

SEC Staff Issues Additional COVID-19 Disclosure Guidance

Suggested considerations for MD&A

Supplementing [earlier guidance](#), on June 23, 2020, the staff of the Securities and Exchange Commission's Division of Corporation Finance issued Disclosure Guidance Topic 9A, containing a list of issues raised by the COVID-19 pandemic that reporting companies should consider when preparing Management's Discussion and Analysis of Financial Condition and Results of Operations included in their periodic reports, including forthcoming Quarterly Reports on Form 10-Q that many registrants will soon be preparing for the second quarter of 2020. While issuers generally included extensive discussion of the effects of the COVID-19 pandemic in letters from the chief executive or in earnings releases, this new guidance will require the inclusion of more detail in SEC filings as the pandemic extends longer into the second half of 2020 than expected at the time the initial guidance was promulgated.

The staff noted that, in response to the pandemic, reporting companies are adjusting operations, such as to accommodate telecommuting; making supply chain and distribution adjustments; and suspending or modifying certain operations to comply with health and safety guidelines, including in connection with transitions back to the workplace. Additionally, companies are undertaking a diverse range of financing activities that may include novel terms and structures, including credit extended under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These activities may have effects on results of operations or liquidity and capital resources that would be material to investment decisions, leading the staff to recommend that a reporting company carefully consider its obligations to disclose to investors how the pandemic is affecting the company's business and its responses.



In particular, the staff suggested that reporting companies consider disclosing, if material, among other matters:

- The material operational challenges created by COVID-19 that management and the board of directors are monitoring and evaluating, such as health and safety policies
- Whether liquidity is adversely affected by reduced revenues due to the pandemic and—if material—assumptions made regarding the anticipated duration of those effects
- Use and availability of the company's traditional funding sources
- Ability to service debt or to meet debt covenants
- Reliance on vendor financing
- Clear definitions of and assumptions underlying cash burn rates (if this metric is used)
- Reductions in expenditures
- Extensions of or other changes in customers' payment terms
- Material events occurring between the end of the reporting period and release of financial statements (so-called subsequent event disclosures)
- Use of government COVID-19 relief
- Going-concern status

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COVID-19 Resource Center

For information on the business impacts of COVID-19, please visit our [COVID-19 Resource Center](#), which we continue to update as the situation evolves. If you have questions about COVID-19's impact on your business, please reach out to your Loeb relationship partner or email us directly at COVID19@loeb.com.

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