



# **Stock & Option Solutions**

## **Hindsight is 20/20: IPO Planning with Insight**

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# Agenda

- The anatomy of an IPO
- Focus: Work streams
  - Pre IPO, Post IPO
- Tips from a real IPO experience

# The Anatomy of an IPO from an Equity Plan Perspective

- Ideal pre-IPO planning should run in months, not weeks
- Begin to ask/answer key questions months in advance
  - Will there be a lock up period?
  - Any significant events occurring on IPO date (accelerations, ability to trade, etc.)
  - Will there be a new plan?
  - Will there be changes to existing plan?
  - Will there be new grants?
  - What processes will change?
  - What will I need to do differently?

# Anatomy of an IPO – Work streams

- Special events (accelerations, etc.)
- Vendor selection/implementation
- Data review/preparation/transition
- New or amended plan design
- New Processes
- Section 16 reporting
- Participant experience
- New Policies
- CD&A planning, and other disclosures
- ESPP

# Focusing: Pre-IPO

The following are typically addressed pre-IPO:

- New plan (or amendments to existing)
- Selection of recordkeeping, brokerage, and transfer agent vendors
- Automation of recordkeeping
- New policies drafted
  - Insider Trading, etc.
- New grants
  - Beware cheap stock issues

# Focusing: Pre-IPO

- Implementation of new vendors
- Implementation of new processes
- Special events processing
- Policies go into effect
- Plan changes
- Participant communications/experience
- Brokerage/additional recordkeeping implementation

# Focusing: Post IPO

- Long term processes
- Financial reporting
- Section 16 reporting
- Compliance
- Continued participant education

# Anatomy of an IPO – From an Equity Plan Perspective

	A	B	C	D	E	F	G	H	I	J
<b>Preliminary Timeline</b>		9/15/2011	9/22/2011	9/29/2011	10/6/2011	10/13/2011	10/20/2011	10/27/2011	11/3/2011	11/10/2011
Phase		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Weeks 9-14
<b>Project Management/Due Diligence</b>										
Project Management										
Interviews: Departments and Vendors, Plan Reviews										
<b>Data Preparation/Exchange</b>										
Data Clean Up (HR & Grant)										
Ongoing Data Feeds from HR and Payroll										
<b>Vendor Management</b>										
Vendor Agreement										
Vendor Process Design										
Vendor System Testing & Launch										
Transfer Agent Agreement										
Transfer Agent Implementation										
<b>IPO Process Implementation</b>										
Develop Necessary IPO Procedures										
Assign IPO Project Responsibilities										
Implement Necessary IPO Procedures										
Define/Document Employee Experience for Equity Award Transactions - SARs, RSUs, NQ										
Define/Document Administrative Procedures for Employee Equity Award Transactions										
SOX Process Review & Implementation										
Define/Document New Grant Procedure - Update SOX										
Document ongoing Equity Process Responsibilities										

# COMMON IPO WORK STREAMS

# Vendor Selection

## Types of Vendors

- Recordkeeping
- Broker
- Transfer Agent
  - Some vendors offer bundled services
  - Which vendor you choose will depend on your desired service model, criteria, and budget

# Determining a Service Model

- How will you manage equity compensation recordkeeping and transactions as a public company?
- Which model will you choose?
  - In house
  - Outsourced
  - Co-sourced
- Consider
  - Internal resources
  - Budget
  - Expected activity and transaction volume

# Vendor Selection and Management

- Dependent upon chosen service model
  - Not all vendors support all models
- Determine criteria list
  - If IPO is certain AND imminent, focus on public company vendors
  - If IPO timing is flexible or unknown, look both short and long term
- Key components of vendor selection
  - Data Management/Recordkeeping
  - Transaction processing
  - Employee resource and interface
  - Financial Reporting/Section 16

# Vendor Selection and Management

- Budget 6-8 months for recordkeeping and broker vendor selection and implementation
  - 2-3 months for typical selection
  - 4-5 months for typical implementation
    - Actual timeframes will vary by vendor and service model
    - If lack of strong internal contracts reviewer, consider having your legal advisors review
- Budget 1-2 months for Transfer Agent implementation
- Things you can do NOW to prepare, regardless of IPO timeframe:
  - Data audit/reconciliation
    - Evaluate existing data, rectify anomalies and/or errors
    - Structure recordkeeping in format that will be easily converted when transitioning to new vendor

# Data Preparation

## Key IPO considerations

- How to manage equity plan recordkeeping going forward?
- How to bridge gap between current recordkeeping and future plan?
- How to transition to new vendor/service model?
  - If in house, will you need software?
  - If outsourced, how to get data from point A to B
    - Initial data and ongoing
  - If co-sourced, will you need a combination of software and data exchange?

# Plan Design

- Start fresh - don't just edit old plan
- CBOE created new plan
- Think about all of the little decisions that are written into the plan that will need to be administered in reality

# Process Design

- Process development can take time
- Typical processes
  - Transaction management (exercises, releases, etc.)
  - Tax withholding and reporting
  - Grant
  - Vendor data exchanges
  - Month, quarter, year end
  - Insider transaction clearance and processing
  - Section 16 reporting

# Section 16

- 8-K filings
- CD&A for named executives
- Coordination of forms filings

# Participant Experience

- CBOE wanted to be sure participant experience was live on day 1 of IPO
  - “We’re in it together”
  - Made it a celebration
  - Employee token gifts
  - Vendor site live
- If at all possible, ensure employees are plugged in to experience

# New Policies

- Plan for policy decisions in advance
  - As IPO nears, decision makers will be busy; much more difficult to gain attention for policy related decisions
  - Think about
    - Insider Trading – affected persons and trading windows
    - Plan interpretation
    - Section 16 handling
    - Grant process (approval and timing)

# Special Events

- Will there be a special event?
  - Accelerations?
  - Automatic grant?
  - Employment contracts?
- CBOE: no special events at IPO (no triggers)
- New grants
- Was typical in an “IPO” sense

# Summary

- Start early; don't underestimate
- Form cross-functional project team (don't do this in silo)
- Implement strategies to assist in all the new disclosure requirements

# Contact Information



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