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SEC Adopts Amendments to Rules 3-10 and 3-16 of Regulation S-X in Certain Registered Debt Offerings

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On March 2, 2020, the Securities and Exchange Commission (SEC) adopted amendments that reduce and simplify the financial disclosure requirements applicable to registered debt offerings for guarantors and issuers of guaranteed securities, as well for affiliates whose securities collateralize a registrant's securities. The amendments revise Rules 3-10 and 3-16 of Regulation S-X, and relocate part of Rule 3-10 and all of Rule 3-16 to the new Article 13 in Regulation S-X, which is comprised of new Rules 13-01 and 13-02.

The changes are part of the SEC's ongoing efforts to ease disclosure and capital formation burdens for public companies while continuing to ensure that investors have access to material information. The amendments will be effective January 4, 2021, but voluntary compliance is permitted in advance of the effective date.

Below is a brief summary of existing Rule 3-10 and Rule 3-16, followed by the most prominent amendments to such rules. Also included herein is a table, excerpted from the SEC release, that includes side-by-side comparisons of the main features of the existing and final rules.

Existing Rules 3-10 and 3-16 of Regulation S-X

Rule 3-10

Rule 3-10, which is in effect as currently worded until January 4, 2021, requires each issuer and guarantor of registered debt securities (which effectively includes securities issued in Rule 144A private placements with registration rights) to file its own audited annual and unaudited interim financial statements. However, Rule 3-10 contains five exceptions that conditionally allow a parent company to provide abbreviated disclosures in its own financial statements to cover a subsidiary issuer or guarantor. All five exceptions require that (1) each subsidiary issuer and guarantor be "100% owned" by the parent company; (2) each guarantee be "full and unconditional"; and (3) the parent company provide certain disclosures in its consolidated financial statements (the Alternative Disclosures).

The form and content of the Alternative Disclosures are determined based on the facts and circumstances of the issuer and guarantor structure and could range from brief narrative disclosures to, more commonly, highly detailed condensed consolidating financial information (Consolidating Information). Preparation of the Consolidating Information, while less costly than full financial statements, is often challenging and

time-consuming, and can be costly, as many registrants do not typically design their accounting systems to capture the required information for each individual issuer or guarantor. In consequence, many companies have avoided registered offerings in favor of unregistered “private-for-life” bond offerings, which are not subject to these rules.

Subsidiary issuers and guarantors that are permitted to omit their separate financial statements under Rule 3-10 are automatically exempt from the public-company reporting provisions under the Exchange Act via Rule 12h-5. The parent company, however, is required to continue to provide the Alternative Disclosures in its annual and quarterly reports for as long as the guaranteed securities are outstanding, even if the subsidiary issuer or guarantor otherwise could suspend its reporting obligation by operation of Exchange Act Section 15(d)(1) or compliance with Rule 12h-3.

Recently acquired subsidiary issuers and guarantors are addressed separately, and less favorably, under Rule 3-10. A parent company registration statement covering the issuance of guaranteed debt securities must include one year of audited, and, if applicable, unaudited interim pre-acquisition financial statements for recently acquired subsidiary issuers and guarantors that are significant and have not been reflected in the parent company’s audited results for at least nine months of the most recent fiscal year.¹

Rule 3-16

Rule 3-16 requires separate audited and interim financial statements for an issuer’s affiliate if the securities of that affiliate are pledged as collateral for a registered offering and those securities constitute a “substantial portion” of the collateral for the securities being registered. Securities of the affiliate are deemed to constitute a “substantial portion” of the collateral if the aggregate principal amount, par value or book value of the pledged securities (as carried by the issuer), or the market value of the pledged securities, whichever is the greatest, equals 20% or more of the principal amount of the securities that are being secured. If this test is met, the issuer is required to file full financial statements of each qualifying affiliate. Subsequent to the registered offering, the issuer has to continue to provide full audited financial statements of each such affiliate in its annual reports, but is not required to provide any interim financial statements in its quarterly reports.

¹ The requirements to provide separate pre-acquisition financial statements of recently acquired guarantors apply only to Securities Act registration statements and can require more extensive disclosure than Exchange Act periodic reports and acquired business financial statements under Rule 3-05 of Regulation S-X. Furthermore, the significance test for recently acquired guarantors, which compares the net book value or purchase price of the subsidiary to the principal amount of the securities registered, is different from, and stricter than, the usual significance test for acquiree financial statements.

