

Corporate Disclosure in the Age of Twitter: Is This a Positive Step Forward?

How Social Media Impacts Your Fund

Marlon Kimpson and Annie Kouba



A case study:
Elon Musk,
CEO of SpaceX
and Tesla



What you tweet matters, if you're Elon Musk



Elon Musk

@elonmusk

Follow



Am considering taking Tesla private at \$420. Funding secured.

12:48 PM - 7 Aug 2018

15,897 Retweets 87,589 Likes



6.3K

16K

88K



Oops,
I did it again

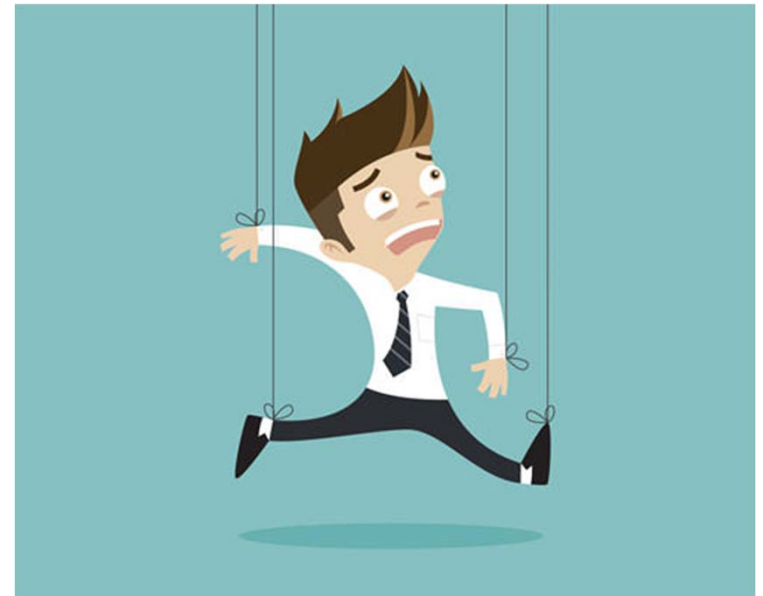
Elon Musk @elonmusk · Feb 19
Tesla made 0 cars in 2011, but will make around 500k in 2019
2.5K 10K 144K

Elon Musk @elonmusk [Follow](#)
Meant to say annualized production rate at end of 2019 probably around 500k, ie 10k cars/week. Deliveries for year still estimated to be about 400k.
8:41 PM - 19 Feb 2019
1,828 Retweets 51,822 Likes
1.6K 1.8K 52K

We have an agreement!

When must Musk ask for permission, according to the SEC?

- The Company's financial condition, statements, or results, including earnings or guidance;
- Potential or proposed mergers, acquisitions, dispositions, tender offers, or joint ventures;
- Production numbers or sales or delivery numbers;
- New or proposed business lines that are unrelated to then-existing business lines;
- Projection, forecast, or estimate numbers regarding the Company's business that have not been previously published
- Events regarding the Company's securities, credit facilities, or financing or lending arrangements; nonpublic legal or regulatory findings or decisions;
- Any event requiring the filing of a Form 8-K;
- **Such other topics as the Company or the majority of the independent Board Members may request, if they believe pre-approval of communications regarding such topics would protect the interests of the Company's shareholders.**



This wasn't the first time:

Reed Hastings, CEO of Netflix

Reed Hastings

CEO



Reed Hastings

July 3, 2012 near Los Gatos, CA

Congrats to Ted Sarandos, and his amazing content licensing team. Netflix monthly viewing exceeded 1 billion hours for the first time ever in June. When House of Cards and Arrested Development debut, we'll blow these records away. Keep going, Ted, we need even more!

Like · Share

👍 293 💬 2 📄 45

SEC: Social Media is OK if investors know to follow

Press Release

SEC Says Social Media OK for Company Announcements if Investors Are Alerted

FOR IMMEDIATE RELEASE

2013-51

Washington, D.C., April 2, 2013 — The Securities and Exchange Commission today issued a report that makes clear that companies can use social media outlets like Facebook and Twitter to announce key information in compliance with Regulation Fair Disclosure (Regulation FD) so long as investors have been alerted about which social media will be used to disseminate such information.

