

GAO

Fact Sheet for the Chairman,  
Subcommittee on Oversight and  
Investigations, Committee on  
Energy and Commerce,  
House of Representatives

July 1986

# SECURITIES REGULATION

## Background and Selected Statistics On the SEC's Full Disclosure Program



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United States  
General Accounting Office  
Washington, D.C. 20548

General Government Division

B-223274

July 10, 1986

The Honorable John D. Dingell  
Chairman, Subcommittee on Oversight  
and Investigations  
House of Representatives

Dear Mr. Chairman:

In November 1985, we undertook at your request a review of the Securities and Exchange Commission's (Commission) full disclosure program. We agreed with your representatives to report to you in two stages the results of our work. This fact sheet transmits the first part of our work. It provides background and statistical data on the full disclosure program, highlighting budgets for the program, workload statistics, productivity measures, and trends shown in the data.

In the second phase of our work, we will analyze the data in greater detail focusing on program management and alternatives, if any, to the current mode of operations. We expect to deliver the final report early next year.

For this fact sheet, we obtained information from the Commission's database, budget documents, and through interviews with Commission officials. We did not independently verify the reliability of information in their database.

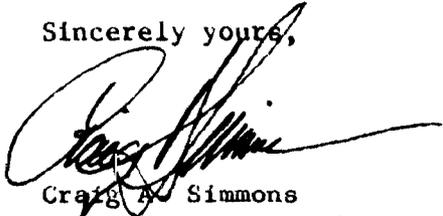
The tables and charts in the attached appendixes show that the Commission's full disclosure program has a heavy workload of Securities Act and Exchange Act filings to process. In order to process these filings, the Commission staff have prioritized them into high priority and low priority filings. Due to the increasing number and complexity of high priority filings, there is a growing backlog of unprocessed, low priority Exchange Act periodic financial reports.

A draft of this fact sheet was informally discussed with Commission officials and their suggestions were incorporated where appropriate. These officials disagreed with the year-to-year aggregation of unprocessed filings, even though these statistics were taken from the Commission's database. Appendix II provides their viewpoints on what our tables reveal as well as our response. The fact sheet does not contain conclusions and recommendations.

B-223274

As arranged with your representatives, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time we will send copies to interested parties and make copies available to others upon request. If you have any questions or need additional information, I can be reached on (202) 275-8678.

Sincerely yours,



Craig A. Simmons  
Senior Associate Director

## CONTENTS

	<u>Page</u>	
APPENDIX I	Background	4
APPENDIX II	GAO Analyses and Division Viewpoints	14
APPENDIX III	Functional Allocation of Staff Years for the Full Disclosure Program FY 1983 - 1985	20
APPENDIX IV	Organizational Costs for the Full Disclosure Program FY 1981 - 1985	22
APPENDIX V	Workload Statistics and Corresponding Staff Years for the Full Disclosure Program FY 1983 - 1985	23
APPENDIX VI	Workload Statistics and Corresponding Disposition for the Full Disclosure Program FY 1983 - 1985	24
APPENDIX VII	Workflow of Selected 1933 Securities Act Filings FY 1983 - 1986	27
APPENDIX VIII	Disposition of Selected 1933 Securities Act Filings FY 1983 - 1986	29
APPENDIX IX	Workflow of Selected 1934 Exchange Act Filings FY 1983 - 1986	31
APPENDIX X	Disposition of Selected 1934 Exchange Act Filings FY 1983 - 1986	34
APPENDIX XI	Interim Average Lapse Time (in days) for Selected Filings Which Received a Full Review FY 1983 - 1986	36
APPENDIX XII	Average Staff Hours for Full Review of Filings FY 1983 - 1985	37

## BACKGROUND

This appendix presents a brief, general discussion of the filing requirements and procedures followed by the Securities and Exchange Commission in the processing of major Securities Act of 1933<sup>1</sup> (Securities Act) registration statements and Securities Exchange Act of 1934<sup>2</sup> (Exchange Act) registration statements and periodic reports. Our purpose is to provide a basic framework for understanding the quantitative information on the Commission's review process presented in the subsequent appendixes.

The Securities Act promulgates the principle of full disclosure, which requires that sufficient information concerning an investment opportunity be disclosed to prospective investors to enable them to make an informed investment decision. The Securities Act requires that a public distribution of securities be registered with the Commission, identifies certain information which must be disclosed in the registration statement, and provides that the registration statement may become effective 20 days after filing with the Commission, unless otherwise provided.<sup>3</sup>

Although the Securities Act establishes a full disclosure regulatory requirement for the initial distribution of securities, it does not require any periodic reporting thereafter. In order to facilitate the subsequent trading of securities by investors, the Congress passed the Exchange Act. Subject to certain exceptions, the Exchange Act requires companies to register their securities if the company is engaged in interstate commerce or if its securities are traded in interstate commerce.<sup>4</sup> Once registered with the Commission, the

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<sup>1</sup>15 U.S.C. §§ 77a et seq.

<sup>2</sup>15 U.S.C. §§ 78a et seq.

<sup>3</sup>Section 3 of the Securities Act specifically exempts certain types of securities from registration. Exempted securities include those issued by federal, state, and local governments; certain bank and savings and loan association securities; securities issued by eligible nonprofit organizations; and intrastate offerings. In addition, Section 4 exempts certain specific transactions from registration, such as private offerings and certain broker or dealer transactions.

<sup>4</sup>Section 12(a) requires the registration of all debt and equity securities traded on a national securities exchange. Section 12(g) also requires the registration of all equity securities provided the company has at least \$1 million dollars in total assets and a class of equity securities held by at least 500 shareholders of record. The Commission subsequently increased the minimum total assets to \$3 million.

company must comply with certain periodic reporting requirements in order to assure a continuous flow of information to investors.

### FILING REQUIREMENTS

The Commission originally developed two separate and distinct disclosure systems for these two different securities acts. However, finding that these two reporting systems imposed an unwarranted regulatory burden on companies who were often required to submit duplicative information to the Commission under both Acts, the Commission adopted an integrated disclosure system in 1982. The Commission's goal in establishing the integrated disclosure system was to eliminate unnecessary disclosure and dissemination requirements for companies while continuing to provide investors with meaningful information upon which to base investment decisions.

Regulation S-K is a central element of this system.<sup>5</sup> This regulation is a compendium of the disclosure requirements for both Securities Act and Exchange Act registration statements and Exchange Act periodic reports. Regulation S-K establishes disclosure requirements pertaining to both the company and the securities offering (if applicable). Company-oriented disclosure requirements include such things as the business of the firm, market price and dividends on outstanding equity securities, financial statements,<sup>6</sup> and management discussion and analysis of financial condition and the results of operations. In contrast, transaction-oriented disclosure requirements describe the details of a particular securities offering in a Securities Act registration statement. It requires disclosure of such things as offering price, use of proceeds, and risk factors.

### Securities Act Registration

The Commission has established a three-tiered system of general registration statements which constitutes the basic framework for registration under the Securities Act. Companies must determine whether they are eligible to file securities registration statements on either Form S-1, S-2, or S-3. The same information must be disclosed to investors regardless of which form is used. However, the advantage of using one form rather than another is that a company may file an abbreviated registration statement if they use Forms S-2 or S-3. This

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<sup>5</sup>17 CFR Part 229.

<sup>6</sup>Financial statements must be prepared in compliance with the accounting rules established by Regulation S-X (17 CFR Part 210). Regulation S-X is for the most part consistent with generally accepted accounting principles.

allows them to satisfy part of their company-oriented disclosure requirement by reference to other publicly available Exchange Act periodic reports such as the Form 10-K, Form 10-Q, Form 8-K, and the annual report to shareholders (incorporation by reference). A company's eligibility to incorporate by reference is primarily dependent upon the firm's reporting history and its market following.

The first category is Form S-1 which is a basic, long-form registration statement which requires complete disclosure about both the company and the proposed security transaction in the prospectus. In practice, Form S-1 is primarily used by first-time issuers and smaller companies which are relatively unknown and have been making periodic reports pursuant to the Exchange Act for less than 3 years. The second category of registration statement is Form S-2, an abbreviated registration form which permits the Regulation S-K disclosure requirements for certain company-oriented information to be satisfied by reference to previously filed Exchange Act periodic reports. In order to use this form, the company must satisfy many of the requirements of Form S-3, discussed below, but need not satisfy the market following requirement.

The third category of registration statement is Form S-3. In order to use Form S-3 the company must fulfill several requirements. The company must have a reporting history of filing periodic reports for at least 3 years and have filed them in a timely manner for the last year. Furthermore, within the last year the company must not have defaulted on its debt or failed to pay dividends on its preferred stock. Finally, the company must generally satisfy a market following requirement that the company have either \$150 million of voting stock held by non-affiliates (float) or a \$100 million float and an annual trading volume of at least 3 million shares. If a company is eligible to use this form, it may satisfy its company-oriented disclosure requirements by reference to Exchange Act periodic reports in the prospectus. In general, the prospectus only need contain a complete description of the security being registered; company-oriented information is not required.

In addition to the basic registration framework established by Forms S-1, S-2, and S-3, there are other more specialized forms established by the Commission for use in specific circumstances. Types of specialized registration statements include the following three major forms. First, Form S-4 is designed for registration of securities used in business combination transactions such as mergers and exchange offers. Second, Form S-11 is designed for registration of securities issued either by (a) a real estate investment trust or (b) an issuer whose business is primarily that of investing in real estate or real estate companies. Third, Form S-18 is designed for registration of securities issued by small businesses where the aggregate offering does not exceed \$7.5 million.

These forms list the applicable Regulation S-K disclosure requirements for the registration of the security. Once the disclosure requirements have been identified, the company must also comply with certain standardized procedures in preparing and filing the particular registration statement with the Commission.<sup>7</sup>

Although the statute provides that registration statements may become effective 20 days after they are filed with the Commission, in practice this statutory time constraint can be avoided. Nearly all companies include automatic delaying amendments in the registration statement which, in effect, temporarily waive the 20-day requirement. Nonetheless, the Commission still places a high priority on reviewing these registration statements quickly because companies are anxious to take advantage of market conditions. Consequently, the Commission has a policy of providing written comments to the company discussing deficiencies in the proposed registration statement within 30 days of receipt of the filing.

