

⋮ 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 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. •

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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." •

Introduction

by Arthur Levitt
*Chairman, U.S. Securities
and Exchange Commission*

Investors need to read and understand disclosure documents to benefit fully from the protections offered by our federal securities laws. Because many investors are neither lawyers, accountants, nor investment bankers, we need to start writing disclosure documents in a language investors can understand: plain English.

The shift to plain English requires a new style of thinking and writing, whether you work at a company, a law firm, or the U.S. Securities and Exchange Commission. We must question whether the documents we are used to writing highlight the important information investors need to make informed decisions. The legalese and jargon of the past must give way to everyday words that communicate complex information clearly.

The good news is that more and more companies and lawyers are using plain English and filing documents with the SEC that others can study, use, and improve upon. With the SEC's plain English rules in place, every prospectus will have its cover page, summary, and risk factors in plain English.

The benefits of plain English abound. Investors will be more likely to understand what they are buying and to make informed judgments about whether they should hold or sell their investments. Brokers and investment advisers can make better recommendations to their clients if they can read and understand these documents quickly and easily.

Companies that communicate successfully with their investors form stronger relationships with them. These companies save the costs of explaining legalese and dealing with confused and sometimes angry investors. Lawyers reviewing plain English documents catch and correct mistakes more easily. Many companies have switched to plain English because it's a good business decision. They see the value of communicating with their investors rather than sending them impenetrable documents. And as we depend more and more on the Internet and electronic delivery of documents, plain English versions will be easier to read electronically than legalese.

The SEC's staff has created this handbook to help speed and smooth the transition to plain English. It includes proven tips from those in the private sector who have already created plain English disclosure documents. This handbook reflects their substantial contributions and those of highly regarded experts in the field who were our consultants on this project, Dr. William Lutz at Rutgers University and the firm of Siegel & Gale in New York City.

But I hasten to add that the SEC has not cornered the market on plain English advice. Our rules and communications need as strong a dose of plain English as any disclosure document. This handbook gives you some ideas on what has worked for others, but use whatever works for you.

No matter what route you take to plain English, we want you to produce documents that fulfill the promise of our securities laws. I urge you—in long and short documents, in prospectuses and shareholder reports—to speak to investors in words they can understand. Tell them plainly what they need to know to make intelligent investment decisions. •



What Is a “Plain English” Document?

We’ll start by dispelling a common misconception about plain English writing. It does not mean deleting complex information to make the document easier to understand. For investors to make informed decisions, disclosure documents must impart complex information. Using plain English assures the orderly and clear presentation of complex information so that investors have the best possible chance of understanding it.

Plain English means analyzing and deciding what information investors need to make informed decisions, before words, sentences, or paragraphs are considered. A plain English document uses words economically and at a level the audience can understand. Its sentence structure is tight. Its tone is welcoming and direct. Its design is visually appealing. A plain English document is easy to read and looks like it’s meant to be read.

This handbook's purpose

This handbook gives you practical tips on how to create plain English documents. All of these were born of experience. They come from experts and those who have already written or rewritten their documents in plain English.

As with all the advice in this handbook, feel free to tailor these tips to your schedule, your document, and your budget. Not all of the tips will apply to everyone or to every document. Pick and choose the ones that make sense for you.

Some of our tips cover very basic mechanical issues, like how to photocopy your working draft. We've included them because they were learned the hard way and have saved people time, money, and aggravation. You'll see them listed in Chapter 8, titled "Time-Saving Tips."

This handbook is by no means the last word on plain English. We expect to change it and add more tips as we learn more about writing securities documents in plain English. So please keep notes on your experiences and copies of your original and rewritten language. We want to hear from you and include your tips and rewrites in the next edition.

Finally, we encourage you to give this handbook out freely. It is not copyrighted, so you can photocopy it without fear of penalty. •

Getting Started

Assemble the team or move ahead on your own

As with a lot of things in life, it's the preparation that often determines the success or failure of an effort to write documents in plain English. Many of you routinely select a team to think and talk about how to write a document from scratch or rewrite an existing document. Or you may do it on your own. In that case, rest assured that one person can do it alone.

The list below describes the types of people who have participated in successful plain English teams. *We're not suggesting that you need to select everyone listed.* Some will not apply to your company or your situation. The people you select, and the point at which you involve them in your plain English project, will depend on your document, your schedule, and your budget.

- **A team leader** who has the authority to make decisions that keep the project moving forward and bring it to a successful conclusion. (More than one plain English project has faltered because the team leader has not had this level of authority.) The team leader may be a company's or an underwriter's lawyer.
- **A lead writer** who ensures the document uses a logical structure and simple, clear language. If more than one person is drafting sections of the document, the lead writer makes sure the final draft has a consistent tone and the individual parts form a coherent whole.
- **Lawyers for the company or the underwriter** who know what information must be included and why.

- **An investor relations expert** who knows firsthand the financial sophistication of your investors. Investor relations people know which questions investors typically ask and where past disclosure documents have failed to make information clear.
- **A compliance officer** who can lend guidance to the writer and who knows, along with your lawyers, what information must be included.
- **A production and operations person** who understands the mechanics and costs of printing and mailing your document, so that your improved document doesn't get ahead of your in-house capabilities or budget.
- **A marketing person** who may have market survey research or polls on your investors. Also, the marketing department is usually attuned to the terminology that your investors can readily understand.
- **An information designer** who is a graphic designer trained to work closely with the writers and to think about how to present complex information visually.

Select documents

You may want to consider these issues as you start writing in plain English:

- How long is the document?
- Will you write all of it, or only sections of it, in plain English?
- How much time do you have before you need to file your document?

You will also want to gather and distribute other documents that your company has written for investors. It's likely that your company has already used plain English in its glossy annual reports and other communications prepared especially for investors. These documents may save you time by showing you the type of language your company is already comfortable using. •

3

Knowing Your Audience

Knowing your audience is the most important step in assuring that your document is understandable to your current or prospective investors. To write understandable documents, you need to gauge the financial sophistication of your investors.

Through polls and other market survey research tools, some companies know the demographics of their investors well. Other companies rely on their investor relations staff or their underwriters to describe who has bought, or is likely to buy, their securities.

Using whatever information is available, you can create a profile of your investors or prospective investors based on the following questions:

- What are their demographics—age, income, level of education, and job experience?
- How familiar are they with investments and financial terminology?
- What investment concepts can you safely assume they understand?
- How will they read the document for the first time? Will they read it straight through or skip around to the sections that interest them?
- Will they read your document and your competitors' side by side?
- How will they use the document while they own the security?
What information will they be looking for later, and is it easy to find?

Your investors or prospective investors may include individuals and institutions with varying degrees of financial sophistication. While your audience will include analysts and other industry experts, you may want to keep in mind that your least sophisticated investors have the greatest need for a disclosure document they can understand. Some companies have faced the differing needs of their investors and other audiences by making basic educational information visually distinctive from the rest of the text so that sophisticated investors can easily recognize and scan it.

Once you've drawn a profile of your investors, keep it constantly in mind. Some writers keep a photo of a typical investor to make sure they don't lose sight of their readers.

After analyzing who your investors are, you can turn to the document you want to write or rewrite. •



“One must consider also the audience...the reader is the judge.”

Aristotle
Rhetoric

4

Knowing the Information You Need to Disclose

The steps outlined in this section have been used successfully by others who have written disclosure documents in plain English. As we said earlier, feel free to tailor these steps to your own schedule and team. This is one approach if you are rewriting an existing document, but others may work equally well.

Read and outline the current document

Read the entire document once without making any notes or comments on the text. This should give you a general understanding of the information covered in the document and make your next read more productive.

When you read it the second time, make notes on what information is covered and any questions you have. Your notes will also help you to assess if information flows through your document in a logical order.

As you read, consider the following:

- Will the investors understand the language?
- Does the document highlight information that is important to investors?
- Is any important information missing?
- Does the document include information that is not legally required and will not help investors make informed decisions?

For time-saving tips on how to outline and reorganize your document, read Chapter 8 on page 55.

Meet to resolve questions

Meet with the authors of the original document or others who understand it and any members of the team who can help to answer the questions you wrote in the margins. Besides the obvious reason for the meeting, another more important goal is

to question the need for everything that appears in the document.

“Because it’s always been there” is not reason enough to keep it in your draft. Since much of the language in these documents is recycled from older (or another company’s) documents, often no one knows who initially wrote it or why it is needed now. If you’ve done your legal research and no one knows why the information is important or required, consider taking it out.

Eliminate redundant information

Question the need for repeating any information. Reading the same material two or three times can bore and even trouble readers. Most readers skip over paragraphs if they think they’ve read them before. If you cut down on repetitious paragraphs or sentences, you’ll not only earn the gratitude of your reader, you’ll reduce printing and mailing costs.

Discuss the cover page and the summary

A cover page should be an introduction, an inviting entryway into your document, giving investors some key facts about your offering, but not telling everything all at once. If it looks dense and overgrown with thorny details, no one will want to pick it up and start reading. If it looks like a legal document written *by* lawyers and *for* lawyers, many investors will not even attempt to read it.

To create an inviting cover page, you’ll need to strip away much of what is conventionally placed there, but which is not required.



“Writers must therefore constantly ask: What am I trying to say? Surprisingly often they don’t know. They must look at what they have written and ask: Have I said it?”

William Zinsser
On Writing Well

As you review your cover page, question why each item of information is there. It may be important, but does it have to be on the cover page? You usually have a substantial document following the cover page—let some of those other pages carry the information load in logical order.

What would be helpful for investors to see on this page? Look through your investors' eyes and you'll make better decisions about where to place information.

The same goes for the summary. A summary should orient the reader, highlighting the most important points that are presented in greater detail in the prospectus. Many summaries now seem as long as the document itself and consist merely of paragraphs copied straight from the body of the document.

Use defined terms sparingly

Although customary, introducing defined terms on the cover page and in the summary discourages many readers from getting beyond the first pages. Overwhelmed with memorizing a new and unnatural vocabulary, and bothered by constantly having to flip back and hunt for the first time a defined term's definition appears, many an investor will not stick with the document. One plain English expert has advised, don't let a shortcut for the writer become a roadblock for the reader. •

5

Reorganizing the Document

A few principles of good organization apply universally.

First, present the big picture before the details. Prospectuses routinely start with a detailed description of the securities. You may read pages before you find out what the company produces, or why it is merging or spinning off a subsidiary. It's hard to absorb the details if you don't know why they are being given to you. Imagine trying to put together a complicated jigsaw puzzle without first seeing the picture of the completed puzzle. An individual piece of information means more to your readers if they know how it fits into the big picture.

Second, use descriptive headers and subheaders to break your document up into manageable sections. Prospectuses impart a lot of information. If you present the information in bite-sized pieces, it's easier to digest. Make sure your headings tell the reader what the upcoming sections will cover. Headings like "general" or "background" aren't especially helpful.

Third, always group related information together. This helps you identify and eliminate repetitious information.

Fourth, your audience's degree of investment expertise will affect how you organize the document. If you are writing for financially unsophisticated investors, your document's overall organization may take an educational approach. You may need to explain industry terms or concepts where they first appear.

Fifth, review your document by taking a good look at the flow of information from beginning to end. Start making decisions on how the content should be moved around into a new and logical order based on:

- the audience profile
- the notes you made in the margins
- the decisions you've made on your cover page and summary
- the information you've learned in answering your questions

Once you have finished physically reorganizing the document, you may want to write an outline of your new organization. Your outline can later become your table of contents.

You're now ready to start rewriting your document in plain English.

And, speaking of writing... •

6

Writing in Plain English

We thought it would be helpful to list the most common problems we've encountered with disclosure documents.

Common problems

- Long sentences
- Passive voice
- Weak verbs
- Superfluous words
- Legal and financial jargon
- Numerous defined terms
- Abstract words
- Unnecessary details
- Unreadable design and layout

In the following pages we offer some ways to fix these problems.

