CAQ SEC Regulations Committee
September 27, 2011 - Joint Meeting with SEC Staff
SEC Offices – Washington DC

HIGHLIGHTS

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I. ATTENDANCE

A. SEC Regulations Committee

Chris Holmes, Chair
Melanie Dolan, Vice Chair
Pete Bible
Jim Brendel
Jack Ciesielski
Brad Davidson
Christine Davine
David Follett
Bridgette Hodges

Jeff Lenz
Kevin McBride
Steve Meisel
Scott Pohlman
Sandra Peters
Michelle Stillman

B. Securities and Exchange Commission

Division of Corporation Finance (Division)

Tom Kim, Chief Counsel and Associate Director
Jonathan Ingram, Deputy Chief Counsel
Craig Olinger, Deputy Chief Accountant
Nili Shah, Deputy Chief Accountant
Angela Crane, Associate Chief Accountant
Jill Davis, Associate Chief Accountant
Todd Hardiman, Associate Chief Accountant
Stephanie Hunsaker, Senior Assistant Chief Accountant
Ryan Milne, Associate Chief Accountant
Kyle Moffatt, Associate Chief Accountant
Mark Shannon, Associate Chief Accountant
Michael Stehlik, Assistant Chief Accountant
Mark Green, Senior Special Counsel

Division of Trading and Markets

David Michehl, Special Counsel

C. Center for Audit Quality

Annette Schumacher Barr

D. Guests

Carolyn Clemmings, E&Y
John May, PwC

II. DIVISION OF CORPORATION FINANCE PERSONNEL AND ORGANIZATIONAL UPDATE

A. Staff Comments

Craig Olinger observed that this Joint Meeting marks the end of Chris Holmes' term as Chair of the SEC Regulations Committee. On behalf of the staff, Mr. Olinger thanked Mr. Holmes for his many years of service to the Committee as both member and Chair. Mr. Holmes in turn thanked the staff

for their active and helpful participation in Joint Meetings with the Committee.

B. Personnel Update

Professional Accountant Fellow (PAF) position available in Assistant Director's (AD) Office 12 - Stephanie Hunsaker discussed that AD 12, which is responsible for the review of about 60 of the largest banks (including three investment banks) and certain government sponsored entities, is seeking a candidate for a two-year rotational PAF position. Requested qualifications for candidates include significant experience and expertise in performing audits of and (or) assessing the risks of complex financial institutions for financial reporting purposes (e.g., experienced manager or senior manager at an accounting firm). Interested candidates should contact Ms. Hunsaker at hunsakers@sec.gov.

III. CURRENT FINANCIAL REPORTING MATTERS

A. Loss Contingency Disclosures

Nili Shah noted that the accounting and disclosure of loss contingencies continues to be an area of focus in filing reviews. She provided the following summary of recent SEC staff views and observations on loss contingency disclosures:

- **Range of reasonably possible loss disclosures** - The SEC staff continues to focus on disclosures of reasonably possible losses exceeding amounts already recognized, as required by Accounting Standards Codification (ASC) 450, *Contingencies*. In this regard, the SEC staff has requested disclosures of an estimate (or, if true, a statement that the estimate is immaterial in lieu of providing quantified amounts) of the additional loss or range of loss, or, if true, a statement that such an estimate cannot be made. If a registrant discloses that a contingency is not estimable, the SEC staff may request supplemental information about the registrant's process and efforts to conclude an amount is not estimable.

- **Aggregation of disclosures** - The SEC staff will not object to disclosure of reasonably possible ranges of loss in the aggregate for all contingencies, rather than on an individual contingency by contingency basis. In this regard, companies can disclose that some contingencies cannot be reasonably estimated and disclose a range of reasonably possible loss for other contingencies in the aggregate. The staff has not insisted that the company disclose which contingencies can be estimated vs. those which cannot be estimated. Supplementally, the staff may request this information, which may be submitted on a confidential basis.

