

MEMO# 9594

January 13, 1998

ADDITIONAL SEC GUIDANCE ON YEAR 2000 DISCLOSURE OBLIGATIONS

1 See Memorandum to Investment Adviser Associate Members No. 42-97, Investment Adviser Members No. 46-97, Operations Members No. 26-97, SEC Rules Members No. 80-97, and Internal Audit Ad Hoc Committee, dated October 30, 1997. 2 Revised Bulletin No. 5 also notes that if a company has not made an assessment of its Year 2000 issues or has not determined whether it has material Year 2000 issues, that fact should be disclosed. [9594] January 13, 1998 TO: INTERNAL AUDIT COMMITTEE No. 1-98 INVESTMENT ADVISER ASSOCIATE MEMBERS No. 2-98 INVESTMENT ADVISER MEMBERS No. 2-98 OPERATIONS COMMITTEE No. 3-98 SEC RULES MEMBERS No. 3-98 RE: ADDITIONAL SEC GUIDANCE ON YEAR 2000 DISCLOSURE OBLIGATIONS

The Securities and Exchange Commission recently revised and reissued Staff Legal Bulletin No. 5, the legal bulletin that reminds public operating companies, investment advisers, and investment companies (collectively, "companies") to consider their disclosure obligations relating to anticipated costs, problems and uncertainties associated with the Year 2000 issue.¹ The bulletin was revised to provide more specific guidance under existing SEC rules and regulations in recognition of the importance of the Year 2000 issue and related uncertainty regarding disclosure requirements. A copy of Revised Staff Legal Bulletin No. 5 is attached, and it is summarized briefly below. Among other things, Revised Bulletin No. 5 requires companies to assess the extent to which they have material Year 2000 issues. If a company determines that it has material Year 2000 issues, based on the materiality of such issues with respect to its business, operations, or financial condition, without regard to related countervailing circumstances (such as Year 2000 remediation programs or contingency plans), then the impact of such issues, as well as the countervailing circumstances, should be disclosed.² The Revised Bulletin states that, at a minimum, such disclosure should address the following topics in reasonably specific, meaningful and non-boilerplate language: ` the company's general plans to address the Year 2000 issues relating to its business, its operations (including operating systems) and, if material, its relationships with customers, suppliers, and other constituents; and its timetable for carrying out those plans; and ` the total dollar amount that the company estimates will be spent to remediate its Year 2000 issues, if such amount is expected to be material to the company's business, operations or financial condition, and any material impact these expenditures are expected to have on the company's results of operations, liquidity, and capital resources. Barry E. Simmons Assistant Counsel Attachment Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Library Services Division at (202)326-8304, and ask for this memo's attachment number: 9594.

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