For example, here's a common sentence found in prospectuses:

: NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY
: INFORMATION OR MAKE ANY REPRESENTATION OTHER
: THAN THOSE CONTAINED OR INCORPORATED BY REFER-
: ENCE IN THIS JOINT PROXY STATEMENT/PROSPECTUS,
: AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRE-
: SENTATION MUST NOT BE RELIED UPON AS HAVING BEEN
: AUTHORIZED.

Here's one possible plain English rewrite:

: You should rely only on the information contained in this document
: or that we have referred you to. We have not authorized anyone to
: provide you with information that is different.

We've listed just some of the many books on how to write clearly in Chapter 11. We urge you to consult them, too.

The plain English rewrite uses everyday words, short sentences, active voice, regular print, and personal pronouns that speak directly to the reader.

Do you think the rewrite captures the meaning of the original? Would you write it differently?

Throughout this chapter, you'll find "before" examples from disclosure documents with plain English "after" examples to illustrate specific principles of plain English. Since some of the "before" examples contain ambiguities that can be successfully resolved only by studying their context in a particular document, we did not attempt to provide rewrites to cover every interpretation. We encourage you to write your own plain English versions to fit your views and your needs. We don't want to create a new generation of plain English "boilerplate."

Although the principles that follow may sound deceptively simple, if you use them, your writing will improve dramatically.



"Straightforward sentences sound unimpressive to many writers, and officialese, creating tin ears, perpetuates itself."

Claire Kehrwald Cook
Line by Line

Use the active voice with strong verbs

The plodding verbosity of most disclosure documents makes readers yearn for clear words and short sentences. The quickest fix lies in using the active voice with strong verbs. Strong verbs are guaranteed to liven up and tighten any sentence, virtually causing information to spring from the page. When you start to rewrite or edit your work, highlighting all the verbs can help. You may be surprised by the number of weak verbs, especially forms of “to be” or “to have” that you’ll find.

The time you spend searching for a precise and strong verb is time well spent. When a verb carries more meaning, you can dispense with many of the words used to bolster weak verbs.

Weak verbs keep frequent company with two more grammatical undesirables: passive voice and hidden verbs. In tandem, they add unnecessary length and confusion to a sentence.

The active and passive voices

If you need it, here’s a quick refresher on the active and passive voice.

- **active**
- The investor buys the stock.

In the active voice, the subject of the sentence, the investor, performs the action, buying the stock.

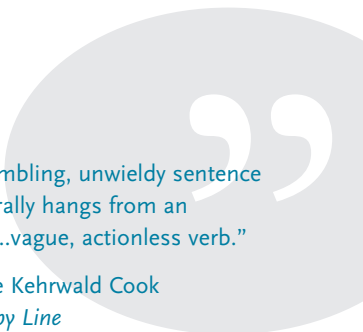
- **passive**
- The stock is bought by the investor.

In the passive voice the subject, the stock, is acted upon. The person or the thing doing the action is introduced with “by.” But sometimes, the person or thing doing the action is deleted, leading to...

- **passive with agent deleted**
- The stock is bought.

You don’t know who bought the stock. You’ll find many examples of the “passive with agent deleted” in disclosure documents.

Readers understand sentences in the active voice more quickly and easily because it follows how we think and process information. Many times the passive voice forces readers to take extra mental steps as they convert the passive into the active.



“A rambling, unwieldy sentence generally hangs from an inert...vague, actionless verb.”

Claire Kehrwald Cook
Line by Line



“When you make all the verbs active, other economies suggest themselves.”

Claire Kehrwald Cook
Line by Line

To recognize the passive voice, ask yourself:

Does the sentence use a form of the verb “to be” with:

- another verb in the past tense; and
- a prepositional phrase beginning with “by”?

Remember that it’s harder to recognize the passive voice when the object (the phrase introduced with “by”) is left out. When you rewrite the sentence in the active voice, use a strong verb. These examples show how strong verbs and the active voice transform sentences, making them shorter and easier to understand.

• **before**

• The foregoing Fee Table **is intended** to assist investors in understanding the costs and expenses that a shareholder in the Fund will bear directly or indirectly.

The before example uses the passive with agent deleted. We don’t know who “intended” to assist investors. Note how long it took to get to the meat of the sentence—the costs and expenses. Dispensing with the filler words “...to assist investors in understanding...” moves the reader more quickly to the important points.

• **after**

• This table describes the fees and expenses that you may pay if you buy and hold shares of the fund.

Here’s another example:

• **before**

• The proxies solicited hereby for the Heartland Meeting **may be revoked**, subject to the procedures described herein, at any time up to and including the date of the Heartland Meeting.

• **after**

• You may revoke your proxy and reclaim your right to vote up to and including the day of the meeting by following the directions on page 10.

The plain English version tells you who may revoke a proxy and where to find the information on how to do it. It replaces the abstract “subject to the procedures described herein” with concrete, everyday words, “by following the directions on page 10.” It’s not enough merely to translate existing texts—the key is to add useful information.

Don't ban the passive voice, use it sparingly

As with all the advice in this handbook, we are presenting guidelines, not hard and fast rules you must always follow. The passive voice may make sense when the person or thing performing the action is of secondary importance to another subject that should play the starring role in sentence. Use the passive voice only when you have a very good reason for doing so. When in doubt, choose the active voice.

Find hidden verbs

Does the sentence use any form of the verbs “to be,” “to have,” or another weak verb, with a noun that could be turned into a strong verb? In these sentences, the strong verb lies hidden in a nominalization, a noun derived from a verb that usually ends in *-tion*. Find the noun and try to make it the main verb of the sentence. As you change nouns to verbs, your writing becomes more vigorous and less abstract.

• before	after
• We made an application ...	• We applied ...
• We made a determination ...	• We determined ...
• We will make a distribution ...	• We will distribute ...

• **before**
• We will provide appropriate **information** to shareholders concerning...

• **after**
• We will **inform** shareholders about...

• **before**
• We will have no stock **ownership** of the company.

• **after**
• We will not **own** the company's stock.

• **before**
• There is the possibility of prior Board **approval** of these investments.

• **after**
• The Board might **approve** these investments in advance.



“Thanks to the existence of pronouns, we are spared a soporific redundancy in literature, speech, and songs.”

Karen Elizabeth Gordon
The Transitive Vampire

Try personal pronouns

No matter how sophisticated your audience is, if you use personal pronouns the clarity of your writing will dramatically improve. Here’s why.

First, personal pronouns aid your reader’s comprehension because they clarify what applies to your reader and what applies to you.

Second, they allow you to “speak” directly to your reader, creating an appealing tone that will keep your reader reading.

Third, they help you to avoid abstractions and to use more concrete and everyday language.

Fourth, they keep your sentences short.

Fifth, first- and second-person pronouns aren’t gender-specific, allowing you to avoid the “he or she” dilemma. The pronouns to use are first-person plural (we, us, our/ours) and second-person singular (you, your/yours).

Observe the difference between these two examples:

• **before**

• This Summary does not purport to be complete and is qualified
• in its entirety by the more detailed information contained in the
• Proxy Statement and the Appendices hereto, all of which should
• be carefully reviewed.

• **after**

• Because this is a summary, it does not contain all the information
• that may be important to you. You should read the entire proxy
• statement and its appendices carefully before you decide how
• to vote.

Bring abstractions down to earth

Abstractions abound in the financial industry. What pictures form in your mind when you read these phrases: mutual fund, the Dow Jones Industrial Average, zero coupon bond, call option, or foreign currency trading? Most people don't have an image in their minds when they hear abstract words like these. And yet, it's far easier to comprehend a concept or a situation when your mind can form images.

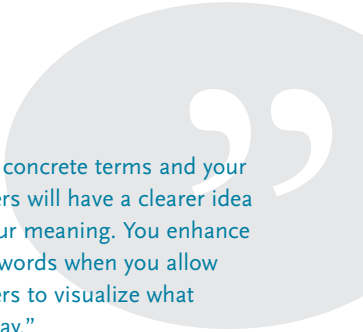
In a study conducted at Carnegie-Mellon University, a cognitive psychologist and an English professor discovered that readers faced with complex written information frequently resorted to creating “scenarios” in an effort to understand the text. That is, they often made an abstract concept understandable by using it in a hypothetical situation in which *people performed actions*.

You can make complex information more understandable by giving your readers an example using one investor. This technique explains why “question and answer” formats often succeed when a narrative, abstract discussion fails.

Here is an example of how this principle can be used to explain an abstract concept—call options:

• For example, you can buy an option from Mr. Smith that gives you the right to buy 100 shares of stock X from him at \$25.00 per share anytime between now and six weeks from now. You believe stock X's purchase price will go up between now and then. He believes it will stay the same or go down. If you exercise this option before it expires, Mr. Smith must sell you 100 shares of stock X at \$25.00 per share, even if the purchase price has gone up. Either way, whether you exercise your option or not, he keeps the money you paid him for the option.

Although it is impossible to eliminate all abstractions from writing, always use a more concrete term when you can.



“Use concrete terms and your readers will have a clearer idea of your meaning. You enhance your words when you allow readers to visualize what you say.”

Bryan A. Garner
The Elements of Legal Style

Read this list of progressively less abstract terms and consider how you might make abstract concepts you write about more concrete:

• Asset ➔ Investment ➔ Security ➔ Equity ➔ Stock ➔
• ➔ Common stock ➔ One share of IBM common stock

The following examples show how you can replace abstract terms with more concrete ones and increase your reader's comprehension:

“

“Language that is more concrete and specific creates pictures in the mind of [your] listener, pictures that should come as close as possible to the pictures in your mind.”

William Lutz
*The New Doublespeak:
Why No One Knows What
Anyone's Saying Anymore*

• **before**
• Sandyhill Basic Value Fund, Inc. (the “Fund”) seeks **capital appreciation** and, secondarily, income by investing in securities, primarily equities, that management of the Fund believes are **undervalued** and therefore represent **basic investment value**.

• **after**
• At the Sandyhill Basic Value Fund, we will strive to increase the value of your shares (capital appreciation) and, to a lesser extent, to provide income (dividends). We will invest primarily in undervalued stocks, meaning those selling for low prices given the financial strength of the companies.

• **before**
• No **consideration** or **surrender** of Beco Stock will be required of shareholders of Beco in return for the shares of Unis Common Stock issued **pursuant to the Distribution**.

• **after**
• You will not have to turn in your shares of Beco stock or pay any money to receive your shares of Unis common stock from the spin-off.

Omit superfluous words

Words are superfluous when they can be replaced with fewer words that mean the same thing. Sometimes you can use a simpler word for these phrases:

superfluous	simpler
in order to	to
in the event that	if
subsequent to	after
prior to	before
despite the fact that	although
because of the fact that	because, since
in light of	because, since
owing to the fact that	because, since

Another source of superfluous words is “shotgunning”: letting loose a blast of words hoping at least one conveys your intended meaning. The simplest solution here is to replace your laundry list of adjectives with a single word or phrase that adequately expresses your intended meaning.

Omitting superfluous words is one of the easiest ways to improve your disclosure document because it doesn’t require you to revise sentence structure.

before
The following summary **is intended only** to highlight certain information **contained elsewhere** in this Prospectus.

after
This summary highlights some information from this Prospectus.

before
Machine Industries and Great Tools, Inc. **are each subject to the information requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith** file reports, proxy statements and other information with the Securities and Exchange Commission (the “Commission”).

after
We file annual, quarterly, and special reports, proxy statements, and other information with the Securities and Exchange Commission (SEC).

“...the most valuable of all talent, that of never using two words where one will do.”

Thomas Jefferson

For an expanded explanation of “shotgunning,” see Richard Wydick’s *Plain English for Lawyers*.



“Vigorous writing is concise. A sentence should contain no unnecessary words...for the same reason that a drawing should have no unnecessary lines and a machine no unnecessary parts.”