The SEC's report of investigation confirms that Regulation FD applies to social media and other emerging means of communication used by public companies the same way it applies to company websites. The SEC issued guidance in 2008 clarifying that websites can serve as an effective means for disseminating information to investors if they've been made aware that's where to look for it. Today's report clarifies that company communications made through social media channels could constitute selective disclosures and, therefore, require careful Regulation FD analysis.

"One set of shareholders should not be able to get a jump on other shareholders just because the company is selectively disclosing important information," said George Canellos, Acting Director of the SEC's Division of Enforcement. "Most social media are perfectly suitable methods for communicating with investors, but not if the access is restricted or if investors don't know that's where they need to turn to get the latest news."

Regulation FD requires companies to distribute material information in a manner reasonably designed to get that information out to the general public broadly and non-exclusively. It is intended to ensure that all investors have the ability to gain access to material information at the same time.

Lona Nallengara, Acting Director of the SEC's Division of Corporation Finance, added, "Companies should review the Commission's existing guidance — it is flexible enough to address questions that

Still tweeting...

When celebrities make endorsements



Paris Hilton and Cryptocurrency?



Paris Hilton  @ParisHilton · Sep 3

Looking forward to participating in the new @LydianCoinLtd
Token! #ThisIsNotAnAd #CryptoCurrency #BitCoin #ETH #BlockChain



SEC warns investors regarding celebrity endorsements of ICOs

Investor Alerts and Bulletins

Investor Alert: Celebrity Endorsements

Nov. 1, 2017

The SEC's Office of Investor Education and Advocacy (OIEA) is warning investors not to make investment decisions based solely on celebrity endorsements.

Celebrities, from movie stars to professional athletes, can be found on TV, radio, and social media endorsing a wide variety of products and services – sometimes even including investment opportunities. But a celebrity endorsement does not mean that an investment is legitimate or that it is appropriate for all investors. **It is never a good idea to make an investment decision just because someone famous says a product or service is a good investment.**

Celebrities, like anyone else, can be lured into participating (even unknowingly) in a fraudulent scheme. Also, celebrities are sometimes linked to products or services without their consent so the celebrity may not even have endorsed the investment.

Even if the celebrity endorsement and the investment opportunity are genuine, the investment may not be a good one for you. Before investing, always do your research, including these three steps:

- Check out the background, including registration or license status, of anyone recommending or selling an investment, using the search tool on Investor.gov;
- Learn about the company's finances, organization, and business prospects by carefully reading any prospectus and the company's latest financial reports, which may be available through the SEC's EDGAR database; and
- Consider the investment's potential costs and fees, risks, and benefits in light of your own investment goals, risk tolerance, investment horizon, net worth, existing investments and assets, debt, and tax considerations.

Never make an investment decision based solely on a celebrity endorsement, or other information you receive through social media, investment newsletters, online advertisements, email, investment research websites, internet chat rooms, direct mail, newspapers, magazines, television, or radio.

When Presidents tweet



Why is
“fake news”
important?

Stock Market Confidence



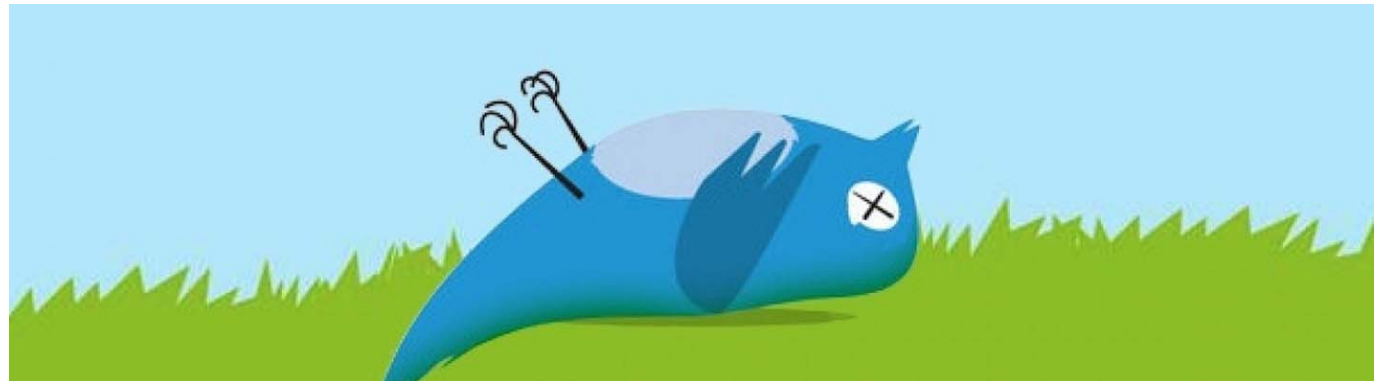
The federal securities laws are designed to protect investors and the public markets. If some investors receive company-specific information sooner than others via social media this could provide an unfair advantage to users of those platforms. By the same token, if investors receive false or incorrect information about a publicly traded company via social media, ***this could lead to ill-advised investment decisions and mistrust in the entire system.***

