

Appendix A

Summary of Most Significant SEC Amendments¹

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Topic	Rule(s) Impacted	Summary of Change / Amendment
Significance Tests - Investment Test	Rule 1-02(w)(1)(i); Definition of “Significant Subsidiary” in Securities Act Rule 405 and Exchange Act Rule 12b-2	<p>The current investment test compares the registrant’s investment in the target to the carrying value of the registrant’s total assets.</p> <p>The amended test compares the registrant’s investment in the target to the “aggregate worldwide market value” of the registrant’s voting and non-voting common equity, when available. If the registrant does not have publicly traded equity, the current investment test will continue to apply. Registrants are to use the average of aggregate worldwide market value calculated daily for the last five trading days of the most recently completed month ending prior to the earlier of the announcement date or agreement date of the transaction. The SEC believes that using the registrant’s aggregate worldwide market value would address a measurement mismatch as the purchase or sales price for the target is generally consistent with fair value whereas the registrant’s total assets are measured at book value.</p> <p>For purposes of the amended test, “investments in” the target includes the fair value of contingent consideration if required to be recognized at fair value by the registrant at the acquisition date under U.S. GAAP or IFRS-IASB, as applicable. However, if recognition at fair value is not required, all contingent consideration must be included, except that for which the likelihood of payment is remote.</p> <p>The amended investment test is limited to testing significance for acquisitions and dispositions. The “aggregate worldwide market value” will not be used in place of the registrant’s total assets for</p>

¹ This summary does not address amendments via this [adopting release](#) that are applicable to financial statements of a target that includes oil and gas producing activities (discussed on pages 47-50 of the release) and amendments to financial disclosure about acquisitions specific to investment companies as addressed by Article 6 (discussed on pages 123-145 of the release), which generally conforms the requirements to Rule 3-05.

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		purposes of the investment test to determine significance of equity method investees under Rules 3-09 and 4-08(g).
Significance Tests - Income Test	Rule 1-02(w)(1)(iii); Definition of "Significant Subsidiary" in Securities Act Rule 405 and Exchange Act Rule 12b-2	<p>The current income test compares the target's and registrant's income from continuing operations before income taxes, extraordinary items, and cumulative effects of changes in accounting principles.</p> <p>The amended rule adds a revenue component to compare the registrant's and its other subsidiaries' proportionate share of the target's consolidated total revenues from continuing operations (after intercompany eliminations) to the registrant's consolidated total revenues for the most recently completed fiscal year. The revenue component does not apply if either the registrant and its subsidiaries consolidated or the target did not have material revenue in each of the two most recently completed fiscal years. If the revenue test applies, the target has to meet the significance thresholds under both the income and revenue components, although the registrant may use the lower of the revenue and net income components to determine the number of periods for which target financial statements are required.</p> <p>If the revenue test does not apply and the absolute value of the registrant's income from continuing operations before income taxes for the most recent fiscal year is at least 10 percent lower than the average of the absolute value of such amounts for each of the last five fiscal years, the amended rule requires the registrant to use the average of the absolute value of net income for the most recent five years, and not to use zero for loss years.</p> <p>The income test may be determined using the target's revenues less the expenses permitted to be omitted by new Rule 3-05(e) if the business meets the conditions as discussed under "Financial Statements For Acquisition of Component of an Entity that Constitutes a "Business" (as defined in Rule 11-01(d))" below.</p>