Strunk and White
The Elements of Style

• **before**

• Drakecorp has **filed** with the Internal Revenue Service a **tax ruling request concerning, among other things**, the tax consequences of the Distribution to the United States holders of Drakecorp Stock. It is expected **that the Distribution of Beco Common Stock to the shareholders of Drakecorp** will be tax-free **to such shareholders** for federal income tax **purposes**, except **to the extent** that cash is received for fractional share **interests**.

• **after**

• While we expect that this transaction will be tax free for U.S. shareholders at the federal level (except for any cash paid for fractional shares), we have asked the Internal Revenue Service to rule that it is.

Write in the “positive”

Positive sentences are shorter and easier to understand than their negative counterparts. For example:

• **before**

• Persons other than the primary beneficiary may not receive these dividends.

• **after**

• Only the primary beneficiary may receive these dividends.

Also, your sentences will be shorter and easier to understand if you replace a negative phrase with a single word that means the same thing.

For example:

• **negative compound**

• not able

• not accept

• not certain

• not unlike

• does not have

• does not include

• not many

• not often

• not the same

• not ... unless

• not ... except

• not ... until

single word

unable

reject

uncertain

similar, alike

lacks

excludes, omits

few

rarely

different

only if

only if

only when



“There’s not much to be said about the period except that most writers don’t reach it soon enough.”

William Zinsser
On Writing Well

Use short sentences

No one likes to read a sentence that’s two pages long. And yet, lengthy, information-packed sentences choke many prospectuses today. To complicate matters further, these sentences are filled with jargon and legalese. The longer and more complex a sentence, the harder it is for readers to understand any single portion of it.

• before

• The following description encompasses all the material terms and provisions of the Notes offered hereby and supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Debt Securities (as defined in the accompanying Prospectus) set forth under the heading “Description of Debt Securities” in the Prospectus, to which description reference is hereby made. The following description will apply to each Note unless otherwise specified in the applicable Pricing Supplement.

If you really want to root out the problem with this paragraph, you need to think of the deeper reasons why it doesn’t work. If you look beyond the language used, you’ll find that it presents complex information without first providing a context for the reader.

The rewrites that follow show two ways to provide the context, with and without tabulation.

• after

• We provide information to you about our notes in three separate documents that progressively provide more detail: 1) the prospectus, 2) the prospectus supplement, and 3) the pricing supplement. Since the terms of specific notes may differ from the general information we have provided, in all cases rely on information in the pricing supplement over different information in the prospectus and the prospectus supplement; and rely on this prospectus supplement over different information in the prospectus.

or

We provide information to you about our notes in three separate documents that progressively provide more detail:

1 The Prospectus

General information that may or may not apply to each note.

2 The Prospectus Supplement

More specific than the prospectus, and to the extent information differs from the prospectus, rely on the different information in this document.

3 The Pricing Supplement

Provides final details about a specific note including its price. To the extent information differs from the prospectus or the prospectus supplement, rely on the different information in this document.

Information-packed sentences leave most investors scratching their heads. So many of these sentences have become “boilerplate” that writers cut and paste them into new documents without thinking about how they can be improved. Since these sentences can be a little intimidating, we thought we’d tackle another one:

before

The Drake Capital Corporation (the “Company”) may offer from time to time its Global Medium-Term Notes, Series A, Due from 9 months to 60 Years From Date of Issue, which are issuable in one or more series (the “Notes”), in the United States in an aggregate principal amount of up to U.S. \$6,428,598,500, or the equivalent thereof in other currencies, including composite currencies such as the European Currency Unit (the “ECU”) (provided that, with respect to Original Issue Discount Notes (as defined under “Description of Notes—Original Issue Discount Notes”), the initial offering price of such Notes shall be used in calculating the aggregate principal amount of Notes offered hereunder).

after

The Drake Capital Corporation may offer at various times up to U.S. \$6,428,598,500 worth of Global Medium-term notes. These notes will mature from 9 months to 60 years after the date they are purchased. We will offer these notes in series, starting with Series A, and in U.S., foreign, and composite currencies, like the European Currency Unit. If we offer original issue discount notes, we will use their initial offering prices to calculate when we reach \$6,428,598,500.

“A subject may have so many qualifications that readers forget what it is before they find out what it does.”

Claire Kehrwald Cook
Line by Line

As you can see, one long sentence became four shorter sentences. The paragraph moves from the general to the specific, contains short, common words, and is written in the active voice. You only need to read the paragraph once to understand it.

Replace jargon and legalese with short, common words

Ruthlessly eliminate jargon and legalese. Instead, use short, common words to get your points across. In those instances where there is no plain English alternative, explain what the term means when you first use it.

If you have been in the financial or legal industry for awhile, it may be hard to spot jargon and legalese in your writing. Consider asking someone outside the industry to check your work for incomprehensible words.

Last, don't create new jargon that's unique to your document in the form of acronyms or other words. It's asking too much of your readers to memorize a new vocabulary while they are trying to understand complicated concepts. This holds true for individual and institutional investors. Note the following, which is the first sentence on the cover page of an exchange offer:

⋮ NLR Insured Mortgage Association, Inc., a Delaware corporation
⋮ (“NLR MAE”), which is an actively managed, infinite life, New York
⋮ Stock Exchange-listed real estate investment trust (“REIT”), and
⋮ PAL Liquidating REIT, Inc., a newly formed, finite life, self-liquidat-
⋮ ing Delaware corporation which intends to qualify as a REIT (“PAL
⋮ Liquidating REIT”), hereby jointly offer, upon the terms and subject
⋮ to the conditions set forth herein and in the related Letters of
⋮ Transmittal (collectively, the “Offer”), to exchange (i) shares of NLR
⋮ MAE’s Common Stock, par value \$.01 per share (“NLR MAE
⋮ Shares”), or, at the option of Unitholders, shares of PAL Liquidating
⋮ REIT’s Common Stock, par value \$.01 per share (“PAL Liquidating
⋮ REIT Shares”), and (ii) the right to receive cash payable 60 days
⋮ after closing on the first of any Acquisitions (as defined below) but
⋮ in no event later than 270 days (nine months) following consumma-
⋮ tion of the Offer (the “Deferred Cash Payment”), for all outstanding
⋮ Limited Partnership Interests and Depository Units of Limited
⋮ Partnership Interest (collectively, “Units”) in each of PAL Insured
⋮ Mortgage Investors, a California limited partnership (“PAL 84”),
⋮ PAL Insured Mortgage Investors - Series 85, A California Limited
⋮ Partnership, a California limited partnership (“PAL 85”), and PAL
⋮ Insured Mortgage Investors L.P. - Series 86, a Delaware limited
⋮ partnership (“PAL 86”). See “THE OFFER.”



“Clearness is secured by using the words...that are current and ordinary.”

Aristotle
Rhetoric

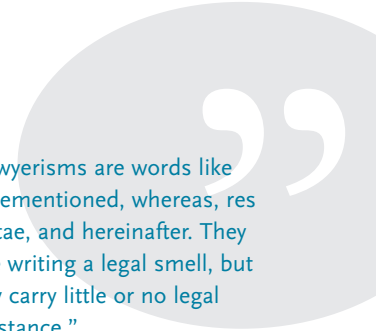
This sentence suffers from many shortcomings. It's long and laden with defined terms and other data that mask the fundamental information: the two companies are offering to exchange their stock for the investors' limited partnership holdings. Some of the information, such as par value and places of incorporation, can be moved to another part of the document. Much of the language modifies the subjects and the objects: this language, too, can be moved to a separate sentence or another section of the prospectus.

This example shows the hazards of creating unfamiliar acronyms. They provide false economies, especially when they are introduced on the cover page and in the first pages of the prospectus. They may save a few words, but they may also frustrate and force the reader to take more time and effort to understand the document. Where acronyms, such as REIT, are widely understood to the investing public, they can safely be used without creating confusion.

Occasionally, it's necessary to assign a shorter word to a long proper noun and use this word throughout the rest of the document. In these rare instances, try to choose a word that has an intuitive, logical relationship to the one it's replacing. This reduces the number of new words or phrases the reader needs to memorize to understand the document.

Choose the simpler synonym

Surround complex ideas with short, common words. For example, use *end* instead of *terminate*, *explain* rather than *elucidate*, and *use* instead of *utilize*. When a shorter, simpler synonym exists, use it.



“Lawyerisms are words like aforementioned, whereas, res gestae, and hereinafter. They give writing a legal smell, but they carry little or no legal substance.”

Richard C. Wydick
Plain English for Lawyers

Keep the subject, verb, and object close together

Short, simple sentences enhance the effectiveness of short, common words. We've covered a number of guidelines for writing shorter sentences, but there are a few more you can use to streamline your writing further.

To be clear, sentences must have a sound structure. Here are a few ways to ensure yours do.

The natural word order of English speakers is *subject-verb-object*. Your sentences will be clearer if you follow this order as closely as possible. In disclosure documents, this order is frequently interrupted by modifiers. For example:

Modifiers are words or phrases that describe or limit the subject, verb, or object.

• before

• **Holders** of the Class A and Class B-1 certificates **will be entitled to receive** on each Payment Date, to the extent monies are available therefor (but not more than the Class A Certificate Balance or Class B-1 Certificate Balance then outstanding), **a distribution**.

• after

• Class A and Class B-1 certificate **holders will receive a distribution** on each payment date if cash is available on those dates for their class.

• before

• **The following description** of the particular terms of the Notes offered hereby (referred to in the accompanying Prospectus as the "Debt Securities") **supplements, and** to the extent inconsistent therewith **replaces, the description** of the general terms and provisions of the Debt Securities set forth **in the Prospectus**, to which description reference is hereby made.

• after

• This document describes the terms of these notes in greater detail than our prospectus, and may provide information that differs from our prospectus. If the information does differ from our prospectus, please rely on the information in this document.

Write using “if-then” conditionals

Conditional statements are very common in disclosure documents—although they are rarely written that way. When we rewrote the last example as a conditional, we followed the natural English word order very closely. That’s why the sentence is easier to read.

Here are four rules of thumb to help you write conditional statements effectively:

- **One “if,” one “then”** When there is only one *if* and one *then*, starting with the *if* may spare some of your readers from having to read the rest of the sentence. In these cases, the *if* clause defines who or what the “then” clause applies to.

If you invested in Class A shares, then...

- **One “if,” multiple “thens”** When there is only one *if* and more than one *then*, start with the *if* and tabulate the *thens*.
- **Multiple “ifs,” one “then”** When there is only one *then* and more than one *if*, start with the *then* and tabulate the *ifs*.
- **Multiple “ifs” and “thens”** When there is more than one *if* and more than one *then*, you’ll probably need to break it down into more than one sentence, taking care to specify which *ifs* apply to which *thens*. If the information is still unclear, consider presenting the information in a table.



“Parallelism reinforces grammatically equal elements, contributes to ease in reading, and provides clarity and rhythm.”

Horner/Webb/Miller
Harbrace College Handbook

Keep your sentence structure parallel

A long sentence often fails without a parallel structure. Parallelism simply means ensuring a list or series of items is presented using parallel parts of speech, such as nouns or verbs. Note the quotation in the margin.

In this section, we’ve shown each parallel structure we’ve used in bold.

Here’s an example from a mutual fund prospectus that lacks parallel structure:

• **before**

• If you want to buy shares in Fund X by mail, **fill out** and **sign** the Account Application form, **making** your check payable to “The X Fund,” and **put** your social security or taxpayer identification number on your check.

• **after**

• If you want to buy shares in Fund X by mail, **fill out** and **sign** the Account Application form, **make** your check payable to “The X Fund,” and **put** your social security or taxpayer identification number on your check.

Here is a more subtle example from another mutual fund prospectus:

• **before**

• We invest the Fund’s assets in short-term money market securities **to provide** you with **liquidity, protection** of your investment, and **high** current income.

This sentence is unparallel because its series is made up of two nouns and an adjective before the third noun. It’s also awkward because the verb *provide* is too closely paired with the nominalization *protection*.