Amended Rules 3-10 and 3-16

Rule 3-10

The amendments to Rule 3-10 make it easier to omit separate financial statements and reduce the required alternative supplemental financial and nonfinancial disclosure about the subsidiary issuers and/or guarantors and the guaranteees. The amendments to Rule 3-10:

- Replace the condition 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 consolidated financial statements.
- Removing the “100% owned” condition will permit certain joint venture entities to provide credit support in the form of a guarantee(s). It also will provide additional financing flexibility for public companies that use the so-called “UP-C” structure. While the “100% owned” test only considers shares with voting rights for corporate subsidiaries, it considers all membership interests (voting and nonvoting) for noncorporate subsidiaries. In an Up-C structure, although the publicly traded parent company typically owns 100% of the voting interests in the private operating partnership or operating limited liability company, because it does not own 100% of all of the membership interests in the noncorporate private operating entity, such entity is not currently considered “100% owned” under Rule 3-10. Accordingly, the private operating entity and the publicly traded parent company cannot sell or guarantee registered debt without preparing separate audited financial statements for each entity and making the private operating entity a separate reporting company under the Exchange Act.
- Replace the specific issuer and guarantor structures permitted under the five exceptions in Rules 3-10(b) through (f) with a broader two-category framework where the parent company’s role as issuer, co-issuer, or full and unconditional guarantor with respect to the guaranteed security will determine whether the issuer and guarantor structure is eligible for the benefits of the rule. An issuer and guarantor structure satisfies this framework if (1) the parent company issues or co-issues (on a joint and several basis with one or more of its consolidated subsidiaries) securities that are guaranteed by one or more consolidated subsidiaries; or (2) a consolidated subsidiary issues or co-issues (with one or more other consolidated subsidiaries of the parent company) the securities, and the securities are guaranteed fully and unconditionally by the parent company.

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- Because the role of the parent company determines whether an issuer or guarantor structure is eligible, the role of the subsidiary guarantors is irrelevant for determining overall eligibility. As a result, the existing conditions that subsidiary guarantees be full and unconditional as well as — where there are multiple guarantees — joint and several no longer will be imposed on subsidiary guarantors.
- The SEC expects issuer and guarantor structures that currently qualify under Rule 3-10 to continue to qualify under either of the two alternative categories in the revised framework.
- Replace the Consolidating Information specified in existing Rule 3-10 with more abbreviated financial and nonfinancial disclosures:
 - The amended financial disclosures require, for each issuer and guarantor, summarized financial information, as specified by Rule 1-02(bb)(1) of Regulation S-X.² Additional line item disclosure is required only to the extent the parent company determines that providing it would be material for investors to evaluate the sufficiency of the guarantee. The change in requirements provides significant relief as compared to current rules because (1) only select captions from the balance sheet and income statement have to be presented and (2) summarized financial information will not require disclosure of any information related to the statements of cash flows.
 - The summarized financial information of each issuer and guarantor may be presented on a combined basis; information related to subsidiaries that are not issuers or guarantors (and any consolidating adjustments) will no longer be required. This compares favorably against the current requirement of condensed consolidating financial information that included separate columnar information about the parent company, subsidiary issuers and guarantors, and any other subsidiaries of the parent company on a consolidated basis, consolidating adjustments and the total consolidated amounts.
 - The summarized financial information is required only for the most recently completed fiscal year and the most recent interim period included in the parent company's consolidated financial statements (as compared to the current requirement, which covers all periods included in the parent company's most recent consolidated financial statements).
- The nonfinancial disclosures should include, to the extent material, certain qualitative disclosures about the guarantees and the issuers and guarantors, as well as any additional information that may affect payments to holders of the guaranteed security.
 - For example, if a subsidiary guarantee is not full and unconditional or joint and several, and such terms are material, (1) the terms should be disclosed and (2) separate summarized financial information should be provided for any subsidiary guarantor that has not provided a full, unconditional, and joint and several guarantee.
- Permit the proposed disclosures to be provided outside the footnotes to the parent company's audited annual and unaudited interim consolidated financial statements in the registration statement covering the offer and sale of the subject securities and any related prospectus, and in any subsequent filings.
 - Permitting the disclosures to be located in the MD&A or other prominent location, as opposed to within the company's financial statements, is intended to reduce the costs and delays associated with auditing the disclosures. Additionally, by relocating the disclosures from the financial statements, the disclosures would become eligible for the liability protections of the safe harbor under the Private Securities Litigation Reform Act of 1995.

Because this information is no longer required to be audited, it is likely that underwriters will push for some level of auditor comfort or company certification on any summarized financial information that is not included in the parent company's audited financial statements.
- Eliminate the current requirement to provide pre-acquisition financial statements of recently acquired significant subsidiary issuers and guarantors. However, when a parent company has acquired a significant business after the date of the most recent balance sheet included in its consolidated financial statements, and the acquired business or one or more of its subsidiaries are obligated as issuers or guarantors, certain pre-acquisition summarized financial information will need to be provided in Securities Act registration statements filed in connection with the offer and sale of the subject guaranteed security.
- Require the proposed financial and nonfinancial disclosures for as long as the issuers and guarantors have an Exchange Act reporting obligation with respect to the guaranteed securities, rather than for as long as the guaranteed securities are outstanding.

