

YOU ARE REMINDED THAT ALL OPERATING PROCEDURES  
ARE NON-PUBLIC INFORMATION

## MEMORANDUM

January 3, 1984

To : Professional Staff  
Division of Corporation Finance

From : John J. Huber, Director *JJH*  
Division of Corporation Finance

Re : Operating Procedures for January, 1984

As a result of the outstanding effort on the part of the reviewing staff, the backlog of unreviewed IPO registration statements as of December 16, 1983 has been reduced to 41 registration statements. For this reason, the Division is now in a position to restore substantially all of its normal operating procedures for the month of January.

Permanent Revisions

The following activities have been discontinued until further notice:

## Monitoring activities

- Novel and unique plans of distribution;\*
- Tax opinions and Guide 5 disclosures;
- Shelf offerings and related opinions of counsel and trust indentures;
- Signature page of Form 10-K;
- Incorporation by Reference in Form S-2 and F-2;
- Financial statements in documents relating to formation of one bank holding companies; and
- Loan loss reserve of reporting bank holding companies.

## Certain in-house tasks

- NRSI/MUI search on "no-review" proxies;
- Information memoranda to Enforcement; and
- Referrals to assist in broker/dealer inspections.

FOIA and Confidential Treatment Requests

FOIA and confidential treatment requests will continue to be processed by the Office of the Chief Counsel.

\* Monitoring for novel and unique securities is continuing. Where any other novel and unique situations are detected in connection with a full examination, they should be brought to the attention of Bill Wood.

Correspondence, No Action and Interpretive Letters

Letters received in the Commission on or after January 3, 1984 will be processed in the regular way.

Securities Act Filings

Filings under the Securities Act will be selected for review under the criteria set forth in ¶326.01 & ¶329.04-5 of the Procedures Manual with the exception of the discontinued monitoring activities referred to above.

While filings made by issuers having certain financial characteristics as well as those with recent downgrading of debt ratings and/or appearing on the S&P credit watch will continue to be considered for full review, it is expected that only those filings where the review process is expected to have significant impact will continue to be reviewed. It is estimated that no more than 15% of available review time should be represented by the review of repeat issuers. Where this standard is expected to be exceeded the Assistant Director should review the matter with Bill Wood.

Priority Processing  
General Rule

The basic order of processing of transactional filings has been and continues to be on the basis of filing date. However, the staff is urged to exercise its judgement in applying this principle. Where an initial filing or a repeat filing which reasonably could be expected to consume a minimum amount of time for review has a later filing date than a filing which can be presumed to take substantially longer to review, there would not appear to be sufficient justification for holding rigidly to the FIFO rule.

Interim Lapse Time Exceeds 35 days

As you are aware, our ability to maintain an acceptable interim lapse time is a factor of both volume and age of oldest filing. For this reason, it is essential that the sections look to both the volume of unreviewed filings as well as the age of unreviewed filings and to estimate the time period in which these filings will be processed. At any time when it appears that a branch will have filings which will receive comments at or near 35 days subsequent to the date of filings, the branch should bring the matter to the immediate attention of the Assistant Director. Assistant Directors are expected to keep an even flow of work among the two branches and the senior staff assigned to them. Securities Act filings should be processed within the following time limits:

Repeat issuers	20 days
IPOs - firm commitments	
w/o numerous obvious disclosure problems	25 days
All other filings	35 days

Where reassignment of filings among the various sections assigned to an Assistant Director will not assure the processing of all filings in less than 35 days, Bill Wood should be advised promptly.

### Proxy Materials

All proxy soliciting material relating to substantive matters is to be reviewed. Thus, proxy soliciting materials will be selected for review in accordance with procedures outlined in ¶335.01 keeping in mind that no search for any enforcement interest will be made unless the material is otherwise selected for review. The random selection of 1 out of every 25 proxy statements should be made only when the branch's projected backlog of Securities Act filings permits.

### Screening of Incoming Exchange Act Filings

Incoming filings on Form 10-K(20-F)/ARS and Form 8-K should continue to be monitored by the person(s) designated by the Assistant Director. The monitoring of the Form 10-K/ARS is essentially a "GAAP Flip" intended to detect obvious and major deficiencies in the financial statements. Where evidence of such major deficiencies is detected, the matter should be brought immediately to the attention of the Assistant Director. The Assistant Director will either assign the filing within his/her section for immediate review or where it will not be possible for a letter to be sent within five days the Assistant Director will forward the filing to Bill Wood who will arrange for the examination and letter to be sent within the five day period.

The detection of situations in Exchange Act filings which require immediate action is an essential part of the Division work and a presence that must be maintained in support of the integrated disclosure system. For this reason, each Assistant Director should assign the monitoring of these filings in a manner that assures that not less than all filings on Form 8-K and not less than 200 filings on Form 10-K each month are the subject of a GAAP Flip. A continuous follow-up system must be established by each Assistant Director and adequate notice given to Bill Wood in the event that a particular section will be unable to meet this standard in any given month.

This GAAP Flip effort is in addition to and not in lieu of the customary allocation of time to the review of Exchange Act filing by each section. The Division continues to have as one of its goals the expenditure of not less than 15% of available manhours in the full review of Exchange Act filings.

### Accounting Examination - Registration Statements on Forms 10 and 20

In order to facilitate the processing efforts on Forms 10 and 20, the examination of financial statements contained in such filings will be done in the Office of the Chief Accountant by the individual assigned to the particular industry. This examination should be completed and returned to the Assistant Director within 30 days of the date of filing. The examination of the textual portion will continue to be done by the senior staff assigned to the Assistant Director and that staff will prepare and send any comment letters.