- **Legal costs accounting policy disclosures** - If legal costs are material, the SEC staff has issued comments requesting disclosure of the registrant's policy regarding accounting for legal costs (e.g., accrue for probable loss contingencies, expense as incurred).

- **Recovery uncertainties** - The SEC staff is focused on uncertainties regarding loss contingency recoveries. Registrants should disclose (1) whether ranges of reasonably possible loss are disclosed gross or net of anticipated recoveries from third parties, (2) risks regarding anticipated recoveries and (3) the accounting policy for uncertain recoveries.

Ms. Shah also noted that, although SEC staff comments may be closed for a specific filing, the SEC staff may review future filings and ask questions based upon new developments.

The Committee encouraged SEC staff outreach to the legal community regarding loss contingency disclosures.

B. MD&A Disclosures about Foreign Operating Results and Income Taxes

Angela Crane noted the SEC staff continues to focus on registrants' disclosures when certain foreign operations appear to have a disproportionate financial effect on consolidated operations. In those instances, the SEC staff has requested that registrants provide disaggregated financial information related to pre-tax income and the effective tax rates from a particular country with a disproportionate effect.

Many companies do not provide US deferred taxes on undistributed earnings of foreign subsidiaries (under ASC 740, *Accounting for Income Taxes)* because those earnings are considered to be indefinitely reinvested. Ms. Crane stated the SEC staff has been asking registrants to consider the effect on consolidated liquidity when they intend to indefinitely reinvest foreign earnings. The SEC staff requests disclosure, if material, of the amount of cash and short-term investments held by foreign subsidiaries that are not available to fund domestic operations unless the funds are repatriated, a statement that the company would need to accrue and pay taxes if repatriated, and a statement that the company does not intend to repatriate the funds, if true.

C. Definition of "Full and Unconditional" Related to Guaranteed Securities Under Rule 3-10 of Regulation S-X

In certain circumstances, Rule 3-10 of Regulation S-X allows registrants to present condensed consolidating financial information in the footnotes of the parent company's financial statements in lieu of separate financial statements of a subsidiary issuer or guarantor. FRM Section 2510.4 states "an arrangement that permits a guarantor to opt out of its obligation prior to or

during the term of the debt is not a full and unconditional guarantee." Tom Kim provided additional commentary on the FRM conclusion:

- **Parent company guarantees registered debt of subsidiary issuer** - If the parent company can opt out of its guarantee of the subsidiary issuer debt under any circumstances, the guarantee is not full and unconditional. The subsidiary issuer must file separate financial statements - a presentation of condensed consolidating information in the financial statements of the parent is not sufficient.

- **Subsidiary guarantees registered parent company debt** - If the subsidiary may elect to cancel its guarantee, solely at its option, the guarantee is not full and unconditional and the subsidiary guarantor must provide separate financial statements.

There also are circumstances when a subsidiary guarantees its parent debt and the indenture provides for the guarantor to be released automatically under customary circumstances. Such scenarios appear to be common in high-yield debt offerings. While such guarantees are not "full and unconditional," the SEC staff will not object to a company's conclusion that it may follow the S-X 3-10 relief if the release provision is "customary," e.g., the guarantee is released when:

- the subsidiary is sold or sells all of its assets;
- the subsidiary is declared "unrestricted" for covenant purposes;
- the subsidiary's guarantee of other indebtedness is terminated or released;
- the requirements for legal defeasance or covenant defeasance or to discharge the indenture have been satisfied;
- the rating on the parent's debt securities is changed to investment grade; or
- the parent's debt securities are converted or exchanged into equity securities.

If debt agreements contain other types of release provisions, the registrant should consider contacting the SEC staff in the Office of Chief Counsel about its proposed use of S-X 3-10 relief. In all cases, the SEC staff expects clear disclosure of the nature of subsidiary guarantees (e.g., a description of the subsidiary guarantee and circumstances in which it could be cancelled; the guarantee should not be characterized as full and unconditional).

