

SEC GUIDANCE TARGETS DISCLOSURES DURING “MEME STOCK” VOLATILITY

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Yesterday, the SEC’s Division of Corporation Finance issued guidance on securities offering disclosure during times of extreme price volatility, which it viewed as characterized by:

- recent stock run-ups or recent divergences in valuation ratios relative to those seen during traditional markets,
- high short interest or reported short squeezes, and
- reports of strong and atypical retail investor interest (whether on social media or otherwise)

The guidance was issued in the form of a sample comment letter to address topics such as:

- On the prospectus cover page
 - recent price volatility and any known risks of investing under these circumstances
 - comparative market prices before and after the volatility
 - whether any recent changes in financial condition or results of operations are consistent with the stock price changes
- Risk factors that address
 - recent extreme volatility
 - the effects of a potential short squeeze, including on purchasers in the offering
 - the effect of the number of shares being offered relative to the number outstanding, including on stock prices and investors
 - the potential dilutive effect of future offerings, if contemplated

- Priorities for use of proceeds, insofar as the targeted proceeds are based on a current stock price that significantly exceeds the company’s historic average price per share, in the event the actual proceeds are less than expected

The staff noted that the sample comments do not constitute an exhaustive list of the issues that companies should consider.

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- Securities & Corporate Governance

MEET THE TEAM



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