² Summarized financial information as understood by Rule 1-02(bb) includes current and noncurrent assets, current and noncurrent liabilities, preferred stock, noncontrolling interests, net sales or gross revenues, gross profit, income/loss from continuing operations, net income/loss and net income/loss attributable to the entity.

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- In many cases when a debt security is offered and sold on a registered basis, there will be fewer than 300 holders of record. Accordingly, in such cases the reporting obligation of subsidiary issuers/guarantors under Section 15(d) would suspend automatically within approximately one year following completion of the registered offering.
- any other quantitative or qualitative information that would be material to making an investment decision with respect to the collateralized security.
- Permit the proposed financial and nonfinancial disclosures to be located in filings in the same manner as described above for the disclosures related to guarantors and guaranteed securities.

Proposed Rule 3-16

The amendments to Rule 3-16 reflect the view of the SEC that separate financial statements of affiliates whose securities are pledged as collateral “are not material in most situations.” The amendments will:

- Replace the existing requirement to provide separate financial statements for an affiliate whose pledged securities constitute a substantial portion of the collateral for any class of securities offered in a registered offering with a requirement to provide certain abbreviated financial and nonfinancial disclosures about the affiliate and the collateral arrangement if material to investors/holders of the collateralized securities. Required disclosures include the following:
 - a description of the security pledged as collateral and each affiliate whose security is pledged as collateral;
 - a description of the terms and conditions of the collateral arrangement, including the events or circumstances that would require delivery of the collateral;
 - a description of the trading market for the affiliate’s security pledged as collateral or a statement that there is no market;
 - summarized financial information, as specified in Rule 1-02(bb)(1) of Regulation S-X, for each affiliate whose securities are pledged as collateral. The summarized financial information of each such affiliate may be presented on a combined basis and should cover the most recently ended fiscal year and interim period included in the registrant’s consolidated financial statements; and

Conclusion

The amendments represent a welcome development in reducing the costs and challenges of complying with the existing rules applicable to guaranteed and collateralized securities. We believe the amendments may cause many debt issuers, especially those with issuer and guarantor or collateral support structures that currently do not comply with existing rules, to revisit whether to access the markets via a registered offering, instead of, for example, a Rule 144A private offering, where the existing rules do not apply. Additionally, we expect many parent companies will welcome the long overdue change that will permit them to cease providing the required financial disclosures for subsidiary issuers or guarantors if the obligation of the subsidiary issuer/guarantors to file periodic reports under Section 15(d) otherwise would have been suspended.

Additional information is available in the [adopting release](#) and the [SEC’s press release](#).

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Appendix

Set forth below is a table summarizing the main features of existing Rules 3-10 and 3-16, and the final rule changes. The table has been excerpted from the SEC adopting release and is not a substitute for the rules and regulations. It is only a summary of certain requirements contained in the current SEC rules and regulations, as well as a summary of the final amendments. Defined terms used below have the same meaning as in the SEC adopting release.

	Summary of Existing Rule 3-10	Summary of Adopted Rules
Financial Statement Requirement & Omission of Subsidiary Issuer and Guarantor Financial Statement	<p>Rule 3-10(a) states that every issuer of a registered security that is guaranteed and every guarantor of a registered security must file the financial statements required for a registrant by Regulation S-X.</p> <p>Rules 3-10(b) – (f) set forth five exceptions to this general rule, which permit the omission of separate financial statements of subsidiary issuers and guarantors when certain conditions are met, including that the parent company provides the Alternative Disclosures.</p>	<p>Each issuer of a registered security that is guaranteed and each guarantor of a registered security must file the financial statements required for a registrant by Regulation S-X; however, amended Rule 3-10(a) will no longer contain this express statement.</p> <p>Amended Rule 3-10(a) will continue to permit the omission of separate financial statements of subsidiary issuers and guarantors when certain conditions are met, including that the parent company provides the Revised Alternative Disclosures.</p>
Rule Structure & Eligible Issuer and Guarantor Structures	<p>Rules 3-10(b) through (f) set forth the five exceptions. Each exception specifies the eligible structures to which it applies, and the conditions that must be met. In each case, the parent company must provide the Alternative Disclosures.</p> <p>Eligible issuer and guarantor structures:</p> <ul style="list-style-type: none"> - A finance subsidiary issues securities that its parent company guarantees (Rule 3- 10(b)); - An operating subsidiary issues securities that its parent company guarantees (Rule 3- 10(b)); - A subsidiary issues securities that its parent company and one or more other subsidiaries of its parent company guarantee (Rule 3-10(d)); - A parent company issues securities that one of its subsidiaries guarantees (Rule 3-10(e)); or - A parent company issues securities that more than one of its subsidiaries guarantees (Rule 3-10(f)). 	<p>The amended rules will replace the exceptions in existing Rule 3-10(b) through (f). Amended Rule 3-10(a) will permit the separate financial statements of a subsidiary issuer or guarantor to be omitted if the eligibility conditions in amended Rules 3-10(a) and 3-10(a)(1) are met and the Revised Alternative Disclosures specified in new Rule 13-01 are provided in the filing, as required by amended Rule 3-10(a)(2). Amended Rule 3-10(a)(1) sets forth the eligible structures.</p> <p>Eligible issuer and guarantor structures:</p> <ul style="list-style-type: none"> - The parent company issues the security or co-issues the security, jointly and severally, with one or more of its consolidated subsidiaries (Amended Rule 3-10(a)(1)(i)); or - A consolidated subsidiary issues the security, or co-issues it with one or more other consolidated subsidiaries of the parent company, and the security is guaranteed fully and unconditionally by the parent company (Amended Rule 3-10(a)(1)(ii)). <p>The role of subsidiary guarantors will not be specified in the amended categories of structures; however, the amended rules are intended to cover the structures permitted in existing Rules 3-10(b) through (f).</p>