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		The SEC expects that adding a revenue component would reduce the frequency of the anomalous result of immaterial acquisitions being deemed significant.
Number of Years of Financial Statements for Significant Acquisitions	Rule 3-05(b)(2)	<p>The amended rule eliminates the current requirement to file the third year of Rule 3-05 financial statements for an acquisition that exceeds 50% significance. Where a significance test exceeds 20%, but none exceeds 40%, the amended rule eliminates the requirement to provide a comparative interim period when only one year of audited Rule 3-05 financial statements is required.</p> <p>In adopting this rule change, the SEC noted that due to their age, the third year of Rule 3-05 financial statements is less likely to be indicative of the current financial condition, changes in financial condition, and results of operations of the target, and the requirement to prepare and obtain an audit of the third year of pre-acquisition financial statements can add significant incremental cost and time. The SEC also noted that providing a comparative interim period when there is no requirement for a corresponding comparative annual period may have limited utility for investors and imposes an additional burden on registrants. The SEC further noted that regardless of the number of years presented, if trends depicted in Rule 3-05 financial statements are not indicative or are otherwise incomplete, Rule 4-01(a) requires that a registrant provide “such further material information as is necessary to make the required statements, in light of the circumstances under which they are made, not misleading.”</p>
Financial Statements For Acquisition of Component of an Entity that Constitutes a “Business” (as defined in Rule 11-01(d))	Rule 3-05(e)	If a registrant acquires a “business” (as defined in Rule 11-01(d)) that is not a standalone entity, subsidiary, operating segment, or division, the registrant may be permitted to provide abbreviated financial statements of assets acquired and liabilities assumed (instead of a balance sheet) and statements of revenues and expenses (instead of a statement of income). The statement of revenue and expenses must include expenses incurred by or on behalf of the target during the pre-acquisition financial statement periods to be presented but may otherwise omit corporate

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		<p>overhead and exclude interest expense for debt that will not be assumed and income tax expenses.</p> <p>The conditions that must be met to permit a registrant to provide these abbreviated financial statements include that:</p> <ul style="list-style-type: none"> • The total assets and total revenues (both after intercompany eliminations) of the target constitute 20% or less of such corresponding amounts of the seller and its subsidiaries consolidated as of and for the most recently completed fiscal year; • The target was not a separate entity, subsidiary, operating segment (as defined in U.S. GAAP or IFRS-IASB, as applicable), or division during the periods for which the target financial statements would be required; and • No separate financial statements of an entity or accounts for the omitted expenses have been previously prepared or maintained. <p>The SEC believes that 20% or less is an appropriate level for identifying when the target is a small portion of the selling entity because, at that level, it is reasonable to expect that expenses would not be fully allocated. The SEC noted that the registrant could seek relief pursuant to Rule 3-13 in situations where the acquired business exceeds the 20% threshold but the registrant nonetheless confronts unique challenges in making the relevant allocations necessary to provide Rule 3-05 financial statements (Rule 3-13 gives the SEC the authority to modify or waive a company's financial reporting obligations under Regulation S-X, based on the facts and circumstances, as long as modifying or omitting the disclosure is consistent with investor protection).</p> <p>The SEC recognizes that registrants frequently acquire a component of an entity that is a "business" as defined in Rule 11-01(d) but does not constitute a separate entity, subsidiary, or division. In such circumstances, making relevant allocations of the selling entity's corporate overhead, interest, and income tax</p>

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		<p>expenses necessary to provide Rule 3-05 financial statements may be impracticable and abbreviated financial statements appropriately balance the cost of preparing financial disclosure with the protection of investors.</p> <p>This amended rule does not address “carve-out” financial statements.</p>
Timing of Financial Statement Requirements	Rules 3-05(a)(1) and (b)(3); Rules 11-01(a) and (b)	<p>The amended rule clarifies that financial statements are required if a business acquisition has occurred during the most recent fiscal year or subsequent interim period for which a balance sheet is required by Rule 3-01, or if a business acquisition has occurred or is probable after the date that the most recent balance sheet has been filed.</p> <p>The amended rule also clarifies, consistent with existing SEC staff guidance, that a registrant may continue to determine significance using amounts reported in its Form 10-K for the most recent fiscal year when the registrant has filed its Form 10-K after the acquisition consummation date but before the date the registrant is required to file financial statements for the target on Form 8-K.</p>
Foreign Businesses	Rule 3-05(c); Rule 3-05(d)	<p>The current rule requires Rule 3-05 financial statements to be prepared in accordance with U.S. GAAP if the target is not a “foreign business” even if it would qualify as a “foreign private issuer” that would be permitted to prepare IFRS-IASB financial statements. In addition, if a target’s Rule 3-05 financial statements are prepared using home-country GAAP, these financials must be reconciled to U.S. GAAP, even if the registrant is a “foreign private issuer” that prepares IFRS-IASB financial statements.</p> <p>The amended rule permits Rule 3-05 financial statements of a target that is not a “foreign business” to be prepared in accordance with IFRS-IASB without reconciliation to U.S. GAAP if the target would qualify to use IFRS-IASB if it were a SEC registrant. In addition, if the target is (i) a “foreign business” or (ii) is not a “foreign business” but would qualify as a “foreign private issuer” if it were a</p>

