I'm going to be your panel moderator today. I'm co-founder of the Investorside Research Association and also the CEO of Precursor.

Now, Investorside thanks FactSet for hosting this useful and timely forum. For those of you that aren't familiar with Investorside, briefly, it's a three-year-old 501(c)(3) trade association of 71 independent research providers that have one core thing in common: they do know investment banking. They work for investors, not companies. Now, Investorside lauds the issuance of this SEC Interpretive Release for three reasons: Number one, it affirms 28(e) in much of the SEC's currently operative 1986 guidance, which reduces overall compliance uncertainty and puts to rest rampant speculation about the going forward prospects of 28(e). Second, it affirms longstanding SEC policies supporting the use of client commissions for third-party research because it increases the breadth and depth of research available. And, lastly, we're very pleased that the SEC, to avoid confusion that may arise from the phrase "soft dollars," the SEC will use a new term going forward, "client commission practices" or "arrangements," to refer to practices under 28(e).

Now, the purpose of this call is to bring together some of the best experts available, on a timely basis, to provide you guidance and insight into what the release means to you, your business, and your compliance responsibilities; what is the process and timetable look like going forward; and, very practically, what has changed, and what do you need to focus on.

Now I'd like to introduce our distinguished panel of experts. We're honored to be joined by Jo Anne Swindler, and she's Assistant Director of the Office of Enforcement Liaison and Institutional Trading. And that's in the Division of Market Regulation of the SEC. Now, Jo Anne has worked closely with the SEC's 28(e) task force and is a ten-year veteran of the SEC. We're particularly pleased to have Jo Anne on this call because her staff – as she and her staff are the ones that have primary responsibility for preparing this proposed interpretive release on client commission practices.

And, second, we have Lee Pickard, who's founding partner of Pickard and Djinis. For those of you that are unfamiliar with Lee, he's clearly one of the nation's foremost authorities on 28(e), having been one of the key experts and advisors behind the scenes in the development of 28(e) when it passed by Congress in 1975, and then at the SEC during the SEC's initial interpretation of 28(e) because Lee was then SEC Director of Market Regulations. And lastly, since then, he's been one of the leading practitioners in the private sector, advising clients on 28(e) matters.

And, finally, we're also honored to have Lisa Shalett, who is Chairman and CEO of Sanford Bernstein and also a Director of Investorside. As a leading independent research provider in the

**FactSet Research Systems  
Inc.***Company*▲FDS  
*Ticker*▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
*Event Type*▲Oct. 26, 2005  
*Date*▲

U.S., Lisa will be able to provide additional useful perspective as a research provider operating under 28(e).

Now, one housekeeping item. If you'd like to submit a question and not do it orally or telephonically, you may submit a question anonymously, by email, to [questions@factset.com](mailto:questions@factset.com). That's "questions," the word, @factset.com.

So with that, I'd like to hand it over to Jo Anne Swindler of the SEC. Jo Anne?

**Jo Anne Swindler, Assistant Director, Office of Enforcement Liaison and Institutional Trading,  
Division of Market Regulation, SEC**

Thank you, Scott. Let me first begin with just the standard disclaimer. Any of the remarks that I might make today reflect my own personal views and do not reflect the views of the Commission or any other staff at the Commission.

Scott asked me just to spend a minute or two to talk about the process related to this interpretive release and other work by the Commission, and then to spend just a half a minute talking about the context, why the Commission has issued this release at this time.

In terms of process, on October 19, the Commission issued a proposed interpretive release focusing on providing guidance on the scope of the safe harbor, third party research and commission-sharing arrangements. I understand it was published in the Federal Registry yesterday. There will be a 30-day comment period, which means comments will be due on or before November 25. The process after that will be that the staff will evaluate the comments and seek to reflect them in an adopting interpretive release, which could be issued the first half of next year.

As reflected in the proposing release, as well as during the open Commission meeting, during which the Commission discussed the release, the Commission will consider whether to propose requirements relating to transparency of client commission practices. In other words, the release that was issued last week may be a first step, and the Commission is quite eager to look towards the future and take some steps to address transparency.

The context of release, that is, why the Commission is issuing this now, I would say goes back to 1998, when the Commission's examination staff issued a report based on examinations of advisors, broker-dealers, and mutual funds, in relation to their client commission practices. Some of the findings in the report included that there appeared to be some confusion, or perhaps blurring of the lines, between what should be considered overhead, and therefore not within the 28(e) Safe Harbor, as opposed to what is properly brokerage and research services under the Safe Harbor.

In addition to the 1998 OCIE Report, over the last 20 years since the Commission's last formal guidance in this area, there have been substantial developments in technology which have led to a variety of tools that advisors are using, far more than in 1986 in terms of complexity and variety.

And then, finally, I should say that in the last couple of years both legislators and the industry have raised questions over the goals of the Safe Harbor and transparency issues. And that is one of the other reasons that the Commission has chosen to act now. So with that I will turn it over to Lee Pickard.

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲**Lee A. Pickard, Senior Partner, Pickard and Djinis LLP**

Thank you, Jo Anne; and thank you, Scott, for that generous introduction. I think that this proposed release – and I emphasize that it's proposed, so it's not yet operative. It won't be, apparently, until the final release is issued; but, as Jo Anne mentioned, some time in the first half of the new year. But this release is helpful to the industry for at least three reasons. It gives clear guidance in an area where there's always been uncertainty. And perhaps there will continue to be uncertainty, but at least it's a firm advancement of the ball.

It's supportive of independent research, and that's important because there's always been a debate about that. And it gets rid of the term "soft dollars," which this industry would like very much to do. "Soft dollars" being such a pejorative term, we're now going to call these "client commission practices" or "client commission arrangements." And that's all to the good.

Now, what does the interpretation do? It deals with essentially three areas. It deals with the definition of brokerage and research under Section 28(e), which of course is a threshold concept for whether you can avail yourself of that umbrella of protection. It confirms the use of the mixed-use concept, which we can get into in a second. It confirms the validity and the value of third-party research. And, finally, it discusses in some detail commission-sharing arrangements.