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	Summary of Existing Rule 3-10	Summary of Adopted Rules
Conditions to Omit Separate Subsidiary Issuer and Guarantor Financial Statements	<p>If an issuer and guarantor structure matches one of the exceptions in Rules 3-10(b) through (f), the conditions in the applicable exception paragraph must be met, including:</p> <ul style="list-style-type: none"> - Consolidated financial statements of the parent company have been filed; - Each subsidiary issuer and guarantor is "100%-owned" by the parent company; - Each guarantee is "full and unconditional" and, where there are multiple guarantees, joint and several; and - The parent company provides the Alternative Disclosures in its financial statement footnotes. <p>Additionally, the 2000 Release states the guaranteed security must be debt or debt-like.</p>	<p>The applicable conditions, set forth in amended Rule 3-10, include:</p> <ul style="list-style-type: none"> - Consolidated financial statements of the parent company have been filed (amended Rule 3-10(a)); - The subsidiary issuer or guarantor is a consolidated subsidiary of the parent company (amended Rule 3-10(a)); - The guaranteed security is debt or debt-like (amended Rule 3-10(a)(1)); - The issuer and guarantor structure must match one of the eligible issuer and guarantor structures (amended Rule 3-10(a)(1)(i) or (ii)); and - The parent company provides the Revised Alternative Disclosures (amended Rule 3-10(a)(2)).
Parent Company Financial Statements Condition	<p>The identity of the parent company will vary based on the particular corporate structure; however, the 2000 Release stated three conditions must be met before an entity can be considered a "parent company," including that the entity:</p> <ul style="list-style-type: none"> - Is an issuer or guarantor of the subject securities; - Is an Exchange Act reporting company, or will be one as a result of the subject Securities Act registration statement; and - Owns 100%-of each subsidiary issuer or guarantor directly or indirectly. 	<p>"Parent company" will be defined in amended Rule 3-10(b)(1) and require that the entity:</p> <ul style="list-style-type: none"> - Is an issuer or guarantor of the guaranteed security; - Is an Exchange Act reporting company, or will become one as a result of the subject Securities Act registration statement; and - Consolidates each subsidiary issuer and/or guarantor in its consolidated financial statements.
Ownership Condition	<p>The exceptions in Rules 3-10(b) through (f) require that each subsidiary issuer or guarantor must be 100%-owned by the parent company to omit its separate financial statements.</p>	<p>Amended Rule 3-10(a) will require that the subsidiary issuer or guarantor be a consolidated subsidiary of the parent company pursuant to the relevant accounting standards already in use.</p> <p>New Rule 13-01(a)(3) will require a description of any factors that may affect payments to holders of the guaranteed security, such as the rights of a non-controlling interest holder. New Rule 13-01(a)(4)(iv) will require separate disclosure of Summarized Financial Information for subsidiary issuers and guarantors affected by those factors as described below.</p>

