



The Pre-IPO Board

Preparing The Board of Directors Early in Anticipation of Going Public

with Roberta G. Sydney
&
Mark A. Pfister



Webinar Start Countdown



— WEBINAR REMINDERS —

a few points to mention

- **Purpose:** Share knowledge and benefits of **preparing the Board of Directors early in anticipation of going public.**
- **Questions:** Write your questions in the Q&A section. My goal is to answer all questions at the close of the presentation. Otherwise, we will follow-up with you via email afterwards.
- **Materials:** Yes, this entire webinar is being recorded and you will receive a link via email shortly. This link will also include the ability to view & download the presentation deck in its own separate file.
- **International Board Director Competency Designation:** IBDC.D certification holders will receive 1 CPE credit by attending (be sure to follow proper CPE credit submission guidelines).

— YOUR SPEAKERS —



Mark A. Pfister

Non-Executive Director, CEO,
& Chief Board Consultant

- Governance & Strategy expert, Non-Executive Director, & Chief Board Consultant having consulted & advised hundreds of public, private, and nonprofit Boards.
- Founder of the *International Board Director Competency Designation* (IBDC.D), a globally-recognized Board and Board Director education & certification.
- Has the unique experience of architecting pre-IPO Boards and documented many interesting observations.



Roberta G. Sydney