Let me quickly go over those three areas with you. In terms of brokerage and research, the interpretation gives important guidance on the type of products and services which are capable of falling under Section 28(e), under the 28(e) umbrella, as well as products and services which do not fit under the umbrella. So if you read the interpretation, there's a – you will discern a long list of do's and don'ts, the kind of products and services that in the SEC's opinion are acceptable under 28(e), and the type of products and services that are not acceptable. It's certainly worth reading because you get a sense as to how this law operates.

Of other – of interest here also is that for first time the SEC addresses what is meant by brokerage. There's – as we know, the definition talks about brokerage and research. So if you can be under either the concept of brokerage or under the concept of research and otherwise meet the requirements of 28(e), this is an acceptable use of your client commissions.

The SEC sets forward, in the interpretive release criteria, as to what is acceptable brokerage and research. And they mention three particular phases. The first one, as you look at the statute, the definition of brokerage and research under the statute, vis-à-vis the product. The second thing is you determine that the brokerage and research assists the money manager in the performance of his investment decision-making responsibilities. And finally, in doing this, using your client commissions for products or services, you must make a good-faith determination that the commissions being utilized are comparable in value to what is being received.

The SEC says this about research: "The form of the research is not relevant. It can be electronic or paper. Money managers must conclude, in obtaining research with client commissions, that the research reflects the expression of reasoning or knowledge," which is a very broad concept. Physical items, according to the SEC, are outside the definition of research, so that immediately strikes computers and accessories and peripheral-type items. With some debate, the SEC decided that market data and financial data are within the Safe Harbor. The release also notes that financial newsletters and trade journals are eligible for the Safe Harbor if the proper findings can be made. So it gives you some sort of sense as to what brokerage and research is in the view of the SEC.

Then, turning to the brokerage prong of brokerage and research, the release says this: "Brokerage is to be assessed by a temporal standard." This is a new term. And under the temporal standard

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

articulated in the release, services relating to the execution begin when the money manager communicates with the broker/dealer for the purpose of transmitting an order for execution and ends when funds and securities are delivered or paid to the client.

Now, the SEC, in somewhat of a timid manner, says we would like your views on whether this is feasible or workable. So you may want to ponder that and decide whether that is a proper standard for determining whether a particular product or service is brokerage, and therefore under the umbrella of Section 28(e). And they cite some examples of things that they believe – brokerage items they believe would be under that standard. Connectivity services between money managers and broker/dealers would be acceptable. Dedicated lines between money managers and broker/dealers would be acceptable. But then they go on to say that order management systems and trade analytics would not be eligible under the brokerage prong of Section 28(e)'s definition of research and brokerage, although they footnote it by saying trade analytics could have elements to it which are eligible as research. So you may want to ponder that, as well.

It's interesting that the release is totally silent on the one part of the execution process cited in the law itself, which is custody. It doesn't really talk about custody, and it's not clear that custody is something that would be brokerage if the temporal standard that the SEC has devised would be applied. But that's, again, something for the comment process, and something to be debated. It's difficult for the SEC to write custody out of the law because it is part of the law.

Now, let's turn now to the second phase of the release, and that is the discussion of third-party research and mixed-use determinations. The SEC is going to continue to permit a money manager and a broker/dealer to look at a particular brokerage service or a research service and determine that part of it might be research or brokerage and part of it might be ineligible, such as administrative services; and you would make a determination as to the portions that are eligible and the portions that are not on that particular service; and you would pay for the eligible portion with client commissions. The portion that's not eligible you would pay with the money manager's own resources. That concept is confirmed. They also confirmed the validity and the efficacy of third-party research, independent research, going out of their way to say that it is beneficial to accounts. As we know, that's an issue in the industry. But they make it very clear that third-party independent research is something that can be obtained with client commissions.

Finally, the third phase of this release, which is probably the most difficult phase and perhaps the part that is going to result in some changes, is their discussion about commission-sharing arrangements. Now, this gets kind of technical; but here they're saying that – the basic concept here is they're saying, if a broker is providing brokerage or research services to a fiduciary account, each broker/dealer in the commission arrangement must perform a role in affecting the securities transaction that goes beyond merely providing the service to the money manager. And they look at two types of arrangements that are common in this industry. They look at introducing broker/dealer arrangements – “correspondent arrangements,” we call them. And they look at step-outs. In terms of step-outs, the release makes it clear that they can be an acceptable methodology for the provision of research under Section 28(e).

As to the introducing broker concept, that is where we'll be introducing brokers, providing the research; but the executions are actually occurring through an executing or clearing firm. Here they say that the introducing broker must – and this is a new test, somewhat of an elaboration of an old interpretation, but basically a new test – the introducing broker must be financially responsible to the clearing broker for failed trades. The introducing broker must make or maintain records related to trades as required by SEC and SRO rules, including blotters and order memorandum. And I think there's a question I'd like to ask myself about whether rule 17(a)3, the record-keeping rule, doesn't already address that. The introducing broker must monitor and respond to customer comments concerning the trading process, and the introducing broker must generally monitor

**FactSet Research Systems Inc.**

Company▲

FDS  
Ticker▲

SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲

Oct. 26, 2005  
Date▲

trades and settlements. So introducing firms, which are providing research, assuming this interpretation were to become effective, would have to look at the arrangements with their clearing firms and ensure that they comply with those basic principles.

Okay, that's sort of an overview of this release. I just want to tell you one thing in closing, what the release does not do. It does not address disclosure concepts. As Jo Anne said, that may be forthcoming at some point. It does not address the possibility that the SEC may impose additional record-keeping on this commission research process. The SEC release does not require unbundling. Some of us know what that means, and some of us can argue about what it means. And it does not discuss arrangements which fall outside of Section 28(e), where client commissions could be used under some contractual or other standards. But other than that, the release is – certainly brings greater clarity to this area, and something that the industry has welcomed. Thank you very much.

**Scott Cleland, Co-Founder, Investorside Research Association and CEO, Precursor**

Thank you, Jo Anne and Lee. Lisa Shalett from Sanford Bernstein. Lisa? Lisa?

**Lisa Shalett, Chairman and CEO, Sanford C. Bernstein, LLC**

Yes. Thank you very much, Scott. I really just wanted to add a couple of points to what we really closed with. And that is some commentary on what I think, from an historic perspective, the SEC has done with this guidance, and that is to extend a longstanding tradition where information value and research value has been determined by an auction-type model, where research can be leveraged to assets under management and/or volume and/or wealth creation; and that, fundamentally, on that dimension, nothing has changed.

