

STATEMENT OF JOHN S.R. SHAD
CHAIRMAN OF THE SECURITIES AND EXCHANGE COMMISSION
BEFORE THE
HOUSE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
OF THE COMMITTEE ON ENERGY AND COMMERCE
CONCERNING EDGAR
(ELECTRONIC DATA GATHERING, ANALYSIS AND RETRIEVAL SYSTEM)

March 14, 1985

WRITTEN STATEMENT OF THE HONORABLE JOHN S.R. SHAD,
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Chairman Dingell and Members of the Subcommittee:

I. Introduction

The Securities and Exchange Commission appreciates the opportunity to testify regarding Edgar -- the Commission's pilot electronic disclosure system. Edgar is intended to increase the efficiency and fairness of the securities markets by accelerating the filing, processing, dissemination and analysis of corporate information. As such information is filed with the Commission, it is intended to afford investors, securities analysts and others low cost instant access to it on home and office computer screens. Edgar has the potential to revolutionize the way that investment decisions are made and executed. 1/

The four principal reasons for Edgar are:

First, to enhance investor protections through broad, quick access to corporate information.

Second, to accelerate the preparation and transmission of such information by companies to the Commission.

1/ New York Times, September 25, 1984, at D-1; Time, October 8, 1984, at 60. See also, Ipsen, "The Edgar Revolution," Institutional Investor, at 98, 100 (Sept. 1984) (A copy of the latter article is contained in Appendix F).

Third, to reduce errors by eliminating the frequent need to transfer data manually from one format to another.

And fourth, to enable the Commission staff to process and analyze filings more efficiently at computer work stations.

II. Development of EDGAR ^{2/}

Currently, once the information is assembled, disclosure documents are prepared, typed and proofread at corporate headquarters and law firms, delivered to printers, where they are printed, proofed and reproduced on paper, then delivered to the Commission, where they are logged-in, microfiched, reviewed and made available to the public, including private vendors and others that key some of the information into computerized databases to facilitate analysis and recall. Such filing and dissemination typically takes 30 to 90 days and requires manual handling of the six million pages received by the Commission each year.

Under Edgar, the information can be prepared, proofed and electronically transmitted directly from the preparer's word processor into the Commission's computer where it will be instantly accessible to users. It will not have to be

^{2/} A chronology of the development of Edgar is set forth in Appendix A.

manually keyed into computer databases for analysis and recall. Thus, Edgar is intended to reduce the present 30 to 90 day process to a few days, reduce errors and increase the effective utilization of the information.

Full scale implementation of Edgar is also intended to coordinate with the rapid growth of home computers, from over sixteen million today to twice that many in less than five years. 3/

In February 1983, a task force of key Commission personnel was formed to study means of increasing Commission productivity, including the feasibility of an electronic filing system. To gather additional information on the feasibility of such a system, in April 1983, the Commission published a "Sources Sought" release for an experimental "Paperless" electronic filing, storage and retrieval system. 4/ Over twenty written responses were received. Meetings were held with interested vendors. It was concluded that a number of significant questions

3/ Estimates provided by Future Computing, Richardson, Texas, a market research firm.

4/ Commerce Business Daily, April 7, 1983. The Commerce Business Daily, a publication of the U.S. Department of Commerce, publishes notices of procurements that are to be let and notices of awards that have been made.

needed to be explored, but that a paperless filing system was technically feasible.

In September 1983, the MITRE Corporation was engaged to assist in the analysis. MITRE is a private not-for-profit organization that operates under the rules of a Federally Funded Research and Development Center. MITRE was doing work for the U.S. Patent and Trademark Office on a computerized patent library. The knowledge gained from that project was readily transferable to Edgar. The FBI was also consulted on security considerations.

By November 1983, the configuration of the Edgar pilot had been developed. In January 1984, the Commission solicited bids and in May 1984, awarded the contract, described below, for development and operation of the pilot system. Since the pilot system accepted its first electronic filing on September 24, 1984, the experience has been very positive and virtually trouble-free.

In July 1985, the Commission anticipates issuing a request for proposals for a fully operational Edgar system that will encompass the tasks being performed in the pilot, as well as other applications of computer technology throughout the Commission.

III. Procurement for the Pilot System

The Request for Proposals ("RFP") for the pilot system was issued on January 9, 1984. It set forth a detailed concept of operations, system specifications, hardware resource estimates, security requirements and Pilot evaluation. The RFP also contained terms and conditions intended to ensure that the winning bidder would not have an advantage in any subsequent contract for the operational system, including that the Commission would own all the software and hardware from the Pilot.

The RFP stated that cost would be 25 percent of the evaluation criteria, with the remaining 75 percent devoted to technical and management capabilities. In addition, the task force determined to proceed by way of negotiation rather than formal advertisement in order to give greater priority to qualitative factors. These measures were taken to ensure that the Commission would obtain the services of a contractor who would best fulfill its needs.