#### Exchange Act Registration Statements and Periodic Reports

Subject to certain exceptions, the Exchange Act requires companies to register their securities if the company is engaged in interstate commerce or if its securities are traded in interstate commerce. Once the securities are registered, the company is obligated to file periodic financial reports including the 10-K annual report and the 10-Q quarterly report. In addition, the company must comply with disclosure requirements pertaining to corporate governance in both the solicitation of proxies and in tender offers.

#### Registration

Section 12 of the Exchange Act requires that a nonexempt security must be registered with the Commission before it can be legally traded in interstate commerce. The purpose of this registration requirement is to ensure that certain company information, not otherwise disclosed, has been provided to investors. The disclosure requirements of Regulation S-K have usually been satisfied by most companies because they have previously filed a Securities Act registration statement. As a result, the company may submit a simplified registration statement on Form 8A which is routinely processed by Commission staff. However, other companies may have never registered securities pursuant to the Securities Act. For example, these companies may have issued securities exempt from registration, such as intrastate offerings and private placements. As a

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<sup>7</sup>Regulation C (17 CFR Part 230 Sections 400 through 499).

result, they may never have been required to disclose certain information to investors. If such is the case, and the companies are not exempt, they must submit a more detailed registration statement on Form 10.

The Exchange Act states that a registration statement becomes effective and the securities may be traded on a national securities exchange within 30 days following notification by the exchange that the security has been accepted for listing.<sup>8</sup> The Commission tries to process the filings within these timeframes to ensure that complete in-depth disclosure has been made to prospective investors when the registration statement becomes effective and trading commences.

### Periodic Financial Reports

Once a security is registered pursuant to Section 12 of the Exchange Act, the company becomes subject to the periodic reporting requirements of the act. Section 13(a) of the Exchange Act requires companies to submit both annual and quarterly financial reports to the Commission. In addition, the Commission also requires companies to file current reports whenever material events occur.

These periodic financial reports are important to the effective functioning of the securities market in both the registration and subsequent trading of securities because investors may rely on these reports in making their investment decisions. As discussed earlier, some companies may refer to these reports in their registration statement in order to satisfy their company-oriented disclosure obligations. Furthermore, these periodic reports, together with information from other sources, are used by investors in the subsequent trading of all securities.

The annual report is a key disclosure document established by the Commission. It is filed by the company on Form 10-K within 90 days after the end of the company's fiscal year. It contains audited financial statements, management's discussion and analysis of financial condition and results of operations, and extensive disclosure of other information to investors.<sup>9</sup>

In addition, other reports must also be filed. The quarterly report (Form 10-Q) is filed within 45 days of the close of each fiscal quarter, except the fourth quarter. It contains unaudited financial statements, management discussion and analysis of financial condition and results of operations,

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<sup>8</sup>A security accepted for listing in the over-the-counter market may be traded within 60 days following filing of the registration statement with the Commission.

<sup>9</sup>The annual report sent to shareholders contains only some of the information included in the Form 10-K filing.

and disclosure of selected items. Additionally, a current report must be filed on Form 8-K should certain material events occur. For example, the company must report within 15 days if they acquire or dispose of significant assets, change accountants, or if a member of the board of directors resigns. These filings generally need not be reviewed within any set period of time. Unlike Securities Act and Exchange Act registration statements, there is generally no constituency awaiting Commission review of these filings. Consequently, the Commission staff may defer examination of these filings when the workload of higher priority filings demands attention.

Corporate Governance -  
Proxies and Tender Offers

In addition to these periodic financial reports, Sections 13 and 14 of the Exchange Act also address the subject of corporate governance. Shareholders may be asked to make significant decisions when either their shareholders' votes are solicited (often in the form of a proxy solicitation) or when someone publicly offers to purchase their shares (tender offer). In either instance, the Congress has determined that adequate information must be disclosed in order for shareholders to make an informed decision.

Section 14(a) authorizes the Commission to regulate the solicitation of proxies. The Commission requires most proxy statements to be filed on Schedule 14A which is designed to enable shareholders to vote their proxies in an informed manner.<sup>10</sup> Schedule 14A is submitted by company management when they need shareholder authorization to engage in certain activities. For example, they will prepare a Schedule 14A when company management needs shareholder authorization to elect a board of directors; to take action with respect to a pension and retirement plan; to adopt anti-takeover provisions; or to propose mergers, consolidations, acquisitions, and similar matters.

Companies are required to submit a preliminary proxy statement to the Commission at least 10 days before their planned distribution of the material to shareholders. Consequently, Commission staff must notify the company within 10 days if they decide to formally review the filing. If the company is not contacted by Commission staff, they may mail the proxy materials to shareholders.

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<sup>10</sup>Companies not soliciting proxies in connection with a meeting of shareholders must provide essentially the same information to shareholders on Schedule 14C.

The Exchange Act also authorizes the Commission to regulate both third party and issuer tender offers.<sup>11</sup> Section 14(d), (e), and (f) authorizes the Commission to regulate third-party tender offers. The congressional intent behind this tender offer regulation was to neither encourage nor discourage tender offers. Rather, the intent was to ensure that stockholders have sufficient information to allow them to intelligently decide whether or not to tender their securities. The Commission requires a third party tender offeror to file Schedule 14D-1 disclosing such information as the bidder's identity, the amount of securities sought and the compensation offered, the purpose of the tender offer, and any other information necessary for the shareholder to make an informed decision. In the event another party, such as the management of the target company, would like to make a recommendation to shareholders as to whether or not they should accept the tender offer, they must file a Schedule 14D-9. Among other things, they must disclose their identity and relationship with both the target and bidding company as well as the basis for their recommendation.

Section 13(e) of the Exchange Act governs issuer tender offers. The issuer is obligated to disclose to shareholders substantially the same information as would be required in a third party tender offer. This information must be disclosed to shareholders on Schedule 13E-4.

Tender offer filings are submitted to the Commission at the same time they are made to shareholders. Since the staff do not have any "grace period" in which to review these filings, they must process these filings as quickly as possible in order to determine whether adequate disclosure has been made to investors.

#### PROCESSING OF REGISTRATION STATEMENTS AND PERIODIC REPORTS

The Commission's Division of Corporation Finance (Division) is primarily responsible for reviewing both Securities Act registration statements and Exchange Act registration statements and periodic reports. The Division is organized into 12 branches with each branch responsible for processing all filings within a specific industry, such as insurance, aerospace, oil and gas, etc. Although the 12 branches are primarily responsible for processing these filings, other specialized offices in the Division may also become involved when necessary. For example, the Office of Engineering may examine filings from mining and oil and gas companies; the Office of

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<sup>11</sup>A third party tender offer is a public offer to purchase outstanding shares by persons not affiliated with company management. An issuer tender offer is a public offer to purchase outstanding shares by the company or its affiliates.

International Corporate Finance examines filings of foreign issuers; and the Office of Tender Offers reviews tender offer filings. In addition, the Division staff may also consult with other divisions whenever filings raise questions outside of their area of expertise.

### Selective Review

Prior to 1980, essentially all Securities Act and Exchange Act filings received by the Commission were reviewed for disclosure deficiencies. However, as the number of filings increased, review of filings in a timely manner became more difficult.

Recognizing that it did not possess the resources to review all filings, the Division adopted a "selective review" system in 1980. It is designed to concentrate limited staff resources on those filings that most warrant examination. The Division staff identify the filings of potentially troubled companies under the assumption that these companies may not want to adequately disclose relevant information to investors. In the case of proxies and tender offer filings, they identify those filings which will have a major effect on existing shareholders.

As a result, a critical element of the selective review system is to properly "screen" incoming Securities Act registration statements and Exchange Act registration statements and periodic reports based on preestablished criteria into three major categories: (a) no review, (b) full review, and (c) filings which are monitored. A full review is a broad-based, thorough examination of all the accounting, financial, and legal aspects of the filing. In contrast, monitoring is a narrowly focused check for compliance with specific disclosure requirements.

### Screening

Once a Securities Act or Exchange Act filing has been received by the appropriate branch, it is assigned to a senior staff person to be screened. The Division has established criteria for screening each type of Securities Act and Exchange Act filing to determine whether it will receive a full review, monitor, or no review. For example, Securities Act registration statements are screened primarily to identify (a) companies having possible financial difficulties as indicated by unfavorable financial ratios or a qualified accountant's opinion, (b) initial public offerings, or (c) companies recently investigated by the Commission's Division of Enforcement.

Division staff access both external and internal databases in performing these screening functions. In order to determine whether a company is having possible financial troubles, the

Division staff access an external database which lists those companies in Standard and Poor's Compustat II database which do not meet certain preestablished financial ratios.<sup>12</sup>

In addition, staff check the Name and Relationship Search System database to determine whether the company has recently been investigated by the Division of Enforcement. This database is managed by the Division of Enforcement and contains information on the company, its subsidiaries, and key officers.

Screening criteria also exist for both proxy solicitation statements and tender offers. With respect to a proxy solicitation the most important selecting criteria is to determine whether the proxy statement raises substantive matters which materially affect the rights of shareholders. For example, a proxy solicitation to adopt anti-takeover measures, to acquire or dispose of significant assets, or a proposed merger or consolidation will likely receive a full review. In contrast, a proxy statement relating to an uncontested election to the board of directors will probably not get reviewed. With respect to tender offers, shareholders are being asked to make a major investment decision. As a result, most tender offer filings are given a full review.

#### REVIEW OF SECURITIES ACT AND EXCHANGE ACT FILINGS

The purpose of the Division's review of both Securities Act and Exchange Act filings is to assure adequate disclosure of important facts so that investors may make a realistic appraisal of the value of securities and make an informed decision as to whether or not to purchase them. Division review of these filings does not insure investors against loss, nor does it guarantee the accuracy of the facts represented in the documents. However, both securities laws do provide investors legal recourse if there is false or misleading disclosure in the registration statement or periodic report.

