

# Using the Redline Tool

**Challenge:** You are working on Exxon Mobil’s 10-K; specifically, their risk factor package. You need to be able to work with each risk factor individually, and understand what language is market standard relative to Exxon Mobil’s benchmarking/industry group.

**Step 1:**

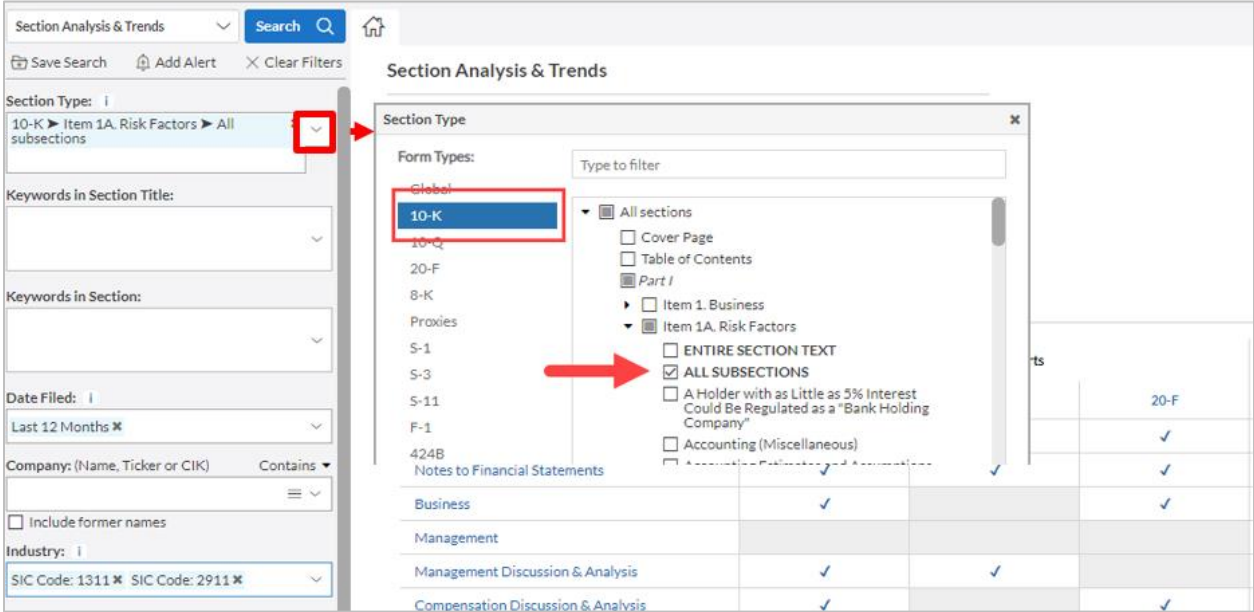
Start by going to the **Section Analysis and Trends** application. Here you can search, retrieve, and analyze SEC filings and related documents, so you can efficiently benchmark and analyze key disclosure topics. We catalog filings at the clause and sub-clause level, allowing you to research standard disclosures within your peer firms without having to do the work of cutting and pasting yourself.

**Step 2:**

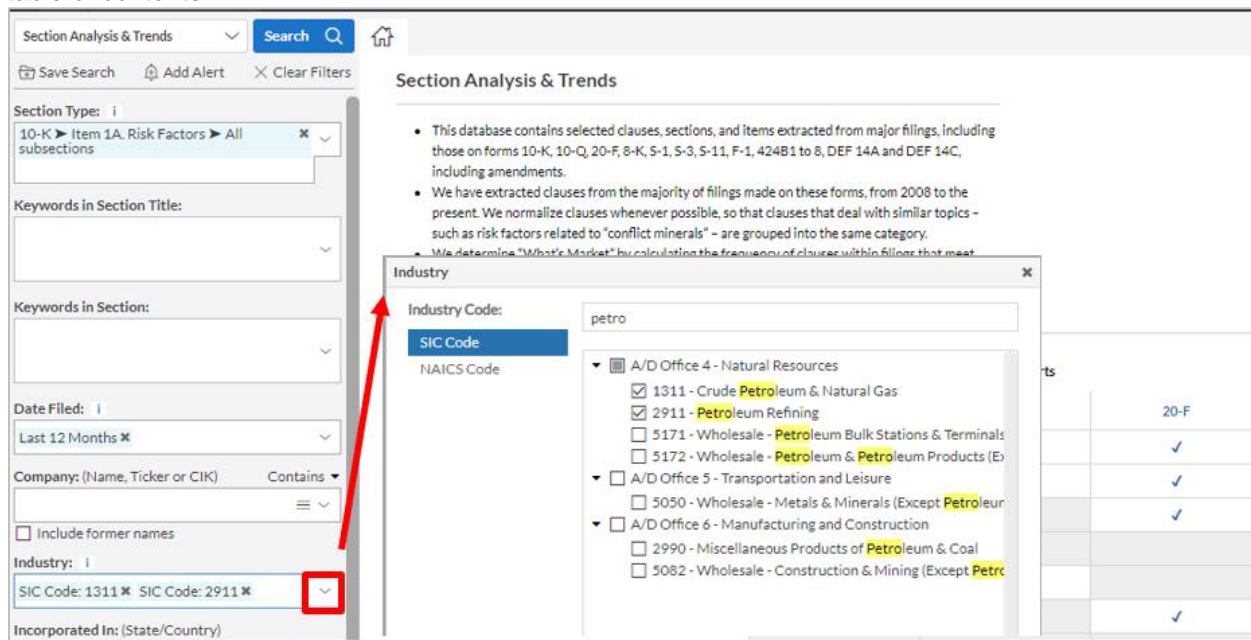
For your search, choose a relevant industry, or add your client’s or company’s peer group. In our example, we chose:

- Section Type – 10-K>Item 1A. Risk Factors>All subsections
- Date Filed – Last 12 months
- Industry – Petroleum Refining (SIC Code 2911) and the Crude Petroleum & Natural Gas (SIC Code 1311)

Click the down arrow in the Section Type filter to choose Risk Factors:

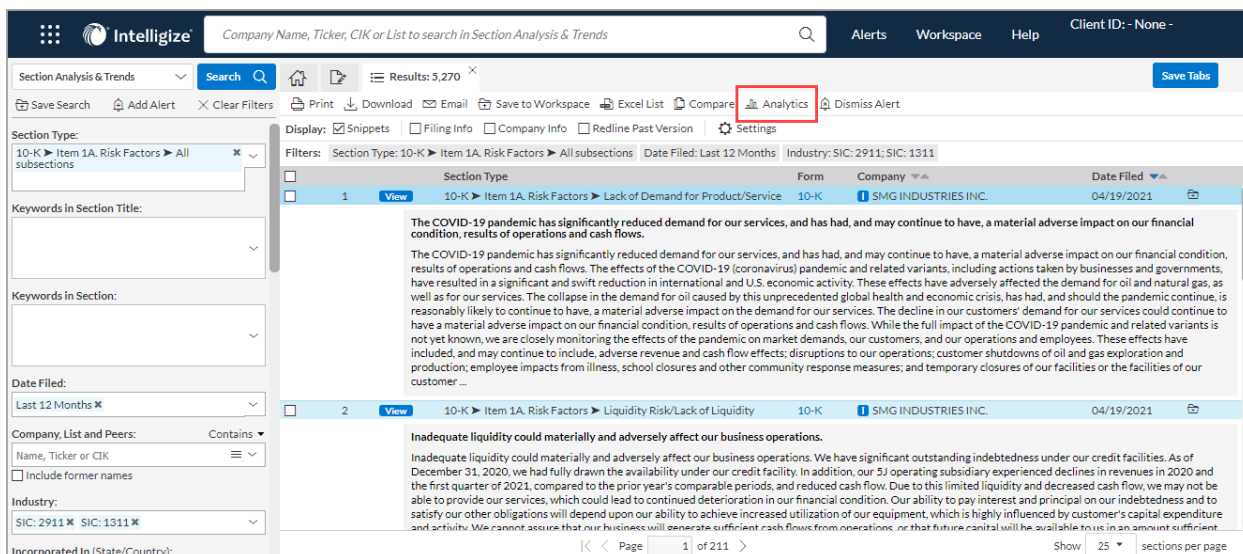


Click the down arrow in the Industry filter to choose SIC Code. You can type in the text box or expand the table of contents.



**Step 3:**

Click **Search**. You now have all the 10-K Item 1A. Risk Factors in the oil and gas industry over the last 12 months. Click **Analytics**.



You'll be presented with every risk factor within the oil & gas industry over the last 12 months. This shows you how the clause is behaving over time, and its relative importance. The analytical tools show:

- **Avg. Position** – The SEC states that risk factors should be listed in order of importance, so a lower number equals higher importance.
- **Change** – Compare the last 12 months against the prior to get a sense of where the disclosure is heading.
- **What's Market** – See how many companies included this risk factor in their disclosure.