And I think that one of the beauties of 28(e) that I have certainly gone around the industry talking about, because I feel passionate about it and almost religious about it, is that what 28(e) has allowed the U.S. capital markets to do in a way that virtually no other capital markets on the planet have done is allowed us to function in a scale-neutral way in the provision of research services, where we are maximizing total research funding to research providers and sustaining outstanding trading liquidity to the U.S. capital markets by having a system whereby people can pay over and above pure execution costs to procure, in some relationship to assets, volume, or wealth creation, good information, which ultimately is at the heart of why a transaction takes place. So as a research provider, as Scott said, as an independent research provider, I applaud the SEC for their guidance and clarity on this point. I do think it is one of the essential tenets that differentiates the U.S. capital markets from others around the world. And I am very glad to see that this will remain a central part of our operations for the foreseeable future.

**Scott Cleland, Co-Founder, Investorside Research Association and CEO, Precursor**

Thank you, Lisa. We can start with a couple of questions that came by email.

## QUESTION AND ANSWER SECTION

**<A – Scott Cleland>**: The first one was, a recent institutional investor article listed Bloomberg as a prohibited service under the new interpretive release. Could you comment on that? Lee?

**<A – Lee Pickard>**: Well, I think that would not be accurate. Under the new interpretation it would appear that Bloomberg – most, if not all, of the characteristics of Bloomberg would fit within the definition of research and, perhaps in part, in the definitions the SEC has crafted regarding brokerage. Now, if, in fact, there were a terminal in connection with this, which is – which might constitute hardware, and it were provided by the Bloomberg institution, then perhaps there would be a need for some – a carve-out of that value of that hardware. But otherwise, the basic Bloomberg system, as I understand it and have seen it in the past, would fit within the parameters of this definition.

**<A – Scott Cleland>**: Thank you, Lee. Another follow-up to you would be, FactSet charges pipeline charges for allowing third-party data to be seen or manipulated within their service. It would be like Russell, S&P, First Call. Can you comment on whether these pipeline charges would be softable in the environment going forward?

**<A – Lee Pickard>**: You know, I'm not familiar with FactSet to that extent. But I would think if these lines are dedicated lines, they may well qualify. But I just don't know the extent of that. Jo Anne, do you have any observations about that?

**<A – Jo Anne Swindler>**: Yes. I think the release tries to draw a distinction on this kind of product between what can be paid for under 28(e) as research versus brokerage. And it sounds like – again, I'm not that familiar with FactSet and its services. But if FactSet seeks to charge separately just for the pipeline, I believe under the release the Commission would view that as hardware or a peripheral connectivity service that is not appropriate as research under the Safe Harbor. And the release indicates that there might be a different analysis, to the extent that there are connectivity lines or pipelines used to transmit orders.

**<A – Scott Cleland>**: Operator, Elizabeth, can we go to the audience?

Operator: Thank you. [Operator instructions]. Our first question comes from the line of Sashi Vias. Please go ahead.

**<A – Scott Cleland>**: Sashi, please go ahead.

**<Q>**: The question is – we're on a shared line here. The question is, I didn't actually reference the term "step-out" in the proposed release. And I think that Lee Pickard referenced that step-outs would be allowable. I'm wondering if he can expound on that. And were step-outs referred to utilizing a different term?

**<A – Lee Pickard>**: Well, their term "step-outs" is specifically referenced at least in two locations in the release. I haven't got them in front of me. But basically, here's what the SEC said about that: Provided that each broker in a step-out performs several functions affecting trades, such as clearance and settlement, such arrangements may be eligible for the Safe Harbor. This is in Footnote 125, but I think it's also referenced someplace else, as well. So the SEC wanted to bring clarity to that area because that has been a repeated question, as to whether step-outs – where, you know, essentially where one broker does the execution. Let's define what we're talking about here. One broker does the executions, but it steps out to another broker all or a portion of that execution; and the second broker confirms its portion of the trade, but doesn't do the execution, but

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

confirms its portion of the trade and clears and settles. Its commission would be eligible for Section 28(e) coverage.

<A – Scott Cleland>: As it largely is today.

<A – Lee Pickard>: Yes, as people interpret it to be today. But the SEC, this is the first time the SEC has categorically talked about it. They did talk about it in the 1998 sweep, but in that report they did not come to any interpretation. They just discussed the topic. Is that fair to say, Jo Anne?

<A – Jo Anne Swindler>: Yes.

<A – Lee Pickard>: Yes.

<A – Scott Cleland>: Operator, a follow-up question?

Operator: Thank you. Our next question comes from the line of Dan Smith. Please go ahead.

<Q – Peter Sidoti>: Hi, this is actually Peter Sidoti. I'm not sure exactly how to ask the question, so maybe you can help me with this, Scott. But most of us have arrangements where we send invoices to someone like a Westminster Securities and receive compensation from that. How do these rules affect that?

<A – Scott Cleland>: Well, who is "we"? Who is sending the invoice?

<Q – Peter Sidoti>: Actually, it's the broker/dealer. So it would be the research provider sends it to a dealer. Well, Scott, you know the arrangement.

<A – Scott Cleland>: You mean an invoice to an intermediary.

<Q – Peter Sidoti>: Right. That executed the trades.

<A – Lee Pickard>: I guess I'm not clear on the question. You're saying that an invoice is sent by a research vendor or a provider to a broker/dealer?

<Q – Peter Sidoti>: Yes.

<A – Lee Pickard>: Okay. And what is the question?

<Q – Peter Sidoti>: Well, what happens is the buy-side firm will accumulate commission dollars, or commissions, and then allocate that based upon a vote or some other system with another broker/dealer, and then you get paid directly. I don't know. Scott, you understand what I'm saying.

<A – Scott Cleland>: Yes. I think what you're saying is, in that arrangement – are you talking about a commission-sharing arrangement?

<Q – Peter Sidoti>: I guess. I mean, just like what a Fidelity would do with us today.

<A – Lee Pickard>: Well, if it were commission-sharing, it would be problematic. If it were – if a research provider legitimately provides a research service and sends an invoice to the broker in cash payment for that, that would probably – that would fit under the interpretation that the SEC has issued. If that's what's happening.