Over 150 requests for the RFP were received and answered. To assist these companies in understanding the specifications, a pre-bidders conference was held on January 27, 1984. Previously submitted written questions, as well as oral questions were answered at the conference. Copies of responses to all questions were mailed to all who had requested the RFP whether or not they attended the pre-bidders conference.

When the RFP closed on March 9, 1984, bids were received from Arthur Andersen and Company ("Arthur Andersen"); Aspen Systems Corporation; R.R. Donnelley and Sons Company; and General Electric Information Services Company.

The review of these four bids took place in accordance with government procurement regulations. The Commission's Office of the General Counsel has reviewed the procurement record and confirmed that it was in accordance with requirements.

Separate cost evaluation and technical/management evaluation panels were established to ensure an objective evaluation, particularly of the technical aspects of the proposals. The composition of each panel included individuals from all affected offices. The Division of Corporation Finance, the Office of Applications and Reports Services, the Procurement and Contracting Branch of the Office of Administrative Services, the Office of Information Systems Management and the Office of the Executive Director participated. 5/

In addition to reviewing the technical and management proposals, the panel members responsible for this aspect met with the four bidders at their sites to discuss the bidders' views of the project and to observe a demonstration of the capabilities being offered. These meetings were valuable

5/ Appendix B sets forth a list of these panel members, their Divisions and a brief statement of their qualifications.

to both the Commission and the firms involved. The Commission staff had a first hand view of the bidders' understanding of the RFP and met with the individuals who would be on the project team. The firms had an opportunity to refine their definitions of what was being requested.

Following live test demonstrations, clarification of the technical approach was requested from all the bidders. Thereafter, final negotiations with all the bidders took place and recommendations were submitted to the SEC Contracting Officer. On May 1, 1984, the Commission and Arthur Andersen signed a letter contract for the Pilot system. The final contract was signed on June 21, 1984. Arthur Andersen is the prime contractor. IBM and the Dow Jones Company, Inc. are sub-contractors.

Following award of the contract, Aspen Systems Corporation filed two administrative bid protests with the Commission. One related to an alleged organizational conflict of interest of Arthur Andersen, and the other claimed that Aspen had not been provided the same negotiating information as the winning bidder. After review, the protests were denied by the Contracting Officer on the basis that steps had been taken to eliminate any possible conflict of interest and that the regulations cited in the protest were inapplicable to the contract. Aspen did not appeal.

As part of the final contract, and throughout the procurement process, the Commission took precautions, as it has in the past with consultants, to ensure that confidential Commission information is not disclosed. In the RFP, the Commission included a confidentiality clause requiring that no disclosure be made of confidential information learned as a result of the contract. During the evaluation process, the issue of confidentiality specifically was addressed as Arthur Andersen is an accounting firm that certifies financial statements contained in Commission filings. Prior to the award, the issue was discussed by senior staff members, as well as the Commission's Ethics Counsel, who concluded it did not present a conflict of interest. In making this determination, consideration was given to the separation between Arthur Andersen's management services and auditing divisions, which have completely separate staffs. The Commission recognizes separation of functions as a protective measure in other situations. 6/

6/ For example, Rule 14e-3, which deals with insider trading in the context of tender offers, recognizes the concept in connection with purchases or sales of securities by multi-service firms during a tender offer. The Rule states that such a firm does not violate Section 14(e) if an individual making an investment decision on behalf of the firm does not know the information known by others in the firm and the firm had implemented one or a combination of policies and procedures to ensure that there is no informational flow between the individual making investment decisions for the firm's account and those individuals who know of the tender offer.

To ensure against any improper disclosure, the Commission took the following steps. The Ethics Counsel recommended, and the Contracting Officer agreed and included a requirement in the contract, that each Arthur Andersen employee working on the Pilot be required to sign an agreement to be bound by the same statutory restrictions on confidentiality as Commission employees. 7/ These agreements bind the employees to the statutory prohibitions contained in the securities laws, the rules promulgated thereunder, and Rule 3(b)(6) of the Commission's conduct regulations, which prohibits divulging confidential or non-public information to any unauthorized person. The term "unauthorized person" was defined in the agreement as anyone other than an Arthur Andersen employee working on Edgar or a Commission officer or employee. Moreover, Arthur Andersen, as a firm, signed a separate agreement with the Commission in which it acknowledged the agreements signed by its employees and the restrictions those agreements placed them under. 8/ In order to ensure full understanding of these

7/ Appendix C provides the form of these agreements. These agreements are similar to agreements signed on other occasions by non-Commission personnel given access to non-public information, e.g. consultants to the Commission, observers at Commission meetings, and employees on detail from other government agencies.

