

Finance/Accounting (About writing)

A Plain English Handbook

*How to create clear
SEC disclosure documents*

By the Office of Investor Education and Assistance
U.S. Securities and Exchange Commission
450 5th Street, N.W.
Washington, DC 20549
August 1998

This is just the first few
pages of a 70+ page
handbook.

Table of Contents

Preface	by Warren E. Buffett	1
Introduction	by Arthur Levitt, <i>Chairman</i> <i>U.S. Securities and Exchange Commission</i>	3
Chapter 1	What Is a “Plain English” Document?	5
Chapter 2	Getting Started	7
Chapter 3	Knowing Your Audience	9
Chapter 4	Knowing the Information You Need to Disclose	11
Chapter 5	Reorganizing the Document	15
Chapter 6	Writing in Plain English	17
Chapter 7	Designing the Document	37
Chapter 8	Time-Saving Tips	55
Chapter 9	Using Readability Formulas and Style Checkers	57
Chapter 10	Evaluating the Document	59
Chapter 11	Reading List	61
Chapter 12	Keeping in Touch with Us	63
Appendix A	Plain English at a Glance	65
	The SEC’s Plain English Rules—an Excerpt	66
Appendix B	Plain English Examples	69
	“Before” and “After” Filings with Notes	70

Preface

by Warren E. Buffett

This handbook, and Chairman Levitt's whole drive to encourage "plain English" in disclosure documents, are good news for me. For more than forty years, I've studied the documents that public companies file. Too often, I've been unable to decipher just what is being said or, worse yet, had to conclude that nothing was being said. If corporate lawyers and their clients follow the advice in this handbook, my life is going to become much easier.

There are several possible explanations as to why I and others sometimes stumble over an accounting note or indenture description. Maybe we simply don't have the technical knowledge to grasp what the writer wishes to convey. Or perhaps the writer doesn't understand what he or she is talking about. In some cases, moreover, I suspect that a less-than-scrupulous issuer doesn't want us to understand a subject it feels legally obligated to touch upon.

Perhaps the most common problem, however, is that a well-intentioned and informed writer simply fails to get the message across to an intelligent, interested reader. In that case, stilted jargon and complex constructions are usually the villains.

This handbook tells you how to free yourself of those impediments to effective communication. Write as this handbook instructs you and you will be amazed at how much smarter your readers will think you have become.

One unoriginal but useful tip: Write with a specific person in mind. When writing Berkshire Hathaway's annual report, I pretend that I'm talking to my sisters. I have no trouble picturing them: Though highly intelligent, they are not experts in accounting or finance. They will understand plain English, but jargon may puzzle them. My goal is simply to give them the information I would wish them to supply me if our positions were reversed. To succeed, I don't need to be Shakespeare; I must, though, have a sincere desire to inform.

No siblings to write to? Borrow mine: Just begin with "Dear Doris and Bertie." *

This handbook shows how you can use well-established techniques for writing in plain English to create clearer and more informative disclosure documents. We are publishing this handbook only for your general information. Of course, when drafting a document for filing with the SEC, you must make sure it meets all legal requirements.

Acknowledgments

Nancy M. Smith
*Director, Office of Investor
Education and Assistance*

This handbook reflects the work, ideas, and generosity of many individuals and organizations at the SEC and in the private sector.

At the SEC, staff in the Divisions of Corporation Finance and Investment Management, the Offices of Public Affairs and General Counsel, and the Chairman's Office provided insightful comments. In particular, Commissioner Isaac C. Hunt Jr., Nick Balamaci, Barry Barbash, Gregg Corso, Brian Lane, Diane Sanger, Jennifer Scardino, Michael Schlein, Heidi Stam, and Tony Vertuno offered invaluable advice and guidance.

Corporate officials and lawyers enthusiastically helped us to breathe life into our plain English initiatives and this handbook. The Society of Corporate Secretaries, the American Bar Association, and The Bond Market Association invited us to conduct workshops where we tested much of the information in the handbook. Kathleen Gibson, Peggy Foran, Susan Wolf, Bruce Bennett, Jim McKenzie, Jeff Klauder, Fred Green, Mark Howard, Pierre de Saint Phalle, Richard M. Phillips, and Alan J. Davis contributed mightily to our efforts.

Special thanks to Warren Buffett for his support and preface, to Ken Morris of Lightbulb Press, and to the talented staff at Siegel & Gale. I am especially grateful to the staff of my office for giving me the time and support I needed to work on the handbook.

Three people poured their hearts and minds into this handbook from the start: Ann Wallace, from the Division of Corporation Finance; Carolyn Miller, formerly of Siegel & Gale and now with the SEC; and William Lutz, author and Professor of English at Rutgers University. All of the credit and none of the blame goes to them.

And finally, many thanks to Chairman Arthur Levitt, who made it all possible by putting plain English at the top of his agenda so that investors might better understand their investments. •