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

**<Q – Peter Sidoti>**: I don't think I'm being clear on it. Scott? Because we're not providing the service directly to the broker/dealer. We're providing it to another customer.

**<A>**: Okay. The question is, whether there's a contract involved or not. So if Sidoti had the contract to sell research to Goldman Sachs, and Goldman Sachs collects the commission, that's third...

**<A – Lee Pickard>**: That's third-party research, right.

**<A>**: Right. If there is no contract, and it's just a commission-sharing...

**<A – Lee Pickard>**: Well, if it were a commission-sharing arrangement, and the research funder issuing the invoice is not a registered broker/dealer, there would be a problem with that arrangement because he cannot accept a research broker – a research vendor cannot accept a share in commissions. But if he legitimately has put a value on the research and issued an invoice for that value, and the broker pays it, then I would think that would be an acceptable arrangement under Section 28(e). So it depends on the facts and circumstances as to whether that is acceptable or unacceptable.

**<Q – Peter Sidoti>**: Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Jim Spencer. Please go ahead.

**<Q – James Spencer>**: Well, thank you. I have two questions. The first is, I just wanted to confirm that, in your opinion, custody is not acceptable under 28(e). And, second, under trade order management, the system that we use actually has three discrete modules or components. There's a trading module which the trader uses to execute the order. There's a portfolio management module which the individual portfolio managers use to determine what orders to make across their accounts. In other words, I want to buy 2% of IBM and allocate it across all my accounts, or I want to move my cash position up to 10% from 8%, that kind of thing. So that's actually a portfolio management feature. And then the third module is a compliance feature which then screens the trades that are aggregated to make sure that they're in compliance with the individual account requirements. And I'm wondering if a mixed-use analysis would be appropriate for – I think that's probably a typical trade order management system, which really has several different functions. Could you comment on that, please?

**<A – Jo Anne Swindler>**: Yes, let me try to address that. I think, from what you've described, I think your assessment is probably correct. I think the release makes clear that, under the proposed interpretation, any compliance functionality would not be an aspect of that kind of system that could be paid for under 28(e). The portfolio management function, I believe that also, unless the money manager could say that in some fashion that aspect is used for research purposes and can comply with the standards set forth in the release for research, short of that, that aspect of the system could not be paid for with Commission dollars under the proposed interpretation. And then I think the trade execution component, if I understand that component, the trader at the manager would use that component of the system to transmit orders for execution. And, if I am understanding that correctly, I think that very likely could be a component that could be paid for with commission dollars as brokerage.

**<A – Scott Cleland>**: Operator?

**<A – Lee Pickard>**: No, there was one other issue there. There was a custody – he asked also about custody.

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

<A – Jo Anne Swindler>: Oh.

<A – Lee Pickard>: Do you want to speak on that? Or is that a – you're going to be as silent on that, Jo Anne, as the release is.

<A – Jo Anne Swindler>: Well, I guess I would say – sort of repeat what you said, Lee, which is that custody is clearly identified in the statute. I guess I would add to that that, to the extent that any folks who have read these and had some concerns about the absence of any guidance on that, if that is a concern, that we would welcome comments on that issue.

<Q – James Spencer>: Fair enough.

<A – Scott Cleland>: Operator?

Operator: Thank you. Our next question comes from the line of Skip Berents. Please go ahead.

<Q – Skip Berents>: One more on the third-party research. If I were to retain a weather service, non-affiliated with a broker, just one of the AccuWeathers or somebody out there, because I'm worried about hurricane season and I want to do a, you know, I want to have my forecast of hurricane impact next year, and let's say it's a standard commercial contract. Can I have that paid through a soft dollar arrangement? And what role does the introducing – there is no introducing broker, that is the point I want to make. What role does the weather service have in the verbiage of monitoring settlements, if any?

<A – Lee Pickard>: Let me ask this question. When you say you want to retain a weather service, who are you? Are you a broker?

<Q – Skip Berents>: I am an institutional investor.

<A – Lee Pickard>: Oh, you're in that. Well, what you would like to do I guess, rephrased, is you would to get some input from this weather service about particular weather patterns. Okay?

<Q – Skip Berents>: Correct.

<A – Lee Pickard>: And you want to see if this can be acceptable as brokerage and research and have some broker provide it to you in connection with a portfolio execution process? Is that what I am hearing?

<Q – Skip Berents>: Well, yes.

<A – Lee Pickard>: In other words, you are not going – first of all, you could not incur a financial obligation to the weather service and then turn that financial obligation over to a broker for payment. That would be impermissible under present law and under the guidelines of the SEC as issued. You understand...

<Q – Skip Berents>: Even though it would be clearly research related to the fundamentals of an industry?

<A – Lee Pickard>: Well you could have some – let me be a little creative. You could have some broker retain that service, even at your request, and then have the broker pay for it, and you have as soft dollar – or I shouldn't use the words "soft dollar" – commission client arrangement with that broker to provide the service to you. And the service would fall under the definite – in my opinion,

that would not be a brokerage prong, that would be the research prong; and therefore it would fall under the definition of research.

<Q – Skip Berents>: Or to summarize it...

<A – Lee Pickard>: Assuming the tests are met, the three tests are met, that it falls within the statutory definition, which I believe it would; that the brokerage – that the research assists a money manager in the performance of your investment decision process. You are not using it to schedule your ski vacation.

<Q – Skip Berents>: Correct.

<A – Lee Pickard>: And you made a good-faith determination that whatever commissions you've paid the broker in consideration of his delivering that weather service to you is of fair value. Now, Jo Anne, do you have a different viewpoint on that?

<A – Jo Anne Swindler>: Well, I would just, sort of as a follow-up, point out question nine and just sort of raise the question whether this kind of weather service could be considered a mass-marketed service. And I don't know enough about how accessible this service might be. But there is a question in the proposing release that – and I would say this is an area that is not addressed in the release, and there is a specific question on it, and that is the extent to which products and services that are widely available to everyone – the public, really – whether those services should be and whether Congress really contemplated that they should be within Section 28(e). And I just sort of throw that out. That is something to think about.