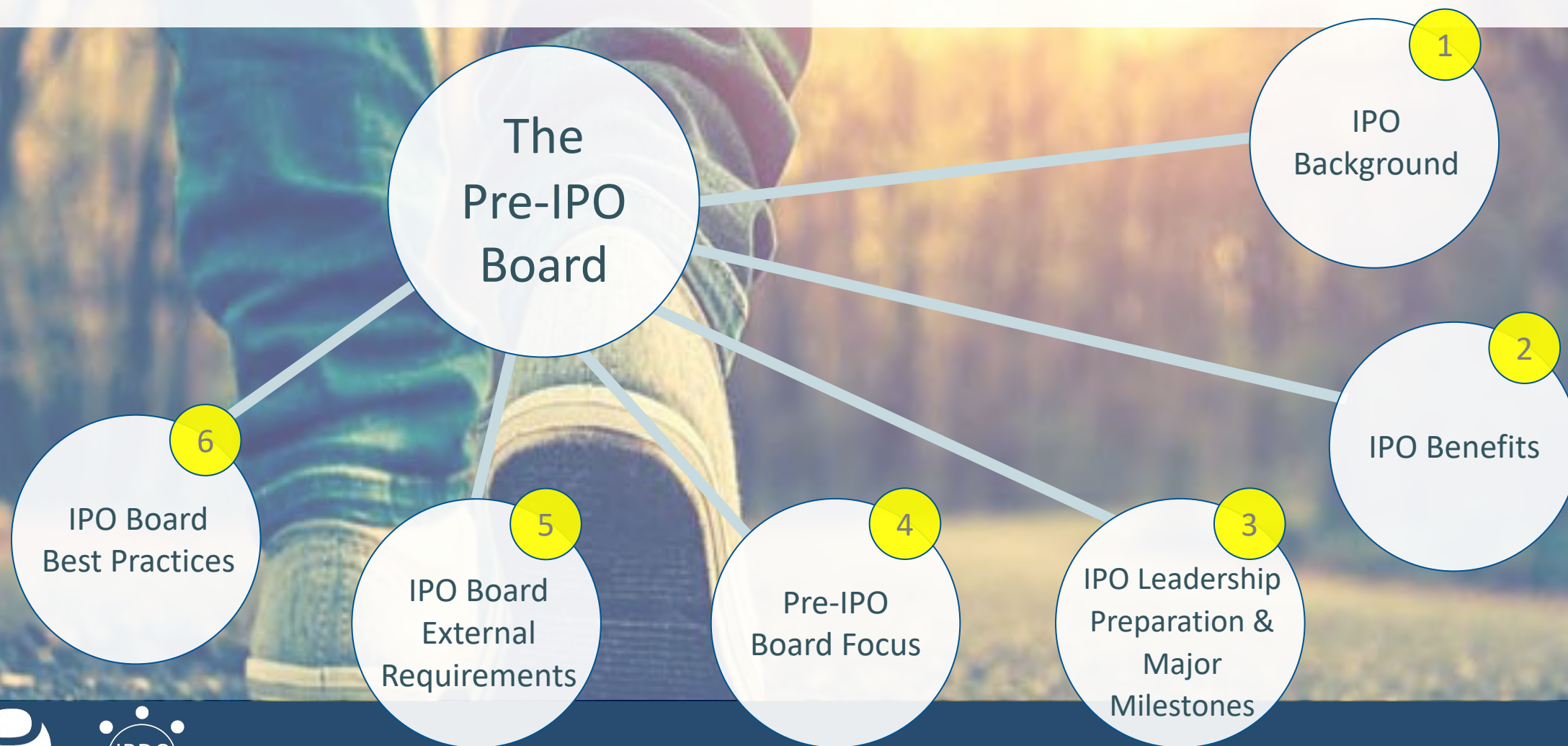
Non-Executive Director

- Experienced Board Director in public, private, and pre-IPO companies.
- Lead Independent Director and Nominating & Governance Chair of a pre-IPO Company and a public REIT.
- Non-Executive Director for a private company that went public via SPAC.



GOALS

what to walk away with from today's webinar...



— IPO BACKGROUND —

what it is and where it started



Initial Public Offering: refers to the process of offering shares of a private corporation to the public in a new stock issuance for the first time. **An IPO allows a company to raise equity capital from public investors.**

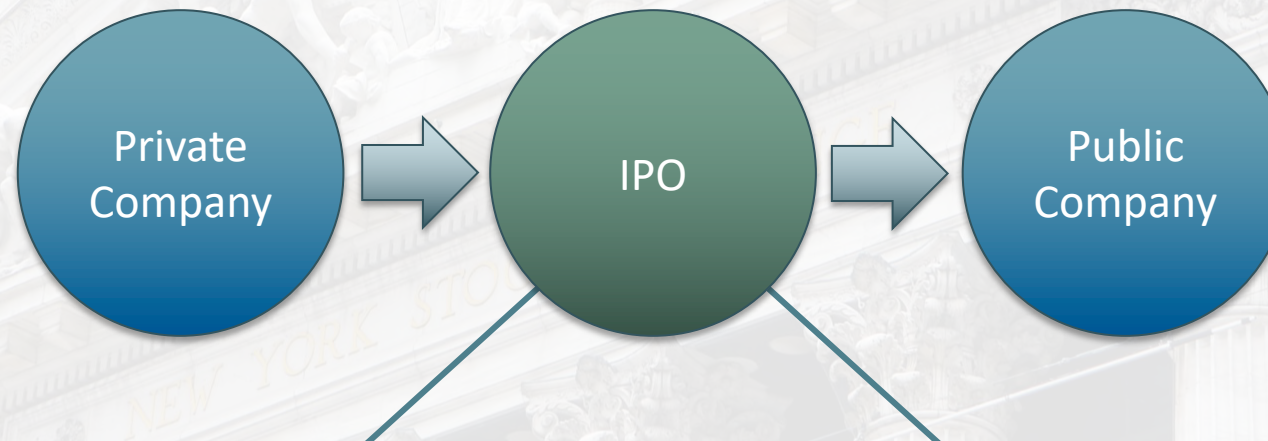
The first IPO dates back to 1602, when the **Dutch East India Company** (Verenigde Oostindische Compagnie, or VOC), at the time the biggest commercial enterprise in the world, invited every resident of the Netherlands to buy shares to help finance its trade in spices and other commodities.



IPO BACKGROUND

what it means + challenge overview

The decision for a private company to go public is a major one



Founders, CEOs, and insider Board Members, if they are already appointed, are commonly short-sighted in their formal Board composition focus until forced as a requirement to become a public company.

The growth implications of an IPO are far-reaching, and the rewards can be incredible, but how should a company prepare for this and what exactly are the important focus areas?