Social Media's Impacts on Litigation, the Stock Market, and Your Retirement

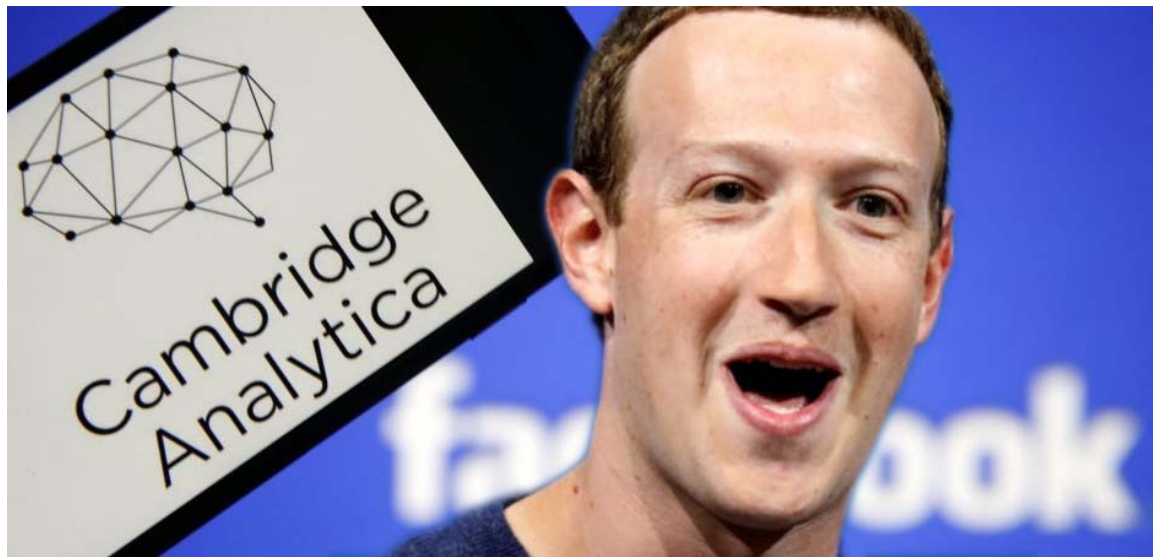


Direct Effects: The Twitter Case Study

- **Twitter executives were accused of misleading the public about user metrics in 2014**
- **Twitter later reported that actual user growth was slower than anticipated**
- **Price per share drastically declined upon this disclosure**
- **Class certification order issued**
- **Motley Rice was appointed lead counsel**



Privacy and Data Breaches

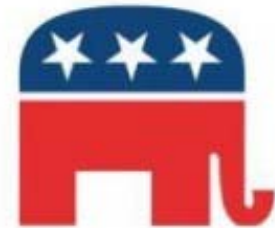


Facebook and Cambridge Analytica -

Largely sparked the debate on data privacy and social media presence.

- Political purposes
- Exposed millions of individuals' private data
- Massive loss in Facebook's stock price
- Senate hearings

Effect of Social Media on Global Politics



- Trade war with China
- President announces policy decisions, staffing decisions, tariff decisions and more via Twitter
- Forces interaction by the American public

Social Media's Impact is Deeper Than Could Have Been Predicted



- Loss of privacy
- Mental health implications
- Fake news
- Loss of human connection
- Political campaign interference
- Outlet for hate groups and terrorists

But what does this have to do with my fund?

Social media companies have a massive effect on the market in three major areas:

- Politics
- Corporate Activity
- Securities Fraud

Social media affects your fund's bottom line.



What's the solution?



- Federal Government Regulation
- Securities Fraud Litigation: *the last line of defense*
- Vigilance