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<sup>12</sup>Compustat II is the trade name of Standard and Poor's computerized data base on thousands of companies traded on the national securities exchanges and in the over-the-counter market. Bank holding companies are not included in the Compustat II data base. The Division has contracted with Cates Consulting Analysts, Inc. to provide data profiles on banks and bank holding companies. In the event a company is neither in the Compustat II data base or the Cates monitoring system, Division staff manually compute the necessary financial ratios and check for a qualified accountant's opinion.

The Division has established written procedures for the full review of both Securities Act and Exchange Act filings. Staff review the filing from several different perspectives--legally, financially, and analytically. As a result, an attorney and/or financial analyst as well as an accountant are usually assigned to each filing selected for full review. The preliminary steps in a full review include notification to the company that the filing has been selected for full review (in the case of registration statements and proxies), determining whether the filing should be referred to other offices within the Commission or to other agencies for comment, and performing background research on the company.

The staff prepare an examination report which provides a record of the work performed during the course of the review. It will disclose what was done, the issues which were raised, and their ultimate resolution. During the review the staff members will identify any disclosure deficiencies. They will prepare a draft letter to the company. This draft letter and the filing are then reviewed by a supervisor. If the supervisor concurs, the comment letter detailing disclosure deficiencies is sent to the company. The company is then responsible for responding to the comments until the issue is resolved or the Division takes some other action, e.g., referral to the Division of Enforcement.

## GAO ANALYSES AND DIVISION VIEWPOINTS

The following discussion highlights the major points that surface from a review of the tables and charts that follow. To process the large number of Securities Act and Exchange Act filings, Division staff prioritize filings as low or high priority, depending on time sensitivity. When the volume and complexity of time sensitive filings is high, only limited resources are available to process the lower priority filings. Division officials have indicated that they are unable to systematically process low priority periodic financial reports because they lack the staff resources. Commission data confirms that there is a growing inventory of unprocessed periodic financial reports.

WORKLOAD OF FILINGS HAS INCREASED

Division officials identified two components of workload which have affected the allocation of staff resources--the number of filings and their complexity. They noted that while the number of filings can be readily quantified, the increasing complexity of filings is less easy to measure.

Number of Filings

We analyzed the number of filings both in terms of the total number filed and the number which received a full review by Division staff. We found that the total number of filings had increased by 17 percent (from 60,252 to 70,646) between FY 1983 and FY 1985 (see app. VI).

However, while the number of some types of filings increased, others declined. The data indicates that the number of Securities Act filings actually declined during this time interval, from 5,773 to 4,879. Division officials stated that the number of Securities Act registration statements was dependent primarily upon factors not subject to their control--market conditions and, in particular, interest rates. FY 1983 was a relatively active year while FY 1984 and FY 1985 were less active. On the other hand, the total number of Exchange Act filings increased during this time interval. Annual reports, proxies, and tender offers increased by 16 percent (from 8,448 to 9,836), 7 percent (from 6,169 to 6,606), and 74 percent (from 307 to 533), respectively between FY 1983 and FY 1985. Division officials explained that the incoming workload of Exchange Act filings was more predictable than Securities Act filings since the submission of periodic financial reports is required and various state laws also require companies to hold annual meetings for their shareholders.

The total number of all filings which received a full review increased by about 23 percent (from 7,531 to 9,289) between FY 1983 and FY 1985. As would be expected, since total Securities Act filings declined, the number of filings under this Act which received a full review also declined during this time interval. In contrast, the number of Exchange Act filings which received a full review increased during this timeframe. Annual reports, proxies, and tender offers receiving a full review increased by 94 percent (from 1,103 to 2,136), 19 percent (from 1,116 to 1,324), and 71 percent (from 259 to 443) respectively between FY 1983 and FY 1985. (See figs. 2.1 to 2.3, which present this and other data taken from WFRECAP reports and budget estimate reports to the Congress.)

Figure 2.1

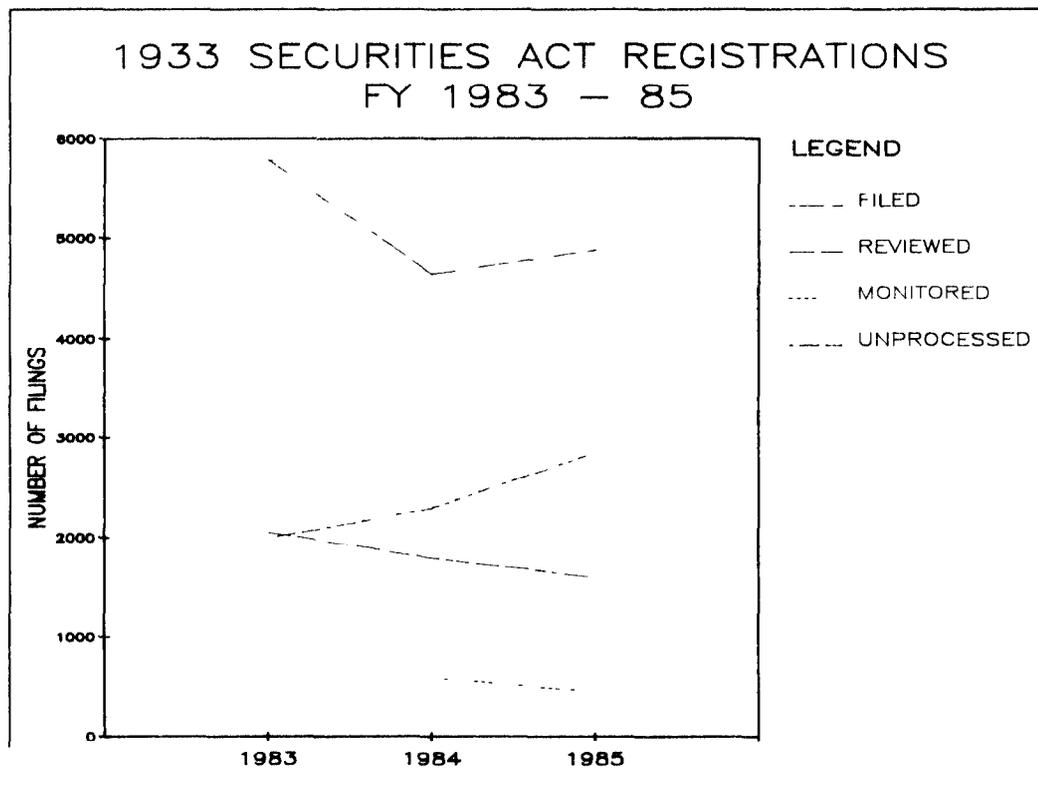


Figure 2.2

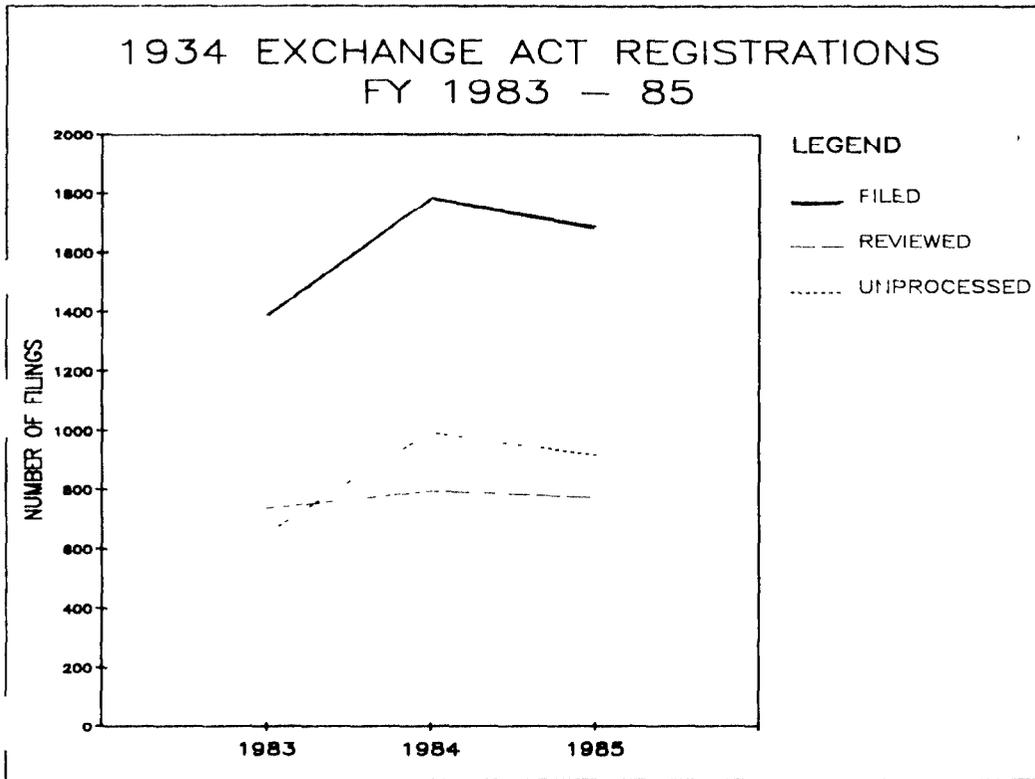
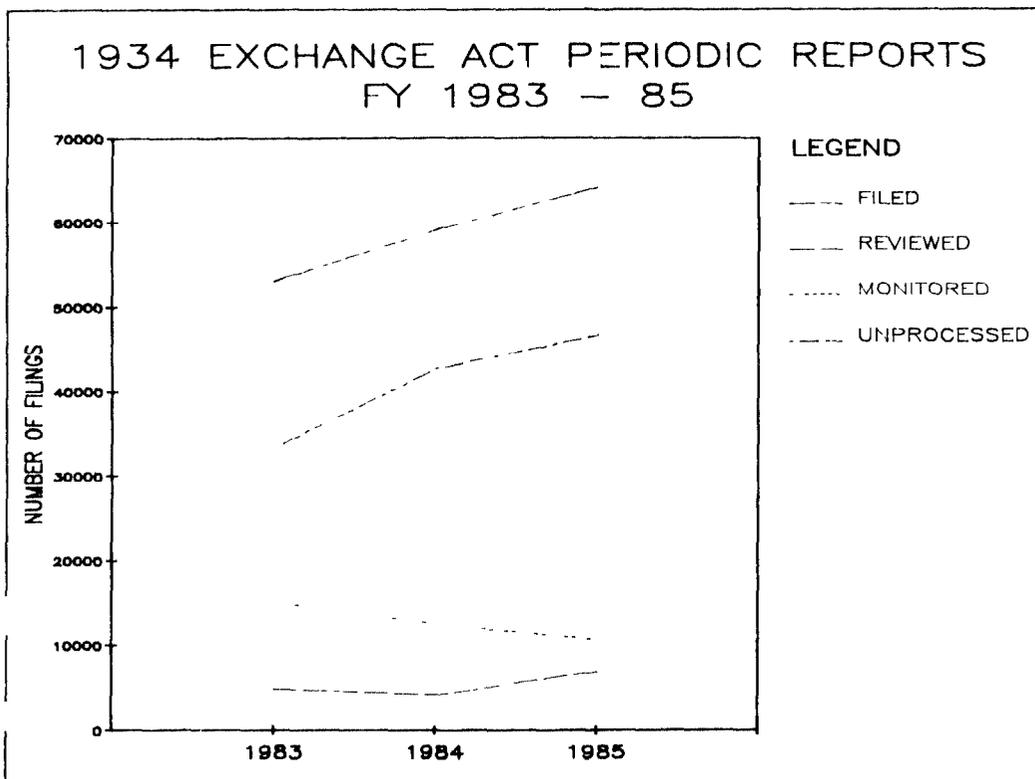