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		<p>SEC registrant, and prepares its financial statements using home country GAAP, and the registrant is a “foreign private issuer” that prepares its financial statements using IFRS-IASB, the target’s home-country GAAP financial statements can be reconciled to IFRS-IASB rather than to U.S. GAAP.</p> <p>The SEC also adopted two additional modifications to the proposal to clarify that IFRS 1, <i>First-time Adoption of IFRS</i>, will be applicable when reconciling to IFRS-IASB, and Form 20-F accommodations that are inconsistent with IFRS-IASB will not be available when reconciling to IFRS-IASB.</p>
Omission of Rule 3-05 Financial Statements	Rule 3-05(b)(4)(iii)	<p>The current rule does not require Rule 3-05 financial statements once the operating results of the target have been reflected in the audited consolidated financial statements of the registrant for a complete fiscal year, <i>unless</i> the Rule 3-05 financial statements have not been previously filed or, when previously filed, the target is of major significance (e.g., meets at least one of the significance tests at the 80% level).</p> <p>The amended rule permits registrants to omit Rule 3-05 financial statements once the operating results have been reflected in filed post-acquisition financial statements for a complete fiscal year if Rule 3-05 financial statements for a period of two years are required (<i>i.e.</i>, significance exceeds 40%) or for nine months if Rule 3-05 financial statements for one year are required (<i>i.e.</i>, significance is at least 20% but not more than 40%).</p> <p>The SEC noted that this shorter period of nine months for acquisitions that are at least 20% but not more than 40% significant compared to one year in the proposal is to provide consistency between the Rule 3-05 and Rule 3-06 requirements (Rule 3-06 permits the filing of Rule 3-05 financial statements covering a period of nine months to satisfy the Rule 3-05 requirement for filing financial statements for a period of one year).</p>

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		<p>The amended rule also eliminates the requirement that Rule 3-05 financial statements be provided in registration statements and proxy statements when they have not been previously filed or when they have been previously filed but the target is of major significance.</p> <p>In adopting this rule change, the SEC noted that it believes inclusion of post-acquisition results in the registrant's audited financial statements for the requisite time period should generally provide investors with sufficient information to make informed investment decisions about the registrant.</p>
Use of Pro Forma Financial Information to Measure Significance	Rule 3-05(b)(3); Rule 11-01(b)(3)	<p>The current rule permits a registrant to use pro forma, rather than historical, financial information to measure significance if the registrant made a significant acquisition subsequent to the latest fiscal year-end and filed its Rule 3-05 financial statements and pro forma financial information on Form 8-K. The Form 8-K filing requirement in the current rule has the practical effect of precluding the use of pro forma financial information that gives effect to a significant acquisition subsequent to the latest fiscal year-end to test significance in initial registration statements.</p> <p>The amended rule expands the circumstances for registrants to use pro forma financial information to measure significance of both an acquisition and disposition using filed pro forma financial information depicting significant acquisitions and dispositions subsequent to the latest fiscal year-end for which the registrant's financial statements are required to be filed. In addition, the amended rule will have the effect of allowing registrants in initial public offerings to use pro forma information for significance testing. The amended rule clarifies that when determining significance the pro forma financial information must be limited to the applicable amounts that combine the historical financial information of the registrant and the target and "Transaction Accounting Adjustments." However, registrants may not include "Autonomous Entity Adjustments," "Management's Adjustments,"</p>

