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July 26, 2019

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

File Reference No. S7-05-19
Re: SEC Proposed Rule Release No. 33-10635, *Amendments to Financial Disclosures About Acquired and Disposed Businesses*

Dear Ms. Countryman:

Deloitte & Touche LLP is pleased to respond to the SEC's request for public comment on its proposed rule *Amendments to Financial Disclosures About Acquired and Disposed Businesses.*

We support the SEC's objective of improving its disclosure requirements to enhance the information provided to investors while simplifying the application of the rules governing financial disclosures about acquired and disposed businesses. We believe that these changes will further the Commission's goals of promoting efficiency, competition, and capital formation. As we discussed in our November 2015 letter in response to the Commission's *Request for Comment on the Effectiveness of Financial Disclosures About Entities Other Than the Registrant,* we believe that appropriate and relevant disclosures benefit all market participants and, most importantly, stand to help investors make informed investment decisions.

The body of this letter contains our overall observations on the proposed rule that we believe the Commission should consider as it moves forward with its initiative to improve the financial disclosure requirements for acquired and disposed businesses. The appendix contains further recommendations regarding clarifications to certain technical requirements in Regulation S-X that the SEC may wish to consider making to help preparers apply the final rule.

Significance Tests

We support the Commission's proposal to revise the investment and income tests as described in proposed Rule 1-02(w). We believe that the modifications would improve the application of those tests and would result in fewer instances of anomalous outcomes. However, the Commission may wish to consider the observations below before finalizing the proposed requirements.

Investment Test Under Proposed Rule 1-02(w)

The proposed rule would change the denominator in the investment test to generally be the registrant's aggregate worldwide market value of its common equity determined as of the last business day of the registrant's most recently completed fiscal year. We generally support the Commission's proposal to use this fair value measure. However, we would suggest that the Commission consider allowing the use of a measurement date that is closer to the public announcement date of the acquisition or disposition, which would better align the economic significance of the tested subsidiary with that of the registrant. In addition, while the aggregate worldwide market value of a registrant's common equity may be readily available and objectively determined by the market, the Commission should consider the impact that requiring the use of such an amount in the calculation of the investment test would have on registrants that are highly leveraged or have a complex capital structure (e.g., the capital includes preferred securities).

Income Test Under Proposed Rule 1-02(w) — Revenue Component

Under the revenue component of the proposed rule's income test, a registrant and the tested subsidiary must have "recurring annual revenue." [1] To promote consistent application of the proposed requirements, the Commission should consider clarifying what constitutes "recurring annual revenue." We understand, for example, that some registrants may use the term "recurring revenue" to represent a portion of their total reported net revenues in either their (1) discussion in MD&A or (2) disaggregated revenue disclosure under the FASB's guidance in ASC 606-10-50-5. Further, it may not be clear whether a registrant would have recurring annual revenue if such revenue is (1) in nonconsecutive years, (2) for a partial year, or (3) an unusual one-time occurrence (e.g., a significant cumulative catch-up in revenue due to a regulatory approval triggering a milestone). Finally, the Commission should consider whether additional clarification would benefit registrants in certain industries that may not present a "revenue" amount (e.g., banks and bank holding companies under Article 9).

[1] See proposed Rule 1-02(w)(1)(iii)(A)(2).

Abbreviated Financial Statements

In our experience, registrants have requested and have been routinely granted waivers under Regulation S-X, Rule 3-13, to substitute audited financial statements of assets acquired and liabilities assumed and statements of revenue and expenses (referred to herein as "abbreviated financial statements") for the full financial statements required by Rule 3-05. Therefore, we support the proposed requirement to permit registrants to provide abbreviated financial statements when specified conditions are met since we believe that doing so will facilitate more timely access to the capital markets and reduce the burden associated with obtaining a Rule 3-13 waiver without materially altering the total mix of information available to investors. However, we offer the following observations for the Commission's consideration before the proposed amendments are finalized:

- To help ensure consistent application of the proposed rule, the Commission may wish to clarify other conditions that must be met for providing abbreviated financial statements. We therefore recommend that the Commission consider defining terms such as *separate entity*, *subsidiary, segment,* or *division* in the context of an acquiree, including whether the aggregation of multiple separate entities, subsidiaries, segments, or divisions would meet the criteria for presenting abbreviated financial statements. For example, an acquisition may consist of a single legal entity or subsidiary (or a group of separate legal entities or subsidiaries) that holds certain assets and operations of a product line or line of business. It is unclear whether such an acquisition would meet the criteria in proposed Rule 3-05(e)(1) for presenting abbreviated financial statements. We do not believe that the legal structure of the transaction should affect the ability to present abbreviated financial statements as long as all the other conditions for such presentation are met. Therefore, we recommend that the Commission consider whether it is necessary for proposed Rule 3-05(e) to include requirements related to the legal structure of a transaction.
- Proposed Rule 3-05(e)(5) identifies specific expenses that would **not** be omitted from the abbreviated financial statements (i.e., selling, distribution, marketing, general and administrative, and research and development expenses); however, it is unclear whether the list of identified expenses is intended to be all-inclusive or whether other costs directly associated with revenue-producing activities, such as related impairments, could be omitted. To help ensure consistency in the presentation of abbreviated financial statements, the Commission may wish to consider clarifying the nature of the costs that either (1) may be omitted from the statements of revenues and direct expenses (e.g., corporate overhead, interest and income tax expense) or (2) must be presented in the statements of revenues and direct expenses (e.g., all costs directly associated with the revenue-producing activities).

- Proposed Rule 3-05(e) does not specify the situations in which a registrant may be required to present carve-out financial statements to satisfy Rule 3-05 when it acquires net assets that constitute a business. In the absence of clarification in the final rule or other interpretive guidance, carve-out financial statements, which are more comprehensive than abbreviated financial statements, may be less common under the proposed rules.

Foreign Businesses

We support the proposal to permit a registrant to file Rule 3-05 financial statements of an acquired or to be acquired foreign business[2] that are prepared in accordance with home-country GAAP and reconciled to IFRS® Standards as issued by the International Accounting Standards Board (IASB®) ("IFRS-IASB") instead of U.S. GAAP in circumstances in which the registrant (1) is a foreign private issuer[3] and (2) prepares its financial statements in accordance with IFRS-IASB. We believe that such financial statements and reconciliation would facilitate analysis of the acquiree's performance and financial condition. Accordingly, and for the same reasons, the Commission may wish to consider extending this reconciliation provision to also permit an acquiree that would meet the definition of a foreign private issuer (but not a foreign business) to present a similar reconciliation to IFRS-IASB when conditions (1) and (2) above are met.

When a reconciliation from home-country GAAP to IFRS-IASB is performed, registrants and other stakeholders may benefit from some interpretive guidance on preparing a reconciliation to those standards. In particular, registrants and other stakeholders may benefit from guidance on the applicability of IFRS 1, *First-time Adoption of International Financial Reporting Standards.* Further, it may be unclear whether certain accommodations offered under Form 20-F, Item 17, would be inconsistent with IFRS-IASB requirements (e.g., Form 20-F, Item 17(c)(2)(iv)(A), when IAS 29, *Financial Reporting in Hyperinflationary Economies,* is not applicable or Form 20-F, Item 17(c)(2)(vii), and the use of proportionate consolidation for investments in certain joint ventures).

[2] See Rule 1-02(l).

[3] See Rule 405. The term "foreign private issuer" means any foreign issuer, other than a foreign government, that does not meet the following criteria as of the last business day of its most recently completed second fiscal quarter: (1) more than 50 percent of the outstanding voting securities of such issuer are directly or indirectly owned of record by residents of the United States and (2) any of the following: (a) the majority of the executive officers or directors are United States citizens or residents, (b) more than 50 percent of the assets of the issuer are located in the United States, or (c) the business of the issuer is administered principally in the United States.

