Public Company Readiness – Overview

Public Company Readiness Defined:

 The steps and processes involved in preparing a private company to function and thrive as a public company.

Infrastructure Elements:

- Corporate policies
- Corporate processes
- People and organization
- Management Reports
- Methodologies (e.g. Sarbanes-Oxley compliance requirements)
- Systems and data

Public Company Readiness – Elements of Success

Capabilities for Success:

- Accurate Financial Reporting: Companies need to ensure they have the requisite skills and
 organizational infrastructure to understand the application of accounting principles and ensure
 accurate financial reporting.
- Accurate Forecasting and Budgeting: Similarly, companies should have the financial management skills needed to perform forecasting and budgeting in a relevant, accurate and useful way that enables the highest level of visibility, flexibility and business agility.
- An Efficient Financial Close: In order to meet SEC filing requirements, companies must ensure they have an accurate and efficient financial close process.
- Appropriate Corporate Governance and Sarbanes-Oxley Compliance: Ensuring the company has
 a robust regulatory and corporate governance understanding and an efficient internal control
 environment is critical to achieving initial and ongoing Sarbanes-Oxley compliance.
- Scalable IT Environment: Companies must review the IT system environment to ensure that it is
 able to handle the anticipated growth in business.

Public Company Readiness – Challenges

Challenges that Require Mitigation:

- Restatement of Financial Statements
 - Accounting changes and errors from previous financial statements can be big red flags and affect share price.
- Inability to Comply with Sarbanes-Oxley ("SOX")
 - New public entity will need to meet SOX requirements
 - CEO and CFO will need to certify that there are no material misstatements in financial statements
 - Failure to meet SOX requirements could result in negative publicity and potentially fines/imprisonment of executives

Weak Budgeting and Forecasting Processes

 If management discussion and analysis is inaccurate, investor confidence could suffer and cause share price volatility

Delayed SEC Filings

- Undermines investor confidence
- Steps to avoid delayed filings: (i) upgrade your business processes and technology and (ii)
- address gaps in skills of reporting personnel

Public Company Readiness – Mistakes

Common Mistakes:

- Failure to Assemble the Right Team
 - Team should possess previous IPO and Public Company Readiness experience
 - Team members should have bandwidth to participate fully in readiness efforts
 - Effective project management, including carefully crafted readiness strategy and plan
- Underestimating the Level of Effort Required
 - Failure to properly estimate the amount of time and effort required for readiness
 - Peadiness requires complex array of tasks and deadlines that require significant time, effort and attention.
- Failure to Develop Business Processes and Infrastructure
 - Particularly, those that support financial reporting processes
- Failure to Assess IT Readiness
 - Robust IT infrastructure necessary to assist with demanding reporting and compliance requirements that affect public companies

Public Company Phases

Phase 1: Planning and Scope



Phase 2: Solution
Design and Initial
Implementation



Phase 3: Execution and Preparation



Phase 4: Monitoring and Managing

3 - 6 Weeks

- Review the current state of readiness against the six elements of infrastructure
- Identify readiness of core public company requirements:
- a) Accurate financial reporting
- b) Accurate forecasting and budgeting
- c) Efficient financial close
- d) Corporate governance and Sarbanes-Oxley compliance
- e) IT scalability
- Review and urgency of solutions based on cost/benefit, required timeline
- Develop a high-level work plan, timeline and resource requirements

6 – 8 Weeks

- Design required solutions for initial assessment findings with urgent needs
- Develop a baseline of appropriate policies and procedures
- Review the revenue recognition process
- Develop a baseline for the financial close process
- Perform risk assessment and initial scoping for Sarbanes Oxley readiness and compliance
- Assess the IT environment and help "Spec and Select" the right ERP System, if required

Through S-1 Filing

• Implement solutions and remediate urgent needs

Through Second 10-K Filing

- Produce Sarbanes-Oxley Section 302 certification
- Achieve Sarbanes-Oxley Section 404 compliance
- Manage short and long term goals
- Ensure Section 906 hotline is in place