8/ Appendix D contains a copy of this agreement.

agreements, the Commission's Ethics Counsel held a meeting with the Arthur Andersen employees involved and explained these prohibitions. Thus, there is a clear understanding concerning the separation of Arthur Andersen employees working on the Pilot and those who render audit services.

IV. The Edgar Pilot

A. Volunteer Companies

In developing the Pilot Edgar system, it was determined that it should have the capacity to process up to ten percent of the filings handled by the Division of Corporation Finance. The Pilot would begin with the filings of a smaller number of volunteer companies and gradually move toward capacity over the two-year life of the Pilot.

To obtain indications of interest in participating in the Pilot, the Commission published a release in March 1984, discussing the system. 9/ It requested interested companies to fill out a questionnaire and invited comments from securities analysts, other potential users and registrants regarding estimated benefits and costs of the system, and how the information would be used. Over 300 completed questionnaires were received. The staff contacted interested companies in August 1984, and discussed the mechanics of participating in the Pilot.

9/ Release No. 33-6519 (March 22, 1984) [49 Fed. Reg. 12,707].

The 144 companies from which electronic filings have been received represent a cross-section of registrants. They include some of the country's largest corporations and some small limited partnerships. They range from General Motors and Exxon to Wincom Corp. and the Cal-West Real Estate Fund. There are industrial companies, utilities, bank holding companies, and oil and gas drilling companies.

B. Temporary Rules

To facilitate operation of the Pilot, the Commission adopted temporary rules on June 27, 1984, which adjust procedural regulations to facilitate electronic filing. 10/ They address such matters as signatures, exhibits and filing fees. A new form, Form SE, was adopted to permit the filing of paper exhibits if it is impracticable to convert them to an electronic format. The Commission also developed a procedure, whereby fees for Edgar direct transmission filers are paid by wire transfer or mailed to a lock box. 11/ The Commission also authorized the staff to issue a set of directions for Edgar filers that spells out technical procedures for making electronic filings.

10/ Release No. 33-6539 (June 27, 1984) [49 Fed. Reg. 28,044].

11/ Release No. 33-6540 (June 27, 1984) [49 Fed. Reg. 27,306].

These directions to filers are contained in an Edgar User Manual that contains guidance on how to use the system. It includes simple formatting requirements, which the staff has attempted to keep to a minimum. For example, electronic filings must begin with a short submission header that includes information such as the company's password, the type of filing and the number of documents submitted. The User Manual is provided to all participants and to law and accounting firms and financial printers. It is updated as experience is gained in the Pilot.

C. Experience with the Pilot

The Commission's experience with the Pilot and that of the volunteer companies has been highly successful. Since the first filing, on September 24, 1984, the Commission has received, through February 28, 1985, 466 filings from 144 participants. They include Forms 10K, 10Q, 8K, S-3, S-8, S-14, S-15, T-1, SR, 8A, and proxy materials. 12/ Other registrants have made test filings in anticipation of their first actual filing.

12/ Included in these forms are annual, quarterly and current reports, registration statements, and post-effective amend-amendments and stickers that update registration statements. Documents not being accepted in the Pilot include Forms 3 and 4 filed under Section 16 of the Securities Exchange Act. These are filings by individual shareholders, not registrants. Contested proxy materials and tender offer documents are also not being accepted. These are being filed on paper, to ensure that no party has an advantage by filing electronically.

Filings are accepted in three different electronic media: (1) direct transmissions over telephone lines or two public networks using a variety of communication protocols (38 percent); (2) diskettes prepared on over eighty-five different types of word processors or personal computers (55 percent); and (3) magnetic tapes (7 percent). The aim of accepting this wide variety of media is to keep the cost of participation low to registrants by permitting them to use their existing equipment. Some pilot participants are taking advantage of the Pilot to test all permitted media--diskettes, magnetic tapes and several types of direct transmissions, both direct and through financial printers, to determine which works best for them. The staff is also working closely with the financial printing industry to ensure smooth electronic submission of printed documents directly from printers.

The Pilot electronic dissemination to the public is through computer terminals in the Commission's Public Reference Rooms in Washington, Chicago and New York City, and the Press Room in Washington. Computer generated microfiche is produced overnight so that dissemination is made in the same manner as for documents filed in paper. Thus, the microfiche of electronic filings is produced two weeks faster than for paper filings.

The electronic filings are processed by a new Pilot Branch in the Division of Corporation Finance, staffed by experienced

Commission personnel who volunteered to work on the Pilot and are actively involved in its development. These staff members process the filings at computer work stations that give them ready access to external data bases, word processing and spreadsheet capabilities.

