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Publicly Fit:

Building Public Company Essential Infrastructure

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What do we mean by publicly fit companies?

Whether contemplating a future public offering, already underway with a SPAC merger, or newly public, such companies must have the right infrastructure in place to meet more rigorous reporting requirements and expectations. In today's environment, many businesses need to enhance their operations and compliance standards—to become Publicly Fit—to increase opportunities and enhance overall enterprise value. The benefits include:

- **Facilitating financial transactions:** Many lenders or other financial partners expect companies poised for growth to already demonstrate rigorous reporting standards and internal controls.
- **Securing key partnerships or joint venture opportunities**: Organizations that demonstrate voluntary compliance with elements of public-company standards are more attractive potential business partners.
- **Increasing current value**: In the event of a SPAC merger or IPO, growth-oriented companies with documented, standardized business operations can close a deal more efficiently and at a greater enterprise value.
- **Securing top board members**: Many of the most experienced, talented business people insist on well-defined corporate governance policies and strong financial oversights before they will accept a board appointment.
- **Hiring top talent**: Likewise, many potential senior management hires also expect companies, to have governance and oversight polices that comply with public standards.
- **Protection from accusations of wrongdoing**: Organizations that voluntarily operate under the same standards as a public company can more readily establish that they are applying acceptable and appropriate standards in the event of a lawsuit or other legal action.

We encourage our clients to think differently about building a more coordinated accounting structure capable of withstanding external scrutiny. There are simply too many transaction-based opportunities beyond an initial public offering (IPO) that require this higher level of transparency and sophistication.

At Weaver, our experienced professionals work with growth-oriented companies every day and appreciate what you have built.

We understand the entrepreneurial point of view and we keep that view in mind as we help companies build a Publicly Fit infrastructure.

We strive to help our clients build a Publicly Fit infrastructure as soon as their company's growth has reached an appropriate level, which varies from company to company. Although properly preparing for external accounting scrutiny is a process that can take one, two or even three years, Weaver can partner with you to move your company in the direction of a Publicly Fit infrastructure in incremental steps based on your needs – even if your business is newly public and you need post-public assistance.

Becoming Publicly Fit in accordance with your company's own timetable, rather than in response to an event, benefits both pre-public companies and those working to grow their businesses beyond current levels.

What's different about Weaver's approach to building a publicly fit company?

Financial accountability is every company's responsibility—and it's just good business.

The Sarbanes–Oxley Act of 2002 (SOX) changed the governance landscape for all companies—not just public companies.

Why?

While the law specifically applies to public companies (those filing a Form 10-K), the rigorous reporting, accounting and internal control principles ushered in by SOX have become the accepted yardstick for measuring a company's level of sophistication. As a result, companies that ignore SOX requirements may miss market opportunities.

At Weaver, we begin with the end in mind—and we adapt our approach to fit your company's needs and timeline.

For example, we work with companies that need to become Publicly Fit but have limited resources and short timelines. Beginning with their most pressing needs, we advise these companies through the process at a pace that fits their resources.

We create an overall plan with a solid foundation that builds on itself. We begin with the company's most pervasive infrastructure issues (those processes touched by the most people) and create scalable processes that address those issues first. Once this foundation is firmly in place, we move incrementally, using our exclusive building-block approach, through more discrete systems and processes (those touched by fewer people and exposed to a higher degree of subjectivity).

This proprietary, systematic approach allows us to create an overall solution with the least disruption.

Depending on a company's ongoing level of financial-reporting sophistication, Weaver can shorten the process of becoming Publicly Fit to just a few months, but costs increase as the timeframe shortens, and the strain on the company can be significant. That is why we much prefer phased-in implementation. This allows a company to put new processes in place and bring them to full functionality before moving forward to the next phases of this transforming experience. This type of effective change management helps ensure a smoother transition and keeps costs under control.

The road to becoming Publicly Fit involves several incremental steps, including:

- Enhancing financial reporting capabilities
- Implementing risk assessment processes
- Developing corporate governance practices
- Enhancing and strengthening internal controls and information technology systems
- Creating procedures compliant with Securities and Exchange Commission (SEC) reporting rules

Enhancing Financial Reporting

Understanding and valuing the importance of accurate and timely financial reporting is part of the cultural shift needed to move your company to the next level. At Weaver, we help your team make this cultural shift.

Improving financial reporting begins with assessing your current internal resources, both personnel and technology. For example, does your company already have the experience and expertise required to meet public-company standards? If not, you will need to augment your financial team. This may require a shift in thinking for the leadership team, who may not be accustomed to hiring a Chief Financial Officer, particularly one who is positioned to face the public markets, financial analysts and shareholders. Adding this new level of expertise requires a commitment to turn over important decision-making and financial authority to a person who has not yet earned the management team's confidence. Additionally, these skills come at a high cost and may include some form of company ownership, such as stock options or other equity incentives, in addition to cash compensation.