Figure 2.3



We asked Division officials to describe the types of filings they have been processing in the last few months. They stated they have been swamped by Securities Act registration statements in the last few months. Favorable stock market conditions have prompted a number of companies to submit registration statements, primarily to refinance debt. Division officials believe they will continue to receive an unusually high number of filings as long as interest rates remain relatively low.

#### Complexity of Filings Reviewed

Division officials stated that the complexity of both Securities Act registration statements and Exchange Act proxies and tender offers has increased in the last several years. Although the most common form of Securities Act registration statement consists of traditional long-term, nonconvertible debt and common stock offerings, Division officials noted that increasing numbers of exotic and novel securities are being registered. For example, one popular debt financing technique is medium-term notes that have varying maturities ranging from 9 months to over 15 years and either fixed or floating interest rates. Another novel security is to issue debt denominated in foreign currencies.

Division officials also pointed out that there have been a large number of complex and time-consuming proxy contests and hostile tender offers in the last few years. Processing a single filing may require hundreds of staff hours, according to these officials. One official noted that the time and resources spent on such a filing cannot be adequately depicted in budget statistics when compared against simpler filings that were more easily processed.

We tried to determine whether there were any measurable indicators of complexity of review. We computed the average staff hours for the full review of a filing over a period of 3 years to determine whether there were any trends by type of filing (see app. XII). The data indicates that it now takes longer to review the average Securities Act filing but there is no clear trend with respect to Exchange Act filings. Naturally other factors such as staff morale, turnover, and training may also affect the time required to review a filing. However, in FY 1985 the average Securities Act new registration statement required about 152 hours for a full review as compared with an average of about 116 hours in FY 1983-1984. Similarly, in FY 1985 the average standard proxy required about 31 hours for a full review as compared with an average of about 22 hours in FY 1983-1984. On the other hand, in FY 1985 the average annual report required about 50 hours for a full review as compared with an average of about 72 hours in FY 1983-1984.

In addition, we also examined the data to determine whether the types of filings selected for full review had changed over the last several years. The data indicates minor trends that appear to offset one another. The percentage of Securities Act registration statements selected for full review fluctuated slightly from 32.5 percent in FY 1985 compared to 38.4 percent in FY 1984 and 35.4 percent in FY 1983 (see app. VI). On the other hand, the percentage of annual reports, proxies, and tender offers selected for full review increased by varying percentages in FY 1985 when compared against the average percentages for FY 1983 and FY 1984.

DIVISION PRIORITIZES  
FILINGS PROCESSED

The Division prioritizes filings to allocate scarce staff resources. Division officials stated high priority filings are those which are time sensitive because there is either a statutory or regulatory time constraint or a constituency anxious for the Division to complete action on the filing. As discussed earlier, these high priority filings include Securities Act and Exchange Act registration statements, proxies, and tender offers. In contrast, low priority filings are not time sensitive. These filings include the Exchange Act periodic reports--the 10-K annual report, the 10-Q quarterly report, and the 8-K current report. Unless these filings are reviewed within the context of a Securities Act registration statement or a proxy, there is no regulatory requirement or outside constituency urging prompt action on these filings.

As a result, the low priority filings tend to be processed only after the higher priority time sensitive filings have been addressed. If the workload of high priority filings is very high, then the resources available for low priority filings is reduced. Conversely, if the workload of high priority filings is relatively low, then the staff resources are available to process lower priority filings.

PERIODIC FINANCIAL REPORTS ARE NOT  
ALWAYS BEING PROCESSED

Division officials stated that a significant percentage of periodic financial reports are not processed given scarce staff resources and the relatively low priority of these filings.<sup>1</sup> They stated that they usually performed a preliminary screen to

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<sup>1</sup>The term "processed" means a filing which has been: (a) screened and will receive no full review or monitor; (b) reviewed (or monitored) with no comments; (c) reviewed (or monitored) with comments; or (d) withdrawn, abandoned, or the staff is not in a position to review, or monitor.

identify those filings which should receive a full review (or monitoring) at some future date. However, they were not always able to subsequently review (or monitor) those filings.

The statistics confirm that there is a large and growing inventory of aged and unprocessed 10-K annual reports and 10-Q quarterly reports. For example, their data indicates that the ending inventory of unprocessed and aged (over 90 days) 10-K annual reports increased from 5,846 in FY 1983 to 15,551 after the first 6 months of FY 1986 (see app. IX). While Division officials agree there is a large inventory of aged and unprocessed periodic financial reports, they do not believe the actual number is as large as reported. They stated that the staff have actually processed some of these filings in conjunction with the review of other filings but they have not recorded this in their computerized management reporting system.

Division officials said that investors may rely on the integrity of financial reports in making their investment decisions. In 1984 well over \$1 trillion of securities were traded, in part, based on the information contained in these reports. Division officials commented that it disturbed them that they were unable to properly process and, if necessary, review (or monitor) these filings but they stated that they lacked the staff resources to perform this function.

We provided Division officials a copy of the draft fact sheet for their viewpoints. They expressed the view that our aggregating unprocessed 10-K and 10-Q filings from year to year failed to reflect the fact that a substantial number of companies, whose 10-K and 10-Q reports were included in the aggregated backlog had, in fact, been fully reviewed in connection with transactional filings during the period or through the review of earlier or later filed 10-K's. The officials indicated that they did not view unreviewed 10-K's and 10-Q's as backlog once a subsequent 10-K was filed. It was their view that the more relevant consideration was the number of companies whose audited financial statements were reviewed or not reviewed in the period.

Regarding their concerns about the year-to-year aggregation of unprocessed filings, our analysis was based on data from their own computerized management reporting system which provides data on aged inventories of unprocessed filings. Whether subsequent reviews of filings mitigate the Division's need to process all 10-K's and 10-Q's that are filed will be considered in our next report on the full disclosure program.

FUNCTIONAL ALLOCATION OF STAFF YEARS  
FOR THE FULL DISCLOSURE PROGRAM  
FY 1981 - 1985

Function	1981		1982		1983		1984		1985	
	Staff- Years	Percent of Total	Staff- Years	Percent of Total	Staff- Years	Percent of Total	Staff- Years	Percent of Total	Staff- Years	Percent of Total
<u>Review of Filings</u>										
Registrations:										
Securities Act Registration	114.8		91.4		105.5		95.7		95.6	
Exchange Act Registration	7.4		10.2		3.8		4.8		8.8	
Exchange Act Periodic Reports.										
Annual Report	17.6		27.0		41.3		49.9		50.0	
Proxy - Annual Meeting	15.7		16.3		10.6		12.0		25.3	
Proxy - Merger	5.6		7.1		6.1		7.2		11.2	
Proxy - Contests	11.8		10.6		4.8		4.7		4.5	
Tender Offer	4.6 <sup>C</sup>		8.4		2.1		3.9		3.6	
Quarterly & Current	3.5		2.5		5.4		2.9		3.7	
Miscellaneous Filings <sup>B</sup>	9.0		9.8		7.4		8.7		4.1	
Sub-Total	190.0	(46.4%)	183.3	(45.0%)	187.0	(45.9%)	189.8	(46.8%)	206.8	(48.1%)
Overhead	11.0		8.0		20.5		14.0		24.6	
<u>Rulemaking</u>	20.8		26.4		20.2		19.1		11.1	
<u>Legal Advice &amp; Public Information</u>	19.2		18.2		28.1		19.1		18.9	
<u>Regional Office Disclosure</u>	52.9		59.8		55.2		58.1		59.5	
<u>Document Receipt and Distribution</u>	68.4		63.1		61.6		58.4		62.3	
<u>Public Information<sup>B</sup></u>	26.1		28.9		20.2		27.1		27.9	
<u>Accounting Policy</u>	21.3		19.9		18.6		19.6		18.5	
Sub-Total	219.7	(53.6%)	224.3	(55.0%)	224.4	(54.5%)	215.4	(53.2%)	222.8	(51.9%)
TOTAL STAFF YEARS	409.7	(100.0%)	407.6	(100.0%)	411.4	(100.0%)	405.2	(100.0%)	429.6 <sup>D</sup>	(100.0%)
	=====		=====		=====		=====		=====	

<sup>A</sup>Going private proxies, going private schedules, and acquisition statements.