The same criteria are applied to electronic and paper filings, but Edgar filings are reviewed faster and more efficiently than paper filings. There are other advantages of the Edgar review process. First, company information is available at work stations instantly, rather than through the slower manual delivery of microfiche or paper copies. Second, as many people as necessary can view the filing at the same time, including exhibits and supplemental information. Third, the staff has immediate access to external databases, which eliminates the need for time consuming library research in the comment process. External databases also assist in more efficient research of complex legal and accounting issues. Finally, Edgar facilitates the management of resources through automating workload statistics and other management information.

Important benefits to participating companies in the Pilot are faster and more efficient processing. Filings are received, reviewed and commented upon faster. For example, General Motors Acceptance Corporation ("GMAC") has filed electronically over forty prospectus supplements to adjust the terms of the

offering in connection with two shelf registrations of notes. GMAC has indicated that Edgar has enabled them to get to the market faster on these issues, and meet "market windows" they otherwise could not have met.

The capabilities of the Pilot are being continuously enhanced in a phased approach. Most recently, internal and external electronic mail capabilities were added. The latter is expected to speed up the comment process significantly. Also to be added is the ability to do full text searches of the filed information. In addition, work is underway toward an electronic file folder capability that will enable the staff to keep internal files of examination reports, comment letters, and research in an electronic mode. Examiners and supervisors will be able to call up the information instantly on their computer work stations. As is the case now, only the Commission's staff will have access to these files.

The Commission also is taking steps to include the state securities administrators, the securities exchanges and the National Association of Securities Dealers ("NASD") in the Edgar System. Progress already has been made. The North American Securities Administrators Association ("NASAA") 13/

13/ NASAA is an association of securities administrators from each of the 50 states, the District of Columbia, Puerto Rico, the Canadian provinces and territories, and Mexico.

adopted a resolution in support of Edgar in September 1984, and chose three states, California, Georgia and Wisconsin, to participate in the Pilot. 14/ These states began to receive access in their respective offices to the public filings in the Pilot on February 15, 1985. Discussions also have been held with the exchanges and the NASD regarding their access to the data to ensure that Edgar meets their needs. In the not too distant future, one Edgar filing will suffice for all the states, the exchanges and the NASD, which will reduce the cost of financings, accelerate the dissemination of information and enhance investor protections.

V. Expansion of Edgar to Other Parts of the Commission

In preparation for the issuance of the request for proposals for the operational Edgar system in July, the Commission is conducting demonstration projects in headquarter Divisions and Offices and regional offices. Some of these projects also expand microcomputer applications that have been used by the Commission for several years. A small number of computer work stations are being used to test various automation methods in each project.

14/ Appendix E contains a copy of the resolution and a NASAA press release.

These projects include: (1) the Division of Enforcement's use of computer work stations to support investigations, including spreadsheets to analyze trading patterns, markups and markdowns; (2) the Directorate of Economic and Policy Analysis's experimentation with moving information from the Commission's mainframe computer to computer work stations so that complicated statistical analysis can be performed without tying up the mainframe; (3) the Division of Investment Management's, in conjunction with the Washington Regional Office, use of work stations to review investment company and adviser inspection reports, prepared on portable computers by the regional office and transmitted electronically to the Division; and (4) the Chicago Regional Office's use of computer work stations to support investigations and plans to test the receipt and processing of Form S-18s, a simplified registration form for small issuers.

Another aspect of the demonstration project is experiments with a variety of optical character recognition devices. These demonstration projects will help the Commission develop the specifications for the request for proposals.

VI. Operational Edgar

Based on its positive experience with the Pilot, the Commission is moving forward with plans for a fully operational Edgar system that will include all required filings.

On September 5, 1984, the Commission issued a release requesting comment on approaches to managing and financing a contract to be let to a private vendor for the operational system, which was provided to the staff of the Subcommittee on September 13, 1984. 15/ The release noted: (1) the Commission's information dissemination mandates; (2) the contractor's adequate cost recovery; (3) the maintenance of competition; and (4) at the completion of the contract, ability to recompute and replace the contractor. The release also contained information from a study the Commission had undertaken to determine the marketability of the Edgar database. 16/

The Commission has explored the ways in which government agencies and others have approached similar issues. In addition, the comment letters received, primarily from those engaged in the information industry, were studied. It is anticipated that a cost-sharing arrangement with the contractor under which the Commission would contribute the Pilot hardware and software and the contractor would supply the additional hardware, software and personnel necessary to support a fully operational

15/ Release No. 33-6548 (Sept. 5, 1984) [49 Fed. Reg. 35,798].

16/ The survey was prepared by Mathematica Policy Research, Inc. under a contract awarded by the Commission in May 1984.

system will be implemented. The contractor's cost would be recovered by marketing the data base in a regulated environment.