<A – Scott Cleland>: Operator, for a moment I am going to take one question from e-mail, so if the people in the queue could just wait for a moment. If an advisor chooses to receive brokerage or research through an introducing broker arrangement, what is the extent of the advisor's responsibility to make sure that the technicalities of the legal arrangement between the introducing broker and the advisor satisfies 28(e)? Good question. Lee?

<A – Lee Pickard>: Yes. There is a statement made in this interpretive release about the responsibilities of the parties. And let me read it to you. I'm not sure, I think this should certainly be a segment that one ought to comment on to the SEC. In connection with these commission-sharing arrangements, introducing arrangements, they say the following on page 45: "In connection with commission-sharing arrangements, each party to the arrangement must determine if it is contributing to a violation of the law, including whether the involvement of multiple parties to the trade is necessary to effecting the trade, beneficial to the client...." So, I mean, it looks to me like the SEC is saying there is some responsibility on the part of the fiduciary to at least receive assurances that the introducing firm is in a posture to be able to do what it's doing. Would you agree with that, Jo Anne?

<A – Jo Anne Swindler>: Yes, I would, and I would just note that that statement references earlier statements by the Commission. So I guess that I would suggest that this may not be, and perhaps should not be, a new requirement in both the 1976 Commission release, and in the Triple I Report. There were statements by the Commission indicating that advisers have an obligation, as well as broker/dealers, to get some assurances that the arrangement properly falls under the Safe Harbor.

<A – Scott Cleland>: Operator, back to the telephonic queue.

Operator: Thank you. Our next question comes from the line of Joe Breuning. Please go ahead.

<A – Scott Cleland>: Operator, why don't we move on?

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

Operator: Thank you. Our next question comes from the line of Gregg Jahnke. Please go ahead.

**<Q – Gregg Jahnke>**: Yes, I was wondering why the SEC has started to focus so much on this commission-sharing issue. It seems this is actually going to make it much more difficult for some small independent firms to provide research in the way they have been over the past few years.

**<A – Scott Cleland>**: Jo Anne?

**<A – Jo Anne Swindler>**: Yes. Well, let me start by saying – and Lee alluded to this – that the guidelines set forth in the proposing release, I would argue, should not be new. They repeat guidelines that are reflected in staff no-action letters that have been – that were issued many years ago. In recent years, the staff, in looking at this area in the last couple of years, it came to our attention that there are those in the industry that seem to have moved away from that staff guidance. And so the Commission has proposed that the industry sort of be brought back in line with staff guidance that was issued some years ago.

**<A – Scott Cleland>**: Operator?

Operator: Thank you. Our next question comes from the line of Jim Demarias. Please go ahead.

**<Q>**: Yes, my question comes out of a conversation that I had with our trading desk in U.K., which is trying to implement the U.K. rules. But I think, in terms of the definition of “brokerage,” the proposed SEC rules are similar. And the question goes to how price feeds would be viewed under the temporal requirements around the definition of brokerage, in that price feeds at the trading deskettes are used both during the execution of the trade, but also used by the traders before the trade in terms of deciding when to trade. And the question, therefore, is do price feeds need to be divided up between committed brokerage and used outside of the definition of brokerage?

**<A – Jo Anne Swindler>**: I would say yes, that to the extent that the manager makes the analysis that price feeds are used for different purposes, and that one of those purposes is in connection with making a decision about trading in advance of transmitting the order, that under their proposed interpretation, that could not be paid for with client commissions as brokerage. Of course, then the other part of the analysis is whether the price feed information could in any fashion be considered research, in which case it would be under 28(e).

**<A – Scott Cleland>**: Operator?

Operator: Thank you. Our next question comes from the line of Ralph Merola. Please go ahead.

**<Q – Ralph Merola>**: Yes. Regarding introducing broker arrangements, can you expand a little more on the requirement for the introducing broker to maintain blotters and memorandum orders?

**<A – Lee Pickard>**: I'd like to say something, but I'd like to hear Jo Anne's view on that matter, too. As you rightfully acknowledge, one of the conditions for the introducing broker that is suggested in the proposed interpretation – and again, we emphasize this is only a proposed interpretation – is that the introducing broker must make or maintain records relating to trades as required by SEC and SRO rules, including blotters and order memoranda. Of course, that's summative of the – the rules of the SEC on record-keeping for all kinds of brokers already provides that an introducing broker has satisfied his record-keeping obligations on these kind of trades, if they are in fact – if these records are in fact maintained by the clearing broker. So I read this condition as somewhat axiomatically fulfilled because it's already occurring. So I'm not sure it's anything of consequence, except where a clearing broker, of course, did not – failed to maintain the records. Then the

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

introducing broker would be in peril, as well. But I don't know whether you have a view on that or not, Jo Anne.

**<A – Jo Anne Swindler>**: I think I would agree that – and this sort of goes to the point that I made earlier, that arguably these requirements in this part of the proposed release should not be anything new to the industry. I think this one in particular is a reflection of a requirement in the books-and-records rule.

**<A – Scott Cleland>**: As moderator, I'm going to ask you to expand on that. And I will make a characterization, and please let me know if it's correct. This is Scott Cleland. A lot of this release is not necessarily new, but it is the compilation of sub-decisions that have been made since the last formal release. So it is formalizing in one document where many decisions have been made in many different documents at different times. Is that a fair characterization?

**<A – Jo Anne Swindler>**: Yes. I would agree with that.

**<A – Scott Cleland>**: And what would be – when somebody looks at this order, what is new that is very different from, or significantly different from, what you all think is the baseline, what you've guided in these various documents over the last 20 years?

**<A – Jo Anne Swindler>**: Well I'm not – I mean, Lee may have – be in a better position to answer that.

**<A – Lee Pickard>**: The circle, the circle of brokerage and research is redrawn somewhat, so that some things that you might have perceived as being within the acceptable limits are not, and so that is one element. And I think, again, there is going to be more emphasis, because of this release, on the relationship between brokers, introducing brokers and clearing brokers. And it is somewhat of an extension, but it is also a further awareness and perhaps heightened codification of what the responsibilities of the parties might be.

**<A – Jo Anne Swindler>**: Yes. I think that's a fair representation of what it – what the release stands for. I think, as reflected in the 1998 Examination Report, the Commission examiners were concerned that members of the industry seemed to be moving away from guidance that, you know, older guidance that the Commission had issued. And so I think that this is trying to pull the industry back in line with some of that older guidance.

