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Less Disclosure, More Questions: Evaluating the SEC's Semiannual Reporting Proposal

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Even if the Securities and Exchange Commission gives public companies permission to report less often, will investors, analysts and lenders actually let them?

That is the central question raised by the Commission's May 5 proposal to allow United States public companies to replace quarterly Form 10-Q filings with semiannual reports on a new **Form 10-S** — the most significant proposed change to the periodic reporting framework since quarterly reporting became mandatory in 1970. The full proposing release is available on the SEC's website.

For Texas executives, boards and in-house counsel, the SEC's proposal raises another question: Is the company actually ready to make that call?

The answers to these questions, at least for many companies, is probably "not entirely." But the proposal is still important because it could materially change how companies think about disclosure controls, earnings communications, liability exposure and the cost of being public.

What the SEC Is Proposing

Throughout If adopted, the proposal would let companies replace three annual Form 10-Q filings with a single newForm 10-S covering the first six months of the fiscal year. Companies would annually elect whether to remain on the traditional quarterly reporting cycle or switch to semiannual reporting. The election would be made through a checkbox on the Form 10-K cover page. Once an election is made for a given fiscal year, the company would have to adhere to that reporting cadence for the remainder of the year. Companies that did not affirmatively make the election would continue to report quarterly.

The Form 10-S would largely mirror the current Form 10-Q disclosure requirements, including management's discussion and analysis, risk factor updates, financial statements, controls disclosures and CEO/CFO certifications. Like quarterly financial statements, semiannual financials would be reviewed by an auditor but would not be required to be audited.

What the SEC Isn't Changing

Importantly, the SEC's proposal does not eliminate a public company's ongoing disclosure obligations. Companies would still need to file current reports on Form 8-K for material events and would continue to operate under Regulation FD and the antifraud provisions of the federal securities laws.

That distinction matters because, in practice, many companies may continue providing quarterly financial information even if they elect to stop filing quarterly Form 10-Qs. For many Texas companies, that combination could represent a pragmatic and attractive alternative — capturing some of the compliance savings while preserving the investor engagement model that institutional shareholders and analysts expect.

For years, many investors and analysts have focused far more heavily on

quarterly earnings releases and earnings calls than on the Form 10-Q itself. The SEC acknowledged that reality in the proposing release and specifically asked whether companies adopting semiannual reporting might instead furnish quarterly earnings releases on Form 8-K.

By adopting this hybrid approach, companies could potentially reduce:

- quarterly drafting and review burdens;
- auditor review processes;
- Sarbanes-Oxley certification pressure;
- timing stress around filing deadlines; and
- certain liability considerations associated with "filed" disclosures.

That last point is particularly important. Earnings releases furnished under Item 2.02 of Form 8-K are not subject to Section 18 liability under the Exchange Act and are not automatically incorporated by reference into Securities Act registration statements — a meaningful difference in a company's litigation exposure as compared with Form 10-Q, which is filed under the Exchange Act. However, the SEC specifically asked in its proposal whether that distinction should change for companies electing semiannual reporting (i.e., whether a quarterly earnings release should be deemed filed if the issuer is not filing a Form 10-Q).

Boards and management teams of Texas companies should view this proposal not simply as a reporting-frequency issue, but as a broader disclosure architecture question. Companies considering a shift to semiannual reporting should evaluate whether their quarterly earnings releases are sufficiently robust to carry the informational weight that the substantive portion of the 10-Q currently bears and whether the liability trade-off is acceptable.

Practical Considerations for Opting In

The proposal is structured as an opt-in, and the SEC is candid that the relative merits will vary by company. A company considering opting in will need to evaluate significant market and governance considerations.

Investor and analyst relationships

The most consequential input in any evaluation will be the views of the company's significant institutional investors and sell-side analysts. Many companies — particularly large-cap issuers with active analyst coverage — may conclude that investors will still expect quarterly financial transparency regardless of what SEC rules technically permit. Exploration and production companies present a particularly instructive case: Investors in oil and gas are accustomed not just to quarterly financial statements but to quarterly operational data points — rig counts, production volumes, realized prices, capital expenditures and hedging activity — that serve as leading indicators between earnings cycles. Even an energy company that elects semiannual SEC reporting would likely face market pressure to provide predictable quarterly operational updates voluntarily, raising the question of whether the formal filing burden is actually reduced or simply shifted to a less structured — and less legally protected — format.