The Commission anticipates issuing the request for proposals for the operational system in July of this year, with bids due in November. The bids then will be evaluated, with the anticipation that a contract will be awarded in March 1986. Thereafter, there will be a transition from the Pilot contractor to the operational contractor. The Commission will begin the phase-in of all registrants filing corporate disclosure disclosures in 1986, with an anticipated completion date of the end of 1988.

When fully implemented, investors' access to disclosure information in Commission public reference rooms throughout the country will be improved. Where it now may take several weeks for the microfiche copies of paper filings to reach the public reference rooms outside of Washington, with Edgar, the public will have access to the electronic filings as they are accepted. And, of course, paper and microfiche copies of the electronic filings will continue to be available. Thus, the access to disclosure information provided by Edgar on home and business computers will be an addition to, not a replacement for, the current system.

Through access to Edgar and auxiliary software services, investors will be able to:

- display all the listed stocks that closed yesterday at less than seven times earnings that yield over 5%, etc.;
- instantly refine such lists by industry, size, markets and other criteria;
- display the latest SEC filings, annual and quarterly reports on those companies in which they are interested or that appear to be the most undervalued;
- retain their portfolios in their data banks and price them to the market at any time;
- maintain running totals of their dividends, realized and unrealized capital gains and losses; and
- enter orders with their brokers, directly on their own computer terminals and receive confirmations.

Edgar also could have several positive effects on our securities markets generally. First, by making timely investment information more readily available, Edgar could increase investor interests in securities, thereby increasing the breadth of equity ownership and market liquidity.

Second, Edgar could improve the market for the stocks of some less widely followed companies. It presently is difficult for analysts and market-makers to follow inactive securities. Third, information about larger companies also will be available faster and more readily in a computerized form. Fourth, instant access to a broad range of information will enable investors to make more informed investment decisions.

Fifth, disclosure documents will be processed more rapidly by the SEC, thus reducing unnecessary and costly delays in public offerings of securities. In short, EDGAR has the potential to make the entire stock market more efficient.

VII. Conclusion

Computer technology is changing the way that the securities markets operate, from automated order facilities to around-the-clock trading. With EDGAR, the Commission is anticipating the disclosure dissemination needs of the future. Through the use of state-of-the-art computer technology, the efficiency of the securities markets and investor protections will be enhanced.

PROCUREMENT CHRONOLOGY

<u>Date</u>	<u>Event</u>	<u>Description</u>
2/83	Creation of PIC (Productivity Innovation by Computer) Task Force	Elimination of paper disclosure documents is a significant objective
4/7/83	Publication in Commerce Business Daily of Sources Sought for experimental "Paperless" Electronic Filing Storage and Retrieval System	Solicited information on alternative technologies and approaches
4/17/83- 6/20/83	Twenty-six firms respond to Sources Sought	Wide variety of technology available
9/14/83	MITRE Corporation hired to evaluate alternative technologies and assist in constructing Request for Proposals (RFP) for a pilot electronic filing program	Using MITRE took advantage of work done for Patent and Trademark Office
9/83- 12/83	Work proceeds on development of RFP	All offices affected by pilot produce specifications of needs
12/19/83	Publication of notice of intent to issue RFP in Commerce Business Daily	
12/29/83	Determination made to acquire pilot system through negotiation	Negotiation means bids will not be fixed price and that payments could be made on a cost reimbursement basis
1/5/84	Separate cost panel and technical panel formed	Panels will review proposals
1/9/84	RFP released	Mailed to all 159 firms that made a written request
1/11/84	Submission of SEC Budget Estimate, fiscal year 1985, to Congressional appropriations subcommittees containing information on appropriations for EDGAR.	
1/27/84	Pre-bidders conference	SEC responded formally to written and oral inquiries from all potential bidders
2/3/84	Pre-bidders conference questions and answers mailed to bidders	

<u>Date</u>	<u>Event</u>	<u>Description</u>
2/23/84	Testimony of SEC Chairman John S.R. Shad before the House Subcommittee on Telecommunications, Consumer Protection and Finance, Committee on Energy and Commerce. (See House hearing 98-120, pgs. 32 and 44-45).	
2/23/84	Letter from SEC Legislative Counsel Peter Kiernan to Congressional staff (including staff of Subcommittee on Oversight and Investigations) transmitting copy of SEC request for contract proposals for EDGAR pilot.	
3/7/84	Testimony of Chairman Shad before Senate Appropriations Subcommittee on Commerce, Justice, State, the Judiciary and Related Agencies. (See Senate hearing 98-1030, part 1).	
3/8/84	FBI visit on system security.	
3/9/84	RFP closes	Offers received from four firms: Arthur Andersen and Co.; Aspen Systems Corp.; R.R. Donnelley and Sons Company and General Electric Information Services Company
3/9/84- 4/30/84	Cost and technical panels separately review proposals	
3/16/84	Testimony of Chairman Shad before House Appropriations Subcommittee on Commerce, Justice, State, the Judiciary and Related Agencies.	
3/23/84	Defense Contract Audit Agency (DCAA) requested to audit all offerors	
3/27/84	Department of Labor asked for EEO clearance on all offerors	Clearance received as follows: 4/3-Arthur Andersen; 4/26-Aspen; 4/30 GE (R.R. Donnelley not in file)
4/2/84- 4/6/84	Live test demonstrations	Technical panel members meet with all four offerors at their sites for demonstration of capability and personnel
4/11/84	SEC asks for clarifications on technical approach from all bidders	

