



ANTHONY L.G., PLLC
A CORPORATE LAW FIRM

**Attorney Laura Anthony
Talks Brexit, Predictive
Economics and
SEC Safeguards**

**White Paper
December, 2019**

MAKE VALUED ALLIANCES

LAURA ANTHONY, ESQ.
FOUNDING PARTNER

ANTHONYPLLC.COM

SECURITIESLAWBLOG.COM



VISIT: **LAWCAST.COM**



December, 2019

Attorney Laura Anthony Talks Brexit, Predictive Economics and SEC Safeguards

Alliances are important, especially in business. In order to accomplish anything of substantial value, people with expertise and resources must band together, put forth a cooperative effort, and act as a single unit. The alliance functions because all members stand to benefit from the success of their collective determination.

However, when being a team player hinders growth and expansion, some members of the alliance will inevitably begin to re-evaluate the tangible merit of their teammates.

Brexit is a rather complicated issue when viewed solely in economic terms, and taking a definitive rain or shine stance on the outcome is pure conjecture. [The global economy](#) has many moving parts, and Brexit is just one of them.

The UK joined the European Union in 1972 primarily for the reasons spelled out on the EU's official website: "The union's purpose is to promote peace, establish a unified economic and monetary system, promote inclusion and combat discrimination, break down barriers to trade and borders, encourage technological and scientific developments, [and] champion environmental protection."

The concept is simple: everyone bands together and accomplishes more than they would working independently. This sounds logical, but good on paper and good in practice are two completely different animals. For the sake of clarity, let's put this ideology in terms that everyone can relate to.

A group of neighbors forms an alliance in order to build a recreation center, something that will benefit all of the members. One ally contributes lumber, another provides wiring and electrical services, the attorney on the block works with the city council to pull permits, and one member of the group agrees to provide all necessary architectural services. This sounds like a fair and equitable team effort, but the members providing hard goods, lumber and electrical, must come out of pocket a pretty penny. The two neighbors responsible for permitting and architecture are contributing time and expertise.

Inevitably, a dispute arises because the money people believe they are doing more than the service providers. The construction of the recreation center does indeed require the participation of the entire alliance, but some members believe that they got the short end of the deal because of their considerable financial support. The next time a neighborhood project is proposed, one of the money people may be reluctant to participate.

Extrapolate this scenario so that it consists of 28 countries. This is the [European Union](#).

According to John Mauldin, a Senior Contributor to *Forbes* magazine, one of the primary reasons for [Brexit](#) is the rise of nationalism across the world. There's a growing distrust of multinational financial, trade, and defense organizations created after World War II. The EU, the IMF, and NATO are good examples of this. Many who oppose the EU believe these institutions no longer serve a purpose. Not only that, these organizations take control away from individual nations. Mistrust and fear of losing control made Brexit a reasonable solution to them. The immigration crisis in Europe was a trigger. Some EU leaders argued that aiding the refugees was a moral obligation. But EU opponents saw immigration as a national issue, as it affected the internal life of the country. Steering clear of this issue was an important driver for the "leave" vote.



Remarkably, the [vote](#) to leave the EU defied both the Conservative and Labour parties, both of which advocated that the UK remain in the EU. This third faction, The Exiters, shared the sentiment that the British government was no longer looking out for its citizens – it was seeking to protect its own agenda.

Brits view the world through a very historical filter and remember that, not very long ago, the United Kingdom, formerly known as the British Empire, was a global superpower. The UK's most valuable territories were divvied up between the U.S. and the Soviets after WWII. The "Kingdom" was effectively declawed. While the British government was able to swallow this bitter pill, the people never forgot the magnitude of this loss.

Now that Brexit is on the near horizon, economists feel compelled to weigh in on the topic. The majority of them predict a negative financial event that will create a ripple effect across Europe and even the globe. No market or index will be spared.

Taking such a stance is dangerous for the simple fact that no one has a crystal ball. Economic theory is just that: theoretical. It is something that may or not occur, in whole or in part. Many would say it is nothing more tangible than guesswork.

History, however, is real. It cannot be changed or refuted.

Leading up to the year 2000, more notoriously known as Y2K, panic began building as everyone spun their own personal doomsday scenario about a global Internet collapse. Even the brightest, best educated and most well-intentioned predicted that banking records would be lost, power grids were bound to fail and, as ridiculous as it sounds now, we would all be thrust back into the Stone Age at the stroke of midnight on December 31, 1999. None of this ever occurred.

What did happen exactly 70 days from the doomsday date of Y2K was the dot-com bubble. On March 10, 2000, the bottom dropped out of the [NASDAQ index](#). Over the next two years the [NASDAQ](#) plummeted from 5,048.62 to 1,139.90, a 76.81% drop. The share prices of even the most robust tech firms like Cisco, Intel and Oracle dropped by 80%.

Economic disasters are almost never anticipated.

The crash of 2008 seemed to appear out of nowhere. The Saudi oil embargo of 1973 sent the price of gasoline skyrocketing, assuming there was any to be had, and no one saw it coming. One day Americans were purchasing big-block cars that averaged seven miles to the gallon, and the next day lines at gas stations wrapped around the block. Silence and bliss preceded the first oil crises. Most notably, the crash of '28 put the roaring '20s to bed without even a whisper of forewarning.

Economic catastrophes do occur, and in one way or another, the economy always bounces back. Harsh realities come and go. Some do more damage than others.

Rampant speculation and fear also yield carnage. The only difference is that these panic-driven events can be controlled for the simple reason that they are apparitions. The lesson to be learned: fear the worst, and the fear becomes tangible.

While economists can't seem to agree on the potential impact of the UK's pending exit from the [EU](#), most accept the fact that [markets](#) are emotionally driven. People buy on confidence and sell on doubt. Instability and volatility, for the most part, radicalize just as much in response to public sentiment as they do to actual economic calamities. Simply stated, the public's reaction and perception of a financial event can create more havoc than the event itself.



Even so, being dismissive or overly optimistic isn't very tactical. Worst possible scenarios must be logically and objectively considered as possibilities. Should there be negative repercussions from [Brexit](#), or an outright financial cataclysm, plans should already exist that detail defensive tactics designed to minimize the impact.

It's better to be prepared than to get prepared.

According to a recent article by Francine McKenna of *MarketWatch*, Securities and Exchange Commission [Chairman Jay Clayton](#) warned an audience of international bankers, "If we have a hard Brexit, there will be friction, there will be price volatility, there will be problems." Clayton continued, "Brexit is already here," and advised financial executives that preparations should be made for a variety of scenarios, including a "hard Brexit."

Clayton, unlike doomsday analysts, advised financial execs to prepare for numerous different scenarios, with only one of them, the hard Brexit, being the worst possible outcome.

In a well-planned and systematic manner, the [SEC](#) has recently begun requiring that public companies disclose their game plans for dealing with a financially disruptive Brexit.

Nature of Brexit Disclosures

Recently, [William Hinman](#), the Director of the [SEC Division of Corporation Finance](#), gave a speech at the 18th Annual Institute on Securities Regulation in Europe and the topic of Brexit was front and center. Consistent with recent disclosure rule amendments and guidance, Director Hinman noted that the US "disclosure regime emphasizes materiality" and "principles-based disclosure requirements." In essence, management must determine whether Brexit impacts their business, financial condition or risks and make disclosure accordingly.

Also consistent with [SEC rules and guidance](#), generic disclosures related to the impact of Brexit do not provide meaningful input for investors. Each company has its own considerations and given the differences across industries and companies, there is no one specific data point or piece of information that all companies could provide to disclose material information relating to their [Brexit-related risks](#).

In his speech, Director Hinman asked the audience, "[F]or those of you involved in crafting disclosure documents, you can ask yourself a straightforward question: would these disclosures satisfy the curiosity of a thoughtful, deliberative board member considering the potential impact of Brexit on the company's business, operations and strategic plans?" Director Hinman also shared six topics for companies to consider as a starting point when assessing and drafting [Brexit-related disclosures](#).

The six topics include:

Is the business exposed to new regulatory risk given the uncertainty of which set of laws and regulations will apply and whether transition agreements will be in place? One example is the loss of passporting arrangements that currently permit UK entities to provide services to businesses and customers throughout the EU. Industry-specific examples include risks to clinical trials and product development due to varying regulations for biopharmaceutical companies and regulatory and antitrust issues impacting airlines including new flying restrictions.

Are there significant [supply chain risks](#) due to the potential disruption to the UK's access to free-trade agreements with other nations and any resulting changes in tariffs on exports and imports? Customs administration could cause new delays in supply chains.



Does the company face a material risk of losing customers, a decrease in sales or revenues or an increase in costs due to tariffs or other factors? A company whose product demand is sensitive to exchange rates or tariffs may require disclosure related to decreased demand and increased costs and changes in working capital.

Does the company have exposure to currency devaluation, foreign currency exchange rate risk or other market risk? Brexit will likely heighten foreign exchange volatility, which may increase hedging activity and market risks.

What is the company's exposure to contractual risk in the face of Brexit? Companies will need to review existing contracts with counterparties in the UK or the EU to determine whether renegotiation or termination is necessary. Furthermore, to the extent that new entities are formed in the UK, there may be risks associated with the ability to assign or enter into new contracts.

Do Brexit-related issues affect financial statement recognition, measurement or disclosure items, such as inventory write-downs, long-lived asset impairments, collectability of receivables, assumptions underlying fair value measurements, foreign currency matters, hedge accounting or income taxes?

That was not the first speech by either Hinman or other [SEC executives](#), though the message and guidance has been consistent. In addition, several accounting firms and industry publications have weighed in on the issue. In addition to the disclosures delineated by Director Hinman, companies should consider risks associated with the following:

Migration risk such as the process of migrating businesses, assets and contracts in a short period.

Data Protection Risk - The EU General Data Protection Regulation governs the processing of personal data and information by which individuals might be identified. Unless otherwise addressed, the UK will no longer be an EU "safe data" zone under the GDPR and data transfers will become more complex.

Labor Risk - Brexit might impact staffing availability and the movement of employees across borders.

Structural Risk - Companies might undertake [corporate structural](#) changes such as modifying corporate structures and creating or eliminating subsidiaries.

Intellectual Property Risk - Brexit will change the landscape of UK and EU trademark and design portfolios. IP right owners need to be ready for its impact and take steps to mitigate the effect.

Lending Risk - Some EU27 States have relatively light regulatory requirements for corporate lending, while others require lenders to be licensed locally. Ancillary services may also require local authorization. For example, the issuance of letters of credit or third-party guarantees in Ireland is an activity which is, in the absence of passporting rights, subject to local licensing requirements.

Syndicated Loan Risk - English law governs the content of and the transferability of a large portion of syndicated loans within Europe and the vast majority of hedging agreements within the EU. English law-governed finance agreements will continue to be interpreted by the English courts, and a no-deal Brexit will not prevent courts from entering judgments. However, a no-deal Brexit may affect the degree to which those judgments are enforceable within the EU27.

Collateral and Netting Risk - Currently EU member states, including the UK, benefit from rules which protect collateral and netting rights of contractual counterparties. Unless reciprocal arrangements are put in place by the UK and EU27, the regime will no longer apply.

Ultimately, whether the impact from Brexit is nominal or calamitous, the [SEC](#) has made it clear that Pubcos are indeed responsible for being prepared



The Author

Laura Anthony, Esq.,
Founding Partner
Anthony L.G., PLLC
A Corporate Law Firm
LAnthony@AnthonyPLLC.com

625 N. Flagler Drive, Ste, 600
West Palm Beach, FL 33401
Phone: 800-341-2684 – 561-514-0936
Fax: 561-514-0832
AnthonyPLLC.com
LawCast.com

Securities [Attorney Laura Anthony](#) is the founding partner of Anthony L.G., PLLC, a national corporate, securities and business transactions law firm. For 23 years Ms. Anthony has focused her law practice on small and mid-cap private and public companies, the OTC market, [NASDAQ](#), NYSE MKT, [going public transactions](#), mergers and acquisitions, private placement and [corporate finance](#) transactions, Regulation A/A+, Exchange Act and other regulatory reporting requirements, FINRA and DTC requirements, state and federal securities laws, crowdfunding, general corporate law and complex business transactions.

Ms. Anthony and the ALG team have represented issuers, buyers, sellers, underwriters, placement agents, investors, and shareholders in [mergers, acquisitions and corporate finance transactions valued in excess of \\$1 billion. ALG has represented in excess of 200 corporate vehicles and private entities in reverse mergers, initial public offerings and direct public offering transactions.](#)

[Attorney Laura Anthony](#) and her experienced legal team provides ongoing corporate counsel to small and midsize private companies, OTC and exchange traded issuers as well as private companies going public on the NASDAQ, NYSE MKT or over-the-counter market, such as the [OTCQB](#) and [OTCQX](#). For nearly two decades Anthony L.G., PLLC has served clients providing fast, personalized, cutting-edge legal service. The firm's reputation and relationships provide invaluable resources to clients including introductions to investment bankers, broker-dealers, institutional investors and other strategic alliances.

The firm's focus includes, but is not limited to, compliance with the Securities Act of 1933 offer sale and registration requirements, including [private placement transactions](#) under Regulation D and Regulation S and PIPE Transactions as well as registration statements on Forms S-1, S-8 and S-4; compliance with the reporting requirements of the Securities Exchange Act of 1934, drafting and filing [Form 10 Registration Statements](#), reporting on Forms 10-Q, 10-K and 8-K, and [14C Information Statements](#) and 14A Proxy Statements; [Regulation A/A+ offerings](#); all forms of [going public transactions](#); mergers and acquisitions including both reverse mergers and forward mergers; applications to and compliance with the corporate governance requirements of securities exchanges including NASDAQ and NYSE MKT; crowdfunding; corporate; and general contract and business transactions.

[Attorney Laura Anthony](#) and her firm represents both target and acquiring companies in reverse mergers and forward mergers, including the preparation of transaction documents such as [merger agreements](#), [share exchange agreements](#), [stock purchase agreements](#), asset purchase agreements and reorganization agreements. Ms. Anthony's legal team prepares the necessary documentation and assists in completing the requirements of federal and state securities laws

and SROs such as FINRA and DTC for [15c2-11 applications](#), corporate name changes, forward and reverse stock splits and changes of domicile.



[Ms. Anthony](#) is an approved [PAL and OTC Markets Advisor](#) with OTC Markets Group, the creator and author of [SecuritiesLawBlog.com](#), the security industry's leading source for news and information, included in the ABA Journal's "10th Annual Blawg 100," the producer and host of [LawCast.com™](#), The Securities Law Network, and a contributing blogger for The Huffington Post. Attorney Laura Anthony is recognized by Martindale-Hubbel as one of America's Most Honored Professionals and the recipient of the Martindale-Hubbel Distinguished® Rating.

Ms. Anthony is a member of various professional organizations including the Crowdfunding Professional Association (CfPA), Palm Beach County Bar Association, the Florida Bar Association, the American Bar Association and the ABA committees on Federal Securities Regulations and Private Equity and Venture Capital. She is a supporter of several community and charities including the Cystic Fibrosis Foundation, Opportunity, Inc., New Hope Charities, the Society of the Four Arts, the Norton Museum of Art, Palm Beach County Zoo Society, and Kravis Center for the Performing Arts. She is also a financial and hands-on supporter of Palm Beach Day Academy, one of Palm Beach's oldest and most respected educational institutions. She currently resides in West Palm Beach with her husband and daughter.

Ms. Anthony is an honors graduate from Florida State University College of Law and has been practicing law since 1993.

Contact [AnthonyPLLC.com](#). Technical inquiries are always encouraged.

Follow me on [Facebook](#), [LinkedIn](#), [YouTube](#), [Google+](#), [Pinterest](#) and [Twitter](#).

Anthony L.G., PLLC makes this general information available for educational purposes only. The information is general in nature and does not constitute legal advice. Furthermore, the use of this information, and the sending or receipt of this information, does not create or constitute an attorney-client relationship between us. Therefore, your communication with us via this information in any form will not be considered as privileged or confidential.

This information is not intended to be advertising, and Anthony L.G., PLLC does not desire to represent anyone desiring representation based upon viewing this information in a jurisdiction where this information fails to comply with all laws and ethical rules of that jurisdiction. This information may only be reproduced in its entirety (without modification) for the individual reader's personal and/or educational use and must include this notice.

[law-cast](#)

noun

[Lawcast](#) is derived from the term podcast and specifically refers to a series of news segments that explain the technical aspects of corporate finance and securities law. The accepted interpretation of [lawcast](#) is most commonly used when referring to [LawCast.com](#), Corporate Finance in Focus, Example; "[LawCast expounds on NASDAQ listing requirements.](#)"

©2019, Anthony L.G., PLLC