Summary of Accounting and Auditing Enforcement Releases for the Quarter Ended March 31, 2020

Q1 REPORT 2020

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Introduction and Our Objective

We are pleased to present you with our summary of the U.S. Securities and Exchange Commission, Division of Enforcement's Accounting and Auditing Enforcement Releases ("AAERs") for the quarter ended March 31, 2020.

As an independent consulting firm with financial and accounting expertise, we are committed to contributing thought leadership and relevant research regarding financial reporting matters that will assist our clients in today's fast-paced and demanding market. This report is just one example of how we continue to fulfill this commitment.

The Division of Enforcement at the U.S. Securities and Exchange Commission ("SEC") is a law enforcement agency established to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. As such, the actions they take and releases they issue provide very useful interpretations and applications of the securities laws.

For those involved in financial reporting, SEC releases concerning civil litigation and administrative actions that are identified as related to "accounting and auditing" are of particular importance. Our objective is to summarize and report on the major items disclosed in the AAERs, while also providing useful insights that the readers of our report will find valuable.

We welcome your comments and feedback, especially requests for any additional analysis you would find helpful.

Floyd Advisory
APRIL 2020

Highlights:

- **The SEC released ten AAERs in Q1 2020, the lowest number of releases in a quarter since at least Q1 2007, and SEC Rule 102(e) actions accounted for 70% of these releases. Importantly, the COVID-19 crisis likely played a significant role in the number of releases as the SEC transitioned to a full telework posture for the first time in its history in early March.**

- **Notably, none of the releases this quarter relate to Financial Reporting Fraud or Violations of Books and Records enforcements; the first time this has occurred since at least Q1 2013. We are eager to observe whether this corresponds to a shift in the Commission's focus or whether it is a byproduct of the COVID-19 crisis.**

- **Finally, we report on financial reporting pressures and COVID-19 crisis considerations in our Special Feature section. Registrants will be required to make difficult financial reporting judgments this quarter due to the unique set of circumstances and plethora of unknowns, so we have provided five major issues that may require special attention by those involved in the financial reporting supply chain.**

Our Process and Methodology

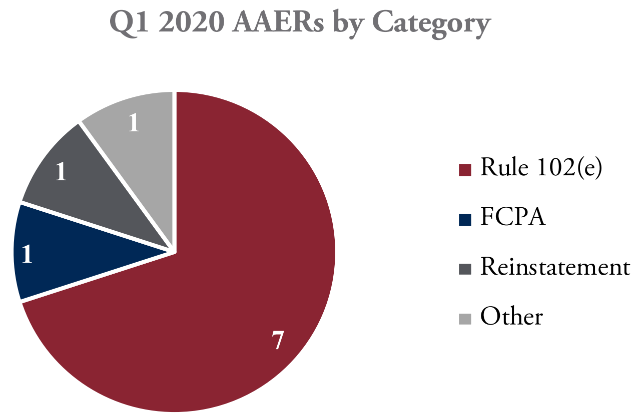
The SEC identifies and discloses accounting- and auditing-related enforcement actions from within its population of civil lawsuits brought in federal court, and its notices and orders concerning the institution and/or settlement of administrative proceedings as Accounting and Auditing Enforcement Releases. The disclosed AAERs are intended to highlight certain actions and are not meant to be a complete and exhaustive compilation of all of the actions that may fit into the definition above.

To meet our objective of summarizing the major items reported in the AAERs, we reviewed those releases identified and disclosed by the SEC on its website, www.sec.gov.

As part of our review, we gathered information and key facts, identified common attributes, noted trends, and observed material events. Applying our professional judgment to the information provided by the SEC, we sorted the releases into major categories (i.e., Rule 102(e) Actions, Financial Reporting Frauds, Foreign Corrupt Practices Act violations ("FCPA"), Reinstatements to Appear and Practice before the SEC, Violations of Books and Records, and Other). Do note, when a release included more than one allegation, admission, or violation, we placed the release into the category which represented the most significant issue. Based on this process and methodology, we prepared a database of the key facts in each release.

The Q1 2020 AAERs: Summary by Category and Insights from the Releases

The SEC disclosed ten AAERs during Q1 2020, with SEC Rule 102(e) actions representing 70% of the total releases.



While our categorical breakdown is analytically useful, a closer look at specific cases for each category provides a clearer understanding of the SEC's areas of focus as an enforcement agency.

Rule 102(e) Actions

Rule 102(e) actions involve the temporary or permanent censure and denial of the privilege of appearing or practicing before the SEC. For accountants, the standards under which one may be penalized with a Rule 102(e) action include reckless, as well as negligent conduct, defined as a single instance of highly unreasonable conduct that violates professional standards or repeated instances of unreasonable conduct resulting in a violation of professional standards and indicating a lack of competence.

Examples of the actions reported in this quarter's Rule 102(e) releases include the following:

- ***The SEC suspended a CPA for deceiving investors.*** The complaint alleges the CPA transferred or arranged for the transfer of funds among companies to deceive investors about the source of purported revenue. The complaint further alleges the CPA provided reports and financial statements that contained materially false information to investors and prospective investors. The CPA was suspended from appearing or practicing before the Commission as an accountant.

- ***The SEC barred a CPA for carrying out a fraudulent scheme to form a company and sell it as a public shell company in a reverse merger.*** According to the complaint, the CPA and another defendant created a phony business plan to make

"Marketing materials provide useful information to investors as they select or retain an investment adviser, but, given the complexity of an adviser's services, the Commission's rules must ensure that such materials are accurate, contain appropriate content for the intended audience, and provide investors with sufficient information and context to make an informed decision."

Commissioner Allison Herren Lee
Washington D.C.
March 5, 2020
"Getting Back to Basics: Protecting, Serving, and Empowering Investors"

it appear as though their company was a legitimate Internet marketing services company. The defendants then conducted a sham private placement to fake investor interest in the venture. Furthermore, the complaint alleges the defendants orchestrated the creation and filing of numerous SEC filings that contained false and misleading statements and omissions. The CPA was barred from serving as officer or director of any issuer that has a class of securities registered with the Commission.

- ***The SEC suspended a CPA for engaging in improper accounting.*** The complaint alleges the CPA engaged in improper accounting for certain intercompany foreign currency transactions. Per the complaint, the CPA's conduct resulted in materially overstated net income in the company's annual and quarterly reports. The SEC suspended the CPA from appearing or practicing before the Commission as an accountant.

FCPA Violations

There was one FCPA-related release in Q1 2020 resulting in over $8.8 million in civil money penalties, disgorgement, and prejudgment interest. Below is a summary of the release within this category:

- ***A pharmaceutical distribution company was fined $8.8 million and instituted a cease-and-desist order for violating the internal accounting controls and recordkeeping provisions of the FCPA.*** The complaint alleges the firm entered the Chinese market in 2010 by acquiring the Chinese subsidiaries of an established pharmaceutical distribution company. After the subsidiaries were acquired, the firm terminated most of the subsidiaries' marketing accounts due to known FCPA-related compliance risks associated with channeling the marketing expenses to third parties through its own books and records. However, the complaint alleges the firm did not implement its full internal accounting controls at these new subsidiaries and did not ensure the transactions were executed in accordance with management's general or specific authorization. Therefore, the firm failed to assess whether all subsidiaries followed the instructions to wind down the pharmaceutical marketing accounts. The company's remedial efforts included conducting an audit of the marketing account expenses, voluntarily disclosing the results of its investigation to the Commission staff, and undertaking significant remedial measures, including terminating the marketing accounts and its employment contracts with the marketing employees.

Reinstatements

There was one release in Q1 2020 related to reinstatement of a CPA to practice before the SEC. The following is a summary of the release within this category:

- ***A CPA was reinstated to appear and practice before the Commission "for good cause shown."*** According to the Commission's original complaint, the CPA, while holding the positions of Chief Accounting Officer and Chief Financial Officer, was responsible for the improper recognition of revenue from certain bill and hold transactions and from sales of gaming machines for which collectability was not reasonably assured. The complaint also alleges this conduct resulted in misstatements in filings that the Company made with the Commission. Given the CPA has complied with the terms set forth in the original order and no information has come to the attention of the Commission relating to the CPA's character, integrity, professional conduct, or qualifications, the Commission reinstates the CPA the privilege to appear and practice before the Commission as an accountant.

"Why in the world would we want investors making voting decisions based on advice that is false or misleading with respect to a material fact? Or worse, why would we grant someone a license to make such statements without liability?"

Commissioner Elad L. Roisman
Washington D.C.
January 30, 2020
"Myths and Realities: Modernizing the Proxy Rules"

Special Feature
Financial Reporting Pressures and COVID-19 Crisis Considerations for the Quarter ending March 31, 2020

As public registrants prepare their financial reports for the first quarter of 2020, they will be dealing with unique reporting judgments due to the economic impact of COVID-19 and recent government actions. Many of the financial reporting judgments will be especially difficult because of so many unique unknowns such as the duration of the crisis, whether vendors will be able to deliver on commitments, possible accounts receivable collection problems, and other matters that each registrant may be encountering.

Add to the ordinary processes, the uncertainty of the COVID-19 crisis, and public registrants will have very unique circumstances to deal with for the quarter ending March 31, 2020. To help our clients understand and assess the financial reporting matters under consideration, below are five major issues that may require special attention.

"As you all know, there is a lot going on in our markets—especially with the continually evolving news concerning the Coronavirus. While the SEC is, of course, actively monitoring market developments, our staff remains focused on our core mission and the day-to-day work that goes into protecting investors, maintaining fair, orderly, and efficient markets, and promoting capital formation."

Commissioner Elad L. Roisman
Washington D.C.
March 10, 2020
Speech at the Council of Institutional Investors' ("CII") Conference

Part One: Presenting Accounting Estimates

Financial reporting involves forming numerous judgments, estimates, and assumptions. Common examples include revenue recognition, collectability of receivables, impairment of assets, contingent liabilities, certain accruals, and contingencies. Of significance, this is exactly why financial statements are referred to as "free from material misstatement," as many reported amounts are management's predictive values, often based on limitations in knowledge or data. The complexity, subjectivity, and uncertainties inherent in the measurement of these financial statement amounts affects their susceptibility to misstatement.

Company-Wide Impact Memo

Our advice to our clients and those involved in the financial reporting process is to prepare a company-wide memo describing the macro and micro impacts of the current crisis on their business. The memo should include relevant facts and management's judgments regarding the impact of the crisis on the company's vendors, customers, workforce, cash flow, and liquidity, as well as the estimated duration for the crisis, both near term and an assumed recovery period to normalcy. These latter factors will be essential to a company's financial models involving assumptions underlying many financial reporting estimates. Importantly, the memo should document management's strategy by segment or division, and their approach to work through the current situation, which may involve different scenarios as well as cash flow models. This memo will be foundational to all accounting estimate determinations, although each estimate will require individual considerations.

Estimating the Crisis Duration

As mentioned above, we recommend a two-step process to estimate the duration due to the severity of the current business as usual stoppage, then address the period of time for operations to achieve normalcy. Assessing each period will involve a significant amount of judgment. Needless to say, assumptions about conditions existing as of March 31, 2020, will need to be updated for subsequent events through the filing date for the registrant's financial statements.

As to the near term, Dr. Anthony Fauci, Director of the National Institute of Allergy and Infectious Diseases recently said disruptions in everyday life in the United States could last up to eight weeks. When modeling the impact on accounting estimates, this two-month period could be conservatively projected to apply to the entirety of the third quarter of 2020. Importantly, this crisis period will involve immediate balance sheet impacts as well as productivity impacts, which may carry forward into cash flow considerations for the following quarter or quarters.

Next, for modeling, it will be necessary to form assumptions regarding the period of recovery to return to normal operations. This will be different for all companies, and unfortunately some may even realize permanent impairments. Depending on the depth of a recession, for some, this period may be longer. At a minimum, it would appear reasonable to consider a minimum of three months to restore normalcy.

Specific Estimate Calculations and Memos

Using the company-wide memo, including the assumptions regarding the duration of the crisis and recovery for the business, the next step is to analyze each accounting estimate. Of note, registrants should describe the estimate starting with how it's been prepared in the past, the new facts and events, and the updated assumptions that will be employed in the current period calculations. This will be very important audit evidence and registrants should confer with both their internal and external auditors regarding expectations for documentation in advance.

Part Two: Measuring and Reporting on Liquidity

Measuring and reporting on a company's liquidity in ordinary times is often a cut-and-paste exercise, with a simple review to ensure a proper fit to the current economic environment. Due to the current crisis, many registrants will be required to start their analysis from zero and perform an assessment with a thorough and careful vetting of their situation and the current impacts on cash flow. Adding to the pressures this quarter, registrants may also need to form new judgments regarding access to financing such as the availability of current lines of credit, possibility for new credit, and access to other funding sources. Registrants will also need to carefully monitor federal, state, and local government assistance programs to assess the impact, if any, on the company's liquidity.

Financial Modeling and Forecasts

In Part One, Presenting Accounting Estimates, we described the need for a company-wide memo and financial model using various scenarios to measure the company's required accounting estimates. This same approach and documentation can also be the foundation for registrants to model and assess their liquidity needs and sources. Similar to measuring accounting estimates, the duration and severity of the current crisis, employing different scenarios, will be critical assumptions. Information obtained from economists, investment banks, and the government should all be considered in forming a registrant's assumptions, as well as industry and company specific factors.

"On the bright side, some analysts are forecasting a recovery as early as the third quarter of 2020. A variety of factors, such as government stimulus, consumer confidence, and the number of COVID-19 cases, will play into this timeline."

Jenna Ross, Visual Capitalist - World Economic Forum
March 31, 2020
"COVID-19 crash: How China's economy may offer a glimpse of the future"

Refresher on the Rules

Before starting any analysis, registrants are well advised to refresh themselves as to the specific requirements for liquidity disclosures, as well as for capital resources, which are often interrelated.

Important aspects from § 229.303 (Item 303 of Regulation S-K) Management's discussion and analysis of financial condition and results of operations, including for assessing liquidity, consist of:

- Discussions of the financial condition, changes in financial condition, and results of operations may be necessary such that readers can gain an understanding of the registrant's financial condition, changes in financial condition, and results of operations.
- Discussions of liquidity and capital resources may be combined when the two topics are interrelated.
- Discussions of relevant segment information and/or of other subdivisions of the business (e.g. geographic areas) when appropriate for financial statement users' understanding of the business.
- Identify any known liquidity trends or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.
- If a material deficiency is identified, indicate the course of action that the registrant has taken or proposes to take to remedy the deficiency.

A complete reading of the rules is recommended. In sum, the objective of the liquidity and capital resources discussion is to provide a transparent and thorough picture of the company's ability to generate cash and to meet existing future cash requirements that are known or reasonably likely.

"More generally, the Enforcement Division is committing substantial resources to ensuring that our Main Street investors are not victims of fraud or illegal practices in these unprecedented market and economic conditions. The Enforcement Division is committed to protecting investors and maintaining confidence in the fairness and integrity of our markets."

Stephanie Avakian, Co-Director, Division of Enforcement
Steven Peikin, Co-Director, Division of Enforcement
March 23, 2020
Public Statement

Distressed Business Considerations

If registrants are encountering significant financial strain as a result of the COVID-19 crisis, they may also need to assess whether the current conditions and liquidity strains, considered in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern. The going concern standard requires management to assess future conditions, including both quantitative and qualitative factors, regarding the entity's ability within one year after the date the financial statements are issued (or within one year after the date the financial statements are available to be issued when applicable). This situation raises added disclosure requirements.

The standard for "substantial doubt" occurs when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date the financial statements are issued (or available to be issued). This assessment should be made using the same "probable" definition applied to accounting contingencies.

This assessment also involves a very careful review of any plans to mitigate and offset the risks encountered by the registrant in fulfilling its financial obligations. A more detailed discussion regarding the reporting requirements when a registrant reaches this level of financial strain is beyond the scope of this discussion, and obviously, any registrant in this situation will be working closely with its advisors, legal counsel, and internal and external auditors.

Part Three: Defining Risks in a Balanced Manner

Registrants are required under rules promulgated by the United States Securities and Exchange Commission ("SEC") to report on the most significant risk factors that make an investment in the registrant speculative or "risky." Of significance, disclosures are required that pertain specifically to the registrant, and the section is not for risks that could apply generically to all businesses. In reality, this distinction may be blurred due to the uncertainties many registrants are currently facing.

Balanced Reporting is Critical

For many, among the other stresses on the financial reporting process for the first quarter of 2020, will be how to balance the need for transparent disclosures regarding the risks encountered by the current crisis with the uncertainties and unknowns also in play.

Guidance issued earlier this year from the SEC discussed the need for risk disclosures regarding the registrant's reliance on China, and supply chain issues, as part of fourth quarter subsequent events. As registrants report on the first quarter of 2020, this is obviously now a global issue, and not just an issue related to China.

Unique risk factors that registrants may consider in Q1 2020 include:

- Health of the workforce and key management members;
- Length of government restrictions;
- Impact of economic crisis on customer base;
- Disruption in supply chain;
- Potential quarantine impact on key offices or manufacturing locations;
- Increased litigation exposure related to contract defaults or other legal issues; and
- Other company specific factors.

Presenting these risk disclosures in a fair and transparent manner without causing investors to panic will require skillful drafting. Balancing full disclosure without creating a catastrophic impression will be challenging.

For comparison, certain media reports present worst-case scenarios and speak of an economic depression, whereas a recent Wall Street Journal story presented thoughtful comparisons to the economic fallout of the financial crisis. Similarly, a recent report by Goldman Sachs presented serious economic consequences arising from the current crisis, but also described subsequent quarters' economic recovery in a very balanced manner.

Identifying Company Specific Risk Factors

The current crisis presents many industry and market wide risks, but companies should avoid boilerplate language that doesn't also address company specific considerations that may be worthy of disclosure. We have discussed the need for a company-wide assessment in both of our previous discussions, as well as financial modeling for various scenarios. As part of that process, registrants should compile a list of the most sensitive risk factors and assumptions identified by management arising from the current crisis, including those considered in managements' financial models, and discuss those risk factors with the board of directors, advisors, legal counsel and external auditors when assessing which warrant specific disclosure.

Part Four: Testing for Goodwill Impairments

Goodwill balances are assessed annually for impairment, or upon the occurrence of what are referred to in professional guidance as "triggering events." Triggering events are used to identify likely periods when goodwill assets have suffered a loss, thereby requiring a write down.

"About half the U.S. population is on stay-at-home orders, severely restricting economic activity and forcing widespread layoffs. In the week ending March 21, total unemployment insurance claims rose to almost 3.3 million—their highest level in recorded history. For context, weekly claims reached a high of 665,000 during the global financial crisis."

Jenna Ross, Visual Capitalist - World Economic Forum
March 31, 2020
"COVID-19 crash: How China's economy may offer a glimpse of the future"

Reality of Current Events

As a result of the current crisis, the reality for many registrants is that they have experienced at least one the following triggering events, and if the company has goodwill as an asset on their financial statements, they will need to assess whether the asset has been impaired, and if a write down is required:

A.) Deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets.

Based on most reports, the current crisis has caused a sharp drop in economic activity and likely the economy has entered into a recessionary period.

B.) Deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics (absolute terms and/or relative to peers), a change in the market for an entity's products or services, or a regulatory or political development.

Certain industries such as airlines, hotels, and hospitality have been severely impacted as well as certain consumer goods and retailers have also experienced a significant drop in demand.

C.) Increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows.

In addition to the disruption to production, product costs for many have increased, efficiencies in the ordinary processes are lost, and many registrants have even lost suppliers and are now seeking alternative vendors.

D.) Negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.

The cumulative impact of the issues above has resulted in declining cash flows for many, along with uncertainty for the duration of the impact.

E.) Changes in the composition or carrying amount of net assets, a more-likely-than-not expectation of selling or disposing of all, or a portion, of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, recognition of a goodwill impairment loss in the financial statements of a component subsidiary.

Market liquidity concerns appear evident, but little factual information is available.

F.) A sustained decrease in share price (absolute terms and/or relative to peers).

The stock markets have dropped significantly in the last couple weeks, and while possibly overstating the consequences of the current crisis, must be assessed as to predictions of value based on the market's assessment for the registrant's future cash flows.

Importantly, a decrease in share price alone, while considered a triggering event, requires careful assessment when resulting from a volatile market. Professional judgment is required to assess the cause of the share price decrease and whether another underlying triggering event may be the root cause for the price drop.

Where does this lead us? Many registrants will be discussing whether they need to test goodwill for impairment. There is significant professional judgment as to how each individual registrant

"We are facing a national challenge — an unprecedented health and safety crisis that requires all Americans, for the sake of all Americans, to significantly change our daily behavior, including behavior at our banks, broker-dealers, investment advisers and other market participants."

Chairman Jay Clayton
March 26, 2020
Public Statement

will handle this situation, and certainly the registrant's advisors, legal counsel, and internal and external auditors should be involved.

For the registrants who have experienced a goodwill impairment triggering event and the fair value of a reporting unit falls below the carrying amount at the measurement date, then a write down is required.

Of significance, this is a point in time test, and not something that the registrant can disclose exists, but advocate is only temporary and thereby avoid a write off and impairment.

However, while many registrants may meet the tests indicating an impairment to goodwill exists, due to the extent of uncertainties in measurement, they may not be able to make a reasonable estimate for financial reporting purposes. As such, the registrant will only make disclosures for the event. Interestingly, in later periods when additional information becomes available to prepare an estimate, the evidence may support that the impairment was minimal to nonexistent, and it is not necessary to record an impairment write down. Logically, this is quite different than advocating that the impairment was temporary, although the results would be similar.

The valuation considerations for testing goodwill impairment are complex and beyond the scope of this discussion. If you wish to discuss the valuation considerations in more detail, please let us know.

Part Five: Disclosure Considerations

Assessing "Uncertainty"

Many financial reporting assertions are based on estimates, judgments, and assumptions, applying the standards of "fairly stated" and "reasonably estimated." These are not amounts that are exact or certain. But how far may a preparer of the financial statements venture from the fairly stated and reasonably estimated standards before producing meaningless assertions that cross into speculation?

Similar to the professional judgments applied when classifying contingent liabilities as remote, possible, or probable; assessing the adequacy of the level of information available to support a financial statement assertion involves significant judgment. Needless to say, the current crisis is going to put a spotlight and a lot of pressure on this situation with so many unknown issues and a wide range of outcomes.

We expect that many registrants this quarter will find themselves in the "we just don't know the impact" category. Put more professionally, under the current circumstances, certain financial statement assertions may fail to meet the fairly stated and reasonably estimated requirement. If so, disclosure as well as conservatism will be guiding forces for financial reporting decisions; both providing near term solutions for registrants.

It is important to remember that an objective for financial reporting is to provide useful and meaningful information to users of the financial statements that is also relevant and reliable. Where and how the information is represented is actually less important than the fact that the information is presented. This is exactly why adequate disclosure when dealing with uncertainties is essential. An informed market is an efficient market, especially in the current crisis.

Disclosing "Uncertainty"

For registrants dealing with uncertainty, there will be key words to use when describing the situation within their financial statements, including notably "could" and "may" when describing possible future events that are not currently predictable in a reliable manner. Seeking advice from advisors, legal counsel, and external auditors will be critical in preparing disclosures involving measurement uncertainty.

"Here, I note that the women and men of the SEC are continuing their vigilance in the areas of investor protection, market integrity and cybersecurity. I also want any bad actor who would seek to use this challenging time to take advantage of our investors or our markets to know: the women and the men of the SEC are watching."

Chairman Jay Clayton
March 26, 2020
Public Statement

As with many financial reporting situations, researching and reviewing comparable treatments can be very useful. For examples of registrants that have already disclosed measurement uncertainties regarding the current situation, we identified the recent disclosures from Accenture and Oracle's public filings for the quarter ended February 29, 2020, which are found below.

Accenture:
The global spread of the coronavirus (COVID-19) has created **significant volatility and uncertainty** and economic disruption. The extent to which the coronavirus pandemic impacts our business, operations and financial results will **depend on numerous evolving factors** that we **may not be able to accurately predict**, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic on economic activity and actions taken in response; the effect on our clients and client demand for our services and solutions; our ability to sell and provide our services and solutions, including as a result of travel restrictions and people working from home; the ability of our clients to pay for our services and solutions; and any closures of our and our clients' offices and facilities. For example, in India and the Philippines, we have large concentrations of employees performing critical operations. The closure of those facilities, or restrictions inhibiting our employees' ability to access those facilities, has disrupted, and **could in the future** disrupt our ability to provide our services and solutions and result in, among other things, terminations of client contracts and losses of revenue. **Clients may** also slow down decision making, delay planned work or seek to terminate existing agreements. Any of these events **could** cause or contribute to the **risks and uncertainties enumerated** in the Annual Report and **could** materially adversely affect our business, financial condition, results of operations and/or stock price.