Omission of Rule 3-05 Financial Statements

We support the Commission's proposed rule to allow a registrant to omit financial statements of an acquired business when its results have been included in the registrant's audited consolidated results for a "complete fiscal year."[4] This change is expected to ease the burden for entities preparing an initial registration statement when acquisitions have occurred in the earliest years presented in the registration statement while continuing to provide investors with the information they need to make informed investment decisions about the registrant. We also note that it would affect the requirements to provide Rule 3-05 financial statements when such statements have been previously filed by existing registrants. We recommend that the Commission consider whether, in a manner consistent with Rule 3-06 and paragraph 2040.2 of the FRM, there may be circumstances in which a registrant could omit the required financial statements of the acquired business when the results of such business have been included in the registrant's postacquisition audited results for at least nine months. For example, if an acquired business is significant such that only one year of preacquisition financial statements is required (e.g., a consummated acquisition whose significance exceeds 20 percent but does not exceed 40 percent), nine months of postacquisition results could satisfy the Rule 3-05 financial statement requirement. Registrants, including those undertaking an IPO, may have historically analogized to Rule 3-06 and omitted financial statements of an acquired business when the results of such business were included in the registrant's postacquisition audited results for at least nine months. If the Commission intends to change historical practice, we recommend that to avoid confusion, it clarify that Rule 3-06(a)(2) applies only in circumstances in which preacquisition financial statements are required.

Individually Insignificant Acquisitions

Regarding the disclosure requirements for "individually insignificant acquisitions,"[5] we support the Commission's proposal to discontinue requiring Rule 3-05 financial statements for those businesses whose individual significance does not exceed 20 percent. The Commission's stated objective in making this change is to "improve the information provided to investors [and] reduce immaterial disclosure." However, while in some respects the proposed rule would reduce the need to file audited financial statements for *certain* individually insignificant acquisitions, it could also require registrants to provide incremental historical financial information about *other*

[4] See proposed Rules 3-05(b)(4)(iii) and 3-14(b)(3)(iii).
[5] Individually insignificant acquisitions include (1) any acquisition consummated after the registrant's audited balance sheet date whose significance does not exceed 20 percent, (2) any probable acquisition whose significance does not exceed 50 percent, and (3) any consummated acquisition whose significance exceeds 20 percent but does not exceed 50 percent for which financial statements are not yet required by Rule 3-05(b)(4) because of the 75-day filing period.

individually insignificant acquisitions that would not have previously been required and may not otherwise be readily available, thereby delaying access to capital. Accordingly, we note the following for the Commission's consideration before it finalizes the proposed changes:

- Preparation of pro forma financial information under the proposed rule would require detailed financial information about individually insignificant acquisitions. Such financial information may not be readily available or may not have been provided to the registrant during its due diligence procedures, especially if the registrant believes that such information is not material.
- For an auditor to provide negative assurance in a comfort letter on the pro forma financial information for a business combination, auditing standards require that "the historical financial statements of each constituent part of the combined entity on which the pro forma financial information is based be audited or reviewed."[6] Therefore, the proposed requirement to include the individually insignificant acquisitions in the pro forma financial information could affect the auditor's ability to provide standard levels of comfort to underwriters if a material portion of the historical pro forma information has not been subject to audit or review.

Real Estate Operations (Including Blind Pool Real Estate Offerings)

We support the Commission's proposal to (1) improve its disclosure requirements to enhance the information provided to investors in the real estate industry, (2) generally align Rule 3-14 with Rule 3-05, and (3) codify existing staff interpretations. With respect to the proposed amendments related to blind pool real estate offerings, we believe that it would be helpful for the Commission to also clarify the requirements for registrants that acquire businesses in a blind pool offering that is within the scope of Rule 3-05 (e.g., a hotel). If it determines that using Industry Guide 5 in these circumstances is appropriate, the Commission should consider permitting registrants to (1) exclude the income test from their significance determinations for all or part of the distribution period and (2) add the proceeds (net of commissions) that are in good faith expected to be raised in the registered offering over the next 12 months to their total assets in computing the investment and asset tests. These recommendations may result in a reduction of anomalous outcomes that could otherwise occur if the significance tests outlined in Rule 3-05 were used.

[6] See paragraph 42 of PCAOB AS 6106, *Letters for Underwriters and Certain Other Requesting Parties*.

