SEC
Office of Investor Education and Advocacy

INVESTOR BULLETIN

Insider Transactions and Forms 3, 4, and 5

The SEC's Office of Investor Education and Advocacy is issuing this Investor Bulletin to help educate investors about SEC Forms 3, 4, and 5.

The federal securities laws require certain individuals (such as officers, directors, and those that hold more than 10% of any class of a company's securities, together we'll call, "insiders") to report purchases, sales, and holdings of their company's securities by filing Forms 3, 4, and 5.

What's a Form 3?

When a person becomes an insider (for example, when they are hired as an officer or director), they must file a Form 3 to initially disclose his or her ownership of the company's securities. Form 3 must be filed within 10 days after the person becomes an insider.

What's a Form 4?

In most cases, when an insider executes a transaction, he or she must file a Form 4. With this form filing, the public is made aware of the insider's various transactions in company securities, including the amount purchased or sold and the price per share. Form 4 must be filed within two business days following the transaction date. Transactions in a company's common stock as well as derivative securities, such as options, warrants, and convertible securities, are reported on the form. Each transaction is coded to indicate the nature of the transaction.

Codes

Following is a description of some commonly used "transaction codes." For more transaction codes and a more detailed explanation for the various codes, please see the General Instructions to Form 4 at www.sec.gov/about/forms/form4data.pdf.

Transaction Code	Transaction
A	Grant, award, or other acquisition of securities from the company (such as an option)
K	Equity swaps and similar hedging transactions
P	Purchase of securities on an exchange or from another person
S	Sale of securities on an exchange or to another person
D	Sale or transfer of securities back to the company
F	Payment of exercise price or tax liability using portion of securities received from the company
M	Exercise or conversion of derivative security received from the company (such as an option)
G	Gift of securities by or to the insider
V	A transaction voluntarily reported on Form 4
J	Other (accompanied by a footnote describing the transaction)

What's a Form 5?

A Form 5 is generally due to the SEC no later than 45 days after the company's fiscal year ends and is only required from an insider when at least one transaction, because of an exemption or failure to earlier report, was not reported during the year. For example, some transactions, such as certain purchases by an insider of less than $10,000 in a six-month period, don't have to be reported on Form 4 when they occur but do have to be reported on Form 5. The Form 5 filing doesn't have to disclose transactions that have been previously reported. When reporting transactions on Form 5, insiders use the same transaction codes as when reporting on Form 4.

What can investors do?

Before investing, investors may wish to research insider ownership to consider the extent of insiders' economic stake in the success of the company, as reflected both in outright ownership and transactions (such as equity swaps) that may hedge the economic risk of that ownership. Many investors believe that reports of insiders' purchases and sales of company securities can provide useful information as to insiders' views of the performance or prospects of the company. Of course, insiders may sell company securities for any number of reasons, including for liquidity and diversification purposes. Forms 3, 4, and 5 are publicly available through the SEC's EDGAR database at www.sec.gov/edgar/searchedgar/webusers.htm.

Related Information

In addition to the SEC's EDGAR database, there also are many third-party websites that offer insider ownership and transaction information. If you enter the words "insider reports" into most Internet search engines, you'll quickly find websites that can provide this information.

For more information on the reporting requirements for officers, directors, and beneficial owners, you can read Section 16 of the Exchange Act at www.sec.gov/about/laws/sea34.pdf. You can download blank PDF versions of Form 3, Form 4, and Form 5 as well as the instructions to these forms by visiting www.sec.gov/divisions/corpfin/forms/exchange.shtml.

We offer educational materials so that investors can develop an understanding of the securities industry and learn how to avoid costly mistakes and fraud. Our educational materials also provide tips on how investors can invest wisely. Investors can order our free publications by calling (800) 732-0330, or access them on the Internet through the SEC's Investor.gov website. For additional educational information for investors, see the SEC's Investor.gov website or the Office of Investor Education and Advocacy's homepage at www.sec.gov/investor.shtml.

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