



December 3, 2018

Via Email to: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Securities and Exchange Commission  
Mr. Brent J. Fields  
Secretary  
100 F Street, NE  
Washington, DC 20549-1090

***File Reference No. S7-19-18; Release No. 33-10526, Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities***

On July 24, 2018, the Securities and Exchange Commission (the "Commission") issued proposed rule amendments which seek to simplify and streamline the disclosure requirements related to registered debt securities for guarantors and issuers of guaranteed securities, as well as for affiliates whose securities collateralize an issuer's securities. FedEx Corporation ("FedEx") appreciates the opportunity to provide comments on the proposed amendments.

FedEx is a global company that provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce and business services. Our annual revenues total approximately \$67 billion, we have more than 425,000 team members, and we serve customers in more than 220 countries and territories. Our financial statements are prepared in accordance with accounting principles generally accepted in the U.S. and our common stock is listed on the New York Stock Exchange. We present our views from the perspective of a financial statement preparer and as a large accelerated filer registered with the Commission.

Pursuant to Rule 3-10 of Regulation S-X, we have been required to provide condensed consolidating financial statements for our guarantor subsidiaries and non-guarantor subsidiaries since our fiscal year 2007. We satisfy the two primary conditions to qualify for alternative disclosure under Rule 3-10, as our subsidiary guarantors are 100% owned by the parent company guarantor, and the guarantees are full and unconditional. However, we must provide detailed condensed consolidating financial statements for these entities because our non-guarantor subsidiaries are not considered "minor" under Rule 3-10. Accordingly, we include audited annual and unaudited condensed consolidating financial statements for our guarantor subsidiaries and non-guarantor subsidiaries in our corresponding reports on Forms 10-K and 10-Q filed pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"). These financial statements include all major line items found in our consolidated parent company balance sheets, income statements and statements of cash flows.

FedEx strongly supports the Commission's efforts to provide disclosure simplification and promote capital formation. As noted in our November 30, 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 the costs and challenges of complying with Rule 3-10 of Regulation S-X significantly outweigh the value to investors, debt holders and other users of our financial statements. The preparation and review of our guarantor subsidiary and non-guarantor subsidiary financial statements is time-consuming and costly, requiring approximately 280 hours per year. In order to prepare these financial statements, complex information must be gathered from multiple sources across our enterprise and numerous reports and spreadsheets are generated. This information is used for no purpose other than to comply with the specific requirements of Rule 3-10. Additionally, these financial statements are required to be prepared using a unique format that is not found elsewhere in Commission rules or other applicable accounting standards. Because our general ledger and financial reporting systems are not structured to accommodate this basis of reporting, our business is not evaluated on this basis, and no other similar financial statements are used in our company, the preparation of these financial statements is inherently manual and significantly time-consuming and costly.

We have questioned whether users reference this information in their decision making. Since we were first required to prepare guarantor subsidiary and non-guarantor subsidiary financial statements in accordance with Rule 3-10, we have received very few questions relating to such disclosures from investors, debt holders or other users. The vast majority of the questions posed have been general in nature. For example, several debt holders have asked which FedEx entities are guarantor subsidiaries and non-guarantor subsidiaries, respectively. In those cases, we have been able to easily refer them to information regarding our debt offerings filed with the Commission.

### **Eligibility for Alternative Disclosures**

We support the proposal to replace the current Rule 3-10 requirement that a subsidiary issuer or guarantor be 100% owned by the parent company with a condition that it be consolidated in the parent company's financial statements. We believe that from an investor's perspective, there is no practical difference between subsidiaries that are 100% owned and ones that otherwise meet the requirements for consolidation.

In addition, we support the proposal to eliminate Rule 3-10's numerical thresholds to determine the form and content of disclosure and instead require disclosures to the extent material to holders of the guaranteed security. We believe this change supports the Commission's broader disclosure effectiveness initiatives aimed at improving disclosure requirements for the benefit of investors and issuers.

### **Disclosure Requirements and Periods to Present**

We support the proposal to replace the condensed consolidating financial statements currently required by Rule 3-10 with summarized financial information, and the related proposal to allow the summarized financial information to be presented on a combined basis.

We believe that providing summarized balance sheets and income statements for the obligor group provides investors with the information necessary to evaluate the obligor group's ability to make payments on the related securities, and that as long as the payments are made timely and in full, investors are indifferent as to whether the payment ultimately comes from the issuer or from another entity in the obligor group.

The proposed amendments would require summarized financial information to be presented for the most recently completed fiscal year and year-to-date interim period, as applicable. While we agree that disclosures for the most recently completed fiscal year should be provided, we believe that interim disclosures should be limited to qualitative information if no material changes have occurred since the end of the most recently completed fiscal year. We believe this method of presentation would provide interested parties with information needed to make informed investment decisions while significantly alleviating the burden of public issuers.

### **Disclosure Location**

The proposed amendments provide issuers flexibility to present the summarized financial information inside or outside of the consolidated financial statements in registration statements covering the offer and sale of the guaranteed debt securities and any related prospectus, as well as 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 securities is completed. However, the parent company would be required to provide the information in a footnote to the consolidated financial statements in its Forms 10-K and 10-Q beginning with the Form 10-K for the fiscal year during which the first bona fide sale of the subject securities is completed.

We believe the proposed disclosures should be presented outside of the consolidated parent company financial statements in all Exchange Act reports for so long as a disclosure obligation relating to guaranteed debt securities remains, as this information is supplementary to the financial statements. This would reduce the costs of preparing the disclosures by allowing the information to be unaudited. Additionally, the information would still be subject to the company's disclosure controls and procedures and required certifications. Further, allowing companies to present the proposed disclosures inside or outside of the consolidated parent company financial statements could lead to confusion and hinder the ability of interested persons to find important information.

Finally, we respectfully ask the Commission to consider (i) providing detailed transition guidance clarifying when registrants would need to satisfy the new requirements in both Exchange Act reports and new registration statements filed after the final rule's effective date and (ii) implementing temporary relief measures if the proposed amendments are not adopted in time to be applicable to calendar-year 2018 Form 10-K filings.

We appreciate the opportunity to comment and thank you for your consideration of our comments. If you have any questions, please contact Jennifer Johnson at [REDACTED].

Sincerely,



John L. Merino  
Corporate Vice President and  
Principal Accounting Officer



Jennifer L. Johnson  
Staff Vice President and  
Corporate Controller