



## SOS Educational Webcast: Weathering the Storm: From Private to Public Company

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## Materials Slides

[http://www.sos-team.com/pdfs/weathering\\_the\\_storm.pdf](http://www.sos-team.com/pdfs/weathering_the_storm.pdf)

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## Agenda

- Data Reconciliation
- Broker Selection
- Software Selection and Conversion
- Transfer Agent Selection
- International Compliance
- Payroll
- Internal Review Process
- ESPP Implementation
- Employee Communication
- In Summary

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## Data Reconciliation

- Integrity of equity data – clean, well scrubbed, accurate and complete date
- Condition of documentation – your documentation should be able to backup and prove your data
- Condition of employee data – Having complete and accurate employee data is a must have
- Current HRIS system – Your HRIS system should be designed to provide the data and support you need to ensure data integrity

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## Data Reconciliation

- Audit existing equity system with HRIS system – before going public make sure the information in your HRIS system matches the information in your equity database
- Existing integration of data with equity system – if converting to a new platform then you will need to ensure that your HRIS system data is complete and accurate before integrating into a new equity database
- International employee data – if you have international employees you have to be extremely careful with employee data as most countries, especially those in EMEA have very strict data privacy laws

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## Broker Selection

- One broker for rank and file? – having a captive broker for the rank and file can save you time and money
- D&O can use broker of their choice? – Most D&O persons have a private wealth management team they prefer to use
  - Some companies insist their D&O team use the same captive broker as the rank and file
- Can anyone chose their broker for 10b5-1 Plan? – many companies restrict 10b5-1 plans to senior management or to individuals on the insider trading list
- What hours/websites will be available for international employees? – it is important to select a broker that provides customer service 24 hours a day

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## Software Selection and Conversion

- Can software monitor all types of equity awards? – make sure the software you select can manage the type of grants in your equity plans
- Can it produce the report required by finance and payroll? – it is very important that your stock platform be able to provide the reports needed by your Finance, Accounting and Tax departments

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## Software Selection and Conversion

- Select internal conversion team – ideally would include Stock, Finance, Payroll, HR and Legal
- Conversion schedule and implementation – plan ahead of time who is responsible for each step and a realistic timeline
- Conversion reconciliation – finally reconcile the conversion and keep all reports used in the reconciliation process

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## Transfer Agent Selection

- Online system – the transfer agent platform is just as important as the stock and broker platforms. You want a system that allows you to access your data and run reports
- Book entry capability – cancelling certificates and moving shares into book entry before the IPO can make the private to public experience much easier
- Conversion plan – as with the stock platform and broker you will need to include your new transfer agent in the conversion process

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## International Compliance

- Develop a relationship with and outside legal team that specializes in international equity compensation
  - Country review of requirements – filings or reporting
  - ESPP plan design
  - Equity plan design
  - Change in equity types
  - Change in process as required

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## Payroll

- International taxation changes – this is when your outside legal team becomes very important
- International tax rates – work with your payroll department(s) and payroll software providers to keep up to date on tax rates
- Tax withholding as a public company – work with your U.S. payroll team to ensure that the tax rates in your equity database taxes are never fun but having a good working relationship with your payroll team will make it easier

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## Payroll

- Payment of exercise price –quickly establish a process for providing tax information to payroll. If your employees are active in exercising you will want a daily process, if exercises are very infrequent then weekly may work
- US tax withholding upon exercise or release – it is very important to work with payroll and keep year to date taxes updated in the database to prevent over withholding of social security and any other taxes that have limits

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## Internal Review Process

- Grant process – your grant process should be very tight with several levels of audit and reconciliation
- Exercise process – as with grants there should be an audit process before approving the exercise with the broker and transfer agent
- Termination process – a late termination can cause a variety of issues so working with your HR group(s) to create a termination process and audit process

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## Internal Review Process

- Accounting process
- Payroll

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## ESPP Implementation

- Steps to implement program
  - Offering period dates you need to determine how many months your offering will be and how often purchases take place
  - Purchase dates, consider when your trading window will be open when selecting your purchase dates
  - Plan effective with the IPO date/price? Many companies like the first date of the offering to be the day of the IPO so the first offering date value is equal to the IPO price

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## ESPP Implementation

- Broker accounts – ensure you have a process for transferring shares from the transfer agent to the employee's brokerage accounts
- Taxation – it is important that your employees understand the taxation of ESPP, for U.S. employees if you have a 423 qualified plan the difference between qualified and disqualified dispositions and for international employees there may be payroll deductions for taxes at the time of the purchase

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## Employee Communications

- Internal communications – types of awards, exercises, releases and ESPP must be clearly communicated to employees
- Broker communications – invite the broker to your company to provide presentation on how the accounts work, services are offered and what fees will be charged
- Transfer agent communications from pre-IPO exercises – communicate to employees how pre-IPO exercises are treated and how and when shares will be transferred to employee accounts

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## Employee Communications

- Insider Trading Policy – your legal department should establish an Insider Trading Policy and communicate to all employees. You should also know who is going to maintain the list and add and remove insiders from the list
- New plans and grant types – if your company is rolling out new plans and types of equity at the IPO make sure employees have access to the plans and are aware of any new types of equity they may receive

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## Everything's Changed!

- All New Vendor Process
- Grant process
- Exercise process
- Termination process
- Accounting process
- SOX Control Updates

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## Change in Administrative Mindset

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

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# Questions?

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