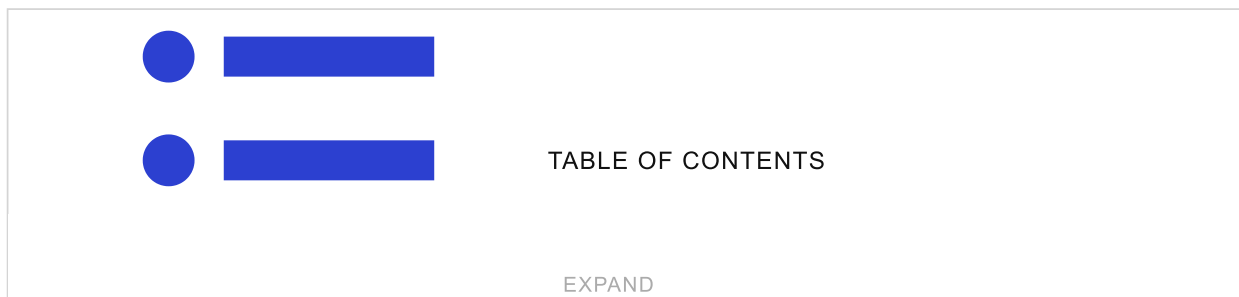


SEC Filings: Forms You Need To Know



By ADAM HAYES Updated Jan 18, 2021



The [Securities and Exchange Commission](#) (SEC) requires public companies, certain company insiders, and broker-dealers to file periodic financial statements and other disclosures. Finance professionals and investors rely on SEC filings to make informed decisions when evaluating whether to invest in a company. SEC filings can be accessed for free at [EDGAR](#), the commission's [online database](#).

The SEC was created through the [Securities Exchange Act of 1934](#), which was signed into law by President Franklin D. Roosevelt.¹ The act was intended to help restore investor confidence following the [stock market crash of 1929](#). The SEC is an independent government agency tasked with protecting investors, maintaining a fair and orderly market, and facilitating capital formation.²

The SEC selectively reviews the information it receives to monitor and enhance compliance.³ Investors study these filings to form a view of a company's performance and activities. Here are some of the most common forms that companies are required to submit to the SEC. Understanding how to read SEC filings can be beneficial to investors as they perform their due diligence. In this article, we'll discuss these filings in greater detail.

KEY TAKEAWAYS

- SEC filings are important regulatory documents required of all public companies to provide key information to investors or potential investors.
- The public can review SEC filings by visiting the commission's online database, EDGAR.
- Registration statements are required when a company initially sells shares to the public.⁴

- Among the most common SEC filings are: Form 10-K, Form 10-Q, Form 8-K, the proxy statement, Forms 3,4, and 5, Schedule 13, Form 114, and Foreign Investment Disclosures.
- The annual 10-K report, for instance, provides a comprehensive summary of a company's financial performance.⁵ Proxy statements are presented prior to a shareholder meeting and before voting on the election of directors and other corporate actions.⁶

Registration Statements

[Registration statements](#) provide information about the securities being offered by a company as well as its financial condition. A company preparing to offer securities to the public will file a [Form S-1](#) registration statement with the SEC. The statement consists of two parts:⁴

- **[Prospectus](#):** This mandatory document must be given to any person who is offered to buy the company's securities. The prospectus must provide details about the company's management, business operations, financial health, operational results, risk factors, and other pertinent information. The [Securities Act of 1933](#) mandates that all companies seeking to raise capital for new publicly offered products in the U.S. must file a prospectus with the Securities and Exchange Commission. Financial statements such as the company's income statement must be audited by an independent [certified public accountant](#) (CPA).
- **Additional information:** The company may provide any relevant additional information, for example, recent sales of unregistered securities.⁴

Why Registration Statements Are Important to Investors

Registration statements help investors and analysts understand the nature of newly issued shares or bonds that will come to market. The type of information conveyed in these filings includes a description of the issuer's business and assets, a description of the security being offered, the names and bios of the company's key management, and an independently certified copy of the issuer's latest [financial statements](#).

Investors look especially to the prospectus, which contains all of the information a potential investor would need to make a quantitative evaluation of a new security's prospects. It will also often contain important qualitative information that can be interpreted by investors as potential red flags. Because the prospectus is a legal declaration and must meet transparency standards, most companies include certain facts and statements to ensure investors aren't misled in any way, although they may choose careful or clever wording to disguise overt red flags. For instance, if the company faces substantial risks, its prospectus might state *"risks for the company include, but are not limited to, an evolving and unpredictable business model and the management of growth"* or, *"there can be no assurance that the company will be successful in addressing its risks; failure to do so could*

have a material adverse effect on the company's business, prospects, financial condition and results of operations."

