

What You Need to Know to Prepare for Section 16 Reporting

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- Awards and Rankings
 - Securities Regulation – *Chambers Highly Ranked*
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Maia Gez chairs White & Case’s US Public Company Advisory Group. Ms. Gez regularly advises public companies and their boards of directors on corporate governance, compliance with US federal securities laws, SEC disclosure and stock exchange requirements, board and executive compensation, proxy advisory firm and investor policies, sustainability and shareholder engagement.

Ms. Gez regularly assists management and boards of directors on a wide range of SEC and corporate governance matters, including director independence, Sarbanes Oxley controls, auditor independence, insider trading, Regulation FD and other company policies, shareholder proposals and responses to SEC inquiries. Her practice also focuses on new developments and evolving best practices in corporate governance matters. Maia has advised a wide range of clients, from Fortune 100 and S&P 500 clients to mid and small-cap companies, as well as clients in connection with their IPOs and newly public companies.

Maia is recognized for her work in corporate governance by leading legal ranking publications and was elected to the Board of the Society for Corporate Governance. Clients have described Maia as "extremely professional and responsive" and that she has a "mastery of the landscape" and is "passionate about securities law and corporate governance". Clients have also described Maia as "always one step ahead of us" and noted that she is "very practical and finds business-friendly solutions where other lawyers seem primarily concerned with driving the risks to zero."

Introduction

- President Trump has signed into law legislation that extends the application of insider reporting obligations under Section 16(a) of the Securities Exchange Act of 1934 to directors and officers of FPIs.
- As a result, directors and officers of FPIs will be required to publicly report their ownership of and trades in the shares of those companies to the SEC.
- New reporting requirements go into effect on March 18, 2026.

Who Is Subject to Section 16

Section 16 Insiders

- Limited group of persons specified in the statute
- Original statutory intent was to target those individuals with access to material non-public information (MNPI)
- Importance of defining your Section 16 insiders in a Board resolution – only those persons are subject to Section 16
- 10% shareholders not covered (unlike with domestic companies)

= Directors

- All persons elected to serve on your company's Board of Directors
- Honorary or advisory directors generally not covered, nor are board observers – need both access to information and participation in Board's policy making function

= Officers

- Definition in Rule 16a-1(f) covers (1) individuals “in charge” of “principal” business units/divisions/functions and (2) individuals with significant “policy-making functions”
- In practice, this covers –
 - All “executive officers” named in 20-F (including the CEO and CFO) PLUS the principal accounting officer or controller
 - In some cases, the principal accounting officer and the principal financial officer are the same person.
 - This does not necessarily make the principal accounting officer or controller an “executive officer” for purposes of Form 20-F disclosure or Form 144 filings; this only brings the person within the scope of Section 16.
 - Companies should review with counsel to ensure that 20-F list is up to date and aligns with Section 16 reporting

Reporting Overview: Section 16 Forms

- **Form 3:** An “initial” form that is filed when a person becomes an officer or director.
 - Shows “holdings” of securities at the time the person becomes subject to Section 16.
 - For FPIs, due March 18, 2026, absent exemption, showing ownership as of March 18, 2026.
 - If appointed after March 18, filed within 10 calendar days of commences employment.
 - Must report all securities owned, including “direct” and “indirect” and any outstanding equity awards.
- **Form 4:** A form that is filed to report “transactions” in securities of the Company.
 - Most transactions will be reportable on a Form 4.
 - Most common reportable transactions are open-market purchases and sales, exercises of stock options, grants of equity awards, tax withholding upon vesting and “gifts.”
 - Form is due within two business days of the event and must be filed by 10 pm ET on EDGAR.
 - If receiving a new grant concurrent with appointment, must be reported on Form 4 within two business days. Effectively accelerates Form 3 deadline to two business days.
- All forms require reporting of equity securities (i.e., common or ordinary shares and anything convertible/exercisable into or that derives its value from such stock). Not cash.