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	Summary of Existing Rule 3-10	Summary of Adopted Rules
Debt or Debt-Like Security Definition	<p>Rule 3-10 does not define when a security is “debt or debt-like;” however, the 2000 Release described characteristics of a debt or debt-like security, including:</p> <ul style="list-style-type: none"> - The issuer has a contractual obligation to pay a fixed sum at a fixed time; and - Where the obligation to make such payments is cumulative, a set amount of interest must be paid. 	<p>Amended Rule 3-10(a)(1) will state explicitly that the guaranteed security must be “debt or debt-like” and amended Rule 3-10(b)(2) will state that a guaranteed security will be considered “debt or debt-like” if:</p> <ul style="list-style-type: none"> - The issuer has a contractual obligation to pay a fixed sum at a fixed time; and - Where the obligation to make such payments is cumulative, a set amount of interest must be paid.
Subsidiary Guarantee Eligibility Requirements	<p>The exceptions in Rule 3-10(b) through (f) specify that a guarantee be full and unconditional and, when there are multiple guarantees, be joint and several. The requirements are imposed on the guarantee regardless of whether the guarantor is the parent company or a subsidiary.</p>	<p>The parent company’s role with respect to the guaranteed security will determine whether the structure is eligible to provide the Revised Alternative Disclosures. The parent company must be the issuer or full and unconditional guarantor of the guaranteed security (amended Rules 3-10(a)(1)(i) and (ii)).</p> <p>If a subsidiary guarantee is not full and unconditional, or where there are multiple guarantees, not joint and several, disclosure of such terms and conditions will be required by new Rule 13-01(a)(2). New Rule 13-01(a)(4)(iv) will require separate disclosure of the Summarized Financial Information for subsidiary guarantor(s) to which such terms and conditions apply.</p>
Alternative Disclosures & Revised Alternative Disclosures	<p>To be eligible to omit the separate financial statements of a subsidiary issuer or guarantor, each exception in Rules 3-10(b) through (f) requires that the parent company must provide the Alternative Disclosures in the footnotes to its consolidated financial statements. The form and content of the Alternative Disclosures are determined based on the facts and circumstances and are either a brief narrative or Consolidating Information. Specific elements of Consolidating Information are discussed below.</p> <p>Alternative Disclosures may consist of a brief narrative instead of Consolidating Information when:</p> <ul style="list-style-type: none"> - The subsidiary is a finance subsidiary, and the parent company is the only guarantor of the securities; - The parent company of the subsidiary issuer has no independent assets or operations, the parent company guarantees the securities, no subsidiary of the parent company guarantees the securities, and any subsidiaries of the parent company other than the issuer are minor; and - The parent company issuer has no independent assets or operations and all of the parent company’s subsidiaries, other than minor subsidiaries, guarantee the securities. 	<p>The amended rule will replace the brief narrative form and Consolidating Information form of Alternative Disclosure with the Revised Alternative Disclosures specified in new Rule 13-01. Specific elements of the Revised Alternative Disclosures are discussed below.</p> <p>The Revised Alternative Disclosures will be required in all cases, to the extent material (amended Rule 13-01(a)). Additionally, new Rule 13-01(a)(6) will require disclosure of any financial and narrative information about each guarantor if the information would be material for investors to evaluate the sufficiency of the guarantee, and new Rule 13-01(a)(7) will require disclosure of sufficient information so as to make the financial and non-financial information presented not misleading.</p>

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	Summary of Existing Rule 3-10	Summary of Adopted Rules
Consolidating Information and Revised Alternative Disclosures — Level of Detail	<p>The instructions for preparing Consolidating Information are specified in Rule 3-10(i). Consolidating Information includes all major captions of the balance sheet, income statement, and cash flow statement that are required to be shown separately in interim financial statements prepared under Article 10 of Regulation S-X. Rules 3-10(i)(11)(i) and (ii), respectively, require disclosure of any financial and narrative information about each guarantor if it would be material for investors to evaluate the sufficiency of the guarantee, and disclosure of sufficient information to make the financial information presented not misleading.</p>	<p>The amended rule will require the Revised Alternative Disclosures specified in new Rule 13-01. New Rule 13-01(a)(4) will require, for each issuer and guarantor, Summarized Financial Information, as specified in Rule 1-02(bb)(1) of Regulation S-X, which will include select balance sheet and income statement line items, as well as an accompanying note that briefly describes the basis of presentation. Additionally:</p> <ul style="list-style-type: none">- Disclosure of additional line items of financial information beyond what is specified in new Rule 13-01(a)(4) will be required if necessary to comply with new Rules 13-01(a)(6) and (7);- An issuer's or guarantor's amounts due from, amounts due to, and transactions with non-obligated subsidiaries and related parties will be required to be presented in separate line items by new Rule 13-01(a)(4)(iii); and- A parent company will be permitted to omit the required financial information if one of the four non-exclusive scenarios in new Rule 13-01(a)(4)(vi) is applicable and disclosed.