<u>Date</u>	<u>Event</u>	<u>Description</u>
4/16/84	DCAA returns oral reports on all offerors	Written confirmations received as follows: 4/26-R.R. Donnelley; 4/27-Arthur Andersen; 5/7-GE; 5/11-Aspen
4/18/84	Second FBI visit.	
4/19/84	All offerors provide written response to request for clarification	
4/23/84	Final negotiations with all four bidders	
4/27/84	Technical panel and cost panel recommendations submitted to contract officer	
5/1/84	SEC and Arthur Andersen and Company sign letter contract for pilot system	Government liability limited to available fund of \$1,178,664.
5/17/84	Third FBI visit on system security	
5/23/84	EDGAR referred to in Report accompanying House appropriations bill H.R. 5712 (See H. Rept. 98-802, page 62).	
6/12/84	Mathematica Study published	Estimated value of operational EDGAR data base
6/21/84	Definitized contract signed	Section G.4 limited government liability to availability of appropriated funds
8/3/84	EDGAR referred to in conference report to accompany H.R. 5712. (See H. Rept. 98-952).	
9/13/84	Letter from SEC Director of Legislative Affairs, Ceile Srodes, to Congressional staff (including staff of Subcommittee on Oversight and Investigations) (1) transmitting SEC Release 33-6548 (which solicited public comment on EDGAR related issues) and (2) inviting staff representatives to participate in tour of EDGAR pilot facility.	

<u>Date</u>	<u>Event</u>	<u>Description</u>
9/21/84	First tour of EDGAR pilot facility for interested Congressional staff (including a representative of the staff of the Subcommittee on Oversight and Investigations).	
10/2/84	Letter from Chairman John D. Dingell of House Subcommittee on Oversight and Investigations to Chairman Shad requesting EDGAR documents.	
10/11/84	Letter from Chairman Shad to interested Members of Congress (including Chairman Dingell) discussing EDGAR pilot tour for Congressional staff, enclosing SEC Release 33-6548, and inviting comments and questions.	
10/12/84	Letter from Chairman Shad to Chairman Dingell responding to Chairman Dingell's letter of October 2, 1984, and providing certain EDGAR documents.	
10/84	Oversight and Investigations Subcommittee staff members review documents at SEC.	
10/31/84	Letter from SEC Assistant General Counsel, David Schwiesow, to Chairman Dingell in further response to Chairman Dingell's letter of October 2, 1984 and providing certain EDGAR documents.	
11/16/84	Second tour of EDGAR pilot facility for interested Congressional staff.	
11/30/84	Oversight and Investigations Subcommittee staff members Jack Chesson and R.C. Norwood at SEC interviewing staff.	
1/7/85	Letter from Chairman Dingell to Chairman Shad requesting additional EDGAR documents.	
1/18/85	Letter from SEC Deputy Executive Director Kenneth Fogash to Chairman Dingell responding to Chairman Dingell's January 7 letter.	

<u>Date</u>	<u>Event</u>	<u>Description</u>
1/31/85	Letter from SEC Legislative Counsel Peter Kiernan to Jack Chesson of Subcommittee on Oversight and Investigations staff responding to Chairman Dingell's January 7 letter and providing certain EDGAR documents.	
2/4/85	Submission of SEC Budget Estimate, fiscal year 1986, to Congressional appropriations subcommittee containing information on appropriations for EDGAR.	
2/15/85	Third tour of EDGAR pilot facility for interested Congressional staff.	
2/22/85	Letter from SEC Legislative Counsel Peter Kiernan to R.C. Norwood of Subcommittee on Oversight and Investigations staff providing certain EDGAR documents.	