Reporting Overview: Beneficial Ownership

- **Section 16 requires reporting of a person’s “beneficial ownership.” For Section 16 purposes, this generally means a person must have:**
 - Some measure of dispositive control over the securities.
 - Some economic interest in the securities.
- **Examples of common “indirect” ownership:**
 - Certain family members: presumption of spouse, minor children, other family members financially dependent upon insider or sharing the same household.
 - Trusts for the benefit of “immediate family members” over which insider has investment control — does not require family member to live with insider or be financially dependent on insider.
- **Report “direct” and “indirect” ownership separately.**
 - Report different types of “indirect” ownership on different lines.

Pre-March 18 Steps

- **Review insider trading policy and establish processes for Section 16 reporting**
- **Ensure/apply for EDGAR codes:** To file a document on EDGAR, each director and Section 16 officers needs individual EDGAR codes
 - **Existing filer:** current or former officer or director at another public company. Directors and officers of FPIs may have EDGAR codes for Form 144 filings.
 - **New filer:** apply for EDGAR codes with notarized power of attorney and a Form ID.
- **Collect power of attorney**
 - Appoints someone at the company to file Forms 3, 4 and 5 on the officer or director's behalf.
 - Unlike EDGAR code power of attorney, this does not have to be notarized.

Reporting Principles: Form 4

Form Items

Transaction date: Date on which the insider becomes irrevocably committed to the transaction, so that the insider's rights and obligations become fixed.

Price of transaction:

- Weighted average price for aggregated sales or purchases (see later slides).
- May be \$0 for equity award transactions (see later slides).

For derivative securities: Exercise price and expiration date

Nature of ownership: Reporting of all securities of "same class," both directly and indirectly held.

10b5-1 Plan: Whether transaction was done pursuant to Rule 10b5-1(c) plan

Transaction Codes

"S" and "P": Sales and Purchases.

"A": Equity grant, award or other acquisition approved under Rule 16b-3 (see later slides).

"M": Exercises or conversions of equity awards (e.g., stock options) approved under Rule 16b-3

"F": Tax withholding transactions approved under Rule 16b-3 (see later slides).

"G": Gifts (see later slides).

"X": Exercise of at- or in-the-money derivative security, outside of Rule 16b-3.

"J": Certain other transactions not captured by above or other codes.

Open and Off-Market Purchases and Sales

- Open-market purchases and sales must be reported within two business days. Same applies for private off-market sales.
- “Trigger” date is the date the trade is made, not the date of settlement.
- Must report the transaction:
 - **Purchases:** Use code “P” – this designates the transaction as an open- or off-market purchase.
 - **Sales:** Use code “S” – this designates the transaction as an open- or off-market sale.
 - Can aggregate all purchases or sales made on the same day, within \$1 range, and report weighted average price, provided undertaking to provide information on price of individual transactions to SEC or stockholder upon request.
- Sales of shares into the open market after vesting or exercise of an equity grant, or that are used to fund taxes upon vesting or exercise or payment of exercise price, are reported using “S” code.

Reporting of Holdings

- Reports must show the transaction and all other beneficial ownership of the class of equity security being reported.
 - If you are showing a transaction in common stock that is directly held, the form must also include any common stock that is held “indirectly,” including through family trusts or other vehicles.
- Transferring securities from “directly” held to “indirectly” held or from “indirectly” held to “directly” held may or may not be reportable. Each transfer must be carefully evaluated to determine reporting approach.
 - Importance of pre-approval of all transfers under company policy.
- Amendment to outstanding securities or equity awards may be considered to be a “cancellation” and “regrant” and must be evaluated for potential reporting implications.

Form 4: Open- or Off-Market Purchase, Show Indirect Holdings When Transaction in Same Class Reported

| FORM 4 | | OMB APPROVAL | | Table I — Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned | | | | | | |
|------------------------------------|---|---|-----------------------------------|--|--|------------|------------------------|---|---|--|
| (City) | (State) | (Zip) | | | | | | | | |
| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Declined Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction (s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 01/01/2025 | | P | | 250 | A | \$20.50 ⁽¹⁾ | 350 | D | |
| Common Stock | 01/01/2025 | | P | | 300 | A | \$20.47 ⁽²⁾ | 650 | D | |
| Common Stock | | | | | | | | 1,000 | I | By Trust |

Explanation of Responses:

(1) The price reported in Column 4 is a weighted average price. **These shares were purchased in multiple transactions at prices ranging from \$20.25 to \$20.75, inclusive. The reporting person undertakes to provide to XYZ Corporation, any security holder of XYZ Corporation, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares purchased at each separate price within the ranges set forth in footnotes (1) and (2) to this Form 4.**

(2) The price reported in Column 4 is a weighted average price. These shares were purchased in multiple transactions at prices ranging from \$20.10 to \$20.90, inclusive.