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	Summary of Existing Rule 3-10	Summary of Adopted Rules
Consolidating Information and Revised Alternative Disclosures — Combined Basis	<p>The applicable exception in Rule 3-10(c) through (f) specifies the columns of information that must be presented, and Rule 3-10(i)(6) describes circumstances when additional columns are required.</p> <p>To distinguish the assets, liabilities, operations, and cash flows of the entities that are legally obligated to make payments under the guarantee from those that are not, the columnar presentation must show:</p> <ul style="list-style-type: none"> - A parent company's investments in all consolidated subsidiaries based upon its proportionate share of their net assets (Rule 3-10(i)(3)); and - Subsidiary issuer and guarantor investments in certain consolidated subsidiaries using the equity method of accounting (Rule 3-10(i)(5)). 	<p>New Rule 13-01(a)(4)(i) will permit the Summarized Financial Information of each issuer and guarantor consolidated in the parent company's consolidated financial statements to be presented on a combined basis with the Summarized Financial Information of the parent company. In this regard:</p> <ul style="list-style-type: none"> - New Rule 13-01(a)(4)(ii) requires intercompany balances and transactions between issuers and guarantors whose information is presented on a combined basis to be eliminated; - This Summarized Financial Information must exclude subsidiaries that are not issuers or guarantors (new Rule 13-01(a)(4)(iii)), even if an issuer or guarantor would otherwise consolidate such non-issuer and non-guarantor subsidiaries. An issuer's or guarantor's investment in a subsidiary that is not an issuer or guarantor must not be presented; and - If information provided in response to disclosures specified in new Rule 13-01 is applicable to one or more, but not all, issuers and guarantors, new Rule 13-01(a)(4)(iv) will require separate disclosure of Summarized Financial Information for the issuers and guarantors to which the information applies. In limited circumstances (<i>i.e.</i>, where the separate financial information applicable to those issuers and/or guarantors can be easily understood), narrative disclosure may be provided in lieu of such separate Summarized Financial Information. <p>The amended rule will no longer require separate disclosure of the financial information of non-guarantor subsidiaries.</p>
Consolidating Information and Revised Alternative Disclosures — Periods to Present	<p>Consolidating Information must be provided as of, and for, the same periods as the parent company's consolidated financial statements (Rule 3-10(i)(2)).</p>	<p>New Rule 13-01(a)(4)(v) will require Summarized Financial Information to be provided as of, and for, the most recently ended fiscal year and year-to-date interim period, if applicable, included in the parent company's consolidated financial statements.</p>

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	Summary of Existing Rule 3-10	Summary of Adopted Rules
Consolidating Information and Revised Alternative Disclosures — Non-Financial Disclosures and Related Exhibit	<p>Rule 3-10 requires certain non-financial disclosures, including:</p> <ul style="list-style-type: none"> - Disclosure, if true, that each subsidiary issuer or subsidiary guarantor is 100%-owned by the parent company, that all guarantees are full and unconditional, and where there is more than one guarantor, that all guarantees are joint and several (Rules 3-10(i)(8)(i) – (iii)); - Certain types of restrictions on the ability of the parent company or any guarantor to obtain funds from their subsidiaries (Rule 3-10(i)(9)). <p>Rules 3-10(i)(11)(i) and (ii), respectively, require disclosure of any financial and narrative information about each guarantor if it would be material for investors to evaluate the sufficiency of the guarantee, and disclosure of sufficient information to make the financial information presented not misleading.</p>	<p>New Rules 13-01(a)(1) through (3) will require disclosures about the issuers and guarantors, the terms and conditions of the guarantees, and how the issuer and guarantor structure and other factors may affect payments to holder of the guaranteed securities. Additionally, disclosure of facts and circumstances specific to particular issuers and guarantors that are beyond what is specifically required in new Rules 13-01(a)(1) through (3) will be required if necessary to comply with new Rules 13-01(a)(6) and (7), which are described above.</p> <p>In new Exhibit 22 (Item 601(b)(22) of Regulation S-K), the parent company must list each of its subsidiaries that is a guarantor, issuer, or co-issuer of guaranteed securities registered or being registered that the parent company issues, co-issues, or guarantees.</p>
Location and Audit Requirement of Alternative Disclosures and Revised Alternative Disclosure	<p>The exceptions in Rules 3-10(b) through (f) require the Alternative Disclosures to be included in the notes to the parent company's consolidated financial statements. Rule 3-10(i)(2) requires Consolidating Information to be audited for the same periods that the parent company financial statements are required to be audited.</p>	<p>New Rule 13-01(b) will allow the parent company to provide the Revised Alternative Disclosures in a footnote to its consolidated financial statements or alternatively, in MD&A. If a parent company elects to provide the disclosures in its audited financial statements, the Revised Alternative Disclosures will be required to be audited. If not otherwise included in the consolidated financial statements or in MD&A, the parent company will be required to include the Revised Alternative Disclosures in its prospectus immediately following "Risk Factors," if any, or otherwise, immediately following pricing information described in Item 105 of Regulation S-K.</p>

