

Bruce Newsome in Reuters: U.S. Companies Walk Legal Tightrope as Earnings Season Kicks Off

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Haynes Boone Partner [Bruce Newsome](#) talked with *Reuters* about how U.S. companies are grappling with providing guidance on their earnings outlook as COVID-19 takes uncertainty to new heights and exposes them to potential shareholder lawsuits if forecasts prove misplaced.

Here is an excerpt:

The SEC [Securities and Exchange Commission] has encouraged companies to use legal safe harbors specifying that certain statements do not violate securities law. But while those should protect companies from an SEC penalty, they may not shield them from investor litigation, lawyers said.

False forward-looking statements were cited in roughly half of federal class action lawsuits over the past five years, excluding those related to mergers and acquisitions, according to data compiled by Cornerstone Research.

Lawyers said companies should disclose potential areas of future capital raising, but that they were otherwise urging clients to use extra cautious language when providing an outlook, including specifying precisely when management is making assumptions and weaving in additional caveats.

For example, Bruce Newsome, a lawyer at Haynes Boone, said that for “added cover” he was advising clients to include the following caveat: “These projections are based on current thoughts given coronavirus restrictions, but the extent of the risk cannot be confirmed.”

To read the full article, [click here](#). The article was also published in the following outlets:

- [The New York Times](#)
- [U.S. News & World Report](#)
- [Claims Journal](#)