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		<p>if any, discussed below, or other transactions, such as the use of proceeds from an offering, when using pro forma financial information to determine significance.</p> <p>The SEC also modified the proposal to codify current practice to clarify that, once a registrant uses pro forma financial information to measure significance, it must continue to use pro forma financial information to measure significance until the next annual report on Form 10-K or Form 20-F.</p>
Individually Insignificant Acquisitions	Rule 3-05(b)(2)(iv); Rule 11-01(c)	<p>Under the current rule, if the aggregate impact of “individually insignificant businesses” acquired since the date of the most recent audited balance sheet filed for the registrant exceeds 50%, the registrant must provide pre-acquisition historical financial statements covering at least the “substantial majority” of the businesses acquired and related pro forma financial information depicting the effects of the substantial majority of individually insignificant businesses acquired.</p> <p>Similar to the current rule and the proposal, the amended rule would require disclosure if the <i>aggregate impact</i> of such businesses acquired since the date of the most recent audited balance sheet exceeds 50% significance and will require pro forma financial information depicting the aggregate effects of all such businesses in all material respects. However, historical financial statements will only be required for those businesses whose <i>individual significance</i> exceeds 20% but are not yet required to file financial statements. The amended rule clarifies that the exception that would otherwise permit pro forma financial information not to be provided when separate financial statements of the target are not included in the filing does not apply where the aggregate impact exceeds 50% significance.</p> <p>In determining whether the income test (both the revenue and net income components) exceeds 50%, the businesses specified in Rule 3-05(b)(2)(iv) reporting losses must be aggregated</p>

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		<p>separately from those reporting income. If either group exceeds 50%, the disclosure requirements apply to all businesses subject to the aggregate test and are not limited to either businesses with losses or those with income.</p> <p>The amended rule requires registrants to include both Rule 3-05 businesses and Rule 3-14 real estate operations when determining the aggregate impact of the investment test for individually significant acquisitions. This will apply only to registrants that acquire both Rule 3-05 businesses and Rule 3-14 real estate operations, and the modification is limited to the investment test because the asset test and income test do not apply to acquisitions of Rule 3-14 real estate operations. When determining whether an acquisition is “significant,” the use of the asset or income tests generally is not practical for a real estate operation because the historical amounts of assets and income of the target real estate operation are not available.</p> <p>The SEC noted that the amended rule is intended to reduce the burdens of preparing disclosure about immaterial acquisitions and negotiating with sellers to timely provide historical financial statements, while the new requirement to provide pro forma financial information that shows the aggregate effect of the acquired businesses in all material respects should make it easier for investors to understand the overall effect of those acquisitions on the registrant.</p> <p>The SEC acknowledged concerns expressed as to whether accountants will be able to provide negative assurance to underwriters on the combined pro forma financial information where historical financial statements included in the pro forma financial information for individually insignificant acquisitions have not been reviewed or audited and recognized that, in some circumstances, accountants may need to perform additional work to be able to give negative assurance.</p>

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Adjustments Allowed in Pro Forma Financial Information	Rule 11-02(a)–(c)	<p>Under the current rule the only adjustments that are appropriate in the presentation of pro forma condensed statement of comprehensive income are those that are directly attributable to the transaction, expected to have a continuing impact on the registrant, and factually supportable, whereas the pro forma condensed balance sheet reflects pro forma adjustments that are directly attributable to the transaction and factually supportable, regardless of whether the impact is expected to be continuing or nonrecurring.</p> <p>The amended rule provides for (i) “Transaction Accounting Adjustments,” (ii) “Autonomous Entity Adjustments,” and (iii) “Management’s Adjustments.” Under the amended rule, “Management’s Adjustments” are optional, a modification from the proposed rule in response to comments received by the SEC.</p> <p>Transaction Accounting Adjustments reflect only the application of required accounting for the acquisition, disposition, or other transaction. Autonomous Entity Adjustments reflect the operations and financial position of the registrant as an autonomous entity when the registrant was previously part of another entity. Management’s Adjustments provide both flexibility to registrants to include forward-looking information that depicts the synergies and dis-synergies identified by management in determining to consummate or integrate the transaction and insight to investors into the potential effects of the acquisition and post-acquisition plans expected to be taken by management.</p> <p>The amended rule requires “Autonomous Entity Adjustments” to be presented in a separate column from “Transaction Accounting Adjustments” when the registrant previously was a part of another entity and such presentation is necessary to reflect operations and financial position of the registrant as an autonomous entity. This</p>