One logical revision to the original sentence is to change the noun series to a verb series.

• **after**

• We invest in short-term money market securities **to provide** you with liquidity, **to protect** your investment, and **to generate** high current income.

All writers, regardless of their degree of expertise, occasionally write unparallel sentences. The best way to rid your document of them is to read through it once solely to find these mistakes. Reading your document aloud can make unparallel constructions easier to spot.

Steer clear of “respectively”

How easy is it to read the following sentence once and understand what it means?

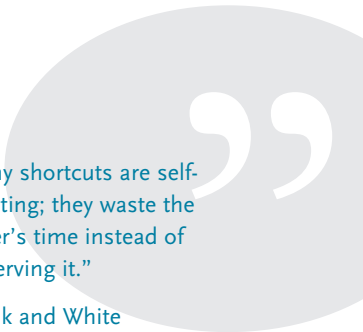
••• **before**

••• The Senior Notes and the guarantee (the “Guarantee”) of the
••• Senior Notes by Island Holdings will constitute unsecured senior
••• obligations of the Issuer and Island Holdings, respectively.

••• **after**

••• The senior notes are an unsecured senior obligation of the issuer,
••• while the guarantee of the senior notes is an unsecured senior
••• obligation of Island Holdings.

Whenever you use “respectively,” you force your reader to go back and match up what belongs to what. You may be saving words by using “respectively,” but your reader has to use more time and read your words twice to understand what you’ve written. •



“Many shortcuts are self-defeating; they waste the reader’s time instead of conserving it.”

Strunk and White
The Elements of Style

7

Designing the Document

A plain English document reflects thoughtful design choices. The right design choices make a document easier to read and its information easier to understand. The wrong design choices can make even a well-written document fail to communicate.

Some documents suffer because no one knew how basic design decisions, like typeface selection, dramatically determine whether or not a document is easy to read. Other documents suffer because expensive design features give them artistic appeal, but at the cost of obscuring the text. In a plain English document, design serves the goal of communicating the information as clearly as possible.

Beginning the design process

Check with your in-house printing or graphics department—your company may have already dealt with design issues in other documents or may have skilled designers who can help you with your document. If your company or underwriter has a style manual, it typically will define a required “look” that specifies typefaces and layouts.

Since some standards or guidelines in your style manual may have been adopted when plain English was not a concern, review them to ensure they contribute to good design and ease of reading.

If you are using a designer, keep the following in mind:

- Good design requires clear communication between the writer and the designer. Keep the lines of communication open and flowing.
- Take the time to explain the nuances of your document to your designer.
- Don't move into the design phase until your text is final. Once the document is put into page layout software, or once it is at the printer, making text changes can be tedious and expensive.

If you don't have a design professional, fear not. You can apply many of the simple concepts discussed in this chapter to produce a readable, visually appealing document.

While the field of design extends broadly, this chapter covers five basic design elements and how they contribute to creating a plain English document:

- hierarchy or distinguishing levels of information
- typography
- layout
- graphics
- color

Hierarchy

Much like an outline, a document's hierarchy shows how you've organized the information and helps the reader to understand the relationship between different levels of information.

A typical hierarchy in the prospectus might include:

- the document title
- section headings (first level)
- subsection headings (second level)
- paragraph headings (third level)
- general text (fourth level)

Designers use different typefaces in the headings to distinguish these levels for the reader. As a rule of thumb, there should be no more than six levels in the document, excluding the document's title.

You can signal a new level by varying the same typeface or by using a different typeface. Here's a demonstration of how we've used different typefaces to distinguish levels in this handbook:

- **Section headings**
- **Subsection headings**
- General text
- **Example headings**

Typography

Although it may seem like a minor decision, your typeface selection will be one of the elements that most strongly defines the design and readability of your document.

Kinds of typefaces

Typefaces come in two varieties: serif and sans serif.

serif **sans serif**
: N N

All serif typefaces have small lines at the beginning or ending strokes of each letter. Virtually all newspapers and many magazines use some form of serif type for their general text because serif fonts are easier to read than sans serif. This handbook uses a serif typeface called Scala for general text. Other popular serif typefaces are: Caslon, Century Schoolbook, Garamond, and Times. Here are some examples:

serif
: This is an example of Scala.
: **This is an example of Caslon.**
: This is an example of Century Schoolbook.
: **This is an example of Garamond.**
: This is an example of Times.

Sans serif typefaces lack those small connective lines. The type used for most headings throughout this document is a sans serif typeface, Scala Sans. Franklin Gothic, Frutiger, Helvetica, and Univers are examples of sans serif typefaces.

sans serif
: This is an example of Franklin Gothic.
: This is an example of Frutiger.
: This is an example of Helvetica.
: This is an example of Univers.

Generally, serif typefaces are easier to read in documents like this than sans serif because the small connective lines of serif help to lead your eye more quickly and smoothly over text. It is best to use sans serif typefaces in small quantities—for emphasis or headings, but not for general text. Both serifs and sans serifs work well for headings.

“

“Serif type is more readable and is best for text; sans serif type is more legible and is best used for headlines.”

Robin Williams

The Mac Is Not a Typewriter

Selecting the right typeface

When choosing a typeface, think carefully about where the typeface will appear in the document. For example, will it be general text, or will it apply to information that needs to be highlighted? Will it introduce a section?

Some typefaces are harder to read than others and were never intended for text. Typefaces like Bodoni Poster or other bold, italic, or condensed typefaces were designed for headlines or for large display type. These examples show how difficult it is to read text in these typefaces.

Bodoni Poster

Justified text was the style for many years—we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work... and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Robin Williams, *The Mac Is Not a Typewriter*

Franklin Gothic Condensed

Justified text was the style for many years—we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Robin Williams, *The Mac Is Not a Typewriter*

You can mix different typefaces, but do so with discretion; not all typefaces work well together. Mixing a serif and sans serif, as we have done in this handbook, can look good and create a clear contrast between your levels. Mixing two serif or two sans serif typefaces can look like a mistake. As a general rule, do not use more than two typefaces in any document, not including the bold or italic versions of a typeface.

Type measurement

All typefaces are measured in points (pts). But don't assume that different typefaces in the same point size are of equal size. For example, here are four typefaces set in 11pt:

- This is an example in 11pt. Franklin Gothic
- This is an example in 11pt. Century Schoolbook
- **This is an example in 11pt. Garamond**
- This is an example in 11pt. Helvetica
- This is an example in 11pt. Times

Choose a legible type size

A point size that is too small is difficult for everyone to read. **A point size that is too large is also hard to read.** Generally, type in 10pt–12pt is most common. But as you can see from the examples above, some typefaces in 11pt will strain some readers. If you have special concerns about legibility, especially for an elderly audience, you should consider using 12pt or larger.

Emphasizing text

It's common in disclosure documents to see blocks of text in bold and uppercase letters. The capitalization and bold type attempt to catch the reader's attention. Unfortunately, those capitals make the text difficult to read. All uppercase sentences usually bring the reader to a standstill because the shapes of words disappear, causing the reader to slow down and study each letter. Ironically, readers tend to skip sentences written in all uppercase.

To highlight information and maintain readability, use a different size or weight of your typeface. Try using extra white space, bold type, shading, rules, boxes, or sidebars in the margins to make information stand out. In this handbook we use dotted rules to highlight the examples. Whatever method you choose to highlight information, use it consistently throughout your document so your readers can recognize how you flag important information.

• before

• THE SECURITIES AND EXCHANGE COMMISSION HAS
• NOT APPROVED OR DISAPPROVED THESE SECURITIES
• OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR
• COMPLETE. ANY REPRESENTATION TO THE CONTRARY
• IS A CRIMINAL OFFENSE.

• after

• *The Securities and Exchange Commission has not approved or
• disapproved these securities or determined if this prospectus is truthful
• or complete. Any representation to the contrary is a criminal offense.*

• after

• **The Securities and Exchange Commission has not approved
• or disapproved these securities or determined if this prospectus
• is truthful or complete. Any representation to the contrary is a
• criminal offense.**

“...words consisting of only capital letters present the most difficult reading—because of their equal height, equal volume, and, with most, their equal width.”

Josef Albers
Interaction of Color

Layout

“...when *everything* (background, structure, content) is emphasized, *nothing* is emphasized; the design will often be noisy, cluttered, and informationally flat.”

Edward Tufte
Visual Explanations

Designers think carefully about white space, column width, linespacing, and paragraph length. These design elements determine whether reading is easy or becomes too much of a physical or mental chore.

Use white space effectively

Generous use of white space on the page enhances readability, helps to emphasize important points, and lightens the overall look of the document. White space especially affects the readers of disclosure documents because these documents usually feature dense blocks of impenetrable text.

You should fight the impulse to fill up the entire page with text or graphics. A wide left or right margin can make the document easier to read. The use of white space between sections or subsections helps readers recognize which information is related.

Use left justified, ragged right text

Research shows that the easiest text to read is left justified, ragged right text. That is, the text is aligned, or flush, on the left with a loose, or ragged, right edge. The text in this handbook is set left justified, ragged right.

Fully justified text means both the right and left edges are flush, or even. When you fully justify text, the spacing between words fluctuates from line to line, causing the eye to stop and constantly readjust to the variable spacing on each line. Currently, most disclosure documents are fully justified. This, coupled with a severe shortage of white space, makes these documents visually unappealing and difficult to read.

Be especially wary of centering text, or using text to form a shape or design. Uneven margins may make a visual impact, but they make reading extremely difficult.

recommended: left justified, ragged right

Justified text was the style for many years—we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

not recommended: fully justified text

Justified text was the style for many years—we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

not recommended: centered text

Justified text was the style for many years—we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Use linespacing to lighten the page

Linespacing, or “leading” (rhymes with sledding), refers to the amount of space between lines of text. Leading controls the density and readability of the text. Just as type is measured in points, so is leading. A type description of 12/16 means that 12pt type has been set with 4pts of additional leading between the lines. Generous leading can give a long paragraph a lighter, “airier” feeling and make it easier to read.

Avoid setting type without any additional leading (such as 10/10 or 12/12), sometimes referred to as being “set solid.” Typically, you should allow *at least* 2pts of leading between lines of type. You may want to add more leading, depending on the “airiness” you would like the document to have. In this document, for ease of reading, the general text has been set at 11/16, and most examples have been set at 10/12. Review the following examples to see how leading affects readability.

• 11/11

• Justified text was the style for many years—we grew up on it.
• But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you’ll find there’s a very strong trend now to align type on the left and leave the right ragged.

• 11/13

• Justified text was the style for many years—we grew up on it.
• But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you’ll find there’s a very strong trend now to align type on the left and leave the right ragged.

• 11/15

• Justified text was the style for many years—we grew up on it.
• But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you’ll find there’s a very strong trend now to align type on the left and leave the right ragged.

Keep lines to a reasonable length

A comfortable line length for most readers is 32 to 64 characters. Any longer than that, and your readers will lose their place when they read from line to line. A safe rule to follow is: the smaller the type size, the shorter the line length. This is why when you pick up any newspaper, magazine, or large book, you'll rarely see text that goes from one side of the page clear to the other, as you do in disclosure documents.

Columns also help your readers to move quickly and easily through large amounts of text. An average column width can vary from 25–40 characters. Remember to use ample white space between columns, too.

• don't

Justified text was the style for many years—we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

• do

Justified text was the style for many years—we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading. Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

• do

Justified text was the style for many years—we grew up on it. But there has been a great deal of research on readability (how easy something is to read) and it shows that those disruptive, inconsistent gaps between the words inhibit the flow of reading.

Besides, they look dumb. Keep your eyes open as you look at professionally-printed work...and you'll find there's a very strong trend now to align type on the left and leave the right ragged.

Sidebars, like this one, are a handy way to convey information that might muddy the general text. Try to keep your sidebars to “snippets” of information.

Keep paragraph length relatively short

To reduce dense text, keep paragraphs as short as possible. Even though paragraph length is determined by content, here are some design tips that can help to lighten a long paragraph.