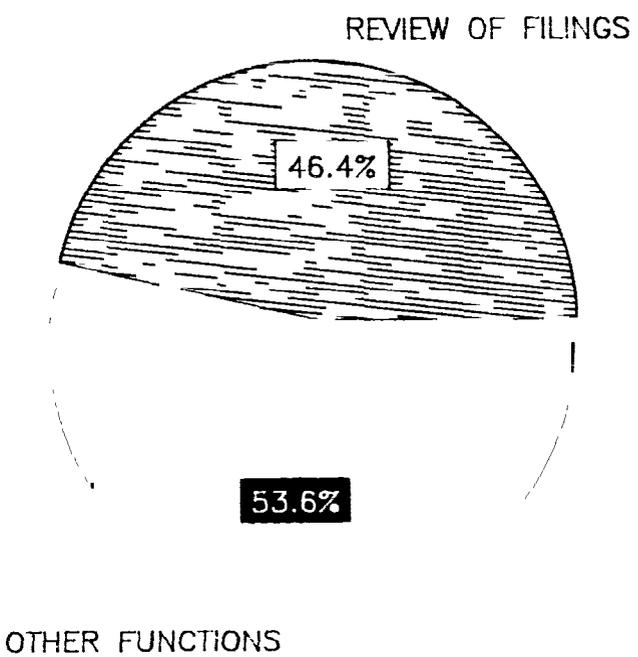
<sup>B</sup>Public reference room and Freedom of Information Act activities.

<sup>C</sup>Prior to FY 1982, acquisition statements were included in the tender offer totals.

<sup>D</sup>Does not include 18.0 staff years allocated to the EDGAR project.

SOURCE: SEC budget estimate reports to the Congress.

# FUNCTIONAL ALLOCATION OF STAFF YEARS FOR THE FULL DISCLOSURE PROGRAM FY 1981-85 (5-YEAR AVERAGE)



SOURCE: SEC BUDGET ESTIMATE REPORTS TO CONGRESS

ORGANIZATIONAL COSTS FOR THE  
FULL DISCLOSURE PROGRAM  
FY 1981 - 1985

<u>Organization</u>	<u>Fiscal Year</u>									
	<u>1981</u>		<u>1982</u>		<u>1983</u>		<u>1984</u>		<u>1985</u>	
	<u>Staff- Years</u>	<u>Cost (\$, millions)</u>	<u>Staff- Years</u>	<u>Cost (\$, million)</u>						
Corporation Finance	241.0		235.9		247.9		242.0		261.4	
Consumer Affairs and Information Services	26.1		28.9		28.1		27.1		27.9	
Applications and Reports Services	68.4		63.1		61.6		58.4		62.3	
Chief Accountant	21.3		19.9		18.6		19.6		18.5	
Regional Offices	<u>52.9</u>		<u>59.8</u>		<u>55.2</u>		<u>58.1</u>		<u>59.5</u>	
Subtotal	409.7		407.6		411.4		405.2	\$18.9	429.6	\$21.3
Electronic Filing (EDGAR)	—		—		—		—	2.0	18.0	6.3
Total Program Cost	<u>409.7</u>	\$15.7	<u>407.6</u>	\$17.3	<u>411.4</u>	\$18.6	<u>405.2</u>	\$20.9	<u>447.6</u>	\$27.7 <sup>a</sup>
	=====		=====		=====		=====		=====	

<sup>a</sup>This total does not add due to rounding.

SOURCE: SEC budget estimate reports to the Congress.

WORKLOAD STATISTICS AND CORRESPONDING STAFF YEARS  
FOR THE FULL DISCLOSURE PROGRAM  
FY 1983 - 1985<sup>a</sup>

		FY 1983		FY 1984		FY 1985	
		Number of Staff		Number of Staff		Number of Staff	
		Filings	Years	Filings	Years	Filings	Years
<u>Securities Act Registrations</u>							
New issuer	Filed	1450		1303		1132	
	Reviewed	1026	69.2	903	48.8	619	42.4
Repeat issuer <sup>b</sup>	Filed	2623		1797		2184	
	Reviewed	621		479		577	
	Monitored	971		169		205	
Post-Effective Amendments	Filed	1700		1537		1563	
	Reviewed	399		400		390	
	Monitored	<u>766</u>	<u>36.3</u>	<u>401</u>	<u>46.9</u>	<u>239</u>	<u>35.2</u>
Sub-Total	Filed	5773		4637		4879	
	Reviewed	2046		1782		1586	
	Monitored	<u>1737</u>	<u>105.5</u>	<u>570</u>	<u>95.7</u>	<u>444</u>	<u>95.6</u>
<u>Exchange Act Registrations</u>							
New Issuer	Filed	139		236		185	
	Reviewed	79	3.5	166	4.6	145	8.6
Repeat issuer	Filed	1250		1548		1500	
	Reviewed	<u>658</u>	<u>0.3</u>	<u>626</u>	<u>0.2</u>	<u>625</u>	<u>0.2</u>
Sub-Total	Filed	1389		1784		1685	
	Reviewed	<u>737</u>	<u>3.8</u>	<u>792</u>	<u>4.8</u>	<u>770</u>	<u>8.8</u>
<u>Exchange Act Periodic Reports.</u>							
Annual Report	Filed	8448		9378		9836	
	Reviewed	1103		1256		2136	
	Monitored	1616	41.3	2936	49.9	350	50.0
Proxy-Annual	Filed	5881		6019		6196	
	Reviewed	915		739		1005	
	Monitored	93	10.6	69	12.0	318	25.3
Proxy-Merger	Filed	250		320		330	
	Reviewed	171	6.1	183	7.2	299	11.2
Proxy-Contests	Filed	38		60		80	
	Reviewed	30	4.8	41	4.7	60	4.5
Tender Offer	Filed	307		387		533	
	Reviewed	259		308		443	
	Monitored	20	2.1	25	3.9	2	3.6
Quarterly/ Current	Filed	32744		36285		39074	
	Reviewed	1824		863		2066	
	Monitored	12970	5.4	9265	2.9	9752	3.7
Miscellaneous <sup>c</sup>	Filed	5422		6563		8033	
	Reviewed	446		666		964	
	Monitored	<u>429</u>	<u>7.4</u>	<u>18</u>	<u>8.7</u>	<u>84</u>	<u>4.1</u>
Sub-Total	Filed	53090		59012		64082	
	Reviewed	4748		4056		6933	
	Monitored	<u>15128</u>	<u>77.7</u>	<u>12313</u>	<u>89.3</u>	<u>10506</u>	<u>102.4</u>
TOTAL	Filed	60252		65433		70646	
	Reviewed	7531		6630		9289	
	Monitored	16865	187.0	12883	189.8	10950	206.8
		=====	=====	=====	=====	=====	=====
Screened, No Review or Monitor		9872		13172		14326	
Unprocessed and Other <sup>d</sup>		25984		32748		36081	

<sup>a</sup>Includes all filings (domestic and foreign).

<sup>b</sup>Does not include S-8 filings and their post-effective amendments.

<sup>c</sup>Going private (proxies and schedules) and acquisition statements.

<sup>d</sup>Other refers to filings which received unusual processing treatment.

SOURCE SEC WFRECAP Reports and budget estimate reports to the Congress.

WORKLOAD STATISTICS AND CORRESPONDING DISPOSITION  
FOR THE FULL DISCLOSURE PROGRAM  
FY 1983 - 1985<sup>a</sup>

		FY 1983		FY 1984		FY 1985	
		Number of	Per-	Number of	Per-	Number of	Per-
		Fillings	cent	Fillings	cent	Fillings	cent
<b>Securities Act Registrations<sup>a</sup></b>							
New issuer	Filed	1450		1303		1132	
	Reviewed	1026	70.8	903	69.3	619	54.7
Repeat issuer <sup>b</sup>	Filed	2623		1797		2184	
	Reviewed	621	23.7	479	26.7	577	26.4
	Monitored	971	37.0	169	9.4	205	9.4
Post-Effective Amendments	Filed	1700		1537		1563	
	Reviewed	399	23.5	404	26.3	390	25.0
	Monitored	766	45.1	400	26.1	239	15.3
Sub-Total	Filed	5773		4637		4879	
	Reviewed	2046	35.4	1782	38.4	1586	32.5
	Monitored	1737	30.1	570	12.3	444	9.1
<b>Exchange Act Registrations</b>							
New issuer	Filed	139		236		185	
	Reviewed	79	56.8	166	70.3	145	78.4
Repeat issuer	Filed	1250		1548		1500	
	Reviewed	658	52.6	626	40.4	625	41.7
Sub-Total	Filed	1389		1784		1685	
	Reviewed	737	53.1	792	44.4	770	45.7
<b>Exchange Act Periodic Reports</b>							
Annual Report	Filed	8448		9378		9836	
	Reviewed	1103	13.1	1256	13.4	2136	21.7
	Monitored	1616	19.1	2936	31.3	350	3.6
Proxy-Annual	Filed	5881		6019		6196	
	Reviewed	915	15.6	739	12.3	1005	16.2
	Monitored	93	1.6	69	1.2	318	5.1
Proxy-Merger	Filed	250		320		330	
	Reviewed	171	68.4	183	57.2	259	78.5
Proxy-Contests	Filed	38		60		80	
	Reviewed	30	79.0	41	68.3	60	75.0
Tender Offer	Filed	307		387		533	
	Reviewed	259	84.4	308	79.6	443	83.1
	Monitored	20	6.5	25	6.5	2	0.4
Quarterly/ Current	Filed	32744		36285		39074	
	Reviewed	1824	5.6	863	2.4	2066	5.3
	Monitored	12970	39.7	9265	25.5	9752	25.0
Miscellaneous <sup>c</sup>	Filed	5422		6563		8033	
	Reviewed	446	8.2	666	10.2	964	12.0
	Monitored	429	7.9	18	0.3	84	1.1
Sub-Total	Filed	53090		59012		64082	
	Reviewed	4748	9.0	4056	6.9	6933	10.8
	Monitored	15128	28.5	12313	20.9	10506	16.4
TOTAL	Filed	60252		65433		70646	
	Reviewed	7531	12.5	6630	10.1	9289	13.1
	Monitored	16865	28.0	12883	19.7	10950	15.5
		*****	*****	*****	*****	*****	*****
Screened, No Review, or Monitor		9872	16.4	13172	20.1	14326	20.3
Unprocessed and Other <sup>d</sup>		25984	43.1	32748	50.1	36081	51.1

<sup>a</sup>Includes all filings (domestic and foreign).