[Note: On October 6, 2011, the Division's staff released its quarterly update of the FRM. The revisions include updates for issues related to subsidiary guarantee release provisions discussed above. See paragraph 2510.5.]

IV. IFRS STAFF PAPERS

In May 2011, the SEC staff published a Staff Paper outlining a possible approach for further incorporating International Financial Reporting Standards (IFRS) into the US financial reporting system. The approach explored an endorsement protocol for the Financial Accounting Standards Board (FASB) to incorporate new or amended IFRSs into the US GAAP codification. Additionally, during a defined transition period (e.g., five to seven years), the FASB would work to eliminate differences between IFRS and US GAAP through standard setting.

Jill Davis noted that the comment letters provided to the SEC staff on the Staff Paper have expressed overall support for the longer-term objective of moving toward a single, high quality set of standards that are applied consistently on a global basis. She also noted that there is a wide spectrum of views on how to accomplish that for the U.S. capital markets.

Ms. Davis also noted that the SEC staff plans to issue two additional Staff Papers during 2011 on (1) a principles level analysis of US GAAP as compared to IFRS and (2) an analysis of the application of IFRS in practice. The SEC staff also is considering issuing a report by the end of the year that would summarize observations and information gained through its IFRS Work Plan.

V. SOLICITATION OF COMMENTS ON REVIEW OF EXISTING REGULATIONS

In July 2011, President Obama encouraged independent federal regulatory agencies to develop and release plans to perform periodic reviews of their existing regulations. In response, the SEC issued a request for information to help it conduct retrospective reviews of its existing regulations. The SEC is requesting input on how often to review its rules, factors to consider, and ways to improve public participation. Comments were due by October 6, 2011 to allow the SEC to report to the President by November 8, 2011.

Jonathan Ingram highlighted that the SEC is not requesting comments on specific rules that should be reviewed, but recommendations on a future retrospective review plan that could be developed to supplement the SEC's current retrospective review. One example of the SEC's current retrospective review efforts is that the SEC annually reviews rules that have become final within the past ten years pursuant to the Regulatory Flexibility Act.

VI. VALIDATION OF QUOTES FROM PRICING SERVICES ON LEVEL 2 ASSETS AND LIABILITIES

Mark Shannon discussed management's responsibilities when using third-party sources of fair value information. Mr. Shannon's comments focused on Level 2 inputs (i.e., inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly) of the Fair Value

Hierarchy under ASC 820, *Fair Value Measurement*. Even though third party sources may provide information, management is still responsible for:

- Complying with GAAP
    - Management has responsibility for the maintenance of accurate books and records regardless of the use of a third party pricing service (i.e., compliance with the Foreign Corrupt Practices Act)
- Maintaining internal controls to prevent or detect material misstatements related to the fair value measurements and disclosures
- Assessing internal control over financial reporting related to fair value measurements

To fulfill these responsibilities, Mr. Shannon indicated that management should ensure it has a sufficient understanding of the valuation models, assumptions and inputs used to estimate the fair values of securities, including those used by pricing sources. Mr. Shannon noted that obtaining such information from pricing sources may be critical to providing appropriate MD&A and financial statement disclosure.

Mr. Shannon noted that these reminders for management are based on discussions with the PCAOB's Pricing Services Task Force.

VII. IMPLEMENTATION AND INTERPRETATION OF RECENT SEC RELEASES

A. XBRL

SEC XBRL rules require many registrants to tag financial statements. The following XBRL matters were discussed:

- **Q2 2011 XBRL experiences -** Mark Green stated that the majority of phase-in group 3 companies provided their XBRL Exhibits to the SEC on time or within the available grace period. The SEC staff plans to issue new Staff Observations from Review of Interactive Data Financial Statements as needed.

