

CF Staff Memo 5-85

MEMORANDUM

February 8, 1985

To : Assistant Directors
Branch Chiefs
Division of Corporation Finance

From : William C. Wood, Senior Associate Director
Ernestine M. R. Zipoy, Associate Director

Re : Revised Operating Goals for Fiscal 1985

The Division has just completed the preparation of its 1986 Congressional Budget. In developing this presentation, the Division found it necessary to make major revisions to its 1985 operating goals primarily as a result of the substantial decline in IPO filings and a reallocation of staff years.

Revised Operating Goals

Set forth below are the changes made to those sections of the 1985 operating goals that are of prime importance to Disclosure Operations:

| | <u>previous submission</u> | | <u>current submission</u> | |
|------------------|--------------------------------------|----------|--------------------------------------|----------|
| | estimated number of filings to be | | estimated number of filings to be | |
| | received | examined | received | examined |
| Securities Act | | | | |
| IPOs | 1340 | 1206 | 950 | 760 |
| Repeat issuers | 3724 | 713 | 3400 | 952 |
| Exchange Act | | | | |
| Form 10s | 260 | 260 | 260 | 260 |
| Standard Proxies | 7300 | 850 | 8323 | 1424 |
| Merger Proxies | 259 | 155 | 386 | 216 |
| Annual Reports | 10550 | 1766 | 10550 | 1951 |

Effect of Revisions on Anticipated Workload
for Remainder of Fiscal 1985

After giving effect to the revisions referred to above, the anticipated workload for the Division in the six major areas are as follows:

| | REVISED 1985 GOALS | | WORK COMPLETED 1st QUARTER | | ESTIMATED FOR PERIOD 1/1-9/30 | |
|------------------|-----------------------|----------|-------------------------------|----------|----------------------------------|----------|
| | Filed | Reviewed | Filed | Reviewed | Filed | Reviewed |
| SECURITIES ACT: | | | | | | |
| IPO's | 950 | 760 | 235 | 145 | 715 | 615 |
| REPEAT ISSUERS | 3400 | 952 | 773 | 198 | 2627 | 754 |
| EXCHANGE ACT: | | | | | | |
| FORM 10'S | 260 | 260 | 35 | 23 | 225 | 237 |
| STANDARD PROXIES | 8323 | 1424 | 874 | 146 | 7449 | 1278 |
| MERGER PROXIES | 386 | 216 | 83 | 62 | 303 | 154 |
| ANNUAL REPORTS | 10550 | 1951 | 1083 | 367 | 9467 | 1584 |

Effect of Further Changes on Our Operating Goals

As you know, this is a particularly difficult time to predict with accuracy the anticipated workload. IPOs are down dramatically and many analysts believe that they will decline even further and that offerings by seasoned issuers likewise will decline. However, other analysts see a rise in the IPO market as well as the general market during the remainder of 1985.

The operating efficiency of the Division therefore, in the event of a further decline in the public offerings of securities or merger transactions, will not be judged solely on its ability to review as a maximum the number of filings set above, with fewer documents being reviewed to the extent fewer filings in a particular category are filed. Conversely, should the IPO market turn around, the Division would not be expected to review such increased filings in addition to meeting other 1985 operating goals.

The operating efficiency of the Division will be judged on its ability to review a mix of filings based upon (a) the efficiency factors used in establishing the 1985 operating goals and (b) the manpower available to the Division.

The operating efficiencies necessary to meet the budget projections are as follows:

- I. Not less than 75 % of the professional manpower available to the branch is deployed in the full review of the four categories of filings referred to above;

II. The filings that are reviewed, are reviewed within the established efficiency factors, (branch time only):

| | | |
|------------------|----|--------------------|
| Securities Act | | |
| IPOs | 80 | hours |
| Repeat issuers | 60 | hours |
| Exchange Act | | |
| Form 10s | 50 | hours |
| Standard Proxies | 15 | hours |
| Merger Proxies | 55 | hours |
| Annual Reports | 28 | hours ¹ |

Thus, where a branch received fewer than anticipated merger proxies, more annual reports must have been examined to meet our budgeted goals. A form has been provided to facilitate the measurement by each branch of their extent of compliance with budget goals.

Need for Supervisors To Monitor
Time Being Spent on All Filings

If we are to meet these goals, it is imperative that all supervisory personnel manage their individual resources in a way the precludes unnecessary time being spent on any filing. Since most of the examining staff is new, filings should be assigned not only with specific completion dates but also with time allocations. Staff members should be advised to alert the appropriate supervisor as soon as possible whenever it appears that either the completion date or the time budget cannot be met. Only in this manner can the Division maintain both an interim lapse time of 29 days and a performance level equal to that set forth in the Division's budget presentation.

¹ The budgeted hours for the examination of annual reports is a composite number calculated as follows:

| | |
|---|-------------------------------|
| full review Form 10-Ks | 830 @ 40 hours = 33200 hours |
| full review of Form 10-Ks in connection with other filings | 765 @ 15 hours = 11475 hours |
| Budgeted examination of Form 10-Ks | 1595 @ 28 hours = 44765 hours |

For this reason it is essential that the staff examine the latest annual report and any subsequent Exchange Act reports in connection with EACH AND EVERY full review of repeat Securities Act registration statements or substantive proxy materials that include description of business and financial statements. These examinations should be cleared on workload as "C5" or if an interim disposition is made as a "5" review, (see Operating Procedures Book, Appendix C2.) The monthly WRFE-1 should show a matching Exchange Act clearance entry under the caption of "SPECIAL" for every full review entry for a repeat Securities Act filing or substantive proxy containing business information and financial statements. The time spent in the review of such reports should be charged to STATS as ..Level I 07; Level II 05; (see pp 810 and 811 of Operating Procedures Book.)

It is expected that all supervisors will monitor compliance with these goals on a day to day basis. To assist supervisors in this effort, the following appendices have been attached:

- IA. Copy of worksheet used to calculate a comparison of actual manpower allocations with targeted allocations.
- IB. Copy of worksheet used to calculate a comparison of actual efficiency factors with targeted efficiency factors.
- II. Table showing the estimated incoming workload of the Division for the remainder of the fiscal year (under the assumption that the percentage of filings of any particular type received in a particular month will be the same as the percentage of that type of filing received in the same month of the preceding year.)
- III. Information included on Appendix II restated on a “per branch” basis. (represents solely 1/12 of the workload figures in Appendix II. Information to calculate an actual ratio for individual branches is not available.)

Need for Accurate STATS and WFRE Information

Since the operating goals, budget information and the Division efficiency factors are based upon the information provided by the STATS and the computerized workload system, it is essential that such information be accurate. Inasmuch as the information as to how many documents were examined and how much time was spent in such examinations is under the control of and entered into the computerized system by the branch personnel, such sections are primarily responsible for its accuracy. Supervisors should check at least monthly the accuracy of the information being provided by his/her section and where corrections are needed see to it that they are made promptly.