

# Navigating Through EDGAR: What to Look for on the SEC Web Site

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**A**s a portfolio manager, one of my favorite Web sites is the SEC's [www.sec.gov](http://www.sec.gov). There's a wealth of information here and it's all free. In a world full of marginal financial sites, this one stands out.



and how it's faring, this is it. Key information usually not included in the Annual Report to Shareholders is found here, including: competitors, channels of distribution, head count, concentration of customers, marketing initiatives, manufacturing infrastructure, litigation, and important business trends.

## **Introducing EDGAR**

While the site covers a lot of ground, the section most relevant to individual investors is Filings and Forms, better known as EDGAR.

EDGAR stands for electronic data gathering and retrieval. The SEC requires all entities offering securities to the general public to make periodic filings to the SEC electronically, through EDGAR.

This is the portion of the site I use most frequently—especially the Search for Company Filings function, which allows you to type in a company's name and see all the filings for the last 10 years.

## **Key Filings**

What, in particular, should you look for? Key filings to be aware of include:

### **Form 10-K**

This is the annual report every public firm files with the SEC within 75 days of the firm's year-end. If you want a clear and concise report on what a company does

### **Form 10-Q**

This is the quarterly report every company files within 45 days of its quarter-end, with more detail than quarterly reports to shareholders.

### **Form 8-K**

This is the disclosure of a non-recurring material event, such as a merger, acquisition, sale of a division, bankruptcy, executive resignation or litigation.

### **Form DEF 14A: Proxy Statement, Notification of Shareholder Meeting**

Usually this is filed for the annual meeting and contains reams of information. In this document, you should focus on:

- **Election of Directors:** Will the independent directors (non-management) effectively represent the outside shareholders (i.e., you)? How much stock do they own? Are their interests aligned with yours? Do inside directors

(management) have seats (votes) commensurate with their share ownership?

- **Executive Compensation and Stock Ownership:** By law, companies must disclose, for the last three years, how much key insiders earn, including salary, bonuses, restricted stock, retirement plan contributions and options. Is the management team's compensation commensurate with company performance? If the combined executive compensation marches continually upward while earnings go sideways or down, I'll normally pass on owning the shares.
- **Related Party Transactions:** This is normally buried toward the back of the proxy, for good reason. It highlights transactions and relationships that, while not illegal, should be examined carefully for unethical behavior.

All of the above are usually disclosed in the Proxy for Annual Shareholders Meeting. However, shareholders are often asked to vote at special shareholder meetings held to approve a specific transaction such as a merger, acquisition, or spin-off. These documents are often voluminous, but they contain key information.

## Form S-1, SB-1, F-1: General Registration Statement

All companies issuing new shares to the public—whether initial public offering (IPO) or secondary offering—must file disclosure statements with the SEC detailing the business and its prospects. For an IPO like Google, this provides an important look at what makes a company tick and its investment merits. While I rarely invest in IPOs (they're often overpriced), I will always read those of companies that compete with existing holdings. There's often disclosure about the industry and

trends you can't find elsewhere.

A company must also file a Registration Statement for a secondary offering of new or existing (insider) shares. These are also worth reading, as there's usually additional disclosures not found in a company's 10-K or 10-Q filings.

*Note:* When a company spins off a new company, details are usually disclosed in a Form 10 filed by the existing company. For example, the imminent spin-off of Viad's Moneygram unit is disclosed in the Form 10 filed by Viad.

## Forms 3, 4, 5 and 144

These are insider (key management/directors) ownership filings:

- **Form 3:** Initial report of holdings filed within 10 days of achieving insider status.
- **Form 4:** Insider purchases or sales of shares within two business days of transaction.
- **Form 5:** Year-end report of holdings filed within 45 days of a firm's year-end.
- **Form 144:** Intention to sell. Must be filed by anyone intending to sell restricted, unregistered securities—usually provided as part of an executive's compensation.

The key forms are Forms 4 and 144. But remember that insider purchases on the open market are normally made for one reason—the insider thinks the stock's going up. Insider sales are made for a variety of purposes.

## Forms 13D, 13G, 13F

These filings detail the holdings of major investors, institutional or individual. They provide a glimpse of what the “smart money” is doing.

**Form 13D:** Any entity acquiring 5% or greater of a stock's outstanding shares with intent to exert influence or control (an “activist” investor) must

make this filing within 10 calendar days of hitting the 5% threshold. The filing must detail the reason for the accumulation, the number of shares purchased and price paid, and any subsequent changes to the holding (up or down) in 1% increments. There are many “activist” investors these days, and knowing their targets can be an effective money-making technique.

**Form 13G:** Similar to 13D, this is filed by any entity acquiring 5% or greater of outstanding shares with no intent to exert influence or control (a “passive” investor), and it must be filed within 45 days of the calendar year-end beginning with the end of the year in which the 5% threshold is crossed. If the stake is at least 10%, the investor must file a 13G within 10 days after the end of the month in which the 10% threshold was crossed. Sometimes, investors who file 13Gs initially decide to turn up the heat on management and convert to 13D, triggering a rise in the share price.

**Form 13F:** Required to be filed by all money managers and investment advisers with at least \$100 million under management within 45 days of the calendar quarter-end. The filing details the companies and shares owned (you must figure out from prior filings what changes there were in the portfolio). Want to see what Warren Buffett did in a particular quarter? Just click on the 13F filed by Berkshire Hathaway Inc. or Berkshire Hathaway Life Insurance Co.

## Conclusion

This should get you started, but there are other parts of the site that are useful so make sure to browse around.

Remember, your tax dollars help pay for this site, and there's lots of good information here, so put it to good use. ▲

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