At Weaver, we understand how difficult embracing this type of shift in thinking can be. We spend time proving the value of this change; helping the management team to fully understand how this more costly infrastructure is a necessary part of the building blocks for the company's future.

Additionally, from a process and technology perspective, your company's current reporting capabilities may be too limiting and significant changes may be required. Pre-public and newly-public companies are often accomplishing current reporting tasks through inefficient processes, which will no longer suffice once your organization is in the public capital markets. Not only are they too onerous, but they do not allow flexibility to analyze data in different ways and gain much needed business intelligence.

In a mature internal infrastructure, a financial team typically includes several members, each with a different purpose within the accounting and reporting function. These members work with consistently applied accounting policies and procedures and, based on the accounting system configuration, are able to dissect and analyze data from their different perspectives. This allows the company to configure reports for multiple purposes, such as for internal decision-making or external reporting requirements.

ENTITY PROFILE | A global manufacturing company sized at $250 million that grew to a $1 billion company in 18 months.

CHALLENGE | Weaver recently spent nine months working with a company posturing to grow by four times its current size. While management's leadership was strong, the company's growth prospects were restricted because it lacked critical standardized, reoccurring financial practices.

SOLUTION | Weaver assisted our client with documenting and recreating detailed asset records, which were missing due to a series of earlier acquisitions. Then we worked side-by-side, on site for nine months, with our client's management team to document accounting and operational process gaps and to design an overall plan to fill those gaps and enhance the company's overall processes. Ultimately, we divided management team responsibilities into segregated work-flow functions that were orderly, systematic and SOX compliant. Our on-site team, including a manager and three other professionals, also worked directly with the company's leadership to assign responsibilities within the accounting department and other departments. Then we helped fully implement the new, scalable policies and procedures.

Implementing Risk Assessment Processes

While daily business risks are the similar for public and private entities, the way risk assessment is used and measured can be significantly different. The purpose of risk assessment is to make informed decisions within your company's risk-tolerance levels. Established public companies, with their mature internal infrastructure, focus on understanding and fully mitigating the company's risk. However, many pre-public companies, even those considered high-growth, spend too little time assessing risk and evaluating adequate mitigation, often preferring a more noncommittal and ad hoc approach.

Implementing strong risk-assessment strategies within a corporate-governance structure not only makes good business sense, but it's often expected by outside investors and potential acquirers. Management is accountable to the board of directors for the documentation of the company's risk appetite/tolerance and how it is used and communicated to the company's various audiences.

At Weaver, we work with companies to develop a risk-assessment process that will pass scrutiny and inspire confidence with all target audiences, such as shareholders or private investors, as well as regulators.

ENTITY PROFILE | An SEC regulated financial services company that, based on its span of service and operational complexity, needed to develop a formal risk assessment and risk response plan.

CHALLENGE | The company had received a management letter comment from its external audit firm, which indicated that based on the company's size and complexity level in its regulated industry, it needed to put a formal risk assessment process in place and consider implementing an internal audit function. The company's external audit firm was restricted from assisting with these efforts due to regulatory guidelines and independence rules. In these situations, companies are often faced with one of two solutions, hire the expertise to do the work in-house or hire a second firm with internal audit expertise and capabilities to perform the work.

SOLUTION | After being recommended to the company by its external audit firm, Weaver performed an entity-level and process-level risk assessment across the company. This included identifying the company's risk appetite and risk tolerance levels and providing a documented risk-response plan.

As part of Weaver's solution, which included a thorough interview and survey process with key members of the company's management team, Weaver created a customized risk-response plan and proposed a three-year internal audit plan that was modified and accepted by the company's audit committee. Then, Weaver helped the company hire a manager-level internal auditor who was responsible for implementing the plan and for the ongoing internal audit function.

Within a year, the company had satisfied the external audit firm's requirements and had a fully implemented risk-response plan. Weaver maintained a co-sourcing relationship with the company to perform certain internal audit activities. The risk assessment and internal audit processes assisted the company with compliance with FINRA (Financial Industry Regulatory Authority) guidelines. The company eventually merged with another private company and went public. Having a mature risk assessment and internal audit function was a strong platform that enabled to company to achieve its objectives.

Developing Corporate Governance Practices

Another significant cultural shift when a company goes public is developing appropriate corporate-governance practices. This structure, which includes a reliance on outside independent directors and the division of power and responsibilities to different members of the management team, is not typically found in a privately-held company, even those considered high-growth.

In a public company, the board of directors, representing shareholders' interests, is the authority. Company management is accountable to the board, which should be an independent entity but not disconnected from the management structure.

