

Old school value

Qualitative Research Checklist (SEC Docs)

Information to look for from the 10-K

auditor's report

- ◆ absence of opinion
- ◆ qualified report
- ◆ reputation of auditor
- ◆ audit committee (independent directors act as intermediary with auditors)

footnotes

- ◆ accounting policies / changes (in policies or estimates)
 - ◆ review inventory valuation (LIFO vs. FIFO / specific id)(except technology)
 - ◆ revenue recognition (after sale vs. At sale with risk remaining)
 - ◆ depreciation (accelerated vs. Straight line)
 - ◆ amortization of goodwill (shorter vs. Longer)
 - ◆ estimate of warranty (high vs. Low)
 - ◆ estimate of bad debts (high vs. Low)
 - ◆ treatment of advertising (expense vs. Capitalize)
 - ◆ loss contingencies (accrue loss vs. Footnote only)
- ◆ pending or imminent litigation (Item 3, better than footnote in annual)
- ◆ long term purchase commitments (at what price?)
- ◆ contingencies or commitments
- ◆ industry specific notes
- ◆ segment information (showing unhealthy segment)

MD&A (management discussion and analysis)

- ◆ specific concise disclosures (liquidity, capital expenditures, candor)
- ◆ consistent with footnotes

Information to look for from the Annual Report

- ◆ president's letter
 - ◆ forthrightness vs. Always upbeat

Information to look for from the Proxy (for annual meeting)

- ◆ litigation
- ◆ executive compensation
- ◆ turnover of management

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- ◆ related party transactions

Information to look for from the 10-Q

- ◆ unaudited
- ◆ consistency with 10-K

Information to look for from the 8-K (special events)

- ◆ auditor changes
 - ◆ disagreements over accounting policies (opinion shopping)
- ◆ change in control of the company
- ◆ acquisitions
- ◆ dispositions
- ◆ resignation of directors
- ◆ bankruptcy

Information to look for from the Prospectus

- ◆ past performance
- ◆ quality of management and directors