Use bullets to list information wherever possible. This makes information easier to absorb in one quick glance, as the following illustrates:

- before**
The funds invest mainly in the stocks of U.S. and foreign companies that are showing improved earnings and that sell at low prices relative to their cash flows or growth rates. The Fund also invests in debt, both investment grade and junk bonds, and U.S Treasury securities.
- after**
We invest the fund’s assets in:
 - stocks of U.S. and foreign companies that
 - show improved earnings, and
 - sell at low prices relative to their cash flows or growth rates;
 - debt, both investment grade and junk bonds; and
 - U.S. Treasuries.

Use tables to increase clarity

Use tables to increase clarity and cut down text. Tables often convey information more quickly and clearly than text. The information in this table is more easily grasped in a table than in narrative form:

- before**
Our investment advisory agreements cover the Growth Fund, International Fund, Muni Fund, Bond Fund, and the Money Market Fund. The effective date for agreements for the Growth Fund and the International Fund is June 1, 1993, and for the Muni Fund, Bond Fund and Money Market Fund, June 1, 1994.
- after**
Our Investment Advisory Agreement covers these funds:

Investment Advisory Agreement effective date	Fund name
June 1, 1993	Growth Fund International Fund
June 1, 1994	Muni Fund Bond Fund Money Market Fund

Graphics

Graphics often illuminate information more clearly and quickly than text. This section introduces some basic guidelines about using graphics in your document. To learn more, books and articles cover the topic in rich and rewarding detail. The best known work, *The Visual Display of Quantitative Information*, by Edward R. Tufte, provides practical advice on creating graphics. In the introduction of his book, he writes about the importance and value of graphics:

At their best, graphics are instruments for reasoning about quantitative information. Often the most effective way to describe, explore, and summarize a set of numbers—even a very large set—is to look at pictures of those numbers. Furthermore, of all methods for analyzing and communicating statistical information, well-designed data graphics are usually the simplest and at the same time the most powerful.

On page 51 of his book, Tufte formulates a number of basic principles to follow in creating excellent graphics. Among them are these:

Graphical excellence is that which gives to the viewer the greatest number of ideas in the shortest time with the least ink in the smallest space.

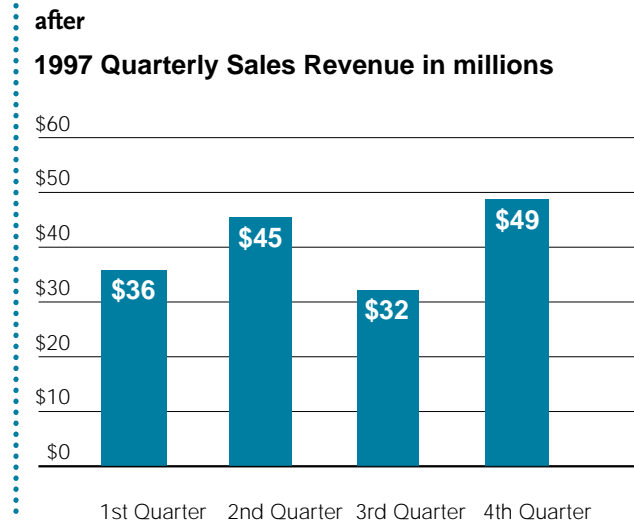
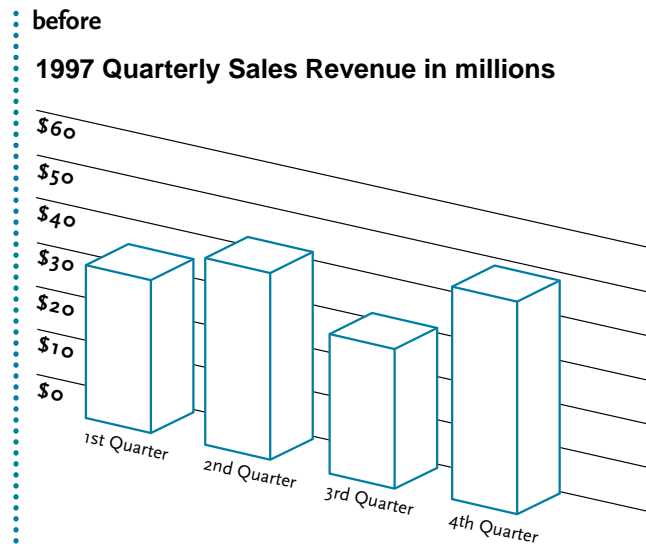
And graphical excellence requires telling the truth about data.

A few experts have studied the use of graphics in securities documents, isolating the areas presenting the most problems. We can boil down their advice to these guidelines.

Keep the design simple

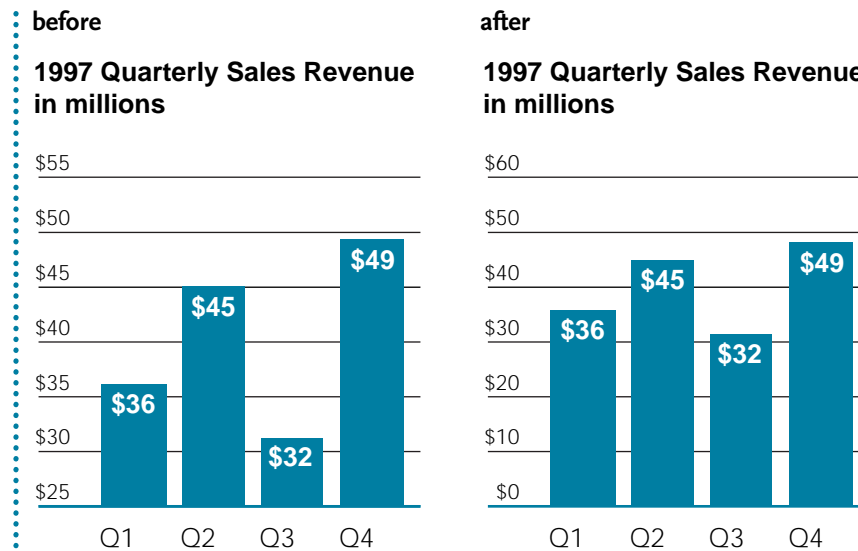
Keep the design of any graphic as simple as possible. Pare away any non-essential design elements so the data stands out. Think of it this way: as much of the ink as possible in a graphic should deal with a data point and not decoration. Some of the worst mistakes occur when design elements interfere with the clear presentation of information, such as needless 3-D effects, drop shadows, patterns, and excessive grid lines. Don't let a design element turn into what Tufte calls "chartjunk."

These examples show how a 3-D bar graph provides initial visual appeal, but is harder to read and understand than a straightforward presentation of the same information. The multiple lines of the 3-D bars confuse some readers because the front of the bars appear to have a lower value than the back of the bars.



Check proportions of visuals

Generally, you should avoid graphics that start at a non-zero baseline, because they distort differences by destroying correct proportions. Compare these two bar charts to see how the non-zero baseline can mislead the reader as to the magnitude of change from quarter to quarter.



“Extensive studies of annual reports of major corporations in the United States and the United Kingdom have shown that about 25 percent of the graphs they contain are distorted substantially.”

Alan J. Davis
*Graphical Information:
Where to Draw the Line*

Draw graphics to scale

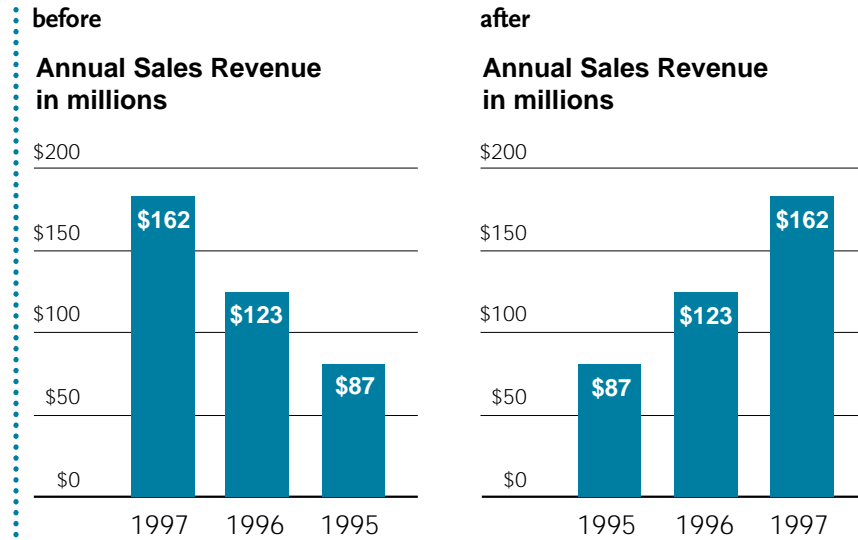
Any graphic should be proportionately correct or drawn to scale. For example, if you are showing an increase in oil production through a series of oil barrels in ever-increasing sizes, make sure a barrel isn't represented as 50% bigger when production only went up 25% that year.

Be consistent when grouping graphics

If you group graphics side-by-side, avoid changing your scale from one graphic to another, as in the examples above. Also, lining up three graphics that present data in billions, millions, then dollars can mislead the reader.

Don't reverse time

In graphics showing information over time, time should flow forward, not backward. In these examples, even though the first graphic is clearly labeled, it gives a false visual impression that earnings are going down over time rather than up.



Organize data to hasten insights

Choose an organization that helps the reader grasp information and comparisons quickly. For instance, if you have a list of foreign stock markets showing their returns in one year, list them in descending order by the magnitude of their returns instead of in alphabetical order.

before		after	
1994 Foreign Markets		1994 Foreign Markets	
Total Returns in U.S. dollars		Total Returns in U.S. dollars	
Argentina	-23.6 %	Brazil	+64.3 %
Brazil	+64.3	Singapore	+ 5.8
Greece	+ 0.6	Greece	+ 0.6
Hong Kong	-28.9	Philippines	- 10.1
Indonesia	-26.3	Malaysia	-20.2
Malaysia	-20.2	Argentina	-23.6
Mexico	-39.7	Indonesia	-26.3
Philippines	- 10.1	Hong Kong	-28.9
Singapore	+ 5.8	Mexico	-39.7
Turkey	- 50.5	Turkey	- 50.5

Integrate text with graphics

A graphic and its text should be together. You don't want to break your reader's concentration by separating the two, forcing your reader on a detour to another page in search of the graphic that goes with the text.

Think twice about pie charts

According to Tufte, "...the only worse design than a pie chart is several of them...." Pie charts can be useful in illustrating parts of a whole, but not when you divide the pie into more than 5 or 6 slices. Most readers find it difficult to draw accurate comparisons between pie slices or between multiple pie charts because the slices form irregular shapes. Showing the same information in a table can often be clearer.

Don't forget your typography

When choosing a typeface for text such as axis labels, consider using a sans serif typeface if the type is small and the text is short in length. If you want to insert a note or explanation directly on the graphic, use a serif font if the text is long. Continue to use upper and lower-case type for increased legibility. The guidelines for good typography we discussed earlier still apply when creating graphics.

Trust your eye

Finally, one guideline rises above all others in importance and rests squarely with you. Cultivate an appreciation of graphics and then trust your eye. If a graphic seems unclear or unhelpful to you, no matter how many "guidelines" it follows, it probably is.

Graphics communicate numbers and concepts visually. You turn to graphics when they stimulate a deeper or quicker understanding and appreciation of a situation than words alone. To create a good graphic, you must study the design critically and assess whether it conveys information honestly, accurately, and efficiently.

Color

Black is a color

The majority of your documents will be produced in black and white. When designing these documents, it's easy to forget that you are using a color: black. Since black is such a powerful color, balancing it on the page can be a tightrope act: too little emphasis can grey-out the page, too much can blacken it.

If you are using only black, your use of type is usually the way you balance the page's color. Some typefaces are heavier or lighter than others, and most type families are available in varying weights. For example:

• **heavy: Times Extra Bold**
• **less heavy: Times Bold**
• **lighter: Times Semi Bold**
• lighter still: Times Regular
• heavy: Univers Black
• **less heavy: Univers Bold**
• lighter: Univers Regular
• lighter still: Univers Light

Choosing the proper combinations of type weights will help to make your document look more inviting.

Some additional ways to introduce visual appeal to a one-color document are through:

- shading
- graphics
- rules or lines
- colored paper stocks

Again, your use of these elements should not overwhelm or distract from the legibility of your text. •

8

Time-Saving Tips

Following are some tips that have saved time for those who routinely rewrite documents in plain English:

Photocopy the document, single sided, on 11" x 17" paper (ledger paper) to 120% of its original size. This gives you room to make notes in the margins and helps to save your eyesight. Keep your original document handy. You'll use it again later.

Read through the ledger-sized copy and take notes. In the margin of each paragraph, jot down the main and supporting points. (We suggest using a pencil unless you're one of those people who does crossword puzzles in ink.) If you can't find these points too easily, it may mean the paragraph is a hodgepodge of unrelated topics.

This stage of the process can be "space-consuming." In your workspace or in a conference room, tape or tack the pages of your document to the wall. If it's too long, you may want to spread out just your outline and summary.

Then, thinking of your investors, physically move the pages into the order that makes the most sense. If only parts of pages need to be moved, cut them out and move just the parts. Remember to group like information together.

When you start to reorder your document by moving pages or parts of pages, write on the page or section:

- where it appeared in the original document (the page number and paragraph, if applicable); and
- a number or letter to indicate its place in the new draft.

It's a good idea to keep the notes and questions you wrote in the margins distinct from your cross-reference marks by writing them in a different color. Use colored pencils, since it's likely you'll move sections around more than once.

Once you have finished physically reorganizing the document, you may want to outline the new organization. On a separate piece of paper, write the names for the new sections you created. Under each section name, write down its major elements. This is the outline of your plain English draft and, with some revisions, will become your table of contents.

Keep in mind that the most effective outlines are more like sketches—just detailed enough to set priorities and create logical relationships.

Next to each entry on your outline, be sure to note where this information appeared in the original document. This is very important. Cross-referencing accurately now may save you hours of backtracking later.

Tape your reordered sections on blank pieces of ledger size paper and photocopy them. This will be the master document from which you'll rewrite. As you rewrite, each time you complete a sentence or paragraph, draw a line through it in pencil. This way you'll be sure to account for all the original content in your rewrite. •

Using Readability Formulas and Style Checkers

Readability formulas determine how difficult a piece of writing is to read. However, you should be aware of a major flaw in every readability formula.

No formula takes into account the content of the document being evaluated. In other words, no formula can tell you if you have conveyed the information clearly. For the most part, they count the numbers of syllables and words in a sentence and the number of sentences in the sample. Of course, if you applied a readability formula to a traditional disclosure document, it would fail miserably. But keep in mind that by some formulas' calculations, Einstein's theory of relativity reads at a 5th grade level.

Some computerized style checkers analyze your grammar and identify the passive voice. They may suggest ways to make your writing more "readable." Take their suggestions as just that—suggestions. The final test of whether any piece of writing meets its goal of communicating information comes when humans read it. •

Evaluating the Document

You can evaluate your document by testing it with a focus group. Experts call this “audience-centered” testing because it focuses on the interaction between a particular document and a representative sample of its readers. While the results are reliable, focus groups require time and money.

Focus group testing tends to work better with shorter documents or portions of longer ones. You can also test the portions of your document that you plan to use repeatedly. At the very least, you’ll have helpful feedback on the sections that investors are most likely to read and on the language that appears most frequently in your disclosure documents. Based on the test results, you can isolate the parts that cause the most confusion and fix them.

If you don’t have the budget to test your document formally through focus groups, improvise. Ask individuals in your office who most closely resemble your investors to read your draft document and listen closely to their reactions. Ask others who have some distance from the project to read it. A fresh pair of eyes often picks up the “obvious” problems that those who have worked with the document miss. •

Reading List

If you want more information on how to write in plain English, we've listed just a few of the many resources available, including those from the SEC. You may want to visit your local library to review these books or a broader selection. Goldstein and Lieberman's book, *The Lawyer's Guide to Writing Well*, includes a comprehensive list of books about legal writing. We are not endorsing any of these books, but have included them as a resource for your convenience.

Claire Kehrwald Cook, *Line by Line*
(Houghton Mifflin, 1985).

Alan J. Davis, *Graphs and Doublespeak*, *Quarterly Review of Doublespeak*,
Volume XVIII, Number 4, July 1992.

Bryan A. Garner, *The Elements of Legal Style*
(Oxford University Press, 1991).

_____, *A Dictionary of Modern Legal Usage*
(Oxford University Press, 2nd ed., 1995).

Tom Goldstein and Jethro K. Lieberman, *The Lawyer's Guide
to Writing Well*
(University of California Press, 1989).

Karen Elizabeth Gordon, *The Transitive Vampire: A Handbook
of Grammar for the Innocent, the Eager, and the Doomed*
(Times Books, 1984).

_____, *The New Well-Tempered Sentence, A Punctuation Handbook
for the Innocent, the Eager, and the Doomed*
(Ticknor & Fields, 1993).

William Lutz, *The New Doublespeak: Why No One Knows What Anyone's Saying Anymore* (HarperCollins, 1996).

David Mellinkoff, *Legal Writing: Sense & Nonsense* (West Publishing Company, 1982).

William Strunk, Jr., and E.B. White, *Elements of Style* (Macmillan, 3rd rev. ed., 1981).

Edward R. Tufte, *The Visual Display of Quantitative Information* (Graphics Press, 1983).

Robin Williams, *The Mac Is Not a Typewriter* (Peachpit Press, 1990).

Richard C. Wydick, *Plain English for Lawyers* (Carolina Academic Press, 2nd ed., 1985).

William Zinsser, *On Writing Well* (Harper & Row, 4th ed., 1988).

SEC publications

Before & After Plain English Examples and Sample Analyses (SEC Division of Corporation Finance, April 4, 1998).

Plain English Pilot Program: Selected Plain English Samples (SEC Division of Corporation Finance, January 28, 1998).

Securities Act Release No. 33-7380, Plain English Disclosure, proposing release, (January 14, 1997) 62 FR 3512 (January 21, 1997).

Securities Act Release No. 33-7497, Plain English Disclosure, adopting release, (January 28, 1998) 63 FR 6370 (February 6, 1998). •

Keeping in Touch with Us

We hope that this handbook will prove useful to you in drafting and creating plain English documents. Although we have drawn the suggestions in the handbook from those who have written plain English documents and from experts in the field, we realize that much more will be learned along the way that can benefit all of us.

We would appreciate receiving your suggestions on how we can improve this handbook. We would also like to collect as many examples of “befores” and their plain English “afters” as possible, as well as any tips that helped you save time and energy.

Please forward your suggestions and “before” and “after” examples to:

Nancy M. Smith
Director
Office of Investor Education and Assistance
SEC
450 5th Street, N.W.
Washington, D.C. 20549 •

Plain English at a Glance

Appendix A

Plain English means creating a document that is

- visually inviting,
- logically organized, and
- understandable on the first reading.

You create a plain English document by

- knowing your readers, and
- presenting information your readers need in an order they'll understand.

Summary of the plain English rules

Rule 421(b)

Entire Prospectus

Clear, concise, and understandable

- short sentences whenever possible
- bullet lists whenever possible
- descriptive headers and sub-headers
- avoid relying on glossaries and defined terms
- avoid legal and highly technical business terms

Note

Avoid:

- legalistic, overly complex presentations
- vague boilerplate
- excerpts from legal documents
- repetition

This is a summary, so please read the entire rule to make sure you comply with every aspect of it.

Rule 421(d)

Cover and Back Pages, Summary, and Risk Factors

Use plain English principles in the organization, language, and design of documents

Substantially use:

- short sentences
- definite, concrete, everyday words
- active voice
- tables and bullet lists
- no legal jargon, highly technical business terms
- no multiple negatives

Entire Prospectus—Design

In designing the entire prospectus:

- may use pictures, logos, charts, graphs, or other design elements
- encouraged to use tables, schedules, charts, and graphics for financial data
- must draw graphs and charts to scale
- cannot use misleading design and information

§230.421 Presentation of information in prospectuses

• • • • •

- (b) You must present the information in a prospectus in a clear, concise and understandable manner. You must prepare the prospectus using the following standards:
- (1) Present information in clear, concise sections, paragraphs, and sentences. Whenever possible, use short, explanatory sentences and bullet lists;
 - (2) Use descriptive headings and subheadings;
 - (3) Avoid frequent reliance on glossaries or defined terms as the primary means of explaining information in the prospectus. Define terms in a glossary or other section of the document only if the meaning is unclear from the context. Use a glossary only if it facilitates understanding of the disclosure; and
 - (4) Avoid legal and highly technical business terminology.

Note to §230.421(b):

In drafting the disclosure to comply with this section, you should avoid the following:

1. Legalistic or overly complex presentations that make the substance of the disclosure difficult to understand;
2. Vague “boilerplate” explanations that are imprecise and readily subject to different interpretations;
3. Complex information copied directly from legal documents without any clear and concise explanation of the provision(s); and
4. Disclosure repeated in different sections of the document that increases the size of the document but does not enhance the quality of the information.

• • • • •

- (d) (1) To enhance the readability of the prospectus, you must use plain English principles in the organization, language, and design of the front and back cover pages, the summary, and the risk factors section.

- (2) You must draft the language in these sections so that at a minimum it substantially complies with each of the following plain English writing principles:
 - (i) Short sentences;
 - (ii) Definite, concrete, everyday words;
 - (iii) Active voice;
 - (iv) Tabular presentation or bullet lists for complex material, whenever possible;
 - (v) No legal jargon or highly technical business terms; and
 - (vi) No multiple negatives.

- (3) In designing these sections or other sections of the prospectus, you may include pictures, logos, charts, graphs, or other design elements so long as the design is not misleading and the required information is clear. You are encouraged to use tables, schedules, charts and graphic illustrations of the results of operations, balance sheet, or other financial data that present the data in an understandable manner. Any presentation must be consistent with the financial statements and non-financial information in the prospectus. You must draw the graphs and charts to scale. Any information you provide must not be misleading.

Instruction to §230.421

You should read Securities Act Release No. 33-7497 (January 28, 1998) for information on plain English principles. •

Plain English Examples

This appendix contains “before” and “after” examples from participants in the Division of Corporation Finance’s plain English pilot. The Division’s staff added marginal notes to show how aspects of the plain English rules apply to specific documents.

These annotated examples are excerpted from the booklet, *Before & After Plain English Examples and Sample Analyses*, prepared by the Division of Corporation Finance. Although we revised the presentation and wording of the marginal notes in this appendix, the filings remain identical to those from the booklet. To get a complete copy of the booklet, please call the SEC’s public reference room at (202) 942-8090.

Differences between the proposed and final amendments to Item 501

When the issuers prepared these documents, they relied on staff interpretations for filings in the plain English pilot and the proposed amendments to Item 501.

The following information was not required under Item 501 as *proposed*, but this information is required under Item 501 as *adopted*:

- the market(s) and the trading symbol;
- the underwriter’s over-allotment or similar option, if applicable;
- a prominent cross-reference to the risk factors section including the page number;
- the following on a total and per share basis, if applicable:
 - the price to the public;
 - the underwriter’s discounts and commissions; and
 - the net proceeds the issuer and selling shareholders receive.

Examples for illustration purposes only

We are providing these examples and marginal notes only to illustrate the principles of plain English. We have not made any determination as to whether the filings are accurate or complete. You are responsible for the substance in your plain English filings. To understand the plain English rules fully, you must read the proposing and adopting releases:

- the proposing release—Release no. 33-7380; and
- the adopting release—Release no. 33-7497.

