WHITE PAPER

Preparing a Company To Go Public (IPO)

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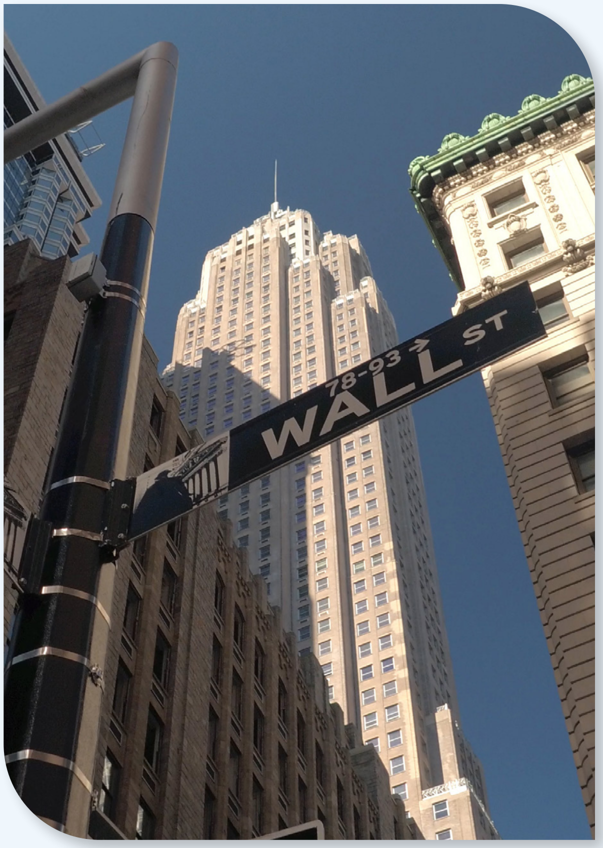
Executive Summary

Transitioning from a private to a public company is one of the most important events in a company's lifecycle. While an initial public offering (IPO) provides access to capital, liquidity, and enhanced market visibility, it also introduces heightened regulatory oversight, ongoing disclosure obligations, governance scrutiny, and material litigation risk.

This paper outlines the critical readiness steps required for a successful IPO, including financial reporting, governance, legal and regulatory compliance, operational discipline, and risk transfer strategy.

1. Strategic Readiness

Is the Organization Built/ Ready for Public Markets?



Before initiating an IPO process, company leaders should assess whether the company's strategy and operating model can withstand public market expectations.

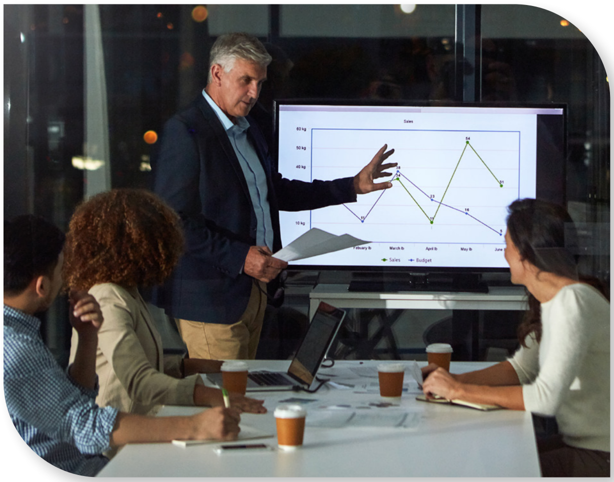
Key considerations include:

- Predictable revenue and earnings trajectory
- Scalable operating infrastructure
- Clear equity story and growth narrative
- Management depth beyond founders of company
- Market comparability and peer benchmarking

Private companies will need to adapt to more rigorous forecasting, quarterly performance scrutiny (pending new semiannual reporting) and external accountability.

2. Financial Readiness

Public-Company Reporting Standards



Public companies must comply with U.S. GAAP reporting standards and Sarbanes-Oxley (SOX) requirements.

Critical actions include:

- Audited financials
- Implementation of SOX-compliant internal controls
- Documentation of revenue recognition policies
- Selection of a registered audit firm

Early financial readiness helps reduce IPO delays and investor skepticism while lowering the risk of post-listing restatements.

3. Governance Readiness
Board & Committee Structure

Board Composition

Public companies are expected to maintain:

- A majority of independent directors
- Relevant financial, industry, and public-company experience
- Strong committee leadership

Required Committees

- Audit committee (financial literacy mandatory)
- Compensation committee
- Nominating and governance committee

You'll need to create policies for the following:

- Insider trading
- Code of ethics
- Whistleblower procedures
- Executive succession planning

Governance quality is typically correlated with valuation, investor confidence, and litigation outcomes.

4. Legal and Regulatory Readiness
Constant Disclosure

Securities Law Exposure

Once public, all material statements written or verbal are subject to anti-fraud provisions under federal securities laws.

Preparation includes:

- Robust disclosure controls and procedures
- Formal review processes for earnings calls and investor communications
- Alignment between marketing narratives and SEC filings
- Education of executives on Regulation FD

Inadequate disclosure is a primary driver of securities class action litigation in the first 36 months post-IPO.

