



November 13, 2018

Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

Via Email to rule-comments@sec.gov

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**Re: File Number S7-19-18
Proposed Rule, Financial Disclosures About Guarantors and Issuers of
Guaranteed Securities and Affiliates Whose Securities Collateralize a
Registrant's Securities**

Dear Office of the Secretary:

Grant Thornton LLP appreciates the opportunity to comment on the Securities and Exchange Commission ("SEC" or "Commission") Proposed Rule, *Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities* ("Proposed Rule"). We broadly support the Commission's objective in this proposal to provide investors with material information given the specific facts and circumstances, make the disclosures easier to understand, and reduce the costs and burdens to registrants. We are providing our firm's perspective gained primarily from serving public companies as independent accountants, including interaction with the SEC staff in this capacity. We encourage the Commission to continue its outreach to investors, registrants and other stakeholders as part of its Disclosure Effectiveness Initiative.

**Financial statements of guarantors and issuers of guaranteed securities
registered or being registered**

Method of excluding non-obligated subsidiaries

The proposed rule would require the parent company to provide summarized financial information, as specified in Regulation S-X, Rule 1-02(bb)(1), for the Obligor Group, excluding any non-obligated entities as well as any issuers and guarantors whose information is required to be presented separately. Further, the proposed rule would allow flexibility to the parent company in determining the method it uses to calculate the amounts to exclude related to non-obligated subsidiaries, so long as the selected method is disclosed and used for all non-obligated subsidiaries for all classes of guaranteed securities for which the disclosure is required, and is reasonable in the circumstances.

We support the flexibility provided in the proposed rule; however, we recognize the method selected will impact the summarized financial information for the Obligor Group and other issuers and guarantors whose information is required to be presented separately. Given that the registrant may elect to include such summarized information in the consolidated financial statements in the registration statement for sale of subject securities and the proposed rule would require it to be included in the financial statements commencing with the annual report for the year in which such securities were sold, we believe the Commission should require registrants to use a method that is permitted under the accounting framework used to prepare their financial statements or otherwise specified in any amendment to Regulation S-X.

Summarized information for certain issuers and guarantors

The proposed rule would require separate disclosure of summarized financial information for one or more subsidiary issuers and guarantors where factors exist that would affect payments to holders of guaranteed securities (for example, in cases where contractual or statutory restrictions exist on dividends, guarantee enforceability and rights of the non-controlling interest holders). In a securities offering, several guarantors may be subject to restrictions that are similar in nature with respect to their ability to make payments to security holders. In light of the objective to provide meaningful information to the investors that is easy to understand, the Commission should consider providing a framework for presenting summarized financial information for such guarantors in aggregate based on the nature of restrictions.

Location of proposed disclosures

Summarized financial information

The proposed rule would allow the parent company to provide the summarized financial information and other related disclosures in a footnote to its consolidated financial statements or, alternatively, in management's discussion and analysis of financial condition and results of operations ("MD&A"), in its registration statement covering the offer and sale of the subject securities and any related prospectus, and in Exchange Act reports on Forms 10-K and 10-Q required to be filed during the fiscal year in which the first bona fide sale of the subject securities is completed. If not otherwise included in the consolidated financial statements or in MD&A, the parent company would be required to include these disclosures in its prospectus immediately following "Risk Factors," if any, or otherwise, immediately following pricing information described in Regulation S-K, Item 503(c).

In connection with sale of subject securities, where proposed disclosures have been presented outside the historical financial statements, it is likely that the underwriters or other financial intermediaries will request comfort from the independent auditors on such information. In order to provide comfort, the independent auditors will need to perform additional procedures on the summarized financial information and other quantitative disclosures, which will be incremental to the audit of the consolidated financial statements. Accordingly, while the company will incur costs related to such incremental procedures, investors will lose the benefit arising out of the audit of such information. We recommend that the Commission consider input from investors in making their determination related to location of proposed disclosures.

Other disclosures

The proposed rule would also require the registrant to provide quantitative or qualitative information that would be material to making an investment decision with respect to the guaranteed security. Identification of such matters will require an in-depth understanding of several legal aspects of the guarantee and the auditors may not possess the requisite qualification and expertise to assess whether any additional information will be material to the investors. Accordingly, we believe that such additional disclosures should be provided outside the financial statements.

Periods to be presented

The proposed rule would permit the parent company to present summarized financial information only for the most recent fiscal year and any subsequent interim period presented by the parent company. We support the Commission's view that most recent financial information will help facilitate an investor's evaluation of whether the entities in the Obligor Group have the ability to make payments as required under the guaranteed security, including what assets are available to satisfy those obligations and would reduce compliance costs for registrants.

Further, we believe that, consistent with the MD&A requirements outlined in S-K Item 303, the Commission should consider requiring registrants to evaluate and disclose information in MD&A with respect to known trends and uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on results of operations or capital resources of the Obligor Group and other issuers and guarantors whose information is required to be presented separately.

Adequacy of financial information

The objective of presenting summarized financial information and other related disclosures is to provide material information that would help facilitate an investor's evaluation of whether the entities in the Obligor Group have the ability to make payments as required under the guaranteed security, including what assets are available to satisfy those obligations. Unlike holders of common stock, holders of debt securities are expected to be interested in debt service more than operating performance of the company and hence may require cash flow information for the Obligor Group. We recommend that the Commission consider input from investors with respect to the need for providing summarized cash flow information.

Transition guidance

We believe that preparers and other stakeholders will benefit if the final rule includes transition guidance related to the following:

- applicability of final rule to securities that have already been sold and are outstanding on the effective date
- whether the final rule will be effective for (a) registration statements and periodic reports filed after the effective date, or (b) for periods ending after effective date, or (c) securities sold after effective date.

Affiliates whose securities collateralize securities registered or being registered

We broadly support the proposed changes with respect to the affiliates whose securities collateralize registered securities. Our comments with respect to location of proposed disclosures, periods presented and transition guidance described above also apply to the proposed Regulation S-X, Rule 13-02.

We appreciate the opportunity to provide our views related to the Proposed Rule and would be pleased to discuss our comments with you. If you have any questions, please contact Bert Fox, National Managing Partner of Professional Standards, at [REDACTED] or [REDACTED]
[REDACTED]

Sincerely,