Reading an issuer's registration statements will often be met with flowery legal prose and lengthy cautionary statements that serve to protect the company more than the investor. Yet, it is also the legal nature of these documents that provides investors with candid information about a prospective investment's risks, opportunities, and competitive landscape. When reading a prospectus, make particular note of company-specific or unique information as opposed to broad or blanket statements that could apply to any publicly traded company.

Forward-looking statements in the prospectus are only projections. Therefore, while they use a company's honest and latest estimates, there is no guarantee the company will meet all or even any of its targets for sales and profits.

Form 10-K

Form [10-K](#) is an annual report that provides a comprehensive analysis of the company's financial condition. Though the Form 10-K contains information that overlaps with the company's [annual report](#), the [two documents are not the same](#). Companies must submit this lengthy annual filing within 60 to 90 days of the close of their fiscal year.⁵

The Form 10-K is comprised of several parts. These include:

- **Business summary:** This describes the company's operations. It would include information about business [segments](#), products and services, subsidiaries, markets, regulatory issues, [research and development](#), competition, and employees, among other details.
- **Management Discussion and Analysis:** This section allows the company to explain its operations and financial results for the past year.
- **Financial statements:** The financial statements would include the company's [balance sheet](#), [income statement](#), and [cash flow statement](#).
- **Additional sections:** Additional sections may discuss the company's management team and legal proceedings.⁷

Why Form 10-K Is Important to Investors

The SEC mandates that all public companies file regular 10-Ks to keep investors aware of a company's financial condition and to allow them to have enough information before they buy or sell securities issued by that company. The 10-K can appear overly complex at first glance, complete with tables full of data and figures. However, it is because it is so comprehensive that this filing is key for investors to get a handle on a company's financial position and prospects.

A company will file both an annual report and a [10-K](#) report with the SEC. The annual report is a shorter version that often comes with illustrations, glossy pages, a letter from the

Chairman or CEO, and a summary overview of the financials. The 10-K is a longer, more thorough technical document that will have all of the company's financial statements available for fundamental analysis. [Fundamental analysis](#) is a common way to evaluate a firm by constructing [ratios](#) and other metrics by extracting information from the balance sheet, income statement, and statement of cash flows. For stocks, fundamental analysis looks to revenues, earnings, future growth, [return on equity](#) (ROE), profit margins, and equity multiples to determine a company's underlying value and potential for future growth. For corporate bonds, liquidity, leverage, and solvency ratios would be appropriate.

In addition to the quantitative approach to fundamental analysis, readers of a 10-K should also pay attention to its "Item 1", which explains what the company does, who its customers are, and the primary industry in which it operates.⁸ Then, look for risk factors such as legal proceedings or statements indicating future charges or volatility.

Also, pay attention to any [footnotes](#) that are included in the report. These notes will tell you which [accounting method](#) a company uses and how it compares to the generally accepted accounting method and industry standards. This information can flag potentially shady accounting practices. Other details mentioned in the footnotes include errors in previous accounting statements, looming legal cases in which the company is involved, and details of any [synthetic leases](#). These disclosures found in the footnotes are of the utmost importance to investors with an interest in the company's operations.

As an investor, pay special attention to any footnotes in Form 10-K, as they can help you flag any questionable accounting practices in the company you are considering.

Form 10-Q

Form [10-Q](#) is a truncated version of Form 10-K that is filed quarterly. The form provides a view of the company's ongoing financial condition throughout the year. The Form 10-Q must be filed for the first three quarters of the company's [fiscal year](#). The deadline to file is within 40 days from the end of the quarter. Unlike Form 10-K, the financial statements in Form 10-Q are unaudited, and the information required is less detailed.⁹

Why Form 10-Q Is Important to Investors

The 10-Q is important since it is updated quarterly, while the more comprehensive 10-K is only filed once a year. This allows investors to update their valuation metrics and financial ratios without as much of a lag. Investors can use the 10-Q to observe any changes that may be taking place within the corporation even before it files its annual report.

Some areas of interest to investors that are commonly visible in the 10-Q include changes to working capital and/or accounts receivables, factors affecting a company's inventory, share buybacks, and even any legal risks that a company faces. You can use a close competitor's 10-Q as a comparison company to put side-by-side the company you are considering to see

how it's performing on a relative basis. This will give you a broader idea of whether your investment is a strong choice, where its weaknesses are, and how it could stand to improve.

Form 8-K

The [Form 8-K](#) is what a company uses to disclose major developments that occur between filings of the Form 10-K or Form 10-Q. Major company events that would necessitate the filing of a Form 8-K include [bankruptcies](#) or [receiverships](#), [material impairments](#), completion of acquisition or [disposition](#) of assets, or departures or appointments of executives.¹⁰

Why Form 8-K Is Important to Investors

Form 8-K provides investors with timely notification of significant changes at a company. Many of these changes are defined explicitly by the SEC (such as a merger or acquisition), while others are simply events that firms consider to be sufficiently noteworthy for its shareholders (such as a new product release or upgrade). Either way, the 8-K provides a way for firms to communicate directly with investors in a way that is not filtered or altered by media organizations or sell-side analysts.