**<A – Scott Cleland>**: We have a question from email. What's the SEC's position on the use of client commissions to pay brokers for arranging management meetings? Has it changed with this new release? Jo Anne would you – or Lee?

**<A – Lee Pickard>**: I imagine – of course, what are we referring to when we talk about management meetings? Are we referring...

**<A – Scott Cleland>**: I think the question is referring the practice of a broker arranging, you know, meetings with management. Would that be a brokerage service that would be acceptable under 28(e)?

**<A – Lee Pickard>**: Well I don't think it would be a brokerage service.

**<A – Scott Cleland>**: Or a research service.

**<A – Lee Pickard>**: One of the things that you're going to have to take a harder look at is whether the expenses incurred in those management meetings are soft dollarable, particularly the travel and

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

the living expenses, because I think the SEC here is saying, if I understand this release correctly, that travel may not be a component part, travel of that research. And you'd have to look at the new definition, the new test criteria as laid out by the SEC as to whether that sort of service would be within 28(e). Do you have anything to add to that?

<A – Jo Anne Swindler>: I think that's a fair characterization.

<A – Scott Cleland>: What about investment conferences? I think the U.K. had a little bit different take on whether that was an appropriate Commission practice. What is the SEC's view towards investment conferences?

<A – Jo Anne Swindler>: Well, and this, I think, is the way that meetings with management, perhaps, could be analyzed. The release does indicate that seminars, to the extent that the content satisfies the guidance in the proposed release for research, seminars could be within 28(e).

<A – Scott Cleland>: You mean reasoning and knowledge.

<A – Jo Anne Swindler>: Reasoning and knowledge and covering the subject matter identified in the statute. But as Lee pointed out, I think the release notes that expenses related to attending the seminar or investment conference would not be properly be within the Safe Harbor.

<A – Scott Cleland>: A little bit of housekeeping. Somebody has asked about where they could find the report: [www.sec.gov](http://www.sec.gov) under "New Releases," I believe you can...

<A – Jo Anne Swindler>: Interpretive releases.

<A – Scott Cleland>: Interpretive releases, excuse me. And then someone also asked by e-mail, what's the last time someone can comment on this? So what's the due date for comments?

<A – Jo Anne Swindler>: November 25.

<A – Scott Cleland>: Okay. Operator, questions?

Operator: Thank you. [Operator Instructions]. Our next question comes from the line of Sol Sarritt. Please go ahead.

<Q>: Thank you. Just a quick follow-up question on the proposed definition of brokerage. In looking at the communication services or the connectivity examples, it looks like the release tends to focus on the lines between a broker and the money manager. I'm wondering if it is also contemplated there that all of the hardware and the associated peripherals to make those work are also within the definition of brokerage. And then I guess similarly a number of smaller money management clients utilize Internet communications; they use their T1s to route orders to their brokers. I'm presuming that that – well, I guess I'm asking, is that also within the proposed definition of brokerage, and perhaps a mixed-use allocation is most appropriate there? Thank you.

<A – Jo Anne Swindler>: Well, I think you're right that certainly – let me start at the last service you mentioned, Internet connections, to the extent they are dedicated connections for purposes of transmitting orders, or I think they would be within the proposed interpretive release as brokerage. And they would be subject to mixed-use allocations if the lines are – have multiple uses. To the extent that there is other hardware, for example, I guess, telephones or computer terminals...

<Q>: Trading turrets, associated hardware, telephones...

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

<A – Jo Anne Swindler>: I guess I would suggest that you comment on that, if you don't think the guidance is clear.

<A – Scott Cleland>: All right, we'll go to another question via e-mail. How will the typical commission-sharing arrangement between an investment advisor, a soft dollar broker, a correspondent broker, and a research vendor change as a result of this guidance? Lee, you want to tackle that one?

<A – Lee Pickard>: Well, one thing that becomes clear at this point is that, if a introducing term is getting a check at the end of the month or periodically from a broker/dealer doing the executions and using a portion of that to render research, and otherwise has little or no involvement in the process, even though it may have filed a correspondent arrangement, if it has no responsibility for the trade, clearing the settlement of the trade – that is, no financial responsibility – and it otherwise is totally unaware of the execution process, then I think that that will not support the provision of the research to the fiduciary under section 28(e), if this interpretation were done. So just a pure check-writing, commission-sharing process, it seems clear that the SEC is saying that does not in itself support a Section 28(e) arrangement. So that's a significant change because there are a lot of brokers out there that are executing transactions and just giving up a part of the commission on a regular routine basis to other broker/dealers who take a portion of that fee and distribute it to the fiduciary via a research product.

<A – Scott Cleland>: Is there anything, Jo Anne, that the NASD or the SEC could do to potentially certify if it makes that distinction clear? Or is this going to be a case-by-case basis, you know, in the sense if a buy-side firm wants to know is a broker/dealer a real broker/dealer under this condition, is there a streamlined way, potentially, that this could be done so that everybody doesn't need to do it at an ad-hoc basis?

<A – Jo Anne Swindler>: Well, certainly the SEC does not certify. I don't believe the NASD would be in a position to sort of certify that an arrangement is within 28(e). That's not the kind of role either the NASD or the SEC would play. I think it would be a case-by-case analysis. I would imagine that the Commission's examiners, if this release is adopted in this form, would go in with these criteria set out at the end of the release and would be looking for indicia of, you know, financial responsibility, evidence that the introducing broker is monitoring the trades and so forth, and then on a case-by-case basis would make a decision.

<A – Scott Cleland>: That's helpful.