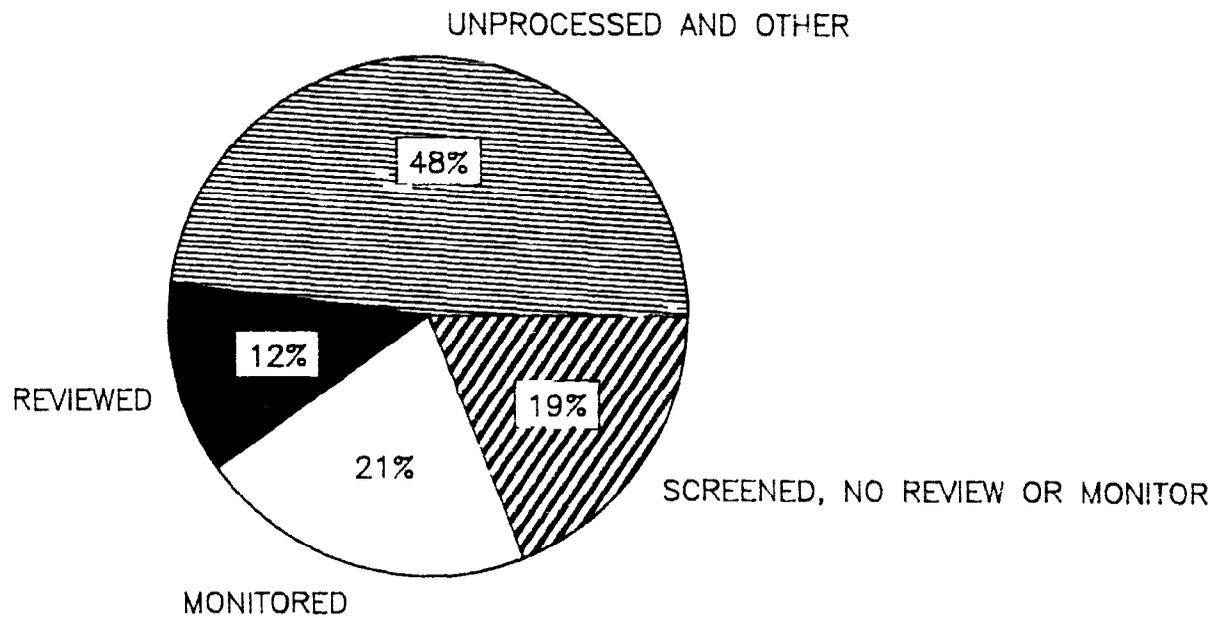
<sup>b</sup>Does not include S-8 filings and their post-effective amendments.

<sup>c</sup>Going private (proxies and schedules) and acquisition statements.

<sup>d</sup>Other refers to filings which received unusual processing treatment.

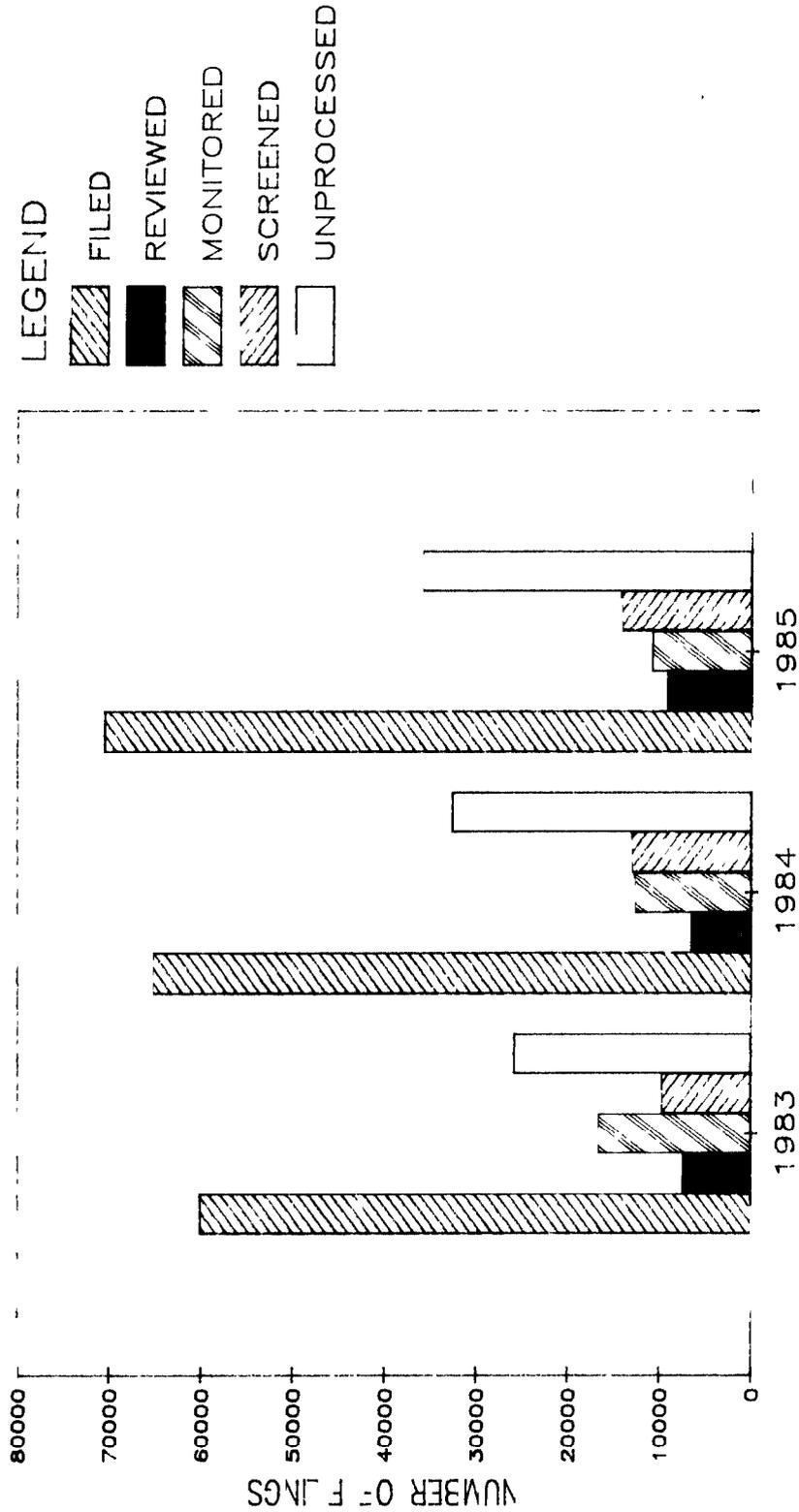
SOURCE SEC WRECAP Reports and budget estimate reports to the Congress.

# TOTAL 1933 SECURITIES AND 1934 EXCHANGE ACT REGISTRATIONS AND REPORTS FY 1983 85 AVERAGE



SOURCE. SEC WFRECAP REPORTS AND BUDGET ESTIMATE REPORTS TO CONGRESS

TOTAL 1933 SECURITIES  
 AND 1934 EXCHANGE ACT  
 REGISTRATIONS AND REPORTS  
 FY 1983 1984 1985



SOURCE. SEC WFRECAP REPORTS AND BUDGET ESTIMATE REPORTS TO CONGRESS

WORKFLOW OF SELECTED 1933 SECURITIES ACT FILINGS  
FY 1983 - 1986

1933 SECURITIES ACT FILINGS:	Beginning Inventory of Unprocessed Filings	Filings Received During Period	Total Number of Filings to Process (Col. 1 + Col. 2)	Total Number of Filings Processed <sup>a</sup>	Ending Inventory of Unprocessed Filings	Age of Unprocessed Inventory At End Of Period			
						1 to 29	30 to 59	60 to 90	Over 90 Days
<u>General Statements -</u>									
S-1 New Issuer									
FY 1983	33	810	843	685	158	100	53	1	4
FY 1984	158	591	749	723	26	21	3	1	1
FY 1985	26	424	450	412	38	36	2	-	-
FY 1986 (Oct. - March)	38	238	276	215	61	49	10	-	2
S-1 Repeat issuer									
FY 1983	12	475	487	448	39	29	8	1	1
FY 1984	39	409	448	423	25	21	3	-	1
FY 1985	25	429	454	433	21	16	4	-	1
FY 1986 (Oct. - March)	21	282	303	265	38	28	7	2	1
S-2 Repeat Issuer									
FY 1983	12	446	458	439	19	14	2	-	3
FY 1984	19	196	215	203	12	11	1	-	-
FY 1985	12	265	277	272	5	5	-	-	-
FY 1986 (Oct. - March)	5	129	134	111	23	19	3	-	1
S-3 Repeat Issuer									
FY 1983	21	1,323	1,344	1,313	31	24	1	1	5
FY 1984	31	799	830	811	19	16	-	-	3
FY 1985	19	946	965	954	11	7	-	-	4
FY 1986 (Oct. - March)	11	620	631	555	76	63	6	1	6

WORKFLOW OF SELECTED 1933 SECURITIES ACT FILINGS  
FY 1983 - 1986

1933 SECURITIES ACT FILINGS	Beginning Inventory of Unprocessed Filings	Filings Received During Period	Total Number of Filings to Process (Col. 1 + Col. 2)	Total Number of Filings Processed <sup>a</sup>	Ending Inventory of Unprocessed Filings	Age of Unprocessed Inventory At End Of Period			
						1 to 29	30 to 59	60 to 90	Over 90 Days
<u>Specialized</u> <u>Statements -</u> S-4 (Business Combination) <sup>b</sup>									
FY 1983	31	697	728	686	42	29	12	1	-
FY 1984	42	617	659	633	26	23	2	-	1
FY 1985	26	528	554	536	18	16	2	-	-
FY 1986 (Oct. - March)	18	<b>258</b>	276	235	41	27	5	3	6
S-11 (Real Estate Investment Trust) <sup>c</sup>									
FY 1983	9	142	151	123	28	15	9	1	3
FY 1984	28	175	203	193	10	8	2	-	-
FY 1985	10	260	270	252	18	17	-	-	1
FY 1986 (Oct. - March)	18	<b>137</b>	155	142	13	11	2	-	-
S-18 (Small Business) <sup>c</sup>									
FY 1983	-	49	49	42	7	3	4	-	-
FY 1984	7	62	69	68	1	1	-	-	-
FY 1985	1	40	41	39	2	2	-	-	-
FY 1986 (Oct. - March)	2	<b>27</b>	29	26	3	3	-	-	-

<sup>a</sup>Total number of filings which received an interim or final disposition during the period.

