

Five Easy Pieces: A. Starter Kit For S.E.C. Filings

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A quick guide to five basic documents that public companies file with the Securities and Exchange Commission, and five tips on using them.

1. **The Registration Statement:** The Mother of All Documents, also called Form S-1. For new companies, it usually includes a prospectus; if a new issue of stock is being sold by an existing company, a prospectus may be issued separately. Also get the exhibits attached to the registration statement.
2. **The Perfect Tens:** 10-Ks and 10-Qs. The best sections are usually "Litigation," "Certain Transactions" and "Related Party Transactions." Always helpful: Management's Discussion and Analysis and the audit footnotes.
3. **The Proxy Statement:** Democracy in Action, also called the 14-A. It announces the time and place of the annual meeting; shows how much executives are paid and any side deals they or the directors have with the company; gives the background and qualifications of board members; and lists questions shareholders will vote on and how management thinks they should vote. It's my personal favorite.
4. **The Lucky 13:** Form 13-D. Who is buying? With what? Why? This form must be filed by any outside investor who buys 5 percent or more of a public company's stock; it must be updated to reflect any changes in those holdings. Short and easy to read, the form provides the date stock transactions occurred, at what price; the source of funds; any plans the investor has for flexing boardroom muscle; sometimes even extensive descriptions of the corporate structure of the investor. This makes it a rare resource for learning more about hedge funds and other private equity investors.
5. **The 8-K:** Or "How to Keep the PR Folks Honest." The 8-K, a "report of a material event," must be filed to update investors and shareholders on any major development in the company's life: the sale of assets, a change in management, a purchase or merger, a big lawsuit, a court judgment, a regulatory penalty. If an event doesn't merit an 8-K, it may not merit coverage, regardless of what the PR folks tell you. Or, if you uncover a development that seems really newsworthy and hasn't been reported in an 8-K, ask the company some fairly firm and direct questions.

User Guide for the SEC Starter Kit:

1. These forms are written in English, sort of. They have many more words than numbers, and the numbers are largely self-explanatory if you read carefully.
2. Most of these forms are available from the company, usually on its web site. They're also available at the SEC's web site, in the EDGAR section of www.sec.gov. Some online subscription-only services offer the same documents, allow text searches and provide news alerts.
3. The 13-Ds are filed under the name of the company whose shares are being purchased, no matter who the purchaser is. This is when a text-search service is handy: it lets you search for a specific investor's 13-Ds, even if you don't know which stocks the investor is buying.
4. Even private companies may be required to file 10-Ks if they have issued publicly traded bonds to a sufficiently large number of investors. And private companies that have issued large amounts of private stock – to employee stock ownership plans, for example, or as "phantom stock" compensation – may also be required to file annual S.E.C. statements. Always check.
5. Many other forms are filed. The SEC offers a list and definitions at www.sec.gov/info/edgar/forms/edgform.pdf. Slightly clearer definitions can be found at the "Most Common Corporate Filings" on the Securities Law Institute Web site: www.securitieslawinstitute.com/vti_bin/shtml.dll/Most%20Common%20Corporate%20Filings.html