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	Summary of Existing Rule 3-10	Summary of Adopted Rules
Recently Acquired Subsidiary Issuers and Guarantors	<p>If a parent company acquires a new subsidiary issuer or guarantor, Rule 3-10(g) requires the parent company to provide one year of audited pre-acquisition financial statements of the newly acquired issuer or guarantor (and, if applicable, unaudited interim financial statements) when the:</p> <ul style="list-style-type: none"> - Parent company acquires the new subsidiary during or subsequent to one of the periods for which financial statements are presented in a Securities Act registration statement filed in connection with the offer and sale of the debt securities; - Subsidiary is deemed "significant" (Rule 3-10(g)(1)(ii)); and - Subsidiary is not reflected in the audited consolidated results of the parent company for at least nine months of the most recent fiscal year (Rule 3-10(g)(1)). 	<p>New Rule 13-01(a)(5) will require pre-acquisition Summarized Financial Information specified in new Rule 13-01(a)(4) for recently-acquired subsidiary issuers and guarantors to be provided in a Securities Act registration statement filed in connection with the offer and sale of the guaranteed security if the parent company has acquired a significant "business" after the date of its most recent balance sheet date included in its consolidated financial statements and that acquired business and/or one or more of its subsidiaries are obligated as issuers and/or guarantors.</p> <p>Whether a "business" has been acquired will be determined in accordance with the guidance set forth in Rule 11-01(d) of Regulation S-X. An acquired business will be deemed significant based on the same significant tests and thresholds used to determine whether pre-acquisition financial statements are required for an acquired business pursuant to Rule 3-05 of Regulation S-X).</p>
Exchange Act Reporting and Continuous Reporting Obligation	<p>Subsidiary issuers and guarantors that avail themselves of an exception that allows for the Alternative Disclosures in lieu of separate financial statements are exempt from Exchange Act reporting by Rule 12h-5. The parent company, however, must continue to provide the Alternative Disclosures for as long as the guaranteed securities are outstanding. This obligation continues even if the subsidiary issuers and guarantors could have suspended their reporting obligations under Exchange Act Rule 12h-3 or Section 15(d) of the Exchange Act, had they chosen not to avail themselves of a Rule 3-10 exception and reported separately from the parent company.</p>	<p>Subsidiary issuers and guarantors that are permitted to omit their financial statements under amended Rule 3-10 will continue to be exempt from Exchange Act reporting under Rule 12h-5. The amended rule will permit a parent company to cease providing the Revised Alternative Disclosures if the corresponding subsidiary issuer's or guarantor's Section 15(d) obligation is suspended automatically by operation of Section 15(d)(1) or through compliance with Rule 12h-3. As a continued condition of eligibility to omit the financial statements of a subsidiary issuer or guarantor, a parent company must continue providing the Revised Alternative Disclosures for so long as the subsidiary issuer or guarantor has a Section 12(b) reporting obligation with respect to the guarantee or guaranteed security.</p>

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	Summary of Existing Rule 3-16	Summary of Final Amendments
Rule 3-16 Financial Statements and Amended Disclosures	Rule 3-16(a) requires a registrant to provide separate annual and interim financial statements for each affiliate whose securities constitute a “substantial portion” of the collateral for any class of securities registered or being registered as if the affiliate were a separate registrant.	Under the final amendments, Rule 3-16 Financial Statements will be replaced with a requirement that a registrant provide the financial and non-financial disclosures about the affiliate(s) and the collateral arrangement specified in new Rule 13-02(a). New Rule 13-02 applies to collateralized debt securities issued on or after January 4, 2021, and to each registered security issued and outstanding before January 4, 2021 for which the registrant has previously been required to provide Rule 3-16 Financial Statements.
When Disclosure Is Required	Rule 3-16 Financial Statements are required when an affiliate’s securities constitute a “substantial portion” of the collateral for the securities registered or being registered. An affiliate’s securities shall be deemed to constitute a “substantial portion” if the aggregate principal amount, par value, or book value of the securities as carried by the registrant, or the market value of such securities, whichever is the greatest, equals 20 percent or more of the principal amount of the secured class of securities (Rule 3-16(b)).	Under the final amendments, the disclosures specified in new Rule 13-02(a) will be required in all cases, to the extent material. Additionally, new Rule 13-02(a)(6) will require disclosure of any financial and narrative information about each such affiliate if the information would be material for investors to evaluate the pledge of the affiliate’s securities as collateral, and new Rule 13-02(a)(7) will require sufficient information so as to make the financial and non-financial information presented not misleading.

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	Summary of Existing Rule 3-16	Summary of Final Amendments
Financial Disclosures, Non-Financial Disclosures and Related Exhibit	<p>Rule 3-16 Financial Statements are those that would be required if the affiliate were a separate registrant.</p>	<p>New Rule 13-02(a)(4) will require, for each affiliate whose securities are pledged as collateral, Summarized Financial Information, as specified in Rule 1-02(bb)(1) of Regulation S-X, which will include select balance sheet and income statement line items, as well as an accompanying note that briefly describes the basis of presentation. Additionally:</p> <ul style="list-style-type: none"> - Disclosure of additional line items of financial information beyond what is specified in new Rule 13-02(a)(4) will be required if necessary to comply with new Rules 13-02(a)(6) and (7); - An affiliate's amounts due from, amounts due to, and transactions with the registrant, any of the registrant's subsidiaries not included in the Summarized Financial Information of the affiliate(s), and related parties will be required to be presented in separate line items by new Rule 13-02(a)(4)(iii); and - A registrant will be permitted to omit the required financial information if one of the two non-exclusive scenarios in new Rule 13-01(a)(4)(vi) is applicable and disclosed. <p>New Rules 13-02(a)(1) through (3) will require certain non-financial disclosures about the securities pledged as collateral, the affiliates whose securities are pledged, the terms and conditions of the collateral arrangement, and whether a trading market exists for the pledged securities. Additionally, disclosure of facts and circumstances specific to particular affiliates or the collateral arrangement that are beyond what is specifically required in new Rules 13-02(a)(1) through (3) will be required if necessary to comply with new Rules 13-02(a)(6) and (7).</p> <p>In new Exhibit 22 (Item 601(b)(22) of Regulation S-K), the registrant must list each of its affiliates whose securities are pledged as collateral for securities registered or being registered, and also identify the securities pledged as collateral.</p>