Pro Forma Financial Information

We generally support the Commission's proposal to revise Article 11 to permit greater flexibility with respect to the types of pro forma adjustments that are required. We believe that investors may benefit from insights into the potential effects of the acquisition and the postacquisition plans expected to be taken by management. Since the amendments to Article 11 introduce a new framework that includes a number of new terms and concepts that may increase complexity, registrants, investors, and other stakeholders may benefit from some implementation guidance that clarifies the requirements and helps ensure that they are applied consistently. Further, while we believe that consistency in pro forma financial presentations would be improved under the proposed rule's requirements to provide a subtotal that combines the historical statements and the transaction accounting adjustments (TAAs), the level of subjectivity involved in determining whether management's adjustments (MAs) are required may result in reduced consistency of the overall pro forma presentation.

Management's Adjustments

The proposed rule introduces MAs, a new category of pro forma adjustments that would permit registrants to include in their pro forma financial information and related disclosures forward-looking information that depicts the synergies and other transaction effects identified by management. However, limiting MAs to "reasonably estimable synergies and other transaction effects . . . that have occurred or are reasonably expected to occur" may be overly broad and difficult to apply without further interpretive guidance. For example, preparers may believe that MAs offer an opportunity to provide forecast-like information, which may conflict with the Commission's intent. Therefore, registrants and stakeholders may benefit from more explicit guidance on the nature of MAs that may or may not be allowed. Such guidance could include illustrative examples, like those in proposed Rule 11-02(b)(3), and could be provided in the final rule itself or another form of interpretive guidance. For example, the guidance could clarify:

- *Synergies and other transaction effects* — The proposed rule identifies four examples of synergies and other transaction effects: closing facilities, discontinuing product lines, terminating employees, and executing new or modifying existing agreements; however, registrants may benefit from a discussion of other examples that may or may not be appropriate MAs, including revenue- or sales-related synergies.
- *Nonrecurring items* — The proposed rule eliminates the existing "continuing impact" criterion and instead requires disclosure of revenues, expenses, and gains and losses that will not recur in the income of the registrant beyond 12 months after the transaction. The Commission may wish to clarify whether

nonrecurring items that are necessary to achieve identified synergies (e.g., one-time severance costs to achieve a recurring decrease in compensation expense) would be included in the pro forma statement of comprehensive income, disclosed in the explanatory notes, or both.

- *Reasonably estimable* — The Commission may wish to clarify (1) what criteria should be met for an MA to be "reasonably estimable" and (2) whether a **range** of reasonably estimable synergies and other transaction effects would meet the reasonably estimable criteria for an MA and, if so, what amount within the range would be appropriate for the adjustment.
- *Reasonably expected to occur* — The Commission may wish to clarify whether, to meet the *reasonably expected to occur* criteria for an MA, the synergies and other transaction effects would need to have occurred within a particular timeframe (e.g., within 12 months of an acquisition).
- *Fair and balanced presentation* — The proposed rule indicates that the qualitative information necessary for registrants to give a "fair and balanced" presentation of the pro forma financial information is required for (1) each MA and (2) synergies and other transaction effects that are not reasonably estimable. Preparers and investors may benefit from further clarification regarding the form and content of these expected disclosures.
- *Pro forma balance sheet* — The Commission may wish to clarify the relationship between MAs on the pro forma statements of comprehensive income and those on the pro forma balance sheet. For example, the proposal does not seem to specify (1) when an MA may be appropriate for the pro forma balance sheet or (2) the date by which the transaction should be assumed to have occurred.
- *Multiple transactions* — When more than one transaction has occurred during the period(s) presented, or it is probable that they will occur, proposed Rule 11-02(b)(4) requires each transaction to be presented in separate columns in the pro forma financial statements. Registrants may benefit from guidance that clarifies how proposed Rule 11-02(a)(7), which requires separate presentation of TAAs, MAs, and a subtotal, should be considered in these circumstances. We note that multiple columns for multiple transactions could make the presentation complicated, lengthy, and difficult to understand.

Consistency With U.S. GAAP

While U.S. GAAP (ASC 805-10-50-2(h)) and Regulation S-X, Article 11, both require disclosure of pro forma financial information, the requirements under each differ. ASC 805 provides limited guidance on the presentation and preparation of pro forma

information. As a result, to the extent that ASC 805 is silent with regard to specific requirements, registrants preparing pro forma financial information under ASC 805 may be analogizing to the requirements in Article 11. Before the Commission finalizes the proposed changes to pro forma requirements under Article 11, it should consider coordinating with the FASB to determine its expectations about the effect of the proposed changes on the preparation of pro forma financial information under ASC 805.