- **Foreign private issuers -** The SEC staff previously shared its view through an interpretive letter to the Center for Audit Quality (CAQ) that foreign private issuers (FPIs) preparing financial statements in accordance with IFRS as issued by the IASB are not required to submit XBRL financial statements to the SEC or post them on their corporate websites, if any, until the SEC specifies an IFRS taxonomy. Mark Green noted that it is not clear when the Commission will specify an IFRS taxonomy. He added that the IFRS Foundation issued an interim taxonomy in September.

- **Investor use of XBRL** - The Committee shared the observation that many registrants note limited "hits" on XBRL data posted on their websites. Mr. Green noted that reportedly data aggregators use the data and the SEC staff has performed reviews of pension data through the XBRL Exhibits. Mr. Green also observed that XBRL users may obtain the XBRL information from the central SEC EDGAR system as opposed to individual company websites. Mr. Kim observed that some users may be waiting for all companies to detail tag footnotes before fully utilizing the XBRL information.

VIII. SEC STAFF AND OTHER INITIATIVES

A. SEC Staff Review of Prospectus Supplements

Nili Shah noted that SEC staff in the Office of Capital Markets and Trends plans to perform reviews of prospectus supplements for offerings under effective shelf registration statements.

B. E-mail Comment Letter Distribution

The SEC staff previously discussed a pilot program to e-mail Corp Fin comment letters to registrants, instead of faxing them. Michael Stehlik noted that all Corp Fin AD groups now generally provide the option for registrants to receive Corp Fin SEC staff comments letters through e-mail. An SEC staff member will contact the registrant via phone to determine whether an emailed comment letter is preferred. The SEC staff requires the registrant to provide the e-mail address in an email to the SEC staff and a second email address for the registrant's counsel is acceptable. Mr. Stehlik highlighted that some registrants prefer comment letters by fax and therefore, the e-mail distribution program will not apply to 100% of comment letters. Mr. Stehlik also noted that registrants must submit the comment letter responses through EDGAR. An email only response is not permitted.

Mr. Olinger stated that CF-OCA may consider extending email to future SEC staff responses to pre-filing requests at an appropriate time.

C. Financial Reporting Manual (FRM)

Mr. Stehlik noted that an updated FRM issued on September 1, 2011 included only style updates to Topic 1. Corresponding reference changes were made in the FRM body and index. These revisions were made to improve the formatting of Topic 1, and did not change the substantive content of the FRM. The SEC staff plans to make separate style updates to other FRM Topics in the future.

[Note: On October 6, 2011, the Division's staff released its most recent update of the FRM. The revisions include updates for issues related to reporting requirements in an acquisition or disposition made by a variable interest entity, subsidiary guarantee release provisions, transitional registration statement options for first-time IFRS adopters, as well as other changes.]

D. Reverse Mergers

The SEC staff highlighted numerous completed and in-progress projects related to reverse mergers, including:

- **Investor Bulletin**. Ryan Milne noted the SEC Office of Investor Education and Advocacy issued an Investor Bulletin in June 2011 on risks of investing in reverse merger companies.

- **CF Disclosure Guidance Topic 1**. In September 2011, the SEC Division of Corporation Finance staff issued a new publication, CF Disclosure Guidance Topic 1, *Staff Observations in the Review of Forms 8-K Filed to Report Reverse Mergers and Similar Transactions*. This publication summarizes the staff's observations and areas of frequent comment in reviews of Form 8-Ks filed to report reverse mergers and similar transactions. Mr. Milne highlighted that the reverse merger Form 8-K requirements when the legal acquirer is a shell company are similar to those of an IPO (e.g., if the registrant was a shell company immediately before the transaction, the Form 8-K must include for the acquired private operating company all content required by a Form 10 initial registration statement). Mr. Milne also noted that these Form 8-Ks are subject to the Division's selected review program and that reverse merger Form 8-Ks are an area of focus for the SEC staff.

  [Note: The CF Disclosure Guidance publication format will be a means for SEC staff communication in the future about other topics.]