Individuals Directly Associated
with the EDGAR Pilot System Development

Contract Officer

<u>Name</u>	<u>SEC Organization</u>	<u>Relevant Experience</u>
Kenneth Fogash	Executive Director's Office	15 years private sector and government data processing experience

Cost Panel

<u>Name</u>	<u>SEC Organization</u>	<u>Relevant Experience</u>
Charles Kimberly Chairman	Contracts Office	7.5 years contract experience with Department of Defense
John Mooney	Div. of Corporation Finance	25 years of private sector and government experience in financial and economic analysis
John Faith	Information Systems Mgmt.	15 years government data processing experience, 5.5 at the SEC
Louis Manganiello	Office of the Comptroller	15 years as Accounts Payable Supvs. in Defense Contracts
Charles Smith	Contracts Office	11 years government contract experience
Norman Bourque		MITRE, non-voting advisor

Technical and Management Panel

<u>Name</u>	<u>SEC Organization</u>	<u>Relevant Experience</u>
David Copenhafer Chairman	Executive Director's Office	17 years federal experience, 4.0 years contract officer
Amy Goodman	Div. of Corporation Finance	9.5 years SEC experience
Herbert Scholl	Div. of Corporation Finance	17 years SEC experience - 16 years in processing and administrative positions in the Division of Corporation Finance
John Adkins	Information Systems Mgmt.	17 years federal data processing experience including ADP procurement

Technical and Management Panel

<u>Name</u>	<u>SEC Organization</u>	<u>Relevant Experience</u>
Wilson Butler	Applications and Reports	25 years SEC experience 3 years COIR
Jonathan Katz	Consumer Affairs	9 years federal contract management experience; current COIR for Disclosure, Inc. contract
Winfred Dunn	Executive Director's Office	Non-voting advisor, 26 years SEC experience
Raymond Kumajda		MITRE, non-voting advisor
James Sprung		MITRE, non-voting advisor

Legal Assistance

Carol Scott	Office of the General Counsel	13.5 years government experience, 2.5 years handling legal contract issues
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Agreement of _____ to the Terms Under Which
He Will Receive Information From the Securities and
Exchange Commission in Connection With the EDGAR Project.

I hereby agree, for purposes of my assignment on the EDGAR project for the Securities and Exchange Commission, to be bound by the prohibitions applicable to officers and employees of the Securities and Exchange Commission contained in the following statutes and regulations concerning the use of information filed with or otherwise obtained by the Commission:

Section 24(b) of the Securities Exchange Act of 1934 and Rules 0-4 and 24(b)(2) thereunder (17 CFR 240.0-4 and 17 CFR 240.24b-2, respectively);

Rule 122 under the Securities Act of 1933 (17 CFR 230.122);

Section 22(c) of the Public Utility Holding Company Act of 1935 (15 U.S.C. 79v(c)) and Rule 104 thereunder (17 CFR 250.104);

Section 45(a) of the Investment Company Act (15 U.S.C. 80a-44(a); and

Section 210(b) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-10).

In addition, I acknowledge receipt of a copy of the Regulation of the Securities and Exchange Commission Concerning Conduct of Members and Employees and Former Members and Employees of the Commission ("Conduct Regulation"). I agree to be bound by Rule 3(b)(6) of that Conduct Regulation, 17 C.F.R. § 200.735-3(b)(6), which prohibits a member or employee of the Commission from divulging confidential or nonpublic commercial, economic or official information to any unauthorized person or to release such information in advance of authorization for its release. I understand that for purposes of this agreement an "unauthorized person" is anyone other than an officer or employee of the Commission or my co-workers on the EDGAR project identified in the attached agreement between Arthur Andersen & Co. and the Commission or other co-workers who have subsequently executed an agreement in the same form as this agreement.

Witnessed by:

Date: _____

AGREEMENT

Arthur Andersen & Co., by C. Thomson Ross, its Project Manager, and the Securities and Exchange Commission ("Commission"), by Kenneth A. Fogash, its Contracting Officer, hereby acknowledge that Stephen M. Haggerty, Lawrence Sigmund, Mark K. Snead, Joan C. King, Steven Penyak, David M. Aki, Martin R. Brown and Denise C. Aird, employees of Arthur Andersen & Co. who will be working on the Commission's EDGAR project, have executed the attached agreements in which they agree, for purposes of their assignment to the EDGAR project, to be bound by the prohibitions applicable to officers and employees of the Commission contained in the following statutes and regulations concerning the use of non-public Commission information or documents:

Section 24(b) of the Securities Exchange Act of 1934 and Rules 0-4 and 24(b)(2) thereunder (17 CFR 240.0-4 and 17 CFR 240.24b-2, respectively);

Rule 122 under the Securities Act of 1933 (17 CFR 230.122);

Section 22(c) of the Public Utility Holding Company Act of 1935 (15 U.S.C. 79v(c)) and Rule 104 thereunder (17 CFR 250.104);

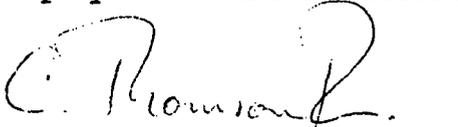
Section 45(a) of the Investment Company Act (15 U.S.C. 80a-44(a); and

Section 210(b) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-10); and

Rule 3(b)(6) of the Regulation of the Securities and Exchange Commission Concerning Conduct of Members and Employees and Former Members and Employees of the Commission, 17 CFR 200.735-3(b)(6).