Comfort-Letter Considerations

As part of their due diligence responsibilities in a securities offering, underwriters typically request the auditor's involvement. If pro forma information is presented, the registrant's auditor is generally asked to provide "negative assurance in a comfort letter on the application of pro forma adjustments to historical amounts [in] the compilation of pro forma financial information, [and] whether the pro forma financial information complies as to form in all material respects with the applicable accounting requirements of [R]ule 11-02 of Regulation S-X."[7] The proposed rule introduces a new framework for pro forma financial information that would significantly change the manner in which pro forma financial information is presented, particularly with respect to MAs that may be subjective and involve significant management judgment. Given that the auditing standards for providing comfort on pro forma financial information contemplate the existing pro forma requirements in Article 11, the Commission should consider coordinating with the PCAOB to determine whether such standards continue to be appropriate in light of the proposed changes or whether they must be revised and updated to take into account the proposed requirements.

Investment Companies[8]

We support the Commission's objective of tailoring the financial reporting requirements for investment companies with respect to their acquisitions of investment companies and other types of funds. However, we recommend that the Commission consider the following observations as it finalizes the proposed changes:

Applicability of Rule 3-05 to Investment Companies for Nonfund Acquisitions

We recommend that the Commission clarify the circumstances under which an investment company would apply Rule 3-05 to nonfund acquisitions. Footnote 222 in the proposed rule states, "In the event of a non-fund acquisition, investment companies would follow Rule 3-05." Since investment companies generally measure their investments in operating companies at fair value in accordance with the FASB's

[7] PCAOB AS 6101.42, "Pro Forma Financial Information."
[8] In this letter, investment companies registered under the Investment Company Act of 1940 and business development companies are collectively referred to as investment companies.

guidance in ASC 946-320-35-1 and ASC 946-325-35-1, we believe that an investment company would apply Rule 3-05 only to an acquisition of an operating company service provider in situations in which the investment company would be required to either consolidate or apply the equity method of accounting to such operating company under ASC 946-810-45-3 or ASC 946-323-45-2, respectively.

Income Test Under Proposed Rule 1-02(w)(2)(ii) — Calculation of the Numerator

We recommend that the Commission clarify whether the numerator for the tested subsidiary should be calculated as (1) the absolute value of the sum of investment income from dividends, interest, and other income; the net realized gains and losses on investments; and the net change in unrealized gains and losses on investments (Method 1) or (2) the sum of the individual absolute values of each of these components (Method 2).

While the proposed rule does not appear to be consistent about which method an investment company would use, we believe that the numerator should be calculated by using Method 1. If Method 2 were used, there could be a double-counting of realized and change in unrealized gains and losses on investments.

Income Test Under Proposed Rule 1-02(w)(2)(ii)(B) — Five-Year Average

The proposed rule requires a registrant to use the average of the absolute value of the changes in net assets for each of its last five fiscal years ("five-year average") when the change in net assets for the most recently completed fiscal year is "insignificant." We support the use of the five-year average; however, we recommend that the Commission clarify what constitutes an insignificant change. For example, the Commission could adopt the same threshold provided in Rule 1-02(w)(1)(iii)(B)(2) for noninvestment companies. In the absence of a clear definition of "insignificant," registrants' interpretations of a significant subsidiary may differ, which could lead to diversity in practice.

Other Considerations

Independence and Nonclient Affiliates and Investee Companies

Codification of Financial Reporting Policies (FRC) Section 602.02.b.iii, "Interests in Nonclient Affiliates and Investee Companies," provides guidance on the provisions of Regulation S-X, Rule 2-01, that address the independence of accountants. It prescribes tests that are consistent with the income and investment tests under the existing rules that are used to evaluate the materiality of a financial interest in a nonclient investee. It further refers to the definition of a "significant subsidiary" in Rule 1-02 for certain situations involving foreign accountants. We recommend that in connection with the

proposed rule, the Commission also revise FRC Section 602.02.b.iii to conform the materiality tests to the investment and income tests outlined in the proposed rule (while maintaining the respective thresholds). We believe that doing so will avoid unnecessary regulatory complexity and provide consistency in the application of these tests for each of the respective purposes.