- **Proposed NYSE and NASDAQ listing requirements for reverse merger companies.** David Michehl from the SEC's Division of Trading and Markets summarized NYSE and NASDAQ proposed listing standards for "seasoning" reverse merger companies (e.g., traded for defined period of time in the over-the counter market, or on another national securities exchange, following filing audited financial statements of the predecessor operating company with the SEC). The SEC staff is reviewing for consistency between the NYSE and NASDAQ listing standards. The SEC is requesting comments on whether it should disapprove the NASDAQ standards to obtain consistency with the NYSE proposed standards and extended its time period to approve the proposed NYSE standards.

IX. CURRENT PRACTICE ISSUES

A. Restatement disclosures in initial public offering registration statements

The Committee discussed its experiences and perspectives regarding restatement labeling and disclosures when a company restates its financial statements during the initial public offering (IPO) registration statement process. The Committee asked whether a company, after initially disclosing the error correction in a Form S-1 amendment, is required to disclose the restatement in subsequent Form S-1 amendments filed in the same fiscal year.

After discussing with the Committee ASC 250, *Accounting Change and Error Corrections*, and the reasons for continued restatement disclosures, the SEC staff stated it will continue to deliberate the question.

B. Retrospective Application of ASU No. 2011-5, *Comprehensive Income,* in Connection with Filing a New Registration Statement

ASU No. 2011-5 revises ASC 220, *Comprehensive Income*, to require that a registrant report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. The ASU eliminates the option of presenting the components of other comprehensive income (OCI) as part of the statement of changes in stockholders' equity. In addition, registrants will be required to present reclassification adjustments from OCI to net income on the face of the financial statements. The amendments to ASC 220 require retrospective application and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted.

If a registrant does not early adopt ASU No. 2011-5 in its fourth fiscal quarter, it is required to revise its historical annual financial statements included or incorporated by reference in a new or amended registration statement under the Securities Act or Exchange Act once the ASU has been adopted and applied in issued interim financial statements (if the change is material).

ASU No. 2011-5 does not affect accounting measurements and is primarily focused on presentation within the financial statements. Mr. Shannon noted that if a registrant files a new or amended registration statement and incorporates by reference after filing its first quarterly report after adopting the ASU (e.g., for a calendar year-end registrant, Form 10-Q for the quarter ending March 31, 2012), the SEC staff would not object if the registrant concludes and its auditor agrees that there is no need to retrospectively revise previously issued annual financial statements that are incorporated by reference into that registration statement, as long as the filing includes prominent transparent disclosure of the following (e.g., in a selected financial data type table) for the periods shown in retrospectively revised financial statements if they were filed:

- Net income
- Components of other comprehensive income that would be on the face of the financial statements in accordance with ASU No. 2011-5
- Reclassification adjustments that would appear in net income and other comprehensive income, to the extent required under the new guidance.
- Total other comprehensive income
- Total comprehensive income

[Note: The Committee also highlighted an FEI letter to the FASB summarizing specific issues that have been identified in implementing ASU No. 2011-5 (e.g., availability of information for separate presentation of reclassification adjustments in the statement of earnings) and requesting the FASB to delay the effective date of this ASU to annual periods ending after December15, 2012.]

C. Requirement for US GAAP reconciliation for non-"foreign business" acquiree or investee financial statements prepared under IFRS as issued by the IASB

After SEC Release No. 33-8879, *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to U.S GAAP*, Rules 3-05and 3-09 of Regulation S-X permit the inclusion of financial statements of foreign businesses (as defined in Rule 1-02(l) of Regulation S-X)[1] presented in accordance with IFRS as issued by the IASB without reconciliation to U.S. GAAP, regardless of significance (as noted in FRM Section 6350.1). If significance exceeds 30%, the financial statements of a foreign business prepared on a basis other than US GAAP or IFRS as issued by the IASB (e.g., local GAAP or IFRS for SMEs) must include a quantified reconciliation to US GAAP in accordance with Item 17 of Form 20-F (as noted in FRM Section 6410.6b and IX of the International Corporation Finance Outline).