<sup>b</sup>Weighted average of S-4, S-14, and S-15 registration statements.

<sup>c</sup>New filings processed by headquarters.

SOURCE: SEC W/FRECAP REPORTS.

DISPOSITION OF SELECTED 1933 SECURITIES ACT FILINGS  
FY 1983 - 1986<sup>a</sup>

1933 SECURITIES ACT FILINGS	Total Processed <sup>b</sup>	No Review		Full Review		Monitor		Special <sup>c</sup>		Other <sup>d</sup>	
<u>General Statements -</u>											
<u>S-1 New Issuer</u>											
FY 1983	685	25	(4%)	594	(87%)	62	(9%)	2	(0%)	2	(0%)
FY 1984	723	82	(11%)	613	(85%)	16	(2%)	5	(1%)	7	(1%)
FY 1985	412	75	(18%)	329	(80%)	7	(2%)	0	(0%)	1	(0%)
FY 1986 (Oct. - March)	215	25	(12%)	183	(85%)	3	(1%)	0	(0%)	4	(2%)
<u>S-1 Repeat Issuer</u>											
FY 1983	448	145	(32%)	227	(51%)	76	(17%)	0	(0%)	0	(0%)
FY 1984	423	152	(36%)	230	(54%)	39	(9%)	0	(0%)	2	(0%)
FY 1985	433	193	(44%)	199	(46%)	41	(9%)	0	(0%)	0	(0%)
FY 1986 (Oct. - March)	265	117	(44%)	120	(45%)	23	(9%)	0	(0%)	5	(2%)
<u>S-2 Repeat Issuer</u>											
FY 1983	439	74	(17%)	100	(23%)	262	(60%)	2	(0%)	1	(0%)
FY 1984	203	112	(55%)	52	(26%)	33	(16%)	1	(0%)	5	(2%)
FY 1985	272	182	(67%)	72	(26%)	18	(7%)	0	(0%)	0	(0%)
FY 1986 (Oct. - March)	111	67	(60%)	29	(26%)	13	(12%)	0	(0%)	2	(2%)
<u>S-3 Repeat Issuer</u>											
FY 1983	1,313	627	(48%)	115	(9%)	560	(43%)	6	(0%)	5	(0%)
FY 1984	811	644	(79%)	75	(9%)	85	(10%)	0	(0%)	7	(1%)
FY 1985	954	727	(76%)	129	(13%)	96	(10%)	0	(0%)	2	(0%)
FY 1986 (Oct. - March)	555	427	(77%)	62	(11%)	62	(11%)	0	(0%)	4	(1%)

1933 SECURITIES ACT FILINGS:	Total Processed <sup>b</sup>	DISPOSITION OF SELECTED 1933 SECURITIES ACT FILINGS FY 1983 - 1986 <sup>a</sup>									
		No Review		Full Review		Monitor		Special <sup>c</sup>		Other <sup>d</sup>	
<u>Specialized Statements - S-4 (Business Combination)<sup>e</sup></u>											
FY 1983	686	137	(20%)	207	(30%)	121	(18%)	219	(32%)	2	(0%)
FY 1984	633	407	(64%)	189	(30%)	13	(2%)	21	(3%)	3	(0%)
FY 1985	536	351	(65%)	163	(30%)	19	(3%)	0	(0%)	3	(1%)
FY 1986 (Oct. - March)	235	83	(35%)	127	(54%)	24	(10%)	0	(0%)	1	(0%)
<u>S-11 (Real Estate Investment Trust)<sup>f</sup></u>											
FY 1983	123	9	(7%)	69	(56%)	20	(16%)	25	(20%)	0	(0%)
FY 1984	193	77	(40%)	94	(49%)	21	(11%)	1	(0%)	0	(0%)
FY 1985	252	103	(41%)	143	(57%)	5	(2%)	1	(0%)	0	(0%)
FY 1986 (Oct. - March)	142	53	(37%)	80	(56%)	9	(6%)	0	(0%)	0	(0%)
<u>S-18 (Small Business)<sup>f</sup></u>											
FY 1983	42	0	(0%)	42	(100%)	0	(0%)	0	(0%)	0	(0%)
FY 1984	68	1	(1%)	64	(94%)	2	(3%)	0	(0%)	1	(1%)
FY 1985	39	0	(0%)	37	(95%)	0	(0%)	0	(0%)	2	(5%)
FY 1986 (Oct. - March)	26	1	(4%)	24	(92%)	0	(0%)	0	(0%)	1	(4%)

<sup>a</sup>Percentages may not add to 100 percent due to rounding.

<sup>b</sup>Total number of filings which received an interim or final disposition during the period.

<sup>c</sup>Special refers to the performance of industry monitoring.

<sup>d</sup>Other refers to filings which received unusual processing treatment.

<sup>e</sup>Weighted average of S-4, S-14, and S-15 registration statements.

<sup>f</sup>New filings processed by headquarters.

SOURCE: SEC W/FRECAP REPORTS.

WORKFLOW OF SELECTED 1934 EXCHANGE ACT FILINGS  
FY 1983 - 1986

1934 EXCHANGE ACT FILINGS:	Beginning Inventory of Unprocessed Filings <sup>a</sup>	Filings Received During Period	Total Number of Filings to Process (Col. 1 + Col. 2)	Total Number of Filings Processed <sup>b</sup>	Ending inventory of Unprocessed Filings <sup>a</sup>	Age of Unprocessed Inventory At End Of Period			
						1 to 29	30 to 59	60 to 90	Over 90 Days
<u>Registration</u>									
<u>Statements -</u>									
Form 10									
FY 1983	10	131	141	120	21	9	10	-	2
FY 1984	21	209	230	218	12	4	4	-	4
FY 1985	12	165	177	155	22	12	5	1	4
FY 1986 (Oct. - March)	21	64	85	59	26	6	8	4	8
<u>Financial Reports -</u>									
10-K (Annual)									
FY 1983	13,387	8,366	21,753	14,889	6,864	553	203	262	5,846
FY 1984	6,864	9,275	16,139	5,686	10,453	583	237	293	9,340
FY 1985	10,453	9,698	20,151	4,097	16,054	629	235	271	14,919
FY 1986 (Oct. - March)	16,051	4,492	20,543	1,557	18,986	2,572	399	464	15,551
10-Q (Quarterly)									
FY 1983	35,486	24,777	60,263	47,258	13,005	763	4,389	772	7,081
FY 1984	13,005	27,298	40,303	6,158	34,145	865	5,538	837	26,905
FY 1985	34,145	28,610	62,755	10,457	52,298	974	6,094	975	44,255
FY 1986 (Oct. - March)	52,305	11,974	64,279	4,311	56,968	858	1,792	632	56,686
8-K (Current)									
FY 1983	7,513	7,522	15,035	13,963	1,072	337	136	100	499
FY 1984	1,072	8,454	9,526	7,301	2,225	430	201	234	1,360
FY 1985	2,225	9,784	12,009	8,633	3,376	397	262	248	2,469
FY 1986 (Oct. - March)	3,379	5,612	8,991	5,269	3,722	552	194	182	2,794

WORKFLOW OF SELECTED 1934 EXCHANGE ACT FILINGS  
FY 1983 - 1986

1934 EXCHANGE ACT FILINGS	Beginning Inventory of Unprocessed Filings <sup>a</sup>	Filings Received During Period	Total Number of Filings to Process (Col. 1 + Col. 2)	Total Number of Filings Processed <sup>b</sup>	Ending Inventory of Unprocessed Filings <sup>a</sup>	Age of Unprocessed Inventory At End Of Period			
						1 to 29	30 to 59	60 to 90	Over 90 Days
<u>Proxies<sup>c</sup> -</u>									
Total									
FY 1983	125	6,169	6,294	6,098	196	83	10	5	98
FY 1984	196	6,399	6,595	6,489	106	86	4	5	11
FY 1985	106	6,606	6,712	6,506	206	88	18	7	93
FY 1986 (Oct. - March)	204	3,896	4,100	3,484	616	354	86	17	159
<u>Tender Offers<sup>d</sup> -</u>									
Total									
FY 1983	46	307	353	290	63	5	2	1	55
FY 1984	63	387	450	339	111	23	21	5	62
FY 1985	111	533	644	451	193	18	19	15	141
FY 1986 (Oct. - March)	177	212	389	126	263	21	17	1	224

<sup>a</sup>We were unable to reconcile the differences between ending inventories and beginning inventories between FY 1985 and 1986.