Form 8-K also provides a valuable record for financial research and analysis. For example, an analyst may wonder what influence certain corporate events have on stock prices. It is possible to estimate the impact of these events using statistical techniques like [regressions](#), but researchers need reliable data. Because 8-K disclosures are legally standardized and must be honest and accurate, they provide a complete record and prevent [sample selection bias](#).

Proxy Statement

In the [proxy statement](#), investors can view the salaries of the management of a company and any other perks that a company's management is eligible for. The proxy statement is presented prior to the shareholder meeting and must be filed with the SEC before soliciting a shareholder vote on the election of directors and approval of other [corporate actions](#).⁶

Why a Proxy Statement is Important to Investors

Public companies hold annual meetings where shareholders convene to vote on various corporate actions or for new members to the [board of directors](#). Owning common stock in a company gives you a vote (usually one vote per share), but it is not typically feasible to attend the annual meeting. The proxy statement allows you to cast your votes using a designated person, who will aggregate votes and cast them on your behalf. This person is known as a [proxy](#) and will cast a proxy vote in line with the shareholder's directions as written on their proxy card. Proxy votes may be cast by mail, phone, or online before the cutoff time. This deadline is usually 24 hours before the shareholder meeting commences. Vote responses will typically include "For," "Against," "Abstain," or "Not Voted."

The proxy statement will therefore present the items that will be voted on and allow you to return a form to the company to [inform your proxy](#) how your votes should be cast.

Forms 3, 4, and 5

Corporate insiders must file Forms 3, 4, and 5. The SEC defines a corporate insider as "a company's officers and directors, and any beneficial owners of more than ten percent of a class of the company's equity securities registered under Section 12 of the Securities Exchange Act of 1934." These forms are meant to reveal more information about the securities that company insiders own.¹¹

- [Form 3](#) is the initial filing and discloses ownership amounts.
- [Form 4](#) identifies changes in ownership.
- [Form 5](#) is an annual summary of Form 4 and includes any information that should have been reported.¹¹

Why Forms 3, 4, and 5 Are Important to Investors

If you're an investor, it pays to know what the company's owners and most important shareholders (i.e., insiders) are doing. By watching the trading activity of corporate [insiders](#) and large [institutional investors](#), it's easier to get a sense of a stock's prospects. While insider or institutional ownership on its own is not necessarily a buy or sell signal, it certainly offers a handy first screen in the search for a good investment. Since insider ownership and trading can impact share prices, Forms 3, 4, and 5 are useful disclosures

By paying close attention to what insiders do with their company shares, savvy investors can make the reasonable assumption they know a lot more about their company's prospects than the rest of us outsiders. So, if insiders are buying shares in their own companies, they might know something that normal investors do not. The insider might buy because they see great potential, the possibility for [merger or acquisition](#) in the future, or simply because they think their stock is undervalued.

One of the greatest investors of all time, [Peter Lynch](#), once said, "insiders might sell their shares for any number of reasons, but they buy them for only one: they think the price will rise." Note that insiders are usually prevented from buying and selling their company stock within a six-month period following a corporate event or new issue; therefore, insiders tend to buy stocks when they feel the company will perform well over the long-term.

You can also have too much insider ownership. When insiders gain corporate control, management may not feel responsible to shareholders and instead try to enrich only themselves.

Schedule 13D

The [Schedule 13D](#) is also known as the "beneficial ownership report" and is required when any owner acquires 5% or more of the voting shares in a company. The report must be filed within 10 days of reaching the 5% threshold. It provides the following information:

- The acquirer's name, address, and other background information
- Type of relationship this owner has with the company
- Whether the person has been convicted of a crime in the past five years
- An explanation of why the transaction is taking place
- The type and class of the security
- The origin of funds used for purchases¹²

Why Schedule 13D is Important to Investors

Section 13D was added to the Securities Exchange Act of 1934 as part of a 1968 amendment known as the [Williams Act](#). This addition responded to the increasing use of [tender offers](#) as part of corporate [takeovers](#). Schedule 13D was designed to give individual investors warning of impending changes to corporate control that could impact the future of the company, which would result from the consolidation of voting power by [corporate raiders](#).

Investors use Schedule 13D to both detect red flags in the consolidation of insider ownership that can be potentially harmful to individual shareholders, but also as a possible harbinger of a company being acquired or bought out, which could benefit shareholders.