If the acquiree or investee does not qualify as a foreign business and financial statements are required under Rules 3-05 or 3-09, regardless of significance (as noted in FRM Section 6410.9), the entity must file either U.S. GAAP financial statements or, under footnote 31 to the 1994 SEC Release No. 33-7118, financial statements prepared in accordance with a comprehensive basis of accounting other than US GAAP (which would include financial statements prepared under IFRS as issued by the IASB) reconciled to U.S. GAAP in accordance with Item 18 of Form 20-F.

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[1] A "foreign business" is defined as one that is majority owned by persons who are not citizens or residents of the United States and is not organized under the laws of the United States or any state thereof, and either:

(1) More than 50 percent of its assets are located outside the United States; or

(2) The majority of its executive officers and directors are not United States citizens or residents.

SEC Release No. 33-8879 did not specifically address the requirements of an acquiree or investee that does not qualify as a foreign business (but that would qualify as a foreign private issuer[2] if it were to file a registration statement) and presents its financial statements under IFRS as issued by the IASB. Ms. Davis noted that SEC rule amendments would be required to allow non-foreign business acquiree or investee financial statements to exclude the US GAAP reconciliation when the financials are presented in accordance with IFRS as issued by the IASB. The staff indicated that companies in this situation should consider contacting the Division's Office of the Chief Accountant if preparing a U.S. GAAP reconciliation presents significant issues. The staff may consider relief based on the unique facts and circumstances of the entity. Factors that the staff may consider include whether the entity prepares U.S. GAAP financial information for any other purpose and the reasons why the entity does not qualify as a "foreign business."

D. XBRL Exhibit requirements for registration statements and retrospectively revised financial statements in Form 8-K

Registration Statements

The SEC requirement to submit XBRL Exhibits is not limited to Securities Exchange Act of 1934 periodic reports (e.g., Form 10-Q, Form 10-K and Form 20-F), but also applies to Securities Act of 1933 registration statements (e.g., Forms S-1, S-3, S-4). XBRL Exhibits are required in non-IPO Securities Act of 1933 registration statements that physically contain financial statements once a registration statement contains a price or price range, and XBRL Exhibits may be submitted with an initial registration statement at the company's option.

Mr. Green noted that, in general, Item 405(b) of Regulation S-T requires XBRL tagging of all financial statements physically presented within a filing if any of those financial statements is for a period ending on or after the issuer's tagging phase-in date. Therefore, XBRL compliance requirements in a non-IPO registration statement depend on whether the issuer physically includes its financial statements in the registration statement rather than incorporate them by reference. Mr. Green also noted that, in general, Item 405(f) requires detail-tagging of all financial statements physically presented

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[2] Exchange Act Rule 3b-4 defines "foreign private issuer" as any foreign issuer, other than a foreign government and except one with more than 50 percent of its outstanding voting securities directly or indirectly held of record by residents of the United States as of the last business day of its most recently completed second fiscal quarter, and either:

(1) The majority of its executive officers or directors are United States citizens or residents;

(2) More than 50 percent of its assets are located in the United States; or

(3) Its business is administered principally in the United States.

within a filing if any of those financial statements is for a period ending on or after the issuer's detail-tagging phase-in date.

For example, a calendar year-end issuer in the second XBRL phase-in group files a registration statement on Form S-1 in December 2011:

- If the issuer incorporates by reference its December 31, 2010 and September 30, 2011, financial statements included in its most recent Form 10-K and 10-Q, respectively, the issuer does not need to resubmit the previously submitted XBRL Exhibits. As a result, the financial statements incorporated by reference into the registration statement will have different levels of tagging (i.e., the XBRL Exhibit related to the 2010 Form 10-K will be block-tagged, while the XBRL exhibit related to the September 30, 2011 Form 10-Q will be detail-tagged).
- If the issuer physically includes the December 31, 2010 and September 30, 2011 financial statements in the registration statement (as opposed to incorporation by reference), then the issuer will be required to submit with the registration statement an XBRL Exhibit in which both the December 31, 2010 and September 30, 2011 financial statements reflect detail-tagging because the September 30, 2011 interim financial statements are for a period ending on or after the issuer's June 15, 2011 detail-tagging phase-in date.