5. Risk Management
Understanding the Public-Company Risk Profile

Shift in Risk Magnitude

Going public does not necessarily increase operational risk — but it significantly increases financial severity when adverse events occur.

Primary risk categories include but are not limited to:

- Securities class actions
- Regulatory investigations
- Derivative lawsuits
- M&A-related litigation
- Cyber and disclosure-related claims

Even modest stock-price declines can result in multi-million-dollar litigation costs, particularly in volatile or growth sectors.

6. Directors & Officers (D&O) Insurance

Why D&O Matters Pre-IPO

D&O insurance becomes imperative as the company approaches public markets.

Key factors:

- Increased personal liability for directors and officers
- Broader plaintiff pool (institutional investors)
- Higher claim frequency within the first three years post-IPO (strict liability period)
- Severity tied to stock-price volatility and market capitalization

IPO-Specific Considerations

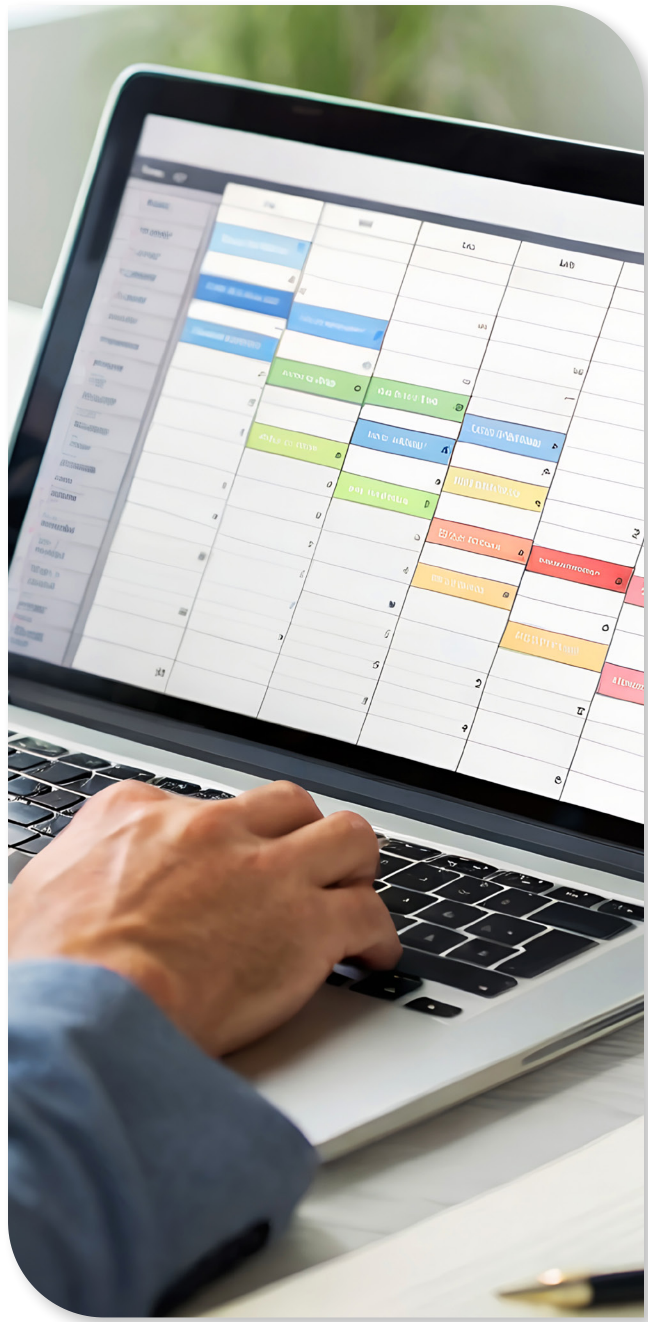
- Runoff (tail) coverage for pre-IPO acts (important to carry private company D&O prior to IPO as well)
- Side A difference-in-conditions protection (additional protection for the D&O's)
- Limits aligned with various benchmarking tools, along with loss analytics tools
- Carrier experience with IPO claims

Best practice aligns D&O limits with **extreme loss scenarios** (i.e., 1-in-250-year events), not average outcomes.

7. Timing & Execution
When to Begin IPO Readiness

IPO process/readiness should begin 12-24 months before the anticipated offering.

Timeline



24 months

Governance, financial systems, leadership planning

18 months

Audit readiness, internal controls, risk assessment

12 months

- Select investment bank
- Begin audited financial statement prep
- Board committees
- Corporate policies

6-9 months

- Initial draft of S-1
- Initial D&O program design

3-6 months

- File S-1
- SEC comment letter responses as necessary
- Begin D&O underwriting meetings

2 months

- Prepare for Roadshows
- Finalize corporate governance
- Final D&O tower design

3 weeks before IPO

- Final S-1 approval
- Commence roadshows
- Finalize IPO pricing
- D&O program ready to bind

Readiness is key as delays could increase cost, distract management, and elevate execution risk. Companies that approach IPO preparation holistically across strategy, governance, financial reporting, legal compliance, and risk transfer are better positioned to thrive.

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