Do our 10Ks and 10Qs have to be so legalistic?

The short answer is ‘no’. Although a few items must be in a specific format or order, for the most part you can choose the language, order and even format of your SEC reports as long as you include the required information.

Indeed, the commission specifically encourages plain English, graphics and even multiple typefaces (although the SEC handbook does note that the only design worse than a pie chart is several pie charts). Despite this, most SEC reports continue to be written by lawyers and accountants in a style only they appreciate, and without considering investor relations.

During the 1980s, paper SEC filings were generally seen only by SEC examiners and occasional plaintiffs. They focused almost exclusively on demonstrating legal compliance and reducing liability, rather than helping investors. But times have changed. SEC reports are now only a click away for your investors, who have come to depend on them as a key resource.

Meanwhile, legal changes and new communication methods now make your potential liability for statements in SEC reports essentially the same as for other investor communications. Through all this, perhaps the only major change in the style of most SEC reports has been the use of ‘we’ and ‘us’ instead of ‘the company’.

Practically all companies today create presentations for communicating with investors at conferences and elsewhere. Relying on graphics and other effective communication techniques, and updated frequently to reflect the current and anticipated thinking of management, these presentations generally bear little resemblance to the dry language and historical focus of SEC reports.

Even if they’re posted on the company website – too often in an obscure location just to satisfy legal considerations – company presentations are rarely available through third-party websites such as Yahoo! or Google.

SEC reports remain a critical means of communicating with investors – too important to be based solely on legal and accounting considerations. Of course, they have to be legally correct and protective, and you must comply with all of the accounting requirements. But this still leaves more than enough room for you to integrate the critical messages of your company presentation into your SEC reports.

Borrow from company presentations to improve dry financial reports, suggests Theodore Guth

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