<A – Lee Pickard>: Although, if I can just add something, Jo Anne, it's going to be very difficult for a money manager fiduciary to be able to go in and probe the relationship between the introducing firm and the correspondent firm and determine whether or not that relationship meets the criteria laid out in this release. They just don't have the – they don't have the access to it. They don't have the capability of doing that analysis. That's something that I think commentators ought to make known. It's a difficult burden. If this were to be put on the money manager fiduciary, that's a difficult burden for them to shoulder because it's not their concern... it's not their business to know what the relationship necessarily is. The only thing they know is that they're paying the Commission that's getting it in execution, and they're getting a report back and research in connection with that; but they don't know the inner relationships necessarily between introducing firms and correspondent firms. And in fact, you know, one of the things that I know, a lot of the correspondent relationships that I've set up over the years with my clients, we disclaim, the clearing firms disclaim any responsibility for the soft dollar – or I call it "soft dollar," let's call it "client commission arrangement" – that the introducing firm may have with the fiduciary client. And it's just that the clearing firm limits its activities to that of executing, clearing, and settling, and that's as far as they want to go. So this has got some potential problems to it.

<A – Scott Cleland>: Another email question. If you're currently paying for the possibly not eligible items with soft dollars, or what are now called "client commission practices," would you begin paying for these services with hard dollars? Jo Anne?

<A – Jo Anne Swindler>: That sounds like a practitioner's question

<A – Lee Pickard>: You know, I'm not clear. You know, if you – would you repeat that question?

<A – Scott Cleland>: The question is, if you are currently paying for something that is possibly not eligible under this definition, should they begin paying hard dollars for it now?

<A – Lee Pickard>: Instead of waiting until the interpretation.

<A – Scott Cleland>: Yes.

<A – Lee Pickard>: Well, it is certainly a prudent course of action for a fiduciary to do. I mean, if the SEC has preliminarily said that this is our view on the matter, and you've got something out there, some product or service which is at least debatable, it certainly would behoove you to think about paying for it with hard dollars at this point in time.

<A – Scott Cleland>: Operator.

<A – Lee Pickard>: Not that you have to, but I think that is a prudent course of action.

<A – Scott Cleland>: Operator, a question telephonically?

Operator: Thank you. Our next question comes from the line of Joe Breuning.

<Q – Joseph Breuning>: Yes. I would like to know if the research portion of a third-party proxy voting service will still be soft dollarable.

<A – Jo Anne Swindler>: Well, there is actually a question that goes to that, inviting comment on that exact precise issue. So if you've got views one way or the other, I would encourage you to submit a comment letter. And I think the question would be, how could a proxy voting service meet the criteria set forth in the proposed release? In other words, how would you propose analyzing it as research, in that it has – it reflects reasoning or knowledge and is within the subject matter set forth in the statute and so forth.

<A – Scott Cleland>: Operator, do we have another question?

Operator: Our next question comes from the line of Richard Williams. Please go ahead.

<Q – Richard Williams>: Thank you. I wonder if you could comment on the timeframe that is expected to release the reaffirmation in 28(e) of independent research being appropriate as a source of funding through client commission agreements. Thank you.

<A – Jo Anne Swindler>: Well, in terms of all the issues reflected in the proposed release, comments are expected to be provided by – on or before November 25. The staff will review the comments and determine how best to reflect them in an adopting release. I would hope to see that that could be issued the first half of next year, but I can't make any promises.

<A – Scott Cleland>: Operator?

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

Operator: Our next question comes from the line of Dianne Kamin. Please go ahead.

**<Q – Dane Kamin>**: Actually, that is Dane Kamin. Thank you. I just had a follow-up question to an earlier one regarding the FactSet pipeline charges. First, let me explain a little bit more about the FactSet services. FactSet only provides data to its customers in a platform to analyze the data. That is why you've probably got a lot of clients on the line right now. As far as I know, at least in our application, FactSet does not include any hardware. The pipeline that was referred to earlier, it wasn't really in relation to transmission of the data. Their charges are actually broken down by just sort of a general charge, where you get use of some of the data in just their base platform, some additional charges for additional analysis tools, like back testing, something like that. And then the last two, both are loosely described as "pipeline," but are totally different. The first pipeline is the one that you get dinged for for the T1 or the T3 charges for the transmission of the information. To tell you the truth, I'm not even sure if we pay FactSet directly or the phone company on that one.

The second pipeline, this was the one that was discussed earlier, I believe, is the charge that FactSet charges us for providing data from outside vendors. In other words, it's sort of like administrative, so that we can do the research. And again, just wanted to underscore, I'm the Director of Quantitative Research. That's the only thing we do; it's not even a mixed use. I mean, we are 100% analyzing data on companies to determine what to buy and what not to buy. Can you help me out on those two "pipeline" definitions that I gave you?

**<A – Scott Cleland>**: I think, if I can intervene on this, I think it's an excellent question. I think it's probably a little bit specific. If we could handle that one offline with FactSet or with Lee, I think that would be the best use of all of our time.

**<Q – Dane Kamin>**: Okay. Given that just about all the people on the line are FactSet users; that's why I thought that might be appropriate, actually.

**<A – Jo Anne Swindler>**: If you want me to take...

**<A – Scott Cleland>**: Okay. Okay.

**<A – Jo Anne Swindler>**: Okay. Let me just give you a couple of quick words on that. To the extent any of those charges are related to access only or delivery only, I think the release would – is intended to say that those could not be paid for under 28(e).

**<Q – Dane Kamin>**: That would be the T1 charges?

**<A – Jo Anne Swindler>**: To the extent any of those charges relate to – and I don't know enough about FactSet. I don't know if they charge you what the data vendor, you know, they're a pass through. But to the extent any of those charges are actually for analytical tools, or perhaps the data under the proposed release, I think those aspects could be paid for under 28(e), under the proposed release.

**<Q – Dane Kamin>**: Okay.

**<A – Scott Cleland>**: Does that answer your question?

**<Q – Dane Kamin>**: Actually, no. You hit everything except for the one in regard to the administrative charges. Not for the pipeline, not for the T1/T3, you're clear on that. That would have to be outside of the scope. But in terms of the administrative charges that FactSet adds on, it's not for transmission of the data, it's administrative charges to make sure that the data gets to

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

you in good form, and they do some manipulations on their side, make sure that CUSIPs match up and things like that.

**<A – Jo Anne Swindler>**: If they do any manipulation of the data, is that what you're saying? That FactSet does actually does some manipulation of the data?

**<Q – Dane Kamin>**: They do the manipulation of the data and things like that to make sure it gets – is consistent with all the other databases coming in. I think that's the, really, the toughest part for them, is to make sure that everything lines up appropriately and so that you can analyze it correctly.