Rule 16b-3 Transaction Codes

- Rule 16b-3 provides an ability to exempt from Section 16(b) short-swing liability transactions between an issuer and its directors or officers.
- Most common application is with respect to equity compensation.
- Investors in domestic companies are used to seeing code “A” for an equity grant, “M” for vesting/exercise of equity grant, “F” for tax withholding upon vesting and “D” for the return of an equity grant.
- FPIs *technically do not need Rule 16b-3*, because there is no Section 16(b) short-swing liability for FPIs. It remains to be seen how the SEC will modify this rule and/or whether it will create a new way to report grants.
- Until SEC guidance, if any, FPIs may need to assume compliance with Rule 16b-3 to be able to use these codes for equity grants, which are the codes most familiar to investors.

Rule 16b-3 Transaction Codes (cont.)

□ Conditions for use of 16b-3 transaction codes:

- **Grants of equity awards (and other acquisitions by S. 16 insiders from company):** will be exempt if:
 - Specifically pre-approved by the board of directors OR
 - Specifically pre-approved by a committee consisting solely of two or more “non-employee directors” OR
 - *“Non-employee director”*: director who is not an employee of the company or any parent of the company, and who does not have any reportable related party transactions with the company OR
 - Specifically approved or ratified by the stockholders.
- **Vestings and tax withholdings of equity awards:** will be exempt if the original grant was specifically pre-approved per above, including the vesting and tax withholding terms.
- For equity awards and/or promotion of an employee to Section 16 officer status, Rule 16b-3 resolutions should be passed to exempt certain transactions related to outstanding equity awards.

□ To ensure use of Rule 16b-3 codes, FPIs *may* need to consider (i) whether their compensation committee members are all “non-employee directors,” OR (ii) establishing subcommittees of their compensation committee made up of at least two “non-employee directors” to approve all D&O grants, OR (iii) having all D&O equity grants be approved by the full board OR (iv) checking whether equity grants were shareholder approved.

Restricted Stock Units (Time-Based or Performance Based)

- **Time-based RSUs:** Form 4 generally due within two business days after grant of restricted stock units (“RSUs”) with “time-based” vesting criteria. “Trigger” date will generally be the date of approval.
- **Performance-based RSUs:**
 - If *earned based only on stock price* including TSR, then Form 4 is due within two business days after grant.
 - If *earned based on goals other than stock price*, the grant is not reported until two business days after it is earned (i.e., certified by the compensation committee or board), and is typically then reported as (1) a grant of a time-based RSU, assuming it remains subject to time-based vesting, or (2) outright grant of common stock, assuming it cliff vests upon being earned.
- **Table for reporting:** Reporting is based on whether the RSU may be settled only in shares of common stock, or in cash or common stock.
 - *Table I reporting:* settleable in stock only. Report grant in Table I using “A” code assuming Rule 16b-3 available. No need to report vesting event, but must report any related tax withholding at vesting.
 - *Table II reporting:* settleable in stock or cash. Report grant in Table II using “A” code assuming Rule 16b-3 available. Must report vesting event in Table I and Table II using “M” code, assuming Rule 16b-3 available. Must also report any related tax withholding at vesting.
- **Dividend-equivalent rights, net settlement, etc.:** Note that if award carries dividend-equivalent rights or involves net settling in connection with tax withholding upon vesting, additional forms may be needed.