Form 144

[Form 144](#) is required when corporate [insiders](#) want to dispose of company stock. Form 144 is a notice of the intent to sell restricted stock, typically acquired by insiders or [affiliates](#) in a transaction not involving a [public offering](#). The stock is [restricted](#) because it must meet certain conditions before becoming transferable. The transaction, or at least part of it, is made within 90 days of filing. Form 144 is required when the amount sold during any three-month period exceeds 5,000 shares or \$50,000.¹³

Why Form 144 Is Important to Investors

While investors can look to Forms 3, 4, and 5 for changes in insider ownership, Form 144 is useful for knowing how many potential shares will be offered for sale on the open market after the lock-up period for a new issue, such as an IPO, expires. Form 144 can indicate how much a stock price might suffer if a flood of new sale orders enter the market when the lock-up ends.

Underwriters and regulators require that a company's executives, managers, employees, and early investors (such as [venture capitalists](#)) sign lock-up agreements surrounding a company's initial public offering (IPO) to encourage an element of stability in the stock's price in the first few months of trading. The lock-up agreement is a legally binding contract between company [underwriters](#) and insiders that prohibits insiders from selling any shares of stock for a specified period of time. Lock-up periods typically last 180 days but can on occasion last for as little as 120 days or as long as 365 days.

Foreign Investment Disclosures

In 2008, the SEC updated disclosure requirements for foreign companies offering securities in the U.S. market. For foreign companies without SEC-registered securities, the rules eliminated the requirement that they submit paper disclosures to the SEC, in favor of allowing them to post disclosures in English on the internet. In addition, the deadline for foreign companies to submit annual reports was shortened from six months to four months.¹⁴

Why Foreign Investment Disclosures Are Important to Investors

Many investors today seek to diversify their portfolios geographically by including holdings of securities issued by non-U.S. companies. These can include shares or bonds issued by companies in the developed world to emerging market economies. Shares of foreign companies can be acquired on U.S. exchanges in the form of [American Depositary Receipts](#), or ADRs. ADRs offer U.S. investors a way to purchase stock in overseas companies that would not be available otherwise. Foreign firms also benefit, as ADRs enable them to attract American investors and capital without the hassle and expense of listing on U.S. stock exchanges.

Foreign issuers must file forms with the SEC in a similar fashion to domestic companies to provide investors with accurate and up-to-date information. [Form F-6](#), for instance, is a regulatory document that all investment firms must register with the SEC if they wish to offer ADRs, while [Form F-4](#) supports the registration of securities involving foreign private issuers in connection with exchange offers and business combinations.

SEC Filings FAQs

What Are SEC Filings?

SEC Filings are regulatory documents that companies and issuers of securities must submit to the Securities and Exchange Commission (SEC) on a regular basis. The purpose is to provide transparency and information to investors, analysts, and regulators.

How Do I Look Up SEC Filings?

SEC forms are filed through a system known as [EDGAR](#) (Electronic Data Gathering, Analysis, and Retrieval system).¹⁵ EDGAR performs automated collection, validation, indexing, acceptance, and forwarding of submissions by companies and others required by law to file forms with the SEC. Information on EDGAR can be found on the [SEC's website](#), where you can search through forms as well as familiarize yourself with the system using its [EDGAR tutorial](#).¹⁶

You may also be able to find SEC filings using your online brokerage platform or a financial portal such as Google Finance.

How Do I Print out SEC Filings?

Filings pulled from EDGAR can be printed directly from your web browser.

Are SEC Filings Public Information?

Yes, SEC filings are public information and can be retrieved for free via the EDGAR system online. Companies may also host their own copies on their corporate websites and would be available from their investor relations department.

Note that in special circumstances, a company may request that certain information be redacted from their otherwise public filings. A [confidential treatment application](#) or confidential treatment request (CTR) is a form filled out in accordance with a company's SEC Forms 8-K, 10-Q, or 10-K report. It allows for information in the SEC filing to be kept secret or [redacted](#) on public documents, if leaking such information could cause material or financial harm to the company or a business partner.

The Bottom Line

SEC filings provide transparency and crucial information for individual and institutional investors, for analysts & researchers, and for regulators. Ultimately, the SEC wants the public to know the facts so they can make well-informed decisions about when to buy, sell, or hold a company's securities. Obtaining the available material and interpreting it correctly can provide any investor with valuable guidance when making investment decisions.

Understanding the information submitted by companies through SEC filings involves [reading between the lines](#). Review several SEC documents together to better understand the overall picture, especially with financial forms, and read them in a way that [maximizes efficiency](#). Financial ratios are often used to identify a company's short- and long-term financial strength. [Red flags](#) are often revealed in a company's footnotes. Red flags include a very confusing section(s) in a 10-K or 10-Q, sudden one-time or special charges, or a large degree of insider selling.

ARTICLE SOURCES ▲

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