Related Businesses

The proposed rule retains the existing requirement in Rule 3-05(a)(3) under which a registrant should evaluate the acquisition of businesses that are related as if they are a single business acquisition. As we recommended in our November 2015 letter in response to the SEC's *Request for Comment on the Effectiveness of Financial Disclosures About Entities Other Than the Registrant*, we continue to believe that the Commission should develop a framework that would allow registrants to provide only those financial statements that would be material to an investment decision. In our experience, registrants have requested, and routinely have been granted, Rule 3-13 waivers that exempt them from the requirements to provide financial statements for related businesses that are not quantitatively or qualitatively material to an investment decision. We suggest that the Commission consider codifying its historical practice and establish a materiality threshold to enable registrants to omit financial statements of related businesses that are clearly not material to an investor.

Impact on Other Rules That Refer to Rule 1-02(w)

Rule 1-02(w) is used to test for significance under Rule 3-05 as well as to test significance for equity method investees (EMIs) under Rules 3-09,[9] and 4-08(g)[10]. We believe that before finalizing the proposed changes to Rule 1-02(w), the Commission should consider any potential impact of such changes on these and other existing rules and staff guidance. For example, the Commission should consider the effect of the proposed change to the investment test on the determination of an EMI's significance. To determine significance under existing guidance, a registrant should evaluate its investment in and advances to the EMI relative to the registrant's total assets. Under the proposed rule, the numerator would instead be compared to the aggregate worldwide market value. Unless the EMI is a newly acquired entity, the numerator may not be equivalent to a fair value amount, in which case the proposed rule may be inconsistent with the Commission's objective of aligning the investment test more closely with relative economic significance.

[9] See SEC Regulation S-X, Rule 3-09(a), "Separate Financial Statements of Subsidiaries Not Consolidated and 50 Percent or Less Owned Persons."
[10] See SEC Regulation S-X, Rule 4-08(g), "General Notes to the Financial Statements: Summarized Financial Information of Subsidiaries Not Consolidated and 50 Percent of Less Owned Persons."

Transition Guidance

Given the number and extent of the significant changes being contemplated in the proposed rule, we recommend that the Commission provide detailed transition guidance to facilitate a smooth and timely implementation. We believe that such guidance, which could be included in the final rule, in the FRM, or in a separate document released contemporaneously with the final rule, may alleviate questions and confusion that often occur when new rules or regulations are published.

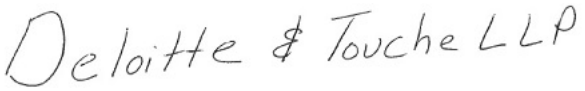
For example, it may be useful for preparers to understand whether the new rules should be applied to all acquisitions (1) consummated after the effective date, (2) reported on Form 8-K or 8-K/A filed after the effective date, or (3) reported in a new or amended registration statement filed after the effective date. Similarly, the Commission should clarify when registrants would apply the new pro forma requirements, particularly if some acquisitions were consummated before the effective date and others were consummated after.

Regardless of the form of the transition guidance, we also recommend that the SEC staff update the key sections of the FRM that the final rule will affect. We believe that the update should (1) clarify which interpretive guidance would continue to apply or be superseded and (2) eliminate any inconsistencies between the final rule and existing staff interpretations. We have observed instances in which the proposed rule (1) codified some, but not all, interpretive guidance and (2) is inconsistent with certain existing interpretations. Accordingly, we recommend that the staff reevaluate and update its interpretive guidance in conjunction with issuing the final rule.

* * * *

We appreciate the opportunity to provide our perspectives on the current proposal. If you have any questions or would like to discuss these issues further, please contact Christine Davine at [redacted] or Lisa Mitrovich at [redacted].

Sincerely,



Deloitte & Touche LLP

cc: Jay Clayton, Chairman
Robert J. Jackson, Jr., Commissioner
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William H. Hinman, Director, Division of Corporation Finance
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Sagar Teotia, Chief Accountant

Appendix — Additional Recommendations

The table below describes certain additional clarifications the SEC may wish to make related to (1) the proposed disclosure requirements and (2) selected questions raised in the proposed rule. We believe that such clarifications could be helpful to preparers and other users of the rules.