Net Settlement (RSU Vesting)

- Withholding of shares to pay taxes incident to the vesting or settlement of an equity award is considered a “disposition” of the withheld shares to the issuer.
 - **Timing:** Trigger date for the form is the date the tax obligation is triggered and a number of shares to withhold is determinable (even if the actual determination of the number of shares has not yet been made).
 - Form 4 due within two business days after trigger date.
- Report as a disposition with an “F” code.
- **Sale of shares in the open market to pay withholding tax is open market sale is reported using “S” code.**

Form 4: Time-Based RSU Grant (Table I Reporting – Settleable Only in Stock)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|--------|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Class A Common Stock | 05/21/2024 | | A | | 35,000 ⁽¹⁾ | A | \$0.00 | 50,000 | D | |

Explanation of Responses:

1. Represents shares of Class A common stock, par value \$0.0001 per share ("Class A Common Stock") underlying restricted stock units ("RSUs") granted to the reporting person on May 21, 2024 (the "Grant Date") pursuant to the Issuer's 2023 Equity Incentive Plan. The RSUs will vest, subject to the reporting person's continued employment or service through the applicable vesting date: (1) 15% of the RSUs shall vest on the first anniversary of the Grant Date; (2) 17.5% of the RSUs shall vest on the second anniversary of the Grant Date; (3) 20% of the RSUs shall vest on the third anniversary of the Grant Date; (4) 22.5% of the RSUs shall vest on the fourth anniversary of the Grant Date; and (5) 25% of the RSUs shall vest on the fifth anniversary of the Grant Date. Each RSU represents the right to receive one share of Class A Common Stock upon vesting.

Remarks:

Form 4: Time-Based RSU Grant (Table II Reporting – Settleable in Cash or Stock)

NO. 138

FORM 4 (continued)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form of Derivative Security Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|--|---|---|-----------------------------------|---|---|-----|---|-----------------|--|----------------------------|---|---|--|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | | | |
| Restricted Stock Units | (1) | 09/14/2020 | | A | | 10,000 | | (2) | (2) | Common Stock | 10,000 | \$0 | 10,000 | D | |

Explanation of Responses:

- (1) Each restricted stock unit represents a contingent right to receive one share of MNO common stock.**
- (2) The restricted stock units vest in four equal annual installments beginning September 14, 2021. Vested shares will be delivered to the reporting person on January 1 following the year in which the reporting person terminates employment with MNO.**

Form 4: Time-Based RSU Vesting (Table II – Setttable in Cash or Stock)

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/ Day/Year) | 2A. Deemed Execution Date, if any (Month/ Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|------------------------------------|---|---|-----------------------------------|---|--|------------|-------------|--|---|--|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 12/16/2020 | | M | | 2,500 | A | (1) | 27,712 | D | |
| Common Stock | 12/16/2020 | | F | | 1,000 | D | \$20 | 26,712 | D | |

(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/ Day/Year) | 3A. Deemed Execution Date, if any (Month/ Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form of Derivative Security Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|--|---|---|-----------------------------------|---|---|-----|---|-----------------|--|----------------------------|---|---|--|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | | | |
| Restricted Stock Units | (1) | 12/16/2020 | | M | | 2,500 | | (2) | (2) | Common Stock | 2,500 | \$0 | 5,000 | D | |

(1) Restricted stock units convert into common stock on a one-for-one basis.

(2) On December 16, 2019, the reporting person was granted 7,500 restricted stock units, vesting in three equal annual installments beginning on the first anniversary of the grant date.

- ❑ An insider should use **transaction code “M”** (“Exercise or conversion of derivative security exempted pursuant to Rule 16b3”) to report both the disposition of the RSUs (in Table II) **and** the acquisition of the underlying common stock (in Table I).
- ❑ Where the exercise of a tax withholding right in connection with the vesting of RSUs qualifies for exemption under Rule 16b3(e), the transaction code applicable to the withholding of shares is “F” (“Payment of exercise price or tax liability by delivering or withholding securities incident to the receipt, exercise or vesting of a security issued in accordance with Rule 16b3”).

Gifts

- “Bona-fide” gifts
 - Includes gifts to charitable organizations and certain transactions between family members or insiders and family entities.
- Bona-fide gifts are reportable on a Form 4 within two business days of the transaction.
- Do not have to name the charity, although may choose to include by footnote.
- If gift is made to family member or entity for the benefit of family members, may be required to continue reporting beneficial ownership.
- Pre-approve gifts under insider trading policy.