Energy sector market considerations

Energy companies considering a semiannual election must also evaluate the ripple effects across their debt and equity market relationships. Reserve-based lending facilities, which are common in the upstream sector and are redetermined periodically based on reserve reports and financial performance, often assume a flow of regular financial data. Longer gaps between formal reporting periods can also heighten sensitivity to commodity

swings, world events and alternative data sources — any of which can move an E&P company's stock meaningfully in the absence of a structured quarterly communication to anchor market expectations. Companies will need to think carefully about how they manage information flow if they are no longer releasing it on a predictable quarterly cadence.

Debt covenants and credit agreements

Debt agreements also could become a gating issue that should be addressed before any election is made. Many credit facilities, bond indentures and other financing arrangements include financial reporting covenants tied to SEC reporting obligations or that specifically reference quarterly reporting. Companies considering a move to semiannual reporting will need to evaluate covenant definitions, reporting obligations and lender expectations carefully.

Regulation FD and insider trading compliance

Longer intervals between required disclosures mean that material nonpublic information accumulates within the company for extended periods, heightening Regulation FD compliance risk and increasing the significance of determinations about whether particular developments require a current report on Form 8-K. For E&P companies, this discipline is especially important: Quarterly rig count and production trends often serve as leading indicators that investors, analysts and lenders monitor closely. Management teams that move away from structured quarterly reporting will need clear, consistent protocols governing what operational information is shared publicly, when it is shared and through what channel — and they should expect that inconsistent communication practices will attract investor and regulatory scrutiny.

What Questions Texas Counsel Should Be Asking Now

For calendar-year companies, the election — if the rule is finalized as proposed — would be made on the cover page of the Form 10-K filed in early 2027. That is a closer horizon than it may appear.

From a practical standpoint, public companies should already be asking several questions:

- Would investors react negatively if we stopped filing quarterly 10-Qs?
- Would analysts still expect quarterly earnings guidance and calls?
- Would our lenders permit semiannual reporting?
- Could we maintain effective disclosure controls with fewer formal filings?
- Would reduced SEC reporting meaningfully lower compliance costs and management distraction?
- Would semiannual reporting affect trading liquidity or valuation?
- For energy companies specifically: Would investors, analysts and reserve-based lenders still receive the quarterly operational data — production volumes, rig counts, realized prices and hedging positions — they currently rely on and in what form?

For boards, another key question is strategic signaling. A decision to move away from quarterly reporting could be viewed by some investors as a commitment to long-term value creation. Other investors may interpret it as reducing transparency.

What's Next From the SEC

The proposal is part of SEC Chair Paul Atkins' broader "Make IPOs Great Again" agenda focused on encouraging more companies to go public and remain public. The SEC framed the proposal as an effort to reduce compliance burdens, lower costs and decrease pressure on

management teams to focus excessively on short-term quarterly performance. Even if relatively few large issuers ultimately elect semiannual reporting, the proposal is still consequential. It reflects a broader regulatory shift toward rethinking the costs of being public in the United States and reducing friction in the public company model.

Still, critics of the proposal argue that less frequent reporting could reduce transparency, increase volatility and widen information gaps between sophisticated and retail investors. The SEC itself acknowledged academic research suggesting that less frequent mandatory disclosure may increase information asymmetry and cost of capital.

In-house counsel and public company representatives should engage in the public comment process. It is important that they engage and ensure that the final rules are workable and accomplish the SEC's goal of lessening the burden of being a public company. Companies with a genuine view on the proposal — and most Texas public companies will have one — should consider submitting a comment before the July 6 deadline. The Nasdaq and the NYSE are actively soliciting input from listed companies as they develop their own comment letters and engaging through that channel is an efficient way to participate. Comment letters are public and available on the SEC's website, and may be submitted by individual companies, market participants, legal associations or industry groups.

Quarterly reporting has defined the rhythm of public company life for more than five decades. Whether that rhythm changes for a given company is now a question each company must answer for itself.

