



SOS Educational Webcast: IPO Success Strategies

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Agenda

- Who is involved in an IPO?
- Where does equity fit in an IPO?
- Strategy 1: Vendor Selection
- Strategy 2: Clean House
- Strategy 3: Understanding Vendors' Needs
- Strategy 4: Educate Your Employees
- Strategy 5: Embrace the Public Company Mindset

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Who Is Involved in the IPO.....

Stakeholder	What they care about
Regulators- FASB, IRS, SEC, others	Accounting policy, taxation, securities
Vendors- Equity providers, Brokers, Lawyers, Accountants, Transfer Agent	Legal compliance, the audit, valuation and company story, capitalization, accurate stockholder records
Employees and Executives	Monetizing awards, compliance
Board Members	Valuation, successful offering, return to investors

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How Does Equity Compensation Fit In?

- ▶ Many employees and executives may also be shareholders at the time of a public offering
- ▶ Employees will often have pent up demand for liquidity to monetize their “paper gains”
- ▶ Executives can receive very large payouts but need to be cognizant of taxation as well as Rule 144 and Rule 145 issues
- ▶ Section 16 filers must file on the day the stock starts trading

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Strategy 1: Vendor Selection

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Vendor Selection

Equity administration system selection and conversion

- ▶ Get Off Spreadsheets Now!
- ▶ Find a Well Established Platform or Vendor for Recordkeeping and Reporting of the Stock Plans
- ▶ It's All About Connections– payroll, HRIS, brokerage firm, TA, accounting systems
- ▶ You Can't Have It All– so commit in writing what is most important to you and your company
- ▶ Figure out the administration model that is right– full administration, partial administration, or self-operated software with no connection
- ▶ Cost out each with a variety of vendors before making a decision
- ▶ Be absolutely sure the system can handle the award types you have now and anything the Comp Committee or others are considering

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Vendor Selection

Selecting & Getting Brokerage Ready

- ▶ Make a list of what you want including service model, employee pricing, education, executive advisory services, etc.
- ▶ Ensure technical compatibility with whatever software platform you are using
- ▶ Discount or full-service? Individual account or omnibus?
- ▶ One broker for all versus broker choice, and 10b5-1 providers
- ▶ Is there a possibility of a consolidated view online for employees including other benefits?
- ▶ Talk with Finance about how they think the stock will trade and have a discussion about liquidity and large order impact when you are picking a broker partner.
- ▶ What hours/websites will be available for international employees?

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Strategy 1: Vendor Selection

Transfer Agent Selection

- ▶ Service Model
- ▶ Online system
- ▶ Book entry capability
- ▶ Conversion plan
- ▶ Coordination between Broker, System and Transfer Agent

Section 16 filings

- ▶ Included with Equity System?
- ▶ Using Law Firm?
- ▶ Financial printer offering
- ▶ Filing directly with SEC?
- ▶ Stand alone system?

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Strategy 2: Clean House

Data: Cleaning it up

- ▶ Integrity of stockholder data
- ▶ Condition of employee data
- ▶ Current HRIS system
- ▶ Audit existing equity system with HRIS system
- ▶ Integration of systems (Payroll, HRIS) with equity system
- ▶ International employee data
- ▶ Section 16 filers: What are EDGAR codes, who owns these, are they current?

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Cleaning up extends to processes as well

Be Audit Ready

- ▶ Locate all your grant agreements and plan documents
- ▶ Understand all the CIC provisions, including IPO
- ▶ Document Your Accounting Policy Choices
- ▶ Ensure You Have Appropriate Control in Place- SOX 404
- ▶ Understand the Tax Rules for the Company
- ▶ Meet with your auditors ahead of the audit to understand their expectations
- ▶ Talk to a colleague or peer who has been through this before
- ▶ Review some S-1 Filings and see what kind of information is disclosed about stock plans

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Strategy 3: Understand Your Vendors' Needs (and how they can help you with yours)



Understand Your Vendors

Transfer Agent

- › Unregistered shares (pre-IPO Rule 701) and registered shares (post-IPO Form S-8)
- › Vested shares at lock-up release and beyond
- › Legend removal/Legal opinions
- › Lock-up agreements and lock-up period
- › Corporate Actions: Keep them in the loop
- › Settlement Timing: T+2
- › Book entry or certificates?

Broker

- › Tax withholding/payment of exercise price as a public company-how do we get our money?
- › Blackout periods
- › Corporate Actions: Keep them in the loop
- › Settlement Timing: T+2
- › Help! I need to break a trade

International Advisors

- › We decided to grant in China on the IPO date next week, is that a problem?
- › Future countries/types of equity
- › Corporate Actions: Keep them in the loop
- › Mobile employees
- › Annual equity filings outside the US

Equity Vendor

- › Corporate Actions: Keep them in the loop
- › Stock Split??
- › Feeds to HRIS, Payroll & Accounting Systems



Strategy 4: Educate Your Employees



Post IPO: Be Education Ready

- ▶ Internal communications
- ▶ Broker communications
- ▶ Transfer agent communications from pre-IPO exercises
- ▶ Insider Trading Policy (and blackouts!!)
- ▶ New plans and grant types

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- ▶ Manage Expectations with Employees and Executives
 - ▶ Say it once, say it again and then repeat
 - ▶ Use a multi-media approach
 - ▶ Use Partners Like Your Preferred Brokerage Firm
 - ▶ Employees Need to Know How and When They Can Sell Company Stock
 - ▶ Employees Need to Understand Tax Consequences of Each Action Taken
 - ▶ ISO and ESPP Holding Rules, AMT, RS Release, tax payment methods etc.



Strategy 5: Embrace the Public Company Mindset



You are a public company, now what?

All New Internal Processes (and audits.....)

- ▶ Grant process
- ▶ Exercise process
- ▶ Termination process
- ▶ Accounting process
- ▶ SOX Control Updates

Change in Administrative Mindset

- ▶ Communication and Process with HR, Payroll and Accounting
- ▶ Real time data accuracy
- ▶ Accessibility of data to employees via broker platform
- ▶ 2 Day SEC filing deadlines


Failure in accuracy/process breakdown can result in a material deficiency




Questions



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