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		<p>requirement was part of “Management’s Adjustments” in the proposal.</p> <p>Under the amended rule, Management’s Adjustments may, in the registrant’s discretion, be presented if, in its management’s opinion, such adjustments would enhance an understanding of the pro forma effects of the transaction. The SEC encourages registrants to provide Management’s Adjustments in these circumstances when certain additional conditions are met. These conditions are that:</p> <ul style="list-style-type: none"> • There is a reasonable basis for each such adjustment; • The adjustments are limited to the effect of such synergies and dis-synergies on the historical financial statements that form the basis for the pro forma statement of comprehensive income as if the synergies and dis-synergies existed as of the beginning of the fiscal year presented. If such adjustments reduce expenses, the reduction shall not exceed the amount of the related expense historically incurred during the pro forma period presented; and • The pro forma financial information reflects all Management’s Adjustments that are, in the opinion of management, necessary to a fair statement of the pro forma financial information presented and a statement to that effect is disclosed. When synergies are presented, any related dis-synergies shall also be presented. <p>The amended rule also includes certain additional conditions for presenting Management’s Adjustments including, but not limited to, that such adjustments must be presented in the explanatory notes to the pro forma financial information in the form of reconciliations of pro forma net income from continuing operations attributable to the controlling interest and the related pro forma earnings per share data to such amounts after giving effect to</p>

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		<p>Management's Adjustment, and the explanatory notes must also include disclosure of the basis for and material limitations of each Management's Adjustment, including any material assumptions or uncertainties of such adjustment, an explanation of the method of the calculation of the adjustment, if material, and the estimated time frame for achieving the synergies and dis-synergies of such adjustment.</p> <p>Since Management's Adjustments might contain forward-looking information, the amended rule includes an instruction indicating that any forward-looking information is covered by the safe harbor provisions.</p>
Significance and Business Dispositions	Rule 11-01(b)(2)	The amended rule conforms the significance threshold for the disposition of a business from 10% to 20%, to conform to the threshold at which an acquired business is significant.
Smaller Reporting Companies	Rule 8-04; Rule 8-05	<p>The amended rule directs smaller reporting companies to Rule 3-05 for the requirements relating to the financial statements of business acquisitions, other than for form and content requirements, which would continue to be prepared in accordance with Rules 8-02 and 8-03.</p> <p>The amended rule also revises Rule 8-05 to require that the preparation, presentation, and disclosure of pro forma financial information by smaller reporting companies substantially comply with Article 11.</p>
Real Estate Operations	Rule 3-06; Rule 3-14; Rule 11-01(a)(5); Rule 11-01(b)(3); Item 8 of Form 10-K; Item 2.01 (and Instruction 4) of Form 8-K; and Item 9.01(a) of Form 8-K	<p>The amended rule substantially aligns Rule 3-14 with Rule 3-05 where no unique industry considerations exist. Some of the more significant changes from the amended rule are summarized below:</p> <ul style="list-style-type: none"> Increases the significance threshold from 10% to 20%. Increases the significance threshold from 10% to 50% for the aggregate impact of acquisitions for which financial statements are not required or not yet required and for individual probable acquisitions. Removes the differentiation on the number of periods of financial statements provided depending on whether the

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		<p>seller is a related party, thereby reducing the requirement from three years to one year.</p> <ul style="list-style-type: none"> • Permits registrants to omit Rule 3-14 financial statements once the acquired real estate operation is reflected in the registrant's audited financial statements for nine months. The provision in Rule 3-05 regarding omission of financial statements for acquisitions exceeding 40% significance is inapplicable in Rule 3-14. • Permits the filing of financial statements covering nine to twelve months to satisfy the one year requirement, consistent with Rule 3-06. • Uses a "modified investment test" that compares the registrant's investment in the real estate operation, including any debt secured by the real properties assumed by the registrant, to the registrant's total assets when testing significance for acquisitions (the SEC did not adopt, for dispositions of real estate operations, the modification to include debt secured by the real properties assumed by the registrant). • Permits pro forma amounts for significance testing in certain circumstances consistent with the application in Rule 3-05. • Confirms the requirements for acquisitions of foreign real estate operations in Rule 3-14 with Rule 3-05 for foreign businesses as discussed above; and • Defines "real estate operations" as "a business that generates substantially all of its revenues through the leasing of real property."