In turn, the CEO and executive leadership team need to have clearly delegated authority to carry out the board's direction. They are responsible for establishing and maintaining appropriate entity-level controls to reinforce an empowered and ethical environment.

Privately-held companies, as well as those who are newly-public, often have informal structures that lack the formalization of entity-level control processes. These set the tone at the top with expectations for individual performance and behavior across the organization, including a code of ethics, delegation of authority, human resources policies and core values.

At Weaver, we help to implement a more accountable governance structure through hands-on work with current company management and the careful development of appropriate screening processes for hiring individual board members and establishing the board's overall executive structure. We understand the importance of proper recruitment and of establishing a robust board structure with suitable entity-level controls.

ENTITY PROFILE | An industrial manufacturing and design group directed by its owner and founder seeking capital through an equity transaction in less than 12 months.

CHALLENGE | The company was looking for a capitalization strategy that would make it attractive for outside investment so the owner could sell a portion of the company to recoup his personal investments.

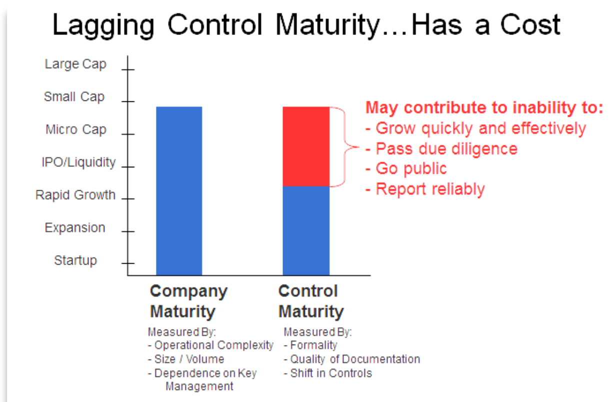
SOLUTION | Weaver identified specific company-level governance processes that needed to be in place before outside investors would want to make a significant investment in the company. While the company was highly successful, the decision-making process was concentrated with the owner. Weaver began developing a truly autonomous management team and created a formalized board of directors. As part of this process, Weaver helped the company's owner write a job profile and recruit a chief operating officer (COO), a role that had previously been handled by the owner. Weaver also participated in the further development of specific financing and reporting skills for the company's current controller so she could assume the role of chief financial officer (CFO).

We also worked with the owner to identify the board requirements for an appropriately diverse and effective board of directors, including recruiting independent trusted advisors with specific expertise. Then Weaver planned and initiated a formal reporting structure, including a governance calendar to hold specific management meetings, including biannual strategic planning, quarterly results-focused meetings and semi-annual budget-focused meetings. As a result of the new governance practices and the enhanced management team, our client had a business that was no longer dependent on one individual, which enabled him to sell 45 percent, a non-controlling interest, to a large private equity firm, while also distributing ownership participation to his COO and CFO.

Enhancing Internal Infrastructure

Developing the level of scalable technology-reliant procedures, personnel processes or business processes needed to meet the minimum requirement of a public company is a challenge for many pre-public companies as well as those who are newly-public. Effective business process control design along with supporting information technology, as well as specifically defined roles for personnel, is the foundational element of a mature internal infrastructure. Additionally, it must be scalable to support growth and it must be reliable.

This cultural change may represent a significant expense for companies operating with slim information technology support, open security and inconsistent backup procedures. The companies may not adequately identify and implement internal controls and evaluation processes for the majority of their financial transactions, such as sales to cash, purchase to pay, inventory control, personnel payroll reporting and financial reporting.



By implementing, proving out and communicating a strong and effective environment of corporate governance through entity- and process-level internal controls, companies of all sizes can realize significant benefits. These benefits do not require full compliance with SOX legislation.

We identify your critical technology-related applications and associated controls and put entity-specific policies and procedures in place to ensure the continuity of those procedures. These initial steps can provide numerous benefits associated with strong corporate governance and improved operational effectiveness.

ENTITY PROFILE | A manufacturing technology company, recently public and qualifying as an EGC, with manual internal control processes that relied on trusted individuals and a system based on workarounds and patchwork solutions.

CHALLENGE | The company had reached a level of growth and future potential that required more robust internal controls built to synchronize within a more advanced enterprise resource planning (ERP) solution. While the company's infrastructure had been adequate for its needs up to this point, growth experienced over the prior two years resulted in an increasing reliance on a few trusted individuals and a number of workarounds and patchwork solutions that were increasingly the cause of unacceptable inefficiencies.