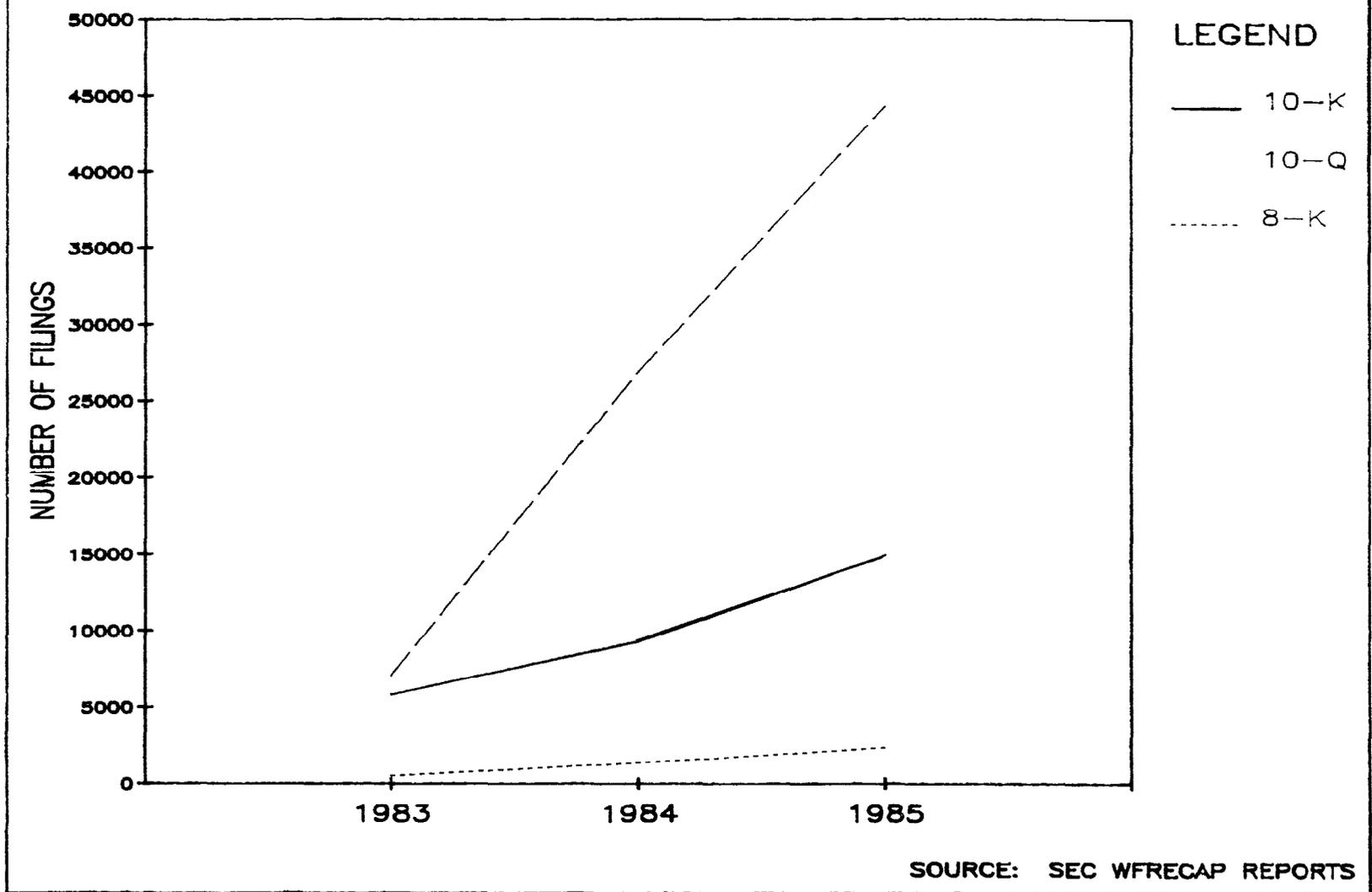
<sup>b</sup>Total number of filings which received an interim or final disposition during this period.

<sup>c</sup>Proxy totals include Preliminary Schedule 14A and 14C, proxy contests, and merger filings. It does not include going private proxies.

<sup>d</sup>Tender offer totals include schedule 13E-4, 14D-1, and 14D-9. It does not include schedule 13E-3 (going private) filings.

SOURCE SEC WRECAP REPORTS.

### WORKFLOW OF EXCHANGE ACT FILINGS UNPROCESSED INVENTORY OVER 90 DAYS FY 1983-85



DISPOSITION OF SELECTED 1934 EXCHANGE ACT FILINGS  
FY 1983 - 1986<sup>a</sup>

1934 EXCHANGE ACT FILINGS	Total Processed <sup>b</sup>	No Review	Full Review	Monitor	Special <sup>c</sup>	Other <sup>d</sup>
<u>Registration</u>						
<u>Statements -</u>						
Form 10						
FY 1983	120	31 (26%)	73 (61%)	4 (3%)	0 (0%)	12 (10%)
FY 1984	218	35 (16%)	155 (71%)	16 (7%)	1 (0%)	11 (5%)
FY 1985	155	17 (11%)	128 (83%)	5 (3%)	0 (0%)	5 (3%)
FY 1986 (Oct. - March)	59	8 (14%)	43 (73%)	4 (7%)	1 (2%)	3 (5%)
<u>Financial Reports -</u>						
10-K (Annual)						
FY 1983	14,889	396 (3%)	1,007 (7%)	1,605 (11%)	94 (1%)	11,787 (79%)
FY 1984	5,686	333 (6%)	1,193 (21%)	2,921 (51%)	61 (1%)	1,178 (21%)
FY 1985	4,097	415 (10%)	1,946 (47%)	348 (8%)	180 (4%)	1,208 (29%)
FY 1986 (Oct. - March)	1,557	296 (19%)	583 (37%)	188 (12%)	89 (6%)	401 (26%)
10-Q (Quarterly)						
FY 1983	47,258	952 (2%)	1,341 (3%)	6,629 (14%)	23 (0%)	38,313 (81%)
FY 1984	6,158	1,993 (32%)	442 (7%)	3,440 (56%)	27 (0%)	256 (4%)
FY 1985	10,457	3,166 (30%)	1,100 (10%)	2,810 (27%)	34 (0%)	3,347 (32%)
FY 1986 (Oct. - March)	4,311	2,060 (48%)	567 (13%)	260 (6%)	22 (1%)	1,402 (32%)
8-K (Current)						
FY 1983	13,963	520 (4%)	454 (3%)	6,063 (43%)	4 (0%)	6,922 (50%)
FY 1984	7,301	1,245 (17%)	383 (5%)	5,549 (75%)	10 (0%)	114 (2%)
FY 1985	8,633	895 (10%)	912 (11%)	6,591 (76%)	14 (0%)	221 (3%)
FY 1986 (Oct. - March)	5,269	840 (16%)	427 (8%)	3,897 (74%)	14 (0%)	91 (2%)

DISPOSITION OF SELECTED 1934 EXCHANGE ACT FILINGS  
FY 1983 - 1986<sup>a</sup>

1934 EXCHANGE ACT FILINGS:	Total Processed <sup>b</sup>	No Review		Full Review		Monitor		Special <sup>c</sup>		Other <sup>d</sup>	
<u>Proxies<sup>e</sup> -</u>											
Total											
FY 1983	6,098	4,848	(79%)	1,115	(18%)	97	(2%)	1	(0%)	37	(1%)
FY 1984	6,489	5,278	(81%)	962	(15%)	74	(1%)	1	(0%)	174	(3%)
FY 1985	6,506	4,784	(73%)	1,324	(20%)	329	(5%)	0	(0%)	69	(1%)
FY 1986 (Oct. - March)	3,484	2,596	(74%)	627	(18%)	222	(6%)	0	(0%)	39	(1%)
<u>Tender Offers<sup>f</sup> -</u>											
Total											
FY 1983	290	7	(2%)	259	(89%)	20	(7%)	0	(0%)	4	(1%)
FY 1984	339	6	(2%)	308	(91%)	25	(7%)	0	(0%)	0	(0%)
FY 1985	451	3	(1%)	443	(98%)	2	(0%)	0	(0%)	3	(1%)
FY 1986 (Oct. - March)	126	0	(0%)	121	(96%)	3	(2%)	0	(0%)	2	(2%)

<sup>a</sup>Percentages may not add to 100 percent due to rounding.

<sup>b</sup>Total number of filings which received an interim or final disposition during the period.

<sup>c</sup>Special refers to a filing reviewed in connection with the full review of a Securities Act filing.

<sup>d</sup>Other refers to filings which received unusual processing treatment.

<sup>e</sup>Proxy totals include Preliminary Schedule 14A and 14C, proxy contests, and merger filings. It does not include going private proxies.

<sup>f</sup>Tender offer totals include schedule 13E-4, 14D-1, and 14D-9. It does include schedule 13E-3 (going private) filings.

SOURCE: SEC WRECAP REPORTS.

INTERIM AVERAGE LAPSE TIME (IN DAYS)  
FOR SELECTED FILINGS WHICH RECEIVED A FULL REVIEW  
FY 1983 - 1986<sup>a</sup>

	- - - - - DAYS - - - - -			
	FY 1983	FY 1984	FY 1985	FY 1986 (Oct. - March)
<u>1933 SECURITIES ACT</u>				
<u>REGISTRATION STATEMENTS</u>				
General Statements -				
S-1 New issuer	37	36	28	29
S-1 Repeat issuer	34	30	26	28
S-2 Repeat issuer	30	28	26	29
S-3 Repeat issuer	21	22	21	19
Specialized Statements -				
S-4 (Business Combination) <sup>b</sup>	31	31	25	23
S-11 (Real Estate investment Trust) New issuer	45	37	27	32
S-18 (Small Business) New issuer <sup>c</sup>	38	34	25	25
<u>1934 EXCHANGE ACT</u>				
<u>REGISTRATION STATEMENTS</u>				
Form 10	45	45	42	45
<u>1934 EXCHANGE ACT</u>				
<u>PERIODIC REPORT</u>				
Financial Reports -				
10-K (Annual)	166	146	139	188
10-Q (Quarterly)	103	97	135	121
8-K (Current)	59	49	52	78
Proxies -				
Preliminary Schedule				
14A and 14C (Standard)	14	14	15	16
Controversy	10	10	9	9
Merger	24	28	28	26

<sup>a</sup> Interim lapse time is the average number of days between the date the filings were received and the date of their interim disposition (e.g. comment letter).

<sup>b</sup> Weighted average of S-4, S-14, and S-15 registration statements.

<sup>c</sup> New filings processed by headquarters only, does not include those processed by regional offices.

SOURCE: SEC WFRECAP REPORTS.

AVERAGE STAFF HOURS  
FOR FULL REVIEW OF FILINGS  
FY 1983 - 1985

	--AVERAGE STAFF HOURS--		
	FY 1983	FY 1984	FY 1985
<u>FULL REVIEW:<sup>a</sup></u>			
<u>1933 SECURITIES ACT</u>			
<u>REGISTRATION STATEMENTS</u>			
New Issuers	123.0	110.0	151.8
Repeat Issuers	101.1	95.0	112.3
<u>1934 EXCHANGE ACT</u>			
<u>REGISTRATION STATEMENTS</u>			
New Issuers	56.6	54.7	127.8
<u>1934 EXCHANGE ACT</u>			
<u>PERIODIC REPORTS</u>			
Financial Reports -			
Annual	75.0	69.9	49.8
Quarterly/Current	4.3	4.0	2.9
Proxies -			
Standard	23.9	20.0	30.8
Contests	166.4	162.9	108.8
Mergers	75.6	75.9	91.4
Tender Offers	30.2	30.3	20.3

<sup>a</sup>Includes all filings (domestic and foreign).  
SOURCE: Budget Estimate Reports.

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