Accordingly, the above named employees are prohibited from divulging confidential or non-public commercial, economic or official information to any unauthorized person or to release such information in advance of authorization for its release. For purposes of this agreement, an "unauthorized person" is anyone other than an officer or employee of the Commission, or the Arthur Andersen employees identified in paragraph one of this Agreement or other Arthur Andersen & Co. personnel who have executed an agreement in the same form.

The above named employees' acknowledgement of this requirement and their agreement to be bound by its terms is evidenced by the agreements between the employees and the Commission, which are attached hereto.



C. Thomson Ross
Project Manager for
Arthur Andersen & Co.



Kenneth A. Fogash
Contracting Officer
Securities and Exchange Commission



North American Securities Administrators Association, Inc.

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FOR IMMEDIATE RELEASE

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STATES JOIN SEC IN NEW PHASE OF "PAPERLESS" FILING SYSTEM

State securities regulators are working with the Securities and Exchange Commission (SEC) on a "revolutionary and unprecedented" new phase of EDGAR, the previously announced pilot program testing the feasibility of electronic filing of corporate disclosure documents, revealed H. Wayne Howell, director of the Georgia securities division and vice-president of the North American Securities Administrators Association (NASAA).

Howell reported that the new development will go well beyond the original plans for EDGAR -- electronic data gathering analysis and retrieval -- by adding pilot states which will receive and analyze the electronic filings made with the SEC.

"This has incredible potential for reduced paperwork and speedier regulation," Howell said. "If the pilot succeeds, a corporation could file its papers just once, instead of first going to the SEC and then refile for each state. And this would be a paperless filing."

Howell added: "It is plain to see that we are talking about a revolutionary, almost mind-boggling development." EDGAR is scheduled to start allowing registrants to file documents by computer with the SEC after Sept. 24. The pilot states could begin in the first months of 1985, Howell reported.



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RESOLUTION OF BOARD OF DIRECTORS OF THE NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

The following Resolution was adopted on
June 15, 1984.

WHEREAS the members of the North American Securities Administrators Association, Inc. (NASAA) have followed with interest the effort of the U.S. Securities and Exchange Commission (SEC) to create a new Electronic Data Gathering and Retrieval System (EDGAR); and

WHEREAS the EDGAR System has the potential to simplify and make more efficient the securities registration process, hopefully at both the federal and state level; and

WHEREAS NASAA has long encouraged any reasonable efforts to improve securities regulation in the United States; and

WHEREAS a properly structured EDGAR System must contain a role for the coordination of securities registration filings with the SEC and various state jurisdictions; and

WHEREAS NASAA has experienced recent success with a national electronic regulatory system through the creation of the Central Registration Depository for licensing functions; and

WHEREAS NASAA understands that a pilot project under the EDGAR System will commence on or about September 1, 1984;

THEREFORE, BE IT RESOLVED that the Board of Directors of NASAA strongly urges the SEC to work with representatives of our Association to create a workable and effective electronic securities registration filing system usable at both the federal and state level, with this goal being achieved through discussions and deliberations between representatives of the SEC and NASAA.

Howell, Ohio Securities Commissioner Rodger Marting and Wisconsin Securities Commissioner Richard Malmgren met recently with SEC officials in an all-day session devoted to the new EDGAR pilot.

The new EDGAR pilot marks NASAA's second major push for paperwork reduction and streamlined regulation. Under the three-year-old Central Registration Depository (CRD), which is operated by NASAA and the National Association of Securities Dealers (NASD), securities salesmen are able to make a single application to register in all 48 contiguous states and the District of Columbia. It is estimated that the CRD saves the brokerage community \$20-\$40 million annually in reduced paperwork.

Under EDGAR, corporations will be able to transmit their filings directly over telephone lines or by sending a magnetic tape or floppy disk. It is estimated that the SEC handles six million pages of information a year, about 85 percent of which involves original reports. This month, EDGAR will start with about 200 volunteer registrants, expanding to as many as 1,000 in 1986.

NASAA is the organization representing the 65 state and provincial securities regulators in the U.S., Canada and Mexico who are charged with enforcing the securities laws in their jurisdictions. NASAA works to protect investors and to ensure that the securities markets operate smoothly, efficiently and with a minimum of abuse.

NASAA officials approached the SEC this spring about participating in an expanded EDGAR, after the federal commission had announced its initial plans. Howell commended the participating SEC officials for their "fine cooperative spirit" in working with the states.

FOR ADDITIONAL INFORMATION CONTACT:
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