**<A – Jo Anne Swindler>**: Well if they do any manipulation of the data, it sounds like to me like that would satisfy the criterion that it reflects some substantive, meaningful content that FactSet is providing. That's just my personal view of the application of the proposed release.

**<Q – Dane Kamin>**: Okay. Thank you very much. I appreciate it.

**<A – Scott Cleland>**: Thank you. And that was an important question. We're going to do five more minutes. Operator, do we have another question?

Operator: Our next question comes from the line of Gary Stone. Please go ahead.

**<Q – Gary Stone>**: Just had a quick question about commission-sharing agreements. In the commission-sharing agreement, does the commission need to be allocated on a trade-by-trade basis because both sides are affecting the transaction? And so the – that is the first question. The second question is, does the payment of the commission-splitting need to be done by settlement? Or can that be held back and aggregated in and just paid to the person at the end of the month?

**<A – Lee Pickard>**: You want to repeat that first portion of the question to me because I don't think I fully understood that question.

**<Q – Gary Stone>**: Well, you – somebody commented that pure check-writing is not supported in the commission-sharing agreement.

**<A – Lee Pickard>**: Yes.

**<Q – Gary Stone>**: And that commission-sharing agreements are between two brokers. So my question is, does the commission need to be allocated who is getting what at the time that the trade is done, on a trade-by-trade basis?

**<A – Lee Pickard>**: No, well, I mean, your introducing firm – I assume, when an execution occurs through a firm, the fiduciary designates to which – to what introducing firm the credit goes. Is that what you are suggesting?

**<Q – Gary Stone>**: Correct.

**<A – Lee Pickard>**: Yes.

**<Q – Gary Stone>**: I mean, there are commission-sharing agreements out there that don't necessarily do that, where they will tack on, but they don't specify who it is going to go to until a later date.

**<A – Lee Pickard>**: Who doesn't specify? The investment manager? Who doesn't...

**FactSet Research Systems  
Inc.**

Company▲

FDS  
Ticker▲SEC's Interpretive  
Guidance on Client  
Commission (Soft Dollar)  
Practices Conference Call  
Event Type▲Oct. 26, 2005  
Date▲

**<Q – Gary Stone>**: Correct, yes. The two parties that are going to share in that transaction, that commission is not specified until later, after the trade. So it sounds like that type of arrangement is more of a check-writing rather than a true commission split.

**<A – Lee Pickard>**: Well, there would be – one facet of the arrangement would not be met, and that is that the introducing firm must be responsible on the trade clearing. And if, in fact, it – you don't know whether in fact the trade is for the introducing firm, he could not fulfill that obligation.

**<Q – Gary Stone>**: Okay.

**<A – Lee Pickard>**: I mean, that is one – I would want to think about that a little more, but – and hear a little more about the details of how it actually works. But when I referred to a check-writing, just check-splitting, I was not really referring to the timing element of it all. I was referring to the notion that the introducing firm is virtually doing nothing in terms of the trade. You are raising a different issue, which is one of timing. And that is an issue which I think we have got to look at under this commission-sharing arrangement and the new principles that have been articulated.

**<A – Scott Cleland>**: We have a good question from the e-mail. As budget time for 2006 is nearly over – now, this is one for you, Jo Anne – should money managers revive hard-dollar budgets for 2006, based on the release? Or is the adopting release going to have a delayed effective date to, like, 2007? Basically the question is, is this going to operative sometime in 2006?

**<A – Jo Anne Swindler>**: Well, on that I would refer the audience to question 10 in the release, which is asking whether the Commission should afford firms time to implement the interpretation. And so if there are concerns that the industry will need some lead time to implement any kind of final interpretive release, this would be the time to address those concerns directly to the Commission through a comment letter.

**<A – Scott Cleland>**: But for the practical purposes of people that are trying to make decisions now for 2006, would the – what, in your judgment, what would be the most prudent thing for them to do? Assume that this would be partly operative in 2006, or operative in 2007?

**<A – Jo Anne Swindler>**: Well, let me say that I personally hope that it is issued in 2006. I can't really speak to what decision the Commission might make on the issue that they've asked comments on, which is will there be a delayed effective date. That will be in response to comments. So if there are concerns, we should hear about them.

**<A – Scott Cleland>**: I think we have time for one or two more questions, Operator.

Operator: Thank you, sir. Our final question from the audio comes from the line of Michael Robertson. Please go ahead.

**<Q – Michael Robertson>**: Yes, this question bends basically back to the temporal relationship that you assigned up, and we were talking – asking specifically concerning the order management system. And I think from, well, my interpretation of what you said earlier was that, if the order management system is broken up into three parts, and the portion that the trader's using is used to connect and send out orders electronically to the brokers, is that covered under this temporal arrangement, that the execution starts, or the brokerage portion starts, as soon as you're communicating that order to the broker?

**<A – Jo Anne Swindler>**: Yes. That would be my view as to how the proposed interpretive release would deal with that situation. It would be within brokerage.

**<Q – Michael Robertson>**: So in the case of where you have order management system, and you're getting three – you have three distinct pieces, as the other caller had mentioned, you have the order, the trader's portion, the compliance piece, and the portfolio management piece, and they're giving you a bill on all three portions, which a lot of the venders do, the portion that you're getting billed for on the trader's piece you could cover under the temporal arrangement.

**<A – Jo Anne Swindler>**: From what you said about this kind of functionality, yes, under the proposed interpretation.

**<Q – Michael Robertson>**: Thanks for the clarification.

**Scott Cleland, Co-Founder, Investorside Research Association and CEO, Precursor**

Thank you all. On behalf of the sponsors, Investorside and FactSet, we thank you for participating in this call. We're going to post a call and a transcript of this – I believe we post the call on FactSet.com and Investorside.org. And thank you so much, Jo Anne and Lee and Lisa, for joining us. I think this was very, very informative. And on FactSet's and Investorside's behalf, thank you, and thank you all for participating.

One last point: Any questions you have on that pipeline question, please refer to John Wiseman at (203) 810-1226. Thank you, Operator.

Operator: Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.

**Disclaimer**

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of CallStreet, LLC. CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

*The contents and appearance of this report are Copyrighted CallStreet, LLC 2004. CallStreet and CallStreet, LLC are trademarks and service marks of CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.*