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Yeah, I’ve Got a Footnote Philosophy for Form 4s

I'm into footnotes for Section 16 reports. They help provide clarity and eliminate confusion. They help companies look like they're not hiding the ball. And allow shareholders to understand details of a transaction that might not be evident just from the disclosures in the tables. A good example is using footnotes liberally to denote that an insider's transaction occurred pursuant to a Rule 10b5-1 plan. An insider's reputation can take a big hit if a reporter "unearths" a trade that makes it seem like the insider exercised discretion at a time they knew something nonpublic. Hopefully, the reporter would dig deep enough to read the footnote noting that the insider didn't exercise discretion in that case. Even better is if the SEC adopts the Council of Institutional Investor's suggestion to require insiders to check a box on Forms 4 and 5 if a transaction occurs under a Rule 10b5-1 plan. That would make it very clear whether a trade was pre-planned or not. Of course, in a footnote, you'll want to include all details necessary for a full understanding of the transaction, particularly the extent to which the transaction increased – or decreased – the insider's beneficial ownership or affected their economic interest in the securities. Most footnotes are fairly short, two or three lines. But on rare occasion, you'll see a footnote so long that it'll bleed into a second footnote – because there's a character limit for a single footnote set by the SEC's Edgar database. Often a Section 16 filing doesn't require a footnote. But when it does, go for it!

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