Both releases are available from the SEC’s Public Reference Room and our web site at www.sec.gov.

We collected many filings from the Division’s plain English pilot in one book. You can get a photocopy of this 756-page book, *Plain English Pilot Program: Selected Plain English Samples*, from the SEC’s Public Reference Room or a printed copy from Bowne Publishing in New York City. (The SEC does not endorse Bowne, nor do we have a business relationship with them.)

Before

MBNA cover page, core prospectus

Note: When MBNA filed this disclosure document, they relied on the SEC rules that were in effect at that time.

Fully-justified text and lengthy paragraphs give page a dense, block-like appearance.

Abstract terms and legal jargon prevalent

A lot of passive voice, adding to sentence length

Eliminate defined terms from the cover page.

Long sentence—60+ words

Why capitalize these common terms?

Long sentence—50+ words

Many long sentences—40+ words

Centered text and all capital letters are hard to read.

Legends are in legalese.

Legalistic tone—does Item 501 require all this information?

All information is presented the same way: What does this page focus my attention on?

Sans serif font is hard to read.

Text runs in long lines across the page.

PROSPECTUS

MBNA Master Credit Card Trust II
Asset Backed Certificates

MBNA America Bank, National Association
Seller and Servicer

The Asset Backed Certificates (collectively, the "Certificates") described herein may be sold from time to time in one or more series (each, a "Series") in amounts, at prices and on terms to be determined at the time of sale and to be set forth in a supplement to this Prospectus (a "Prospectus Supplement"). The Certificates of each Series will represent an undivided interest in MBNA Master Credit Card Trust II (the "Trust"). The Trust has been formed pursuant to a pooling and servicing agreement between MBNA America Bank, National Association ("MBNA"), as seller and servicer, and The Bank of New York, as trustee. The property of the Trust will include receivables (the "Receivables") generated from time to time in a portfolio of consumer revolving credit card accounts (the "Accounts"), all monies due in payment of the Receivables and certain other property, as more fully described herein and, with respect to any Series, in the related Prospectus Supplement. MBNA initially will own the remaining undivided interest in the Trust not represented by the Certificates issued by the Trust and will service the Receivables.

Each Series will consist of one or more classes of Certificates (each, a "Class"), one or more of which may be fixed rate Certificates, floating rate Certificates or other type of Certificates, as specified in the related Prospectus Supplement. Each Certificate will represent an undivided interest in the Trust and the interest of the Certificateholders of each Class or Series will include the right to receive a varying percentage of each month's collections with respect to the Receivables of the Trust at the times, in the manner and to the extent described herein and, with respect to any Series offered hereby, in the related Prospectus Supplement. Interest and principal payments with respect to each Series offered hereby will be made as specified in the related Prospectus Supplement. One or more Classes of a Series offered hereby may be entitled to the benefits of a cash collateral account or guaranty, a collateral interest, a letter of credit, a surety bond, an insurance policy or other form of enhancement as specified in the Prospectus Supplement relating to such Series. In addition, any Series offered hereby may include one or more Classes which are subordinated in right and priority to payment of principal of, and/or interest on, one or more other Classes of such Series or another Series, in each case to the extent described in the related Prospectus Supplement. Each Series of Certificates or Class thereof offered hereby will be rated in one of the four highest rating categories by at least one nationally recognized rating organization.

While the specific terms of any Series in respect of which this Prospectus is being delivered will be described in the related Prospectus Supplement, the terms of such Series will not be subject to prior review by, or consent of, the Certificateholders of any previously issued Series.

Potential investors should consider, among other things, the information set forth in "Risk Factors" beginning on page 19 herein.

THE CERTIFICATES WILL REPRESENT INTERESTS IN THE TRUST ONLY AND WILL NOT REPRESENT INTERESTS IN OR OBLIGATIONS OF MBNA AMERICA BANK, NATIONAL ASSOCIATION OR ANY AFFILIATE THEREOF. A CERTIFICATE IS NOT A DEPOSIT AND NEITHER THE CERTIFICATES NOR THE UNDERLYING ACCOUNTS OR RECEIVABLES ARE INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Certificates may be sold by MBNA directly to purchasers, through agents designated from time to time, through underwriting syndicates led by one or more managing underwriters or through one or more underwriters acting alone. If underwriters or agents are involved in the offering of the Certificates of any Series offered hereby, the name of the managing underwriter or underwriters or agents will be set forth in the related Prospectus Supplement. If an underwriter, agent or dealer is involved in the offering of the Certificates of any Series offered hereby, the underwriter's discount, agent's commission or dealer's purchase price will be set forth in, or may be calculated from, the related Prospectus Supplement, and the net proceeds to MBNA from such offering will be the public offering price of such Certificates less such discount in the case of an underwriter, the purchase price of such Certificates less such commission in the case of an agent or the purchase price of such Certificates in the case of a dealer, and less, in each case, the other expenses of MBNA associated with the issuance and distribution of such Certificates. See "Plan of Distribution."

This Prospectus may not be used to consummate sales of any Series of Certificates unless accompanied by the related Prospectus Supplement.

The date of this Prospectus is September 2, 1997.

Prospectus

MBNA Master Credit Card Trust II
Issuer

MBNA America Bank, National Association
Seller and Servicer

Asset Backed Certificates

Consider carefully the risk factors beginning on page 10 in this prospectus.

A certificate is not a deposit and neither the certificates nor the underlying accounts or receivables are insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The certificates will represent interests in the trust only and will not represent interests in or obligations of MBNA or any MBNA affiliate.

This prospectus may be used to offer and sell any series of certificates only if accompanied by the prospectus supplement for that series.

The Trust—

- may periodically issue asset backed certificates in one or more series with one or more classes; and
- will own—
 - receivables in a portfolio of consumer revolving credit card accounts;
 - payments due on those receivables; and
 - other property described in this prospectus and in the accompanying prospectus supplement.

The Certificates—

- will represent interests in the trust and will be paid only from the trust assets;
- offered with this prospectus will be rated in one of the four highest rating categories by at least one nationally recognized rating organization;
- may have one or more forms of enhancement; and
- will be issued as part of a designated series which may include one or more classes of certificates and enhancement.

The Certificateholders—

- will receive interest and principal payments from a varying percentage of credit card account collections.

Neither the SEC nor any state securities commission has approved these certificates or determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

February 27, 1998

Ample white space surrounds key information and makes page visually inviting.

Page layout highlights cross reference to risk factors.

Clear sentences are in active voice with concrete, everyday language.

No lengthy, block-like paragraphs

Information presented in three main categories:

- the trust
- the certificates
- the certificateholders

No defined terms

Common terms, like *classes*, are not capitalized.

Long sentences are put into bullet lists.

Left justified text and shorter line lengths are easy to read.

Serif typeface is easier to read than sans serif.

Legends in plain English and lowercase are easier to read than all capital letters.

Before

Premium Cigars International, cover page

Fully justified text creates a dense, block-like appearance.

Eliminate defined terms from cover page.

Is *no par value* helpful information for investors?

Key information, such as price per share, is not distinguished from general text.

Cross reference draws readers' attention away from key information.

All capital letters are hard to read.

Legend is in legalese.

Some legalese is used, like *set forth* and *when, as and if delivered*.

Offering table, references to footnotes, and paragraph following the table are legalistic.

Legalistic tone—does Item 501 require all this information?

PROSPECTUS
SUBJECT TO COMPLETION DATED JUNE 25, 1997

PREMIUM CIGARS INTERNATIONAL, LTD.

2,000,000 Shares

Premium Cigars International, Ltd. (“we” or “PCI”), distributes moderately priced premium cigars and other cigars, which are sold from our humidors placed primarily in convenience stores in the United States and Canada. By this Prospectus, we are offering you shares of PCI Common Stock, no par value (“Shares”).

This is our initial public offering, and no public market currently exists for PCI’s Shares. We estimate that the initial public offering price will be \$5.01 per Share. The Offering Price per Share will be determined by negotiations between PCI and the Representative, and may not be indicative of the market price of Shares after the Offering. Factors used to determine the initial public offering price are set forth under “Underwriting.”

We will apply to have our Shares listed on The Nasdaq SmallCap System under the symbol PCIG on completion of the Offering.

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK AND IMMEDIATE AND SUBSTANTIAL DILUTION. YOU SHOULD PURCHASE UNITS ONLY IF YOU CAN AFFORD A COMPLETE LOSS. SEE “RISK FACTORS.”

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.


	Price to the Public	Underwriting Discounts and Commissions (1)	Proceeds to the Company (2)
Per Share	\$5.01	\$.50	\$4.51
Total (3)	\$10,020,000	\$1,002,000	\$9,018,000

The Shares are being offered by the Underwriters when, as and if delivered to and accepted by the Underwriter and subject to various prior conditions, including their right to reject orders in whole or in part. W.B. McKee Securities, Inc. will act as representative of the Underwriters (“Representative”). We expect that Share certificates will be delivered in Phoenix, Arizona, on or about _____, 1997.

W.B. MCKEE SECURITIES, INC.
The date of this Prospectus is July __, 1997

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

**Initial Public Offering
Prospectus**



PREMIUM CIGARS INTERNATIONAL

1,900,000 shares of Common Stock
\$5.25 per share

Premium Cigars International, Ltd.
15651 N. 83rd Way, Suite 3
Scottsdale, Arizona 95260

The Offering

	Per Share	Total
Public Price	\$ 5.25	\$9,975,000
Underwriting discounts.....	\$.525	\$ 997,500
Proceeds to PCI	\$4.725	\$8,977,500

We distribute moderately priced premium cigars and other cigars, which are sold from our humidors placed primarily in convenience stores in the United States and Canada.

This is our initial public offering, and no public market currently exists for our shares. The offering price may not reflect the market price of our shares after the offering.

Proposed Trading Symbols:
NASDAQ SmallCap MarketSM — PCIG
Boston Stock Exchange — PCI

*This Investment Involves a High Degree of Risk. **You** Should Purchase Shares Only If You Can Afford a Complete Loss. See "Risk Factors" Beginning on Page 5.*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

W.B. MCKEE SECURITIES, INC.

KASHNER DAVIDSON SECURITIES CORP.

August 21, 1997

Only key information on page

Offering information is clear and easy to read.

Ample white space is visually inviting and highlights key information.

Key information, like price per share, is highlighted.

Left justified text eliminates block-like appearance.

Two-column format is easier to read than text running across page.

Design and layout highlight market and trading symbols.

Short sentences use concrete, everyday terms.

Language is free from legalese, technical language, and unnecessary cross references.

Personal pronouns, while not required, enhance readability.

Legend is in plain English.

Before

General Motors Corporation, summary

Legalese and technical terms, like *pursuant to the terms and conditions set forth*, and *effected largely pursuant to transactions*, etc.

Cross reference to definition disrupts flow of information; meanings of terms in summary must be clear from context.

Terms like *certain* and *appropriate* are vague, not concrete.

Passive voice—who is completing these transactions?

Parenthetical phrases are legalistic and disrupt flow of information.

Little “i”s are legalistic; bulleted list would be easier to read.

Organization of information driven by mechanics of transactions rather than by information shareholders need to make a decision.

Transactions’ effect on shareholders not discussed until column two.

Is detail about GM amending its certificate of incorporation necessary for the summary?

RAYTHEON

Raytheon is an international, high technology company which operates in four businesses: commercial and defense, engineering and construction, aircraft and major appliances. On July 11, 1997, Raytheon completed its acquisition of the business of Texas Instruments Defense. Immediately after the completion of the Hughes Transactions, Raytheon will merge with Hughes Defense.

For additional information regarding the business of Raytheon, see "Overview of Raytheon Business."

THE HUGHES TRANSACTIONS

Description of the Hughes Transactions

The Hughes Transactions will be completed through two principal steps:

- (1) the Hughes Reorganization (consisting of several transactions which prepare Hughes Defense for the spin-off from General Motors, separate the businesses of Hughes Defense, Delco and Hughes Telecom and effect the transfer of Delco to General Motors); and
- (2) the Spin-Off Merger (a merger transaction which effects the spin-off of Hughes Defense and the recapitalization and conversion of GM Class H Common Stock into New GM Class H Common Stock).

Step 1: The Hughes Reorganization. Pursuant to the Hughes Reorganization, among other things, (i) certain assets and liabilities will be transferred among Hughes Defense, Delco and Hughes Telecom so that each entity will have the appropriate assets and liabilities for its business; (ii) Hughes Telecom will be separated from Hughes Defense (which we refer to as the "Hughes Telecom Spin-Off"); (iii) Delco will be transferred from Hughes Electronics to General Motors; and (iv) Hughes Defense will recapitalize its capital stock into Class A Common Stock and Class B Common Stock. The Hughes Reorganization will be effected largely pursuant to transactions described in the Master Separation Agreement and the agreements contemplated by that agreement. See "Description of the Hughes Transactions—General—Hughes Reorganization" and "Separation and Transition Arrangements."

Step 2: The Spin-Off Merger. Pursuant to the terms and conditions set forth in the Spin-Off Merger Agreement, a wholly owned subsidiary of General Motors formed in order to effect the Spin-Off Merger will merge with General Motors. General Motors will be the surviving corporation of the Spin-Off Merger. See "Description of the Hughes Transactions—General—Spin-Off Merger" and "—Spin-Off Merger Agreement."

As a result of the Spin-Off Merger, the following will occur:

- each outstanding share of GM Class H Common Stock will be recapitalized and converted automatically into one share of New GM Class H Common Stock and each GM Class H Common Stockholder will receive a distribution of the Per Share Class H Distribution (as defined under "Background—The Distribution Ratio") of Class A Common Stock;
- each outstanding share of GM \$1½ Common Stock will remain outstanding and each GM \$1½ Common Stockholder will receive a distribution of the Per Share \$1½ Distribution (as defined under "Background—The Distribution Ratio") of Class A Common Stock; and
- the GM Certificate of Incorporation will be amended to delete provisions relating to the GM Class H Common Stock (including the provisions that require GM Class H Common Stock to be recapitalized into GM \$1½ Common Stock at a 120% exchange ratio under certain circumstances) and to add provisions setting forth the terms of the New GM Class H Common Stock.

For additional information regarding the Hughes Transactions, see "Description of the Hughes Transactions—General."

For a description of the methodology used to determine the allocation of Class A Common Stock between the two classes of GM common stockholders and a description of the post-closing payment to be made between Delco and Hughes Telecom, see "Background—Distribution Ratio."

Class H Common Stock outstanding at any time. For most calculations in this document which use the Class H Fraction, we have used the Class H Fraction as of September 30, 1997 (approximately 25.6%).

INTRODUCTION TO THE HUGHES TRANSACTIONS

THE HUGHES TRANSACTIONS

We are proposing three related transactions to enhance the value of the businesses operated by our Hughes Electronics subsidiary. We need your consent in order to accomplish these "Hughes Transactions."

(1) Hughes Defense

We propose to spin off the defense electronics business of Hughes Electronics to our common stockholders. We call this business "Hughes Defense." Immediately after the spin-off, Hughes Defense will merge with Raytheon Company. Based on the Recent Raytheon Stock Price, these transactions have an indicated value of approximately \$9.5 billion.

The merged company will be the nation's third largest defense company and one of the largest providers of defense electronics in the world. The merger should enable it to compete more effectively in the U.S. defense industry, where significant consolidation has been occurring. We call the merged company "New Raytheon."

GM common stockholders will receive all of the Class A Common Stock of Hughes Defense, representing approximately 30% of the common stock of New Raytheon after the merger. This stock has an indicated value of approxi-

mately \$5.2 billion based on the Recent Raytheon Stock Price. Approximately 58.7% of the Class A Common Stock would be distributed to GM Class H Common Stockholders and approximately 41.3% would be distributed to GM Class A Common Stockholders based on the Recent Raytheon Stock Price.

Hughes Defense will be permitted to have approximately \$4.3 billion of debt when it is spun off. Substantially all of the proceeds of this debt will be made available as new capital for Hughes Telecom. The obligation to repay this debt, however, will remain with New Raytheon (in which GM's common stockholders will have an approximately 30% equity interest).

The indicated transaction value of approximately \$9.5 billion consists of the sum of (1) the value of the Class A Common Stock to be distributed to GM's common stockholders and (2) the amount of debt that Hughes Defense is permitted to have at the time of the spin-off. We believe that this amount represents a substantial premium to the enterprise value of Hughes Defense under its current ownership structure.

(2) Delco Electronics

We propose to transfer Delco Electronics, our automotive electronics business, from Hughes

Information organized from shareholders' perspectives—how transactions affect them addressed first.

Active voice helps shareholders follow the steps involved in the transaction more easily.

Summary is free of defined terms.

Concrete, everyday language replaces legalese like *pursuant to the terms and conditions set forth and effected largely pursuant to transactions*, etc.

Numbers are more reader-friendly than little "i"s.

Easy to read two-column format with left justified margins.

Personal pronouns, although not required, help engage shareholders' attention.

Before

Baltimore Gas & Electric Company

Section from body of prospectus

Paragraphs are lengthy and block-like.

Subheadings are helpful, but more would be better.

Defined below? Where is below? Cross reference not helpful.

Long sentence—85+ words

Many defined terms with definitions elsewhere. Can you make meanings clear from context?

Long sentence—90+ words

Lists embedded in text; complex presentation

Interest Rate

General

Each Note will bear interest from its date of issue at the fixed rate per annum or at the rate per annum determined pursuant to the interest rate formula, stated therein and in the applicable Pricing Supplement, until the principal thereof is paid or made available for payment. Interest will be payable on each Interest Payment Date (as defined below) and at Stated Maturity or, if applicable, upon redemption. Each payment of interest payable at Stated Maturity or, if applicable, upon redemption shall include interest accrued to, but excluding, the date of Stated Maturity or redemption. Interest will be payable generally to the person (which, in the case of Book-Entry Notes, shall be the Depository or its nominee) in whose name a Note (or any predecessor Note) is registered at the close of business on the Record Date (as defined below) next preceding each Interest Payment Date; provided, however, that interest payable at Stated Maturity or, if applicable, upon redemption, will be payable to the person (which, in the case of Book-Entry Notes, shall be the Depository or its nominee) to whom principal shall be payable. The first payment of interest on any Note originally issued between a Record Date and an Interest Payment Date or on an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Record Date to the registered owner on such Record Date. Interest (other than interest payable at Stated Maturity or, if applicable, upon redemption) will be paid, at the Company's option, by check mailed to registered holders or by wire transfer to any holder of record. For additional information with respect to payments of interest on Book-Entry Notes, see "Book-Entry Notes" below. Interest rates, or interest rate formulas, will be subject to change by the Company from time to time, provided that any change in interest rates, or interest rate formulas, will not affect any Note previously issued or which the Company has agreed to sell. The interest rate on the Fixed Rate Notes and the Floating Rate Notes will in no event be higher than the maximum rate permitted by Maryland law, as the same may be modified by United States law of general application.

Fixed Rate Notes

The applicable Pricing Supplement relating to a Fixed Rate Note will designate a fixed rate of interest per annum payable on such Note. Unless otherwise indicated in the applicable Pricing Supplement, interest with respect to Fixed Rate Notes will be paid semi-annually each May 1 and November 1 and at Stated Maturity or, if applicable, upon redemption. If any Interest Payment Date or the Stated Maturity (or, if applicable, the date of redemption) of a Fixed Rate Note falls on a day that is not a Business Day, payment of principal, premium, if any, or interest will be made on the next Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or the Stated Maturity (or the date of redemption), as the case may be. The Record Dates for such Notes will be the April 15 and October 15 next preceding the May 1 and November 1 Interest Payment Dates. Unless otherwise indicated in the applicable Pricing Supplement, interest payments for Fixed Rate Notes shall be the amount of interest accrued to, but excluding, the relevant Interest Payment Date. Interest on such Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Floating Rate Notes

The applicable Pricing Supplement relating to a Floating Rate Note will designate an interest rate formula for such Floating Rate Note. Such formula may be: (a) the Commercial Paper Rate, in which case such Note will be a Commercial Paper Rate Note, (b) the Prime Rate, in which case such Note will be a Prime Rate Note, (c) the CD Rate, in which case such Note will be a CD Rate Note, (d) the Federal Funds Effective Rate, in which case such Note will be a Federal Funds Effective Rate Note, (e) LIBOR, in which case such Note will be a LIBOR Note, (f) the Treasury Rate, in which case such Note will be a Treasury Rate Note, (g) the CMT Rate, in which case such Note will be a CMT Rate Note, or (h) such other interest rate formula as is set forth in such Pricing Supplement. The applicable Pricing Supplement for a Floating Rate Note also will specify the Spread and/or Spread Multiplier, if any, applicable to each Note. Any Floating Rate Note may also have either or both of the following: (a) a maximum numerical interest rate limitation, or ceiling, on the rate of interest which may accrue during any interest period (the "Maximum Interest Rate"); and (b) a minimum numerical interest rate limitation, or floor, on the rate of interest which may

5

Section from body of prospectus

The interest rate on the notes will either be fixed or floating. The interest paid will include interest accrued to, but excluding, the date of maturity, redemption or repurchase. Interest is generally payable to the person in whose name the note is registered at the close of business on the record date before each interest payment date. However, interest payable at maturity, redemption, or repurchase will be payable to the person to whom principal is payable. The first interest payment on any note originally issued between a record date and interest payment date or on an interest payment date will be made on the interest payment date after the next record date. Interest payable other than at maturity, redemption or repurchase will be paid, at our option, by check or wire transfer.

Fixed Rate Notes

The applicable pricing supplement will designate the fixed rate of interest payable on a note. Interest will be paid May 1 and November 1, and upon maturity, redemption or repurchase. If any payment date falls on a day that is not a Business Day, payment will be made on the next Business Day and no additional interest will be paid. The record dates for such notes will be April 15 (for interest to be paid on May 1) and October 15 (for interest to be paid on November 1). Interest payments will be the amount of interest accrued to, but excluding, each May 1 and November 1. Interest will be computed using a 360-day year of twelve 30-day months.

Floating Rate Notes

General

Each floating rate note will have an interest rate formula. The formula may be based on:

- the commercial paper rate;

- the prime rate;
- the CD rate;
- the federal funds effective rate;
- the LIBOR;
- the Treasury rate;
- the CMT rate; or
- another interest rate index.

The applicable pricing supplement will also indicate the Spread and/or Spread Multiplier, if any. In addition, any floating rate note may have a maximum or minimum interest rate limitation.

Upon request, the Calculation Agent will provide the current interest rate and, if different, the interest rate which will become effective on the next Interest Reset Date.

Date of Interest Rate Change

The interest rate on each floating rate note may be reset daily, weekly, monthly, quarterly, semi-annually, or annually. The Interest Reset Date will be:

- for notes which reset daily, each Business Day;
- for notes (other than Treasury rate notes) which reset weekly, the Wednesday of each week;
- for Treasury rate notes which reset weekly, the Tuesday of each week;
- for notes which reset monthly, the third Wednesday of each month;
- for notes which reset quarterly, the third Wednesday of March, June, September and December;
- for notes which reset semi-annually, the third Wednesday of the two months of each year indicated in the applicable pricing supplement; and
- for notes which reset annually, the third Wednesday of the month of each year indicated in the applicable pricing supplement.

Paragraphs are short and readable.

Short sentences—longest sentence is 36 words.

Two-column format and left justified text, while not required, help make summary more reader-friendly.

More subheadings break up dense text and help readers navigate their way through information easily.

Defined terms are minimized, with meanings of terms clear from context.

Bullet lists help investors read and understand this information more quickly and easily.