Form 4: Gift

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|-------|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 11/25/2025 | | G | | 520 | D | \$0 | 117,596.149 | D | |
| Common Stock | | | | | | | | 340.501 | I | 401(k) Plan |

Leaving Director or Section 16 Officer Status

- Absent a transaction upon departure, no “exit” Form 4 filing is required to be made at departure; however, the company should check whether there are any accelerations of vestings or other events happening upon departure that independently require a Form 4.
- For domestic issuers, a director or Section 16 officer may also be subject to Section 16 reporting requirements for a period of up to six months after he/she leaves office, due to Section 16(b) short swing liability.
- *However*, this six-month post-departure reporting period is expected *not* to apply to directors and Section 16 officers of FPIs because it only applies to the extent of Section 16(b) short-swing liability.

Late Reports and Amendments

- Late Reports
 - Most transactions must be reported within two business days in order to be considered timely.
 - “Late” filings may be made on a Form 4 at any time or on a Form 5 following the end of the fiscal year.
- Amendments
 - Insert “date of original report” in Box 4 of Heading.
 - While not required, consider explaining reason for amendment by footnote.
 - Amend only the information from the previous report that was incorrectly stated. Do not need to restate all information in the report.

Penalties for Late or Missing Filings

- There is no automatic penalty for a delinquent (i.e., late/missing) filing.
- Whether to impose a penalty is entirely in the SEC's discretion, and the SEC has broad authority to impose fines, cease-and-desist orders, service bars, etc. on directors or Section 16 officers in their individual capacities for delinquent filings.
- Unlike domestic issuers, FPIs will not be required to report late or missing Section 16 filings in their Form 20-Fs.

SEC Enforcement Actions

- In 2024, the SEC initiated an enforcement sweep that included violations of Section 16. The SEC settled enforcement proceedings against 23 public companies and public company investors, including individuals, arising out of late Section 13(d), 13(g) and/or 16(a) beneficial ownership filings.
- These violations ranged from one-off filings, which were late by a few weeks or few months, to years of repeatedly late or missed filings, and included actions against affiliates designated by investors as directors at public companies.
- According to a White & Case survey, violations ranged from one day to four years:
 - 9 actions involved filings less than one month late.
 - 8 actions involved filings between one and six months late.
 - 5 actions involved filings between six months and one year late.
 - 2 actions involved filings more than one year late.
- Sanctions for late or missing Section 16(a) filings ranged from \$77,000 to \$750,000.

Practical Tips & Best Practices

- **Apply early for EDGAR codes, well ahead of Form 3 due dates**
- **Power of attorney (POA):** Ensure you have a POA on file for all directors and Section 16 officers, for which preparer of filings at company can sign for them.
- **Ensure directors and Section 16 officers are aware of their Section 16 obligations**
 - Send out reminders to directors and Section 16 officers of their filing obligations under Section 16.
 - Include pre-clearance and/or notification requirements in insider trading policy.
- **Confirm and continue to track beneficial ownership holdings of insiders**
 - ***D&O questionnaires:*** questionnaires should be designed to elicit detailed, comprehensive information regarding equity security ownership.
 - ***Keep track of vesting dates:*** Keeping track of insiders' future equity grant or vesting dates, especially for RSUs, can help with maintaining timely filings.

Drafting-Related Tips and Best Practices

- **Draft early:** Drafting of a Form 4 can and should begin when an insider reaches out for preclearance for a trade.
 - This reinforces the importance of requiring pre-clearance for Section 16-triggering trades under the company’s insider trading policy.
 - Having a system where pre-clearance requests triggers notice to the individual/group responsible for preparing the Form 4 filing will greatly speed up the process as well as help ensure accuracy of reporting.
- **Review process:** Have a process internally to send a draft of the Form to the reporting person so they can review and sign off (even if you have a POA).
- **Promotions:** When someone gets promoted and will now be subject to Section 16, consider preparing 16b-3 resolutions to “back bless” their equity awards.

Thank you