Proposed Rule	**Recommendation**
1-02(w)(1)(i)	Consider clarifying how the term "common equity" would apply to registrants whose capital structure is complex (e.g., multiple-share-class structures, exchangeable shares).
3-05(a)(1)	Clarify whether the phrase "prepared and audited in accordance with this regulation" refers to Regulation S-X or some other regulation. We note that proposed Rule 3-14(a)(1) indicates that the financial statements should be prepared and audited in accordance with Regulation S-X; however, all other similar references in the proposed rule refer to "this regulation."
3-05(a)	Clarify whether the phrase "applicable independence standards" refers to any independence standard other than those described in either Article 2 or the independence standards of the AICPA.
3-05(b)(4)(i) 3-14(b)(3)(i)	Consider removing or amending the reference to "aggregate impact specified in paragraph (b)(2)(iv)" in proposed Rule 3-05(b)(4)(i), which describes circumstances in which financial statements may be omitted. The reference may be unnecessary and confusing to apply in practice. Proposed Rule 3-05(b)(2)(iv) appears to sufficiently describe the situations in which the aggregate requirement is triggered and the financial statements that would be required. The same observation applies to proposed Rule 3-14(b)(3)(i).
3-05(e) 3-05(f)(2)	Consider expanding the reference in proposed Rules 3-05(e) and 3-05(f)(2) that indicates that abbreviated financial statements may be "prepared and audited in accordance with this regulation" to clarify that "this regulation" includes certain independence standards. This modification would be consistent with the proposed changes to Rules 3-05(a)(1), 3-14(a)(1), and 6-11(a)(1).
3-05(f)(1)	Consider removing the italic from the word *significant* given that the FASB's ASC master glossary does not include that term in its definition of oil-and gas-producing activities.
11-01(b)(2)	Consider aligning the criteria for measuring the significance of a disposition of real estate operations with that for the significant acquisition of real estate operations (e.g., solely consider the modified

	investment test) to improve the consistency of financial reporting and help eliminate complexity and confusion that may occur because of the different criteria.
11-01(b)(3)	For a registrant, clarify whether the phrase "most recent annual consolidated financial statements filed at or prior to the date of acquisition or disposition" is meant to align with the historical practice described in paragraph 2015.2 of the FRM, which refers to "required to be filed." For a nonpublic acquired or to be acquired business, clarify how the phrase "most recent annual financial statements of each such business" in proposed Rule 11-01(b)(3) would be applied, particularly when an acquisition occurs early in the acquiree's fiscal year.
11-01(b)(3)(i)	In Rule 11-01(b)(3)(i), consider replacing the reference to the use of the pro forma amounts in proposed Rule 11-02(a)(6)(i) with a reference to the use of proposed Rule 11-02(a)(7), which contemplates the separate subtotal column that combines the historical statements and TAAs before the column depicting MAs.
11-02(a)(6)(i)(B)	Clarify whether proposed Rule 11-02(a)(6)(i)(B), which indicates that the pro forma statements of comprehensive income must include the effects of the balance sheet TAAs, should include the effects of TAAs in instances in which a pro forma balance sheet is not required because the transaction is already reflected in the historical balance sheet (proposed Rule 11-02(c)(1)). In addition, consider providing examples illustrating when the pro forma effect of a transaction would not have a balance sheet effect, as described in Rule 11-02(a)(6)(i)(B), to ensure consistency in presentation of pro forma information.
11-02(b)(5)(ii)	Since the term *separate return basis* is explicitly used in U.S. GAAP, consider clarifying whether the requirement in proposed Rule 11-02(b)(5)(ii) is intended only for a registrant's financial statements prepared in accordance with U.S. GAAP or whether it also applies to a registrant's financial statements prepared in accordance with IFRS-IASB.
Form 8-K, Item 2.01, Instruction 4(i)	Consider whether the threshold requirement related to reporting an **asset** acquisition or disposition in Instruction 4(i) to Form 8-K, Item 2.01, should be revised to 20 percent. Such a change would be consistent with the significance thresholds for **business** acquisitions or dispositions under proposed Rules 3-05 and 3-14 and would eliminate unnecessary complexity and confusion that could result from the current differences.