Or for example, a calendar year-end issuer in the third XBRL phase-in group files a registration statement on Form S-1 in December 2011:

- If the issuer incorporates by reference its December 31, 2010 and September 30, 2011 financial statements included in its most recent Form 10-K and 10-Q, respectively, the issuer does not need to tag the previously untagged annual financial statements. As a result, the financial statements incorporated by reference into the registration statement will have different levels of tagging (i.e., the XBRL Exhibit related to the 2010 Form 10-K will have no tagging, while the XBRL Exhibit related to the September 30, 2011 Form 10-Q will be block-tagged).
- If the issuer physically includes the December 31, 2010 and September 30, 2011 financial statements in the registration statement (as opposed to incorporation by reference), then the issuer will be required to submit with the registration statement an XBRL Exhibit in which both the December 31, 2010 and September 30, 2011 financial statements are at least block-tagged because the September 30, 2011 interim financial statements are for a period ending on or after the issuer's June 15, 2011 tagging phase-in date. The financial statements would not, however, be required to be detail-tagged because the September 30, 2011 interim financial statements are for a period ending before the issuer's June 15, 2012 detail-tagging phase-in date.

Retrospectively revised financial statements in Form 8-K

Mr. Green also commented that when including in a Form 8-K only annual audited financial statements that have been revised for certain subsequent events such as discontinued operations or change in reportable segments, the level of XBRL tagging can be consistent with the level originally filed in the issuer's Form 10-K because the level required still is determined by the end date of those financial statements.

For example, an issuer in the second XBRL phase-in group filed its Form 10-K for the year ended December 31, 2010 with block XBRL tagging. If the issuer has a discontinued operation in the third quarter of 2011 which was reflected in its Form 10-Q for the quarter ended September 30, 2011 and files a Form 8-K in the fourth quarter of 2011 that contains only annual audited financial statements that have been revised to retrospectively reflect the discontinued operation, the Form 8-K financial statements could continue to be block tagged and would not require detail tagging even though the Company's third quarter 10-Q required detail tagging.

[Note: The SEC staff did not address the scenario in which annual and interim financial statements are retrospectively revised and included in the same Form 8-K (e.g., material remeasurement adjustment under ASC 805 that requires revision of annual and interim financial statements before filing a Form 10-Q reflecting the adjustment). Registrants in that fact pattern might consider discussing their situation with the SEC staff]

E. Application of the guidance in FRM 2020.5

The Committee asked whether a registrant is required to file the historical financial statements of an existing consolidated subsidiary (e.g., under Rule 3-05 of Regulation S-X) when the registrant makes a significant acquisition of some or all of the non-controlling interest in that consolidated subsidiary.

FRM Section 2020.5 indicates that in this type of transaction, historical financial statements "are *ordinarily* not required." However, in explaining when financial statements may be required, the FRM makes reference to S-X 3-05(b)(4)(iii) and cites a situation in which the acquired business' financial statements have not been previously filed. Todd Hardiman noted that although the financial statements of the acquired business have not been previously filed on a separate/stand-alone basis, the financial statements of the consolidated subsidiary would ordinarily not be necessary if the registrant's previously filed historical financial statements reflect the operations of the acquired business on a consolidated basis for the entire period for which historical financial statements of the acquired entity would be required under Rule 3-05. The information provided to the investor in registrant's existing filings already depicts the acquired business on a consolidated basis.

[Note; FRM Section 2020.5 indicates that pro forma financial statements depicting the transaction (e.g., the increase in ownership) may be required even when historical financial statements of the subsidiary are not required. FRM 2020.5 also indicates that the analysis of whether historical financial statements are required would be different if the acquired business were considered the target in a merger S-4/proxy.]