

KEY THEMES EMERGE FROM SEC INVESTOR ROUNDTABLE

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On June 30, 2020, Jay Clayton, SEC chair, and Bill Hinman, Director of Corporation Finance, hosted an investor roundtable seeking input from investors on how to improve disclosures during this period of COVID-19. The participants included Gary Cohn, Former Director of the National Economic Council; Glenn Hutchins, Chairman of North Island; Tracy Maitland, President and CIO of Advent Capital; and Barbara Novick, Vice Chairman and Co-Founder of BlackRock.

The discussion was wide-ranging, but several themes emerged:

- While swift government action from the Federal Reserve and the CARES Act appears to have helped stabilize the economy and markets, investors expressed concern that the macro-economic picture remains very uncertain, particularly as certain government programs expire.
- Investors want to see greater transparency as to how the company expects to perform in the near term, including with respect to such matters as cash flow, working capital and covenant compliance as well as key assumptions. For example, is the company's ability to restore production dependent on schools reopening so that parents can return to work? Or does the company's supply chain depend on European travel being restored?
- Glenn Hutchins noted that fewer than 10% of the S&P 500 have maintained earnings guidance. As a result, investors seek greater insight into the range of potential outcomes and the ability of companies to manage through different scenarios as well as a greater understanding if companies have "tools for adaptability" and an ability to adjust to changes in an uncertain environment. He cited the [joint statement by Clayton and Hinman](#), noting that they "would not expect to second guess good faith attempts to provide investors and other market participants appropriately framed forward-looking information" as important to encourage greater transparency. Chairman Clayton emphasized the importance of disclosing the key assumptions underlying forward-looking statements, and noted that "good faith" in this context would be evaluated, for example, for consistency with materials reviewed by management and presented to the board.
- Investors also expressed interest in how a company's business model is expected to evolve over the longer-term, such as 2022 or 2023, after the pandemic is hopefully over, including

responses to recent social unrest and other human capital concerns, including diversity, wage inequality and other social issues. Gary Cohn expressed the view that such concerns would have dominated boardroom discussions if the pandemic had not occurred.

- Tracy Maitland called for more transparency to help investors understand "who can make it over the liquidity bridge," as well as the possibility of increased standardization of reporting by companies, perhaps by industry, to increase comparability of financial statements and related disclosures. He noted that, in particular when raising capital, companies should focus not just on the last quarter, but the last month, the last week, and what is going to happen next month and into the future.
- Barbara Novick advocated for a holistic view of disclosure, addressing not just financial and liquidity issues, but also the company's approach to race and social unrest issues, among other things.
- Bill Hinman confirmed that the SEC staff plans to review Q2 filings and expects to publish examples of model disclosures, as guidance to public companies.

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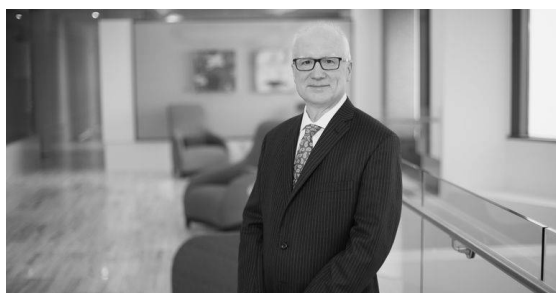


R. Randall Wang

St. Louis

randy.wang@bclplaw.com

[+1 314 259 2149](tel:+13142592149)



Robert J. Endicott

St. Louis

rob.endicott@bclplaw.com

[+1 314 259 2447](tel:+13142592447)

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