

## Appendix A

### Summary of Most Significant SEC Proposed Amendments

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Topic	Proposed Rule(s) Impacted	Summary of Proposed Change / Amendment
Selected Financial Data	Item 301	<p>Eliminates the requirement for registrants (for whom the disclosure requirement applies) to furnish selected financial data in comparative tabular form for each of the last five fiscal years (or for the life of the registrant, if less) and any additional fiscal years necessary to keep the information from being misleading.</p> <p>In proposing this change, the SEC noted that Item 301 information is now readily accessible through EDGAR and is tagged using eXtensible Business Reporting Language (XBRL) compared to when the precursor to Item 301 was originally adopted. The SEC also acknowledged that Item 303 which requires disclosure of material trends already covers the intended purpose of Item 301 (to provide trend information). The proposal notes that registrants may continue to include a tabular presentation of relevant financial or other information discussed in MD&amp;A, to the extent such presentation would be useful to an understanding of the disclosure.</p>
Supplementary Financial Information	Item 302 <sup>1</sup>	<p>Eliminates the requirement to disclose selected quarterly financial data for each full quarter within the two most recent fiscal years and any subsequent period for which financial statements are included or required, and any variances in the results from amounts previously reported on a Form 10-Q, together with a description of the effect of any discontinued operations and unusual or infrequently occurring items.</p> <p>The SEC believes this prescriptive requirement largely results in duplicative disclosures and believes that eliminating Item 302 will</p>

<sup>1</sup> The SEC is also proposing to eliminate Item 302(b) which requires registrants engaged in oil and gas producing activities, other than smaller reporting companies, to disclose information about those activities for each period presented, if the FASB finalizes amendments to U.S. GAAP which would make the requirements of Item 302(b) duplicative of U.S. GAAP.

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		<p>encourage registrants to take a more principles-based approach to presenting in its MD&amp;A information called for by Item 302. As with Item 301, in proposing this change the SEC noted that Item 302 data can now be found in prior quarterly reports on EDGAR compared to when the precursor to Item 302 was adopted. The SEC acknowledged that while eliminating Item 302(a) may result in the loss of a separate presentation of fourth quarter information, such information can be calculated from a registrant's annual report and third quarter 10-Q.</p> <p>Item 302 was intended to help investors understand the pattern of corporate activities throughout a fiscal period by disclosing trends over quarterly periods to reflect seasonal patterns. The SEC notes that the original intention is now covered by other disclosure requirements such as Item 303 (to discuss unusual events that materially affect reported income and trends and uncertainties that have an impact on net sales, revenues, or operating income), Item 101 (disclosure of the extent to which a business is seasonal) and U.S. GAAP (disclosure of disposals of components of an entity and unusual or infrequently occurring items for the fourth quarter).</p>
MD&A - Capital Resources	Item 303(a)(2)	<p>Amends Item 303(a)(2) to specify that a registrant should broadly disclose <i>material cash commitments</i>, including but not limited to capital expenditures. Item 303(a)(2) currently only asks for a description of the registrant's material commitments for capital expenditures. The item will continue to ask for the anticipated source of funds and general purpose of such commitments.</p> <p>The SEC notes that as it has previously stated, known material cash requirements could include funds necessary to maintain current operations, complete projects underway, and achieve stated objectives or plans, or commitments for capital or other expenditures. The SEC recognizes that while capital expenditures remain important in many industries, certain expenditures and cash commitments that are not necessarily</p>

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		<p>capital investments in property, plant, and equipment may be increasingly important to companies, especially those for which human capital or intellectual property are key resources. The proposals are intended to provide investors with a clear picture of a registrant's ability to meet its material cash requirements.</p>
MD&A - Off-Balance Sheet Arrangements	Item 303(a)(4)	<p>Replaces current Item 303(a)(4), which requires disclosures about off-balance sheet arrangements in a separately captioned section with a new Instruction 8 to Item 303(b) that would require registrants to discuss off-balance sheet arrangements "that have, or are reasonably likely to have, a material current or future effect on a registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, cash requirements, or capital resources" within the context of broader MD&amp;A disclosures.</p> <p>The discussion would no longer occur in a separately-captioned section (which the SEC acknowledges often results in a disjointed presentation that may lack the necessary context of how these obligations should be considered in light of a registrant's overall financial condition) but rather would be made in the context of a more comprehensive, principles-based analysis. In proposing the change, the SEC acknowledges that updates made to U.S. GAAP since the implementation of Item 303(a)(4) have resulted in substantial disclosure overlap and that the current requirements often result in boilerplate or duplicative disclosures.</p> <p>The proposed new instruction would not define "off-balance sheet arrangements" but provide examples of such arrangements that are substantially the same as those included in the current definition of off-balance sheet arrangements. The SEC notes that this proposed instruction would build on the current requirement in Item 303(a)(2) that specifically requires</p>

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		consideration of off-balance sheet financing arrangements as part of the capital resources discussion.
MD&A - Contractual Obligations Table	Item 303(a)(5)	<p>Eliminates the requirement for most registrants to disclose in tabular format their known contractual obligations by type of obligations, the overall payments due, and by four prescribed periods.</p> <p>In proposing this change, the SEC acknowledges that much of the information required by Item 303(a)(5) overlaps with U.S. GAAP and is therefore included in the notes to the financial statements. In addition, the current table does not provide insight into the registrant's ability to pay its obligations as they become due and may not provide a complete picture of the registrant's expected uses of cash. The SEC also notes its belief that eliminating this requirement would not result in a loss of material information to investors given the overlap with information required in the financial statements and its proposed expansion of the capital resources requirement under Item 303(a)(2) above, which would require registrants to discuss material cash requirements (which would include material contractual obligations).</p>
MD&A - Critical Accounting Estimates	Current Item 303(a) proposed to be renumbered as Item 303(b)	The SEC has addressed critical accounting estimates in prior guidance and has stated that such disclosure should supplement, not duplicate, the description of accounting policies that are already disclosed in the notes to the financial statements. However, the SEC notes that despite its guidance, many registrants repeat the discussion of significant accounting policies from the notes to the financial statements in MD&A and provide limited additional discussion of critical accounting policies. The SEC notes that by proposing to codify the requirement, its intent is to eliminate duplicative disclosure and, instead, promote enhanced analysis of measurement uncertainties and clarify for registrants the required disclosures.

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		<p>To this end, the proposed amendment defines a critical accounting estimate as “an estimate made in accordance with generally accepted accounting principles that involves a significant level of estimation uncertainty and has had or is reasonably likely to have a material impact on the registrant’s financial condition or results of operations” and includes an instruction specifying that the disclosure of critical accounting estimates shall supplement, but not duplicate, the description of accounting policies or other disclosures in the notes to the financial statements.</p> <p>For each critical accounting estimate, the proposed amendments would require registrants to disclose, to the extent material, why the estimate is subject to uncertainty, how much each estimate has changed during the reporting period, the sensitivity of the reported amounts to the material methods, assumptions, and estimates underlying the estimate’s calculation. This overlaps with certain aspects of the SEC’s prior guidance that asks registrants to analyze, to the extent material, factors such as how it arrived at the estimate, how accurate the estimate/assumption has been in the past, how much the estimate/assumption has changed in the past, and whether the estimate/assumption is reasonably likely to change in the future, as well as its specific sensitivity to change based on other outcomes that are reasonably likely to occur.</p>
MD&A - Interim Period Discussion	Current Item 303(b) to be renumbered as proposed Item 303(c)	Permits registrants to compare their most recently completed quarter to either the corresponding quarter of the prior year (as is currently required) or to the immediately preceding quarter. If a registrant elects to discuss changes from the immediately preceding sequential quarter, the registrant must provide summary financial information that is the subject of the discussion for that quarter or identify the prior EDGAR filing that presents such information so that a reader may have ready access to the prior quarter financial information being discussed.

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		<p>In addition, if a registrant changes the comparison from the prior interim period comparison, the registrant would be required to explain the reason for the change and present both comparisons in the filing where the change is announced.</p> <p>In proposing this change, the SEC recognizes that not all businesses are seasonal and a comparison to the corresponding quarter of the preceding year may not be as meaningful as a comparison to the preceding quarter. The SEC believes the proposed amendments would allow registrants additional flexibility to provide an analysis that they believe is most relevant to an understanding of the frequency and amplitude of past business cycles while also ensuring that investors have appropriate information to assess the comparisons being presented.</p>

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## Summary of Other SEC Proposed Amendments

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MD&A - Objective	New Item 303(a)	<p>Adds a new Item 303(a) to describe the objectives of MD&amp;A which:</p> <ul style="list-style-type: none"> <li>• Incorporates the following portions of current Instructions 1, 2 and 3, to require companies to disclose:               <ul style="list-style-type: none"> <li>○ Material information relevant to an assessment of the financial condition and results of operations of the registrant, including an evaluation of the amounts and certainty of cash flows from operations and from outside sources.</li> <li>○ Material financial and statistical data that the registrant believes will enhance a reader's understanding of the registrant's financial condition, changes in financial condition, and results of operations.</li> <li>○ Material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This would include descriptions and amounts of matters that: (i) would have a material impact on future operations and have not had an impact in the past, and (ii) have had a material impact on reported operations and are not expected to have an impact on future operations.</li> </ul> </li> <li>• Codifies the SEC's guidance that states that a registrant should provide a narrative explanation of its financial statements that enables investors to see a registrant "through the eyes of management."</li> </ul> <p>The SEC believes that emphasizing the purpose of MD&amp;A at the outset will provide clarity and focus to registrants as they consider what to discuss and analyze and remind registrants as they prepare their MD&amp;A that the general purpose of the disclosure is</p>

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		to provide both a historical and prospective analysis of the registrant's financial condition and results of operations, with particular emphasis on the registrant's prospects for the future.
MD&A - Full Fiscal Years	Re-captions current Item 303(a) as Item 303(b)	<p>Adds "<i>product lines</i>" as an example of other subdivisions of a registrant's business that should be discussed. Current relevant Item 303(a) language states that where, in the registrant's judgment, a discussion of segment information and/or of other <i>subdivisions</i> (e.g., geographic areas) of the registrant's business would be appropriate to an understanding of such business, the discussion shall focus on each relevant segment and/or other subdivision of the business and on the registrant as a whole.</p> <p>Moves to proposed Item 303(b) the portion of current Instruction 4 to Item 303(a) that requires a description of the <i>causes</i> of material changes from year-to-year in line items of the financial statements to the extent necessary to an understanding of the registrant's business as a whole, and clarifies that such description requires a narrative discussion of the "<i>underlying reasons</i>" for material changes from period-to-period in one or more line items in quantitative and qualitative terms, rather than only the "<i>cause</i>" for material changes. In addition, the proposed amendment clarifies that registrants should discuss material changes within a line item even when such material changes offset each other.</p>
MD&A - Results of Operations - Known Trends or Uncertainties	Item 303(a)(3)(ii)	<p>The current rule requires a registrant to describe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material impact (favorable or unfavorable) on net sales or revenues or income from continuing operations. In addition, if the registrant knows of events that <i>will</i> cause a material change in the relationship between costs and revenues, the change in the relationship must be disclosed.</p> <p>Amends the current rule to provide that when a registrant knows of events that are "<i>reasonably likely</i>" to cause (as opposed to <i>will</i></p>



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		cause) a material change in the relationship between costs and revenues, such as known or reasonably likely future increases in costs of labor or materials or price increases or inventory adjustments, the reasonably likely change must be disclosed.
MD&A - Results of Operations - Net Sales and Revenues	Item 303(a)(3)(iii)	<p>The current rule specifies, to the extent financial statements disclose <i>material increases</i> in net sales or revenues, a registrant must provide a narrative discussion of the extent to which such increases are attributable to increases in prices, or to increases in the volume or amount of goods or services being sold, or to the introduction of new products or services.</p> <p>Amends the current rule to tie the required disclosure to “<i>material changes</i>” in net sales or revenues, rather than solely to “<i>material increases</i>” to codify the SEC’s prior guidance, that the results of operations discussion should describe not only increases but also decreases in net sales or revenues.</p>
MD&A - Results of Operations - Inflation and Price Changes	Item 303(a)(3)(iv) and Instructions 8 and 9 to Item 303(a)	<p>Eliminates the requirement for registrants to discuss the impact of inflation and price changes on their net sales, revenue and income from continuing operations.</p> <p>The SEC notes that registrants would still be expected to discuss the impact of inflation or changing prices if they are part of a known trend or uncertainty that has had, or the registrant reasonably expects to have, a material favorable or unfavorable impact on net sales, or revenue, or income from continuing operations. In addition, registrants would be required to disclose material changes from inflation or changing prices if these were “underlying reasons” for material changes in one or more line items, in line with the proposed Item 303(b) as discussed above.</p>
MD&A - Safe Harbor for Forward-Looking Information	Item 303(c)	Eliminates current Item 303(c), which provides that the safe harbors provided in Section 27A of the Securities Act and Section 21E of the Exchange Act apply to all forward-looking information provided in response to Item 303(a)(4) (off-balance sheet

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		<p>arrangements) and Item 303(a)(5) (contractual obligations), provided such disclosure is made by certain enumerated persons.</p> <p>The SEC notes that the proposed amendments are intended to be conforming changes since the SEC is proposing to eliminate both Items 303(a)(4) and (5), but would not alter the availability of the regulatory safe harbors in Securities Act Rule 175 and Exchange Act Rule 3b-6, which expressly apply to forward-looking information in MD&amp;A disclosure or the statutory safe harbor provisions of the Private Securities Litigation Reform Act, and would therefore cover off-balance sheet arrangement disclosures provided in response to proposed Instruction 8 to Item 303(b), along with disclosures regarding contractual obligations in MD&amp;A.</p>
MD&A - Smaller Reporting Companies	Item 303(d)	<p>Eliminates Item 303(d), which states that a smaller reporting company may provide Item 303(a)(3)(iv) information for the most recent two fiscal years if it provides financial information on net sales and revenues and income from continuing operations for only two years and that it is not required to provide the contractual obligations chart specified in Item 303(a)(5), in light of proposals to eliminate Item 303(a)(3)(iv) and (a)(5).</p> <p>The SEC notes that smaller reporting companies may continue to rely on Instruction 1 to Item 303(a), which states that a smaller reporting company's discussion shall cover the two-year period required in Article 8 of Regulation S-X.</p>

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