I P O B E N E F I T S

advantages of becoming a public company

There are many good reasons for a private company to consider an IPO

Cash in a portion of the founders' or owners' equity without giving up all of their control

Gain access to public equity markets, opening the door for potential future capital raises

Leverage the abundant price-to-earnings multiples commonly available in public markets by monetizing an equity interest in the company

Make acquisitions of other companies by issuing equity directly to the public or sellers to raise the funds for a cash purchase

Attract and reward key employees and Directors by offering stock-based compensation and incentives

All of these benefits are great opportunities for growth-minded organizations



IPO BENEFITS

potential disadvantages of becoming a public company

With all of the benefits, there are also some potential disadvantages of an IPO

Additional
Regulatory
Requirements &
Disclosures

Market
Pressures

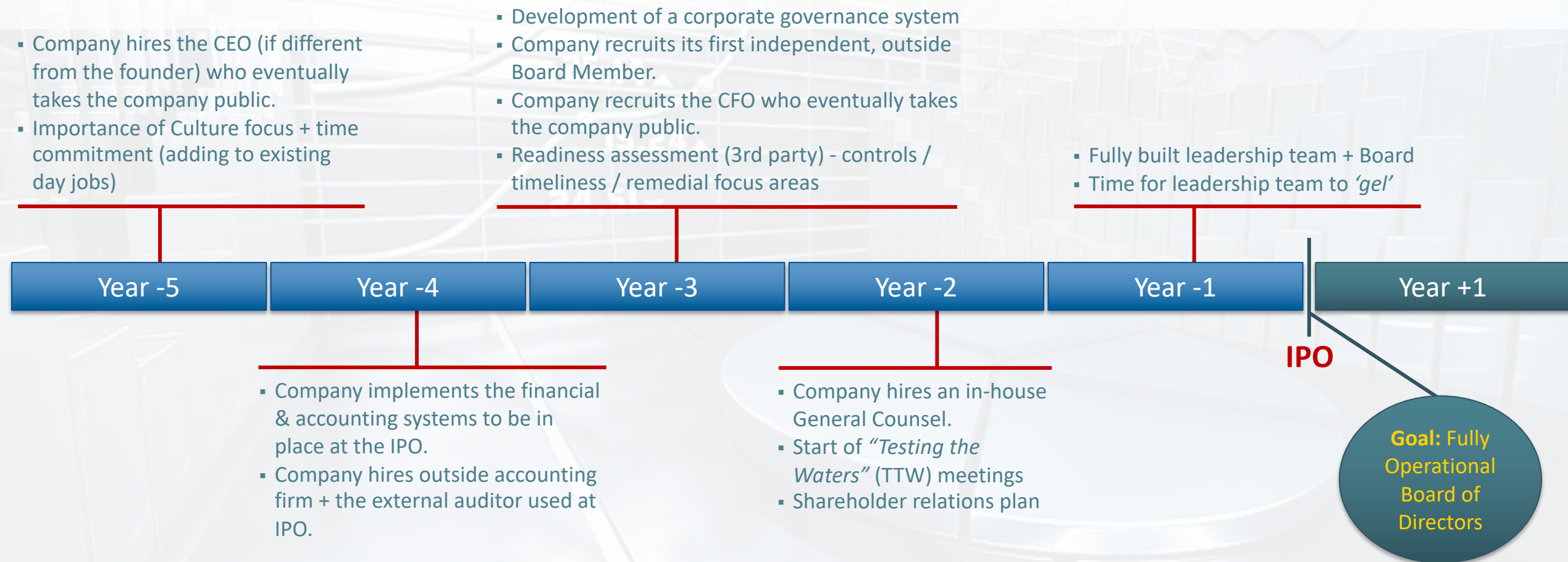
Potential
Loss Of
Control

Transaction
Costs

These potential disadvantages must be weighed in the IPO decisioning process

IPO LEADERSHIP PREP / MAJOR MILESTONES

ideal IPO preparation timeline



See Harvard Law School Forum on Corporate Governance [article](#) providing interesting IPO data points and study results



PRE-IPO BOARD FOCUS

applying discipline in the process

Regardless of the point at which the Board-build / rebuild effort becomes the major focus in the IPO process, always:

👉 Apply proper *Board Architecture* principles

- Sphere of Influence (i.e. expertise/committee coverage)
- Planes of Congruence (i.e. personality type, diversity, etc.)
- Coverage & Balance (i.e. #1 SME / #2 Deep Knowledge)



👉 Include the required regulatory compliance guidelines (independence requirements to be discussed)

👉 Direct focus on attracting and appointing great Non-Executive Directors to your future public company-required Board Committees:

- Audit Committee
- Compensation Committee
- Nominating & Governance Committee

👉 Consider forming any remaining, but not mandated, Board Committees early in the process as this can reap great rewards



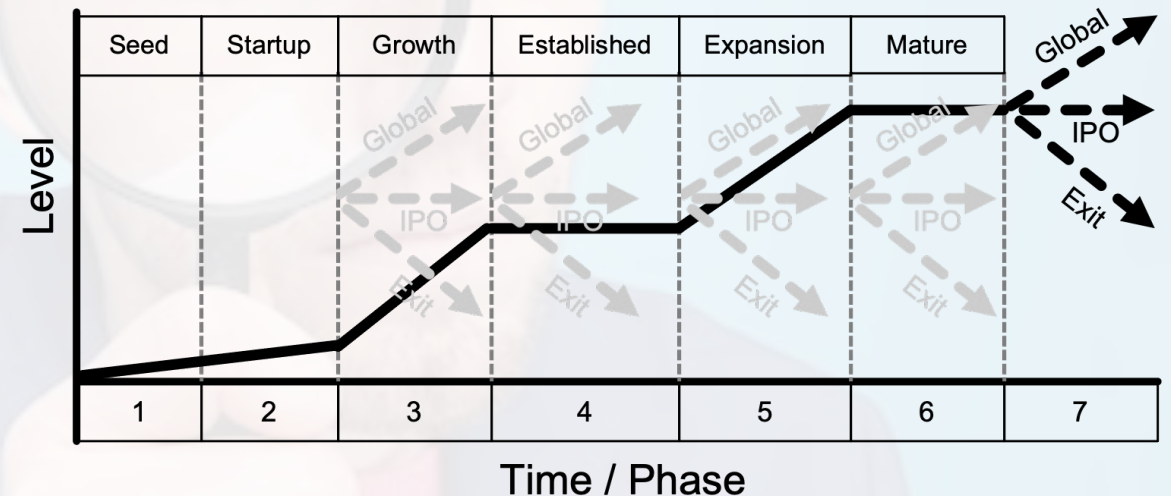
PRE-IPO BOARD FOCUS

applying discipline in the process

Additional Considerations:

- ➡ Aim for at least 50% of Board Members to have previous public company Board experience
- ➡ Having at least 1 Board Member with previous IPO (and M&A) experience is advantageous
- ➡ In addition to engaging an outside leading IPO law firm, it can also be advantageous to have a seated Board Member with this same legal experience pre-IPO

- ➡ Remember that great Boards are designed around an organization's current and upcoming phase(s) of growth, so architect the current Board accordingly



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IPO BOARD EXTERNAL REQUIREMENTS

mandate considerations - U.S. example 1

NASDAQ			Weil
<i>Event</i>	<i>Majority of Independent Directors</i>	<i>Independent Audit Committee</i>	<i>Independent Compensation & Nominating Committees</i> <i>(Assuming Nominating Responsibilities Delegated to Committee and not Independent Directors)</i>
IPO	Within 1 year of listing	<p>At least 1 independent member at the time of listing</p> <p>Majority of independent members within 90 days of listing</p> <p>Fully independent committee within 1 year of listing effective date of registration statement</p> <p>No non-independent members permitted during phase-in if the company is required to file periodic reports with SEC before listing</p>	<p>At least 1 independent member on each committee by time of listing</p> <p>Majority of independent members on each committee within 90 days of listing</p> <p>Fully independent committees within 1 year of listing</p>

From the article by Weil, Gotshal & Manges LLP: [Requirements for Public Company Boards Including IPO Transition Rules](#)