SOLUTION | Weaver worked with the new management team, which was brought in to ready the company for future expansion, to identify the increased system capabilities and functionality the company needed to provide the necessary internal controls, automation, sophistication and transparency, which required a much more sophisticated ERP system that was fully customizable, configurable and scalable. Working side-by-side with our client, Weaver evaluated the current design of the internal controls for key business cycles, identified control gaps, and made recommendations to strengthen the internal controls through segregation of duties and automation. The Weaver team performed business-process mapping to document the specifications and data elements required for the various departments of the company to facilitate effective management and efficient operational processing across the business. This documentation was used to strengthen the internal control design and select a new core ERP system that would facilitate future growth and improve business processes. This solution helped the company automate manual procedures, implement preventative controls, customize data, enforce segregation of duties through access, improve data security and build better management reporting. Further, the ERP system enabled the company to build the foundation of controls necessary for future SOX compliance.

Accommodating Compliance Requirements

ENTITY PROFILE | A fast-growing retail company preparing for an IPO.

CHALLENGE | Helping a private equity firm, which had invested in the company, recoup its investment by preparing the growing company for an IPO. The company already had accurate routine financial reporting through its chief financial officer and its strong controller, but the move to a public company would require more rigorous reporting.

SOLUTION | Weaver determined that, as a public entity, the company needed to add a third financial reporting position, hiring someone with the compliance and financial reporting knowledge needed to handle public filings. Weaver helped the company identify the skills needed and we participated in the interview process to find a candidate with the appropriate skills who would complement the other two financial team members. Additionally, Weaver worked side-by-side with the new financial reporting team to prepare the S-1 filing for the Securities and Exchange Commission (SEC),as well as the company's first annual report (10-K report) and proxy statement. Then Weaver assisted our client in working with its external auditors to satisfy that firm's points of concern. Generally, this work included identifying and implementing an automated consolidation and financial statement system and software for EDGARizing the final submission of the public reports. Weaver's hands-on help resulted in the company smoothly transitioning to its new SEC reporting requirements and doing it with the least amount of disruption and expense.

If a company has explicit plans for a future capital markets transaction, it must be prepared with financial reporting that is compliant with SEC rules and regulations. These requirements can be onerous for companies on the path to going public. For example, the SEC requires compensation disclosure for certain highly compensated personnel. Companies seeking to go public can generally insulate top management pay, but doing so may not fully represent the company's most highly compensated staff. More robust reporting capabilities, including the ability to view data from different perspectives, are required.

For publicly registered entities, financial reporting also requires timely filing of a multitude of required SEC disclosures, such as press releases (8K) for timely disclosure of material events. In companies seeking to go public, the members of a management team may routinely finalize handshake deals that materially impact the company's future but are not disclosed externally. As a public company, or one held to a public-company standard, those deals must be quickly disclosed to the shareholders and the public. This represents another huge cultural shift for many organizations.

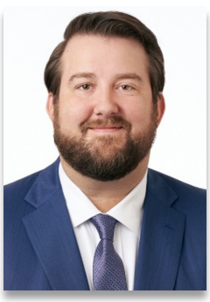
Additionally, pre-public companies often rely on their auditors to accumulate appropriate data and prepare required disclosures. However, as a public company or a sophisticated private entity, your company cannot depend on your outside external auditors for fundamental management functions—and financial reporting is fundamental. Such reliance would not be acceptable to regulatory agencies or be in compliance with independence rules.

At Weaver, we regularly work with businesses faced with revamping inadequate financial reporting and accounting structures that might have been adequate in the past but will not overcome the regulatory hurdles facing a more mature company with public reporting responsibilities. Our team expertly evaluates current systems and recommend the most appropriate way to restructure them.

Our Team

Alyssa G. Martin, MBA, CPA

Alyssa leads strategic, multi-disciplinary solutions for Weaver's public company and large clients nationwide. Her Publicly Fit activities cover financial advisory and IPO readiness, SEC compliance, operational analysis, risk management, information technology audit, business management consulting, internal audit, fraud prevention, strategic planning and technology consulting for growth-oriented companies in various stages of preparing for public offerings and mature SEC registrants. She has led multiple engagements designed to establish effective strategies for companies desiring to complete an initial public offering.



Phil Ilgenstein, CPA

As a leader of Weaver's public company audit and assurance practice, Phil supports companies of all sizes. His experience ranges from pre-revenue startups to Fortune 500 corporations. His industry focus includes technology (including software, hardware, semiconductor design and manufacturing, telecom and services), heavy or industrial equipment, and general manufacturing and distribution. For Publicly Fit companies, he provides financial statement and integrated audits, reviews and other assurance services, as well as technical accounting, financial reporting, and advisory services for growth oriented companies in various stages of preparing for public offerings.

Brian J. Thomas, CISA, CISSP, QSA

Brian leads Weaver's Advisory Services and manages complex engