

Your 10-Q Risk Factors: 6 Types to Consider

A few days ago, I ran down a [list of five items](#) to consider for your risk factor disclosure for the Form 10-Q. Right now, there are a number of topics that are being addressed by many companies in their risk factors. Among those are these: 1. COVID-19 impact - The pandemic continues to weigh heavily on nearly every company and you should consider whether the risk profile has changed since your last risk factor update. We are hearing about the impact of vaccine mandates in some industries and geographies as heavily impacting an already tight labor market and factory and other closures due to high outbreak rates in certain countries. 2. M&A activity - With M&A activity booming in so many sectors, sometimes it's wise to address strategic changes in a company's direction, such as entry into a new geographical market or new line of business as a risk factor. 3. Tight labor market - You may need to get specific about the challenges to your workforce due to a tight labor market or due to a changing cost structure caused by wage inflation or competition for talent (BTW: Perkins Coie, like many firms, is hiring transactional associates as fast as we can, so feel free to approach any one of us and recommend candidates!). 4. Supply chain issues - including the shutdown of foreign facilities due to COVID outbreaks and, more broadly, global shipping delays. If the West Coast port congestion is delaying your products getting to customers or increasing your costs, you may need to specifically call that out. 5. Inflation rising - You'll surely mention the impact of inflation in MD&A if its material - but it may also make sense to add a risk factor that specifically addresses how inflation is (or may) impact your company and the risks it presents. 6. Potentially higher US federal tax rates - While the earnings for most companies will be negatively impacted by an increase in US corporate tax rates, some may be more impacted than others and should consider addressing the possible impact in their risk factors.

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