IPO BOARD EXTERNAL REQUIREMENTS

mandate considerations - U.S. example 2

NYSE						Weil
<i>Event</i>	<i>Majority of Independent Directors</i>	<i>Independent Audit Committee</i>	<i>Number of Audit Committee Members</i>	<i>Independent Compensation & Nominating Committees</i>	<i>Internal Audit Function</i>	<i>Website Posting of Committee Charters, Governance Guidelines & Code of Conduct</i>
IPO	Within 1 year of “listing date” (the date that the company’s securities first trade on NYSE) (regular way or when-issued)	At least 1 independent member by listing date Majority of independent members within 90 days of effective date of registration statement Fully independent committee within 1 year of effective date of registration statement No non-independent members permitted during phase-in if company required to file periodic reports with SEC before listing	1 member by listing date 2 members within 90 days of listing date 3 members within 1 year of listing date	At least 1 independent member on each committee by earlier of date IPO closes or 5 business days from listing date Majority of independent members on each committee within 90 days of listing date Fully independent committees within 1 year of listing date	Within 1 year of listing date	By earlier of date IPO closes or 5 business days from listing date

From the article by Weil, Gotshal & Manges LLP: [Requirements for Public Company Boards Including IPO Transition Rules](#)



— IPO BOARD EXTERNAL REQUIREMENTS —

mandate considerations

...but why wait to architect your ideal Board or implement these Board composition mandates during the IPO process or within the grace period?



“There are many benefits to accomplishing this much earlier and well in advance of an IPO...”

Read Mark's article, [The Pre-IPO Board](#)

IPO BOARD BEST PRACTICES

starting early to gain the full value

Post-IPO (within grace period)

Expend effort during within first year as a public company
focused on Board structuring / Director appointment &
replacement

VS.

Ramping up Board Committees during post-IPO operations

VS.

“Settling-in period” after IPO go-live
(Build confidence in leadership after IPO)

VS.



Pre-IPO

Can also help
elevate IPO

Continuation of focus on strategy & governance
responsibilities immediately following IPO

Preparing Committees in advance: gaining consensus /
building processes / aligning efforts / Board Candidate
sourcing + vetting

“Well-oiled machine” prior to IPO go-live
(Build confidence in leadership before IPO)



IPO BOARD BEST PRACTICES

starting early to gain the full value



“Pre-IPO organizations commonly miss out on many of the benefits an in-place, properly architected, and honed Board can offer in the years leading up to an IPO event...”

Note: We must always remember, however, that market timing remains of utmost importance, and an extremely aggressive IPO schedule can be warranted in certain instances so as not to miss the ideal market window



SUMMARY POINTS

important take-aways



Business founders, CEOs, and insider Board Members are commonly short-sighted in their formal Board composition focus until forced as a requirement to become a public company.



Fit for Purpose team - When it comes to requirements of Board makeup, there are many important considerations in both the value and requirements of a properly structured IPO Board.

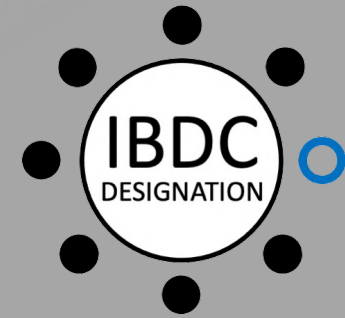


Direct focus and preparation - Attracting and appointing great Non-Executive Directors to future public company-required Board Committees (Audit Committee, Compensation Committee, and Nominating/Governance Committee) plus remaining, but not mandated, Board Committees early in the process can reap great rewards. (competency / skills / experience / expertise)



Time for Board to 'gel' & create camaraderie





Becoming an Exceptional Board Director Candidate

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Get modern Board Director Candidate packaging **AND** modern Board operations knowledge all in one shot while **ALSO** earning your globally recognized *International Board Director Competency Designation* (IBDC.D) certification.

1:1

Group

On-Demand

<https://www.pfisterstrategy.com/exceptionalboarddirector>

THE PRE-IPO BOARD

are you prepared?

Get
prepared
early!

Infuse
your **Values**

Gain the
benefits of an in-
place Board well
in advance of
IPO

Q&A



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