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	Summary of Existing Rule 3-16	Summary of Final Amendments
Combined Basis	Separate Rule 3-16 Financial Statements are required for each affiliate whose securities constitute a “substantial portion” of the collateral for securities registered or being registered.	<p>New Rule 13-02(a)(4)(i) will permit the Summarized Financial Information of each affiliate consolidated in the registrant’s consolidated financial statements to be presented on a combined basis. In this regard:</p> <ul style="list-style-type: none"> - New Rule 13-02(a)(4)(ii) requires intercompany balances and transactions between affiliates whose summarized financial information is presented on a combined basis to be eliminated; and - If information provided in response to disclosures specified in new Rule 13-02 is applicable to one or more, but not all, affiliates, new Rule 13-02(a)(4)(iv) will require separate disclosure of Summarized Financial Information for the affiliates to which the information applies. In limited circumstances (<i>i.e.</i>, where the separate financial information applicable to those affiliates can be easily understood), narrative disclosure may be provided in lieu of such separate Summarized Financial Information.
Periods Presented	Rule 3-16 Financial Statements are required for the same annual and interim periods as if the affiliate were a separate registrant. As such, the financial statements are required to be provided for the periods required by Rules 3-01 and 3-02 of Regulation S-X. However, Rule 3-16 Financial Statements are not required in quarterly reports, such as Form 10-Q.	New Rule 13-02(a)(4)(v) will require disclosure as of, and for, the most recently ended fiscal year and year-to-date interim period, if applicable, included in the registrant’s consolidated financial statements. Disclosure will be required in quarterly reports, such as Form 10-Q (amended Rule 10-01(b)(10)).
Location and Audit Requirement of the Disclosure	Rule 3-16 Financial Statements are required to be audited for the periods required by Rules 3-01 and 3-02 of Regulation S-X.	New Rule 13-02(b) will allow the registrant to provide the disclosures required by Rule 13-02 in a footnote to its consolidated financial statements or alternatively, in MD&A. If a registrant elects to provide the disclosures in its audited financial statements, the amended disclosures will be required to be audited. If not otherwise included in the consolidated financial statements or in MD&A, the registrant will be required to include the amended disclosures in its prospectus immediately following “Risk Factors,” if any, or otherwise, immediately following pricing information described in Item 105 of Regulation S-K.

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	Summary of Existing Rule 3-16	Summary of Final Amendments
Recently-Acquired Affiliates Whose Securities are Pledged as Collateral	<p>Existing Rule 3-16 does not contain a specific requirement to provide pre-acquisition financial information of recently-acquired affiliates whose securities are pledged as collateral. However, if a recently-acquired affiliate meets the substantial portion threshold in the existing rule, financial statements for periods prior to the date of acquisition by the registrant are required to be filed.</p>	<p>New Rule 13-02(a)(5) will require pre-acquisition Summarized Financial Information specified in new Rule 13-02(a)(4) for recently-acquired affiliates whose securities are pledged as collateral to be provided in a Securities Act registration statement filed in connection with the offer and sale of the collateralized security if the registrant has acquired a significant “business” after the date of its most recent balance sheet date included in its consolidated financial statements and that acquired business and/or one or more of its subsidiaries are affiliates whose securities are pledged as collateral.</p> <p>Whether a “business” has been acquired will be determined in accordance with the guidance set forth in Rule 11-01(d) of Regulation S-X. An acquired business will be deemed significant based on the same significant tests and thresholds used to determine whether pre-acquisition financial statements are required for an acquired business pursuant to Rule 3-05 of Regulation S-X.</p>
Debt Agreements with Collateral Release Provisions	<p>Under existing Rule 3-16, registrants often structure debt agreements to release affiliate securities pledged as collateral if the disclosure requirements of Rule 3-16 would be triggered.</p>	<p>As a transitional matter, so as not to change the amount of collateral available to investors in previously issued debt securities that include collateral release provisions, amended Rule 3-16, and not new Rule 13-02, applies to each registered security issued and outstanding before January 4, 2021 for which the registrant has not previously been required to provide Rule 3-16 Financial Statements.</p>

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