Oracle:
The impacts of the global emergence of Coronavirus disease (COVID-19) on our business are **currently unknown**. We are conducting business as usual with some modifications to employee travel, employee work locations, and cancellation of certain marketing events, among other modifications. We have observed other companies taking precautionary and preemptive actions to address COVID-19 and companies **may** take further actions that alter their normal business operations. We will continue to actively monitor the situation and **may take further actions** that alter our business operations as **may be required** by federal, state or local authorities or that we determine are in the best interests of our employees, customers, partners, suppliers and stockholders. **It is not clear** what the potential effects any such alterations or modifications **may** have on our business, including the effects on our customers and prospects, or on our financial results for our fourth quarter of fiscal 2020, which is historically our largest revenue quarter of our fiscal year, in particular with respect to demand for transactional products such as cloud and on-premise licenses and hardware and certain services that we generally recognize as revenues upon delivery to customers.

Each registrant's situation will be unique, so there isn't a one size fits all answer for handling financial reporting judgments impacted by the current crisis. This includes those for which adequate information is not available upon which to make an assertion; therefore creating the need for thorough disclosures. That said, this will be a major discussion item for registrants with a quarter ending on March 31, 2020 and are assessing the impact of the current crisis.

We hope this discussion is informative and offers practical advice on an approach to deal with the unique circumstances arising from the current crisis. If you have questions or suggestions, please let us know. Thank you.

"The SEC, other governmental authorities, and market participants have worked to ensure that our markets have continued to function, as many have transitioned to telework and instituted business continuity plans. The Commission has provided relief to facilitate these transitions."

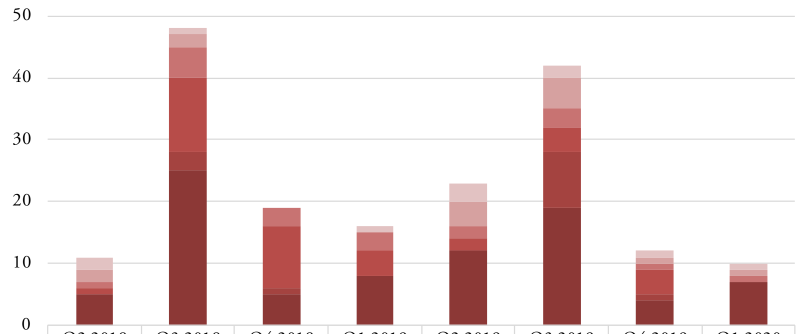
Stephanie Avakian, Co-Director, Division of Enforcement
Steven Peikin, Co-Director, Division of Enforcement
March 23, 2020
Public Statement

Prior Period Comparison: Quarter to Quarter

As described in the section titled "Our Process and Methodology," AAERs are intended to highlight certain actions and they do not represent an exhaustive and complete compilation of all actions that fit into the definitions provided by the SEC for the various AAER classifications. That said, comparisons of the number of AAERs between periods can be a useful gauge of the SEC's activities.

The following chart maps quarterly totals for each category over the past eight quarters.

Quarter to Quarter AAER Comparison
Q2 2018 through Q1 2020



	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Other	2	1	0	1	3	2	1	1
Reinstatement	2	2	0	0	4	5	1	1
FCPA	1	5	3	3	2	3	1	1
Violations of Books and Records	1	12	10	4	2	4	4	0
Financial Reporting Fraud	0	3	1	0	0	9	1	0
Rule 102(e)	5	25	5	8	12	19	4	7

Based on this data, we made the following observations:

- SEC Rule 102(e) actions are the most common classification of AAERs over each of the last eight quarters, except for Q4 2018. While it is commonplace for SEC Rule 102(e) actions to lead all classifications, this quarter's results represent the highest percentage of releases classified as SEC Rule 102(e) actions (70%) since Q4 2017.
- Q1 2020 marks the first quarter since at least Q1 2013 for which no releases were classified under the categories of Violations of Books and Records or Financial Reporting Fraud. Notably, this is the first quarter since Q4 2017 for which no releases were classified as a Violation of Books and Records, an interesting trend considering this category accounted for 31% of releases between Q3 2018 and Q1 2019.

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ACKNOWLEDGEMENT
We wish to acknowledge the valuable contribution to this analysis by Patricia Guggiari and Alec Hill.

For more information, please contact Joseph J. Floyd at 212.867.5848 or Ryan Brown at 646.449.7273.

ABOUT Floyd Advisory
Floyd Advisory is a consulting firm providing financial and accounting expertise in areas of Business Strategy, Valuation, SEC Reporting, Transaction Analysis, and Litigation Services.

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