| Section Type  | Avg. Position | Sections   | Documents  | Prior Period Documents | Change   |
|---|---------------|------------|------------|------------------------|----------|
| 1 Business (Miscellaneous)  | 16            | 315 5.98%  | 115 83.94% | 102                    | +12.75%  |
| 2 Oil, Natural Gas and Mineral Production                                       | 18            | 723 13.72% | 112 81.75% | 128                    | -12.50%  |
| 3 Fluctuations in the Price of Oil/Gas/Energy Commodities                       | 13            | 216 4.10%  | 110 80.29% | 127                    | -13.39%  |
| 4 Cybersecurity, Data Privacy, and Information Technology                       | 29            | 131 2.49%  | 103 75.18% | 110                    | -6.36%   |
| 5 Failure to Compete Effectively  | 20            | 122 2.31%  | 96 70.07%  | 120                    | -20.00%  |
| 6 Environmental, Health and Safety Law  | 28            | 136 2.58%  | 96 70.07%  | 110                    | -12.73%  |
| 7 Need for Additional Capital/Difficulty Raising Capital                        | 20            | 133 2.52%  | 88 64.23%  | 102                    | -13.73%  |
| 8 Subject to Law & Regulation   | 26            | 117 2.22%  | 88 64.23%  | 101                    | -12.87%  |
| 9 Operational Disruptions   | 21            | 137 2.60%  | 86 62.77%  | 99                     | -13.13%  |
| 10 Dependence on Employees, Management and Key Personnel                        | 24            | 111 2.11%  | 84 61.31%  | 97                     | -13.40%  |
| 11 Law & Regulation - Climate Change  | 30            | 85 1.61%   | 80 58.39%  | 93                     | -13.98%  |
| 12 Law, Regulation & Litigation (Miscellaneous)                                 | 27            | 115 2.18%  | 78 56.93%  | 84                     | -7.14%   |
| 13 Insurance Is Costly and May Not Be Adequate                                  | 20            | 77 1.46%   | 75 54.74%  | 85                     | -11.76%  |
| 14 Natural Disasters, Climate Change and Extreme Weather                        | 25            | 102 1.94%  | 75 54.74%  | 87                     | -13.79%  |
| 15 Negative Consequences of Hedging Activities/Derivatives/Counterpa...         | 21            | 102 1.94%  | 75 54.74%  | 89                     | -15.73%  |
| 16 Debt Restrictions and Covenants  | 23            | 107 2.03%  | 72 52.55%  | 84                     | -14.29%  |
| 17 New/Changes in Law & Regulation  | 30            | 96 1.82%   | 67 48.91%  | 77                     | -12.99%  |
| 18 Operational Hazards  | 17            | 74 1.40%   | 67 48.91%  | 66                     | +1.52%   |
| 19 Depleting Oil, Natural Gas and Mineral Assets                                | 13            | 87 1.65%   | 67 48.91%  | 82                     | -18.29%  |
| 20 Uncertainty in Value of Assets   | 18            | 74 1.40%   | 66 48.18%  | 73                     | -9.59%   |
| 21 Dilution in Ownership Due to Share Issuances and Conversions                 | 35            | 88 1.67%   | 61 44.53%  | 61                     | 0.00%    |
| 22 Changes in Tax Rate, Tax Law or Tax Treatment                                | 36            | 69 1.31%   | 60 43.80%  | 75                     | -20.00%  |
| 23 Increases in Price/Shortages of Raw Materials/Inputs                         | 23            | 85 1.61%   | 59 43.07%  | 76                     | -22.37%  |
| 24 Lack of Asset/Geographic Diversification                                     | 17            | 60 1.14%   | 56 40.88%  | 67                     | -16.42%  |
| 25 Dependence on Third Party Networks/Infrastructure                            | 19            | 65 1.23%   | 55 40.15%  | 69                     | -20.29%  |
| 26 Law & Regulation - Energy/Mining   | 32            | 72 1.37%   | 55 40.15%  | 65                     | -15.38%  |
| 27 Share Price Volatility   | 38            | 58 1.10%   | 54 39.42%  | 55                     | -1.82%   |
| 28 Failure to Identify, Integrate, or Realize Anticipated Benefits of Acquis... | 24            | 65 1.23%   | 53 38.69%  | 58                     | -8.62%   |
| 29 Capital Expenditures & Capital Investment                                    | 19            | 58 1.10%   | 53 38.69%  | 74                     | -28.38%  |
| 30 Dividends May Not Be Paid  | 35            | 60 1.14%   | 52 37.96%  | 66                     | -21.21%  |
| 31 Health Epidemics and Diseases  | 16            | 56 1.06%   | 52 37.96%  | 21                     | +147.62% |

#### Step 4:

Click a specific **Risk Factor**. In our example, we chose Cybersecurity, Data Privacy and Information Technology. In a new tab, you are presented with multiple versions of the same risk factor stacked on top of each other. You can check **Redline past version** to compare a company's current filing against their previous version. Some change year-over-year, some are brand new, and others remain the same from last year's filing.

The screenshot shows the Intelligize search interface. On the left, there are filters for Section Type (10-K Risk Factors Cybersecurity, Data Privacy, and Information Technology), Keywords in Section Title, Keywords in Section, Date Filed (Last 12 Months), Company List and Peers, Industry (SIC: 1311, SIC: 2911), and Incorporated In (State/Country). The main area displays a table of results with columns for Section Type, Form, Company, and Date Filed. Two items are visible: one for UNIT CORP dated 03/31/2021 and one for BLUE DOLPHIN ENERGY CO dated 03/31/2021. The 'Redline Past Version' checkbox is highlighted in red in the top toolbar.

Or you can:

### Step 5:

Choose two (or more) disclosures by checking the boxes and clicking **Compare**. A new tab will open that shows just those documents.

The screenshot shows the Intelligize interface with two documents selected. The 'Compare' button in the top toolbar is highlighted in red. Below the toolbar, the '2 items' section shows two documents with checkboxes checked. Red arrows point from the 'Compare' button to the selected items. The first document is titled 'Cyber-attacks targeting systems and infrastructure may adversely impact our operations.' and the second is titled 'We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.'

### Step 6:

Click the **Redline Button**. The result will show the second document redlined next to the first document, so you can easily see the differences.

Compare 1 X Save Tabs

Print Download Email

Display: Text Outline **Redline** Side by Side Redline Swap blue and red Include format in redline Add Documents

1 Form 10-K (FY 2018) 2 Form 10-K/A (FY 2018)

ALTA MESA RESOURCES, INC./DE 10-K (FY 2018) • 8/27/2019 Cyber-attacks targeting systems and infrastructure may adversely impact our operations.

Original text of Document 1:

*Cyber-attacks targeting systems and infrastructure may adversely impact our operations.*  
Our industry has become increasingly dependent on digital technologies to conduct day-to-day operations. For example, software programs are used to interpret seismic data, manage drilling rigs, production equipment and gathering and transportation systems, conduct reservoir modeling and for compliance reporting. Industrial control systems such as SCADA (supervisory control and data acquisition) now control large scale processes that can include multiple sites and long distances, such as power generation and transmission, communications and oil and gas pipelines.

We depend on digital technology, including information systems and related infrastructure as well as cloud applications and services, to process and record financial and operating data, communicate with our employees and business partners, analyze seismic and drilling information, estimate quantities of oil and gas reserves as well as other activities related to our business. Our business partners, including vendors, service providers, purchasers of our production, and financial institutions, are also

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DELEK US HOLDINGS, INC. 10-K/A (FY 2018) • 6/27/2019 We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

Redline of Document 1 and Document 2: Changes: 1/61

~~Cyber-attacks targeting systems and infrastructure may adversely impact~~We rely on information technology in our operations.  
~~Our industry has become increasingly dependent on digital technologies to conduct day-to-day operations. For example, software programs are used to interpret seismic data, manage drilling rigs, production equipment and gathering and transportation systems, conduct reservoir modeling and for compliance reporting. Industrial control systems such as SCADA (supervisory control and data acquisition) now control large scale processes that can include multiple sites and long distances, such as power generation and transmission, communications, monitoring the movement of petroleum through our pipelines and terminals, the point of sale processing at our retail sites and various other processes and gas pipeline transactions.~~  
We depend on digital technology, including utilize information technology systems

## Side by Side Redline

Side by Side Redline allows an alternate way to track deleted and added disclosure between two filings, providing a more organized view. The document on the left shows the content that has changed (red), while the document on the right displays the updated language (blue).

Compare 1 X Save Tabs

Print Download Email

Display: Text Outline Redline **Side by Side Redline** Swap blue and red Include format in redline Add Documents

1 Form 10-K (FY 2018) 2 Form 10-K/A (FY 2018)

ALTA MESA RESOURCES, INC./DE 10-K (FY 2018) • 8/27/2019 Cyber-attacks targeting systems and infrastructure may adversely impact our operations.

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DELEK US HOLDINGS, INC. 10-K/A (FY 2018) • 6/27/2019 We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We rely on information technology across our operations, including the control of our refinery processes, monitoring the movement of petroleum through our pipelines and terminals, the point of sale processing at our retail sites and various other processes and transactions. We utilize information technology systems and controls throughout our operations to capture accounting, technical and regulatory data for subsequent archiving, analysis and reporting. Disruption, failure, or cyber security breaches affecting or targeting our computer and telecommunications, our infrastructure, or the infrastructure of our cloud-based IT service providers may materially impact our business and operations. An undetected failure of these systems, because of power loss, unsuccessful transition to upgraded or replacement systems, unauthorized access or other cyber breach could result in disruption to our business operations, access to or disclosure or loss of data and/or proprietary information, personal injuries and environmental damage, which could have an adverse effect on our business, reputation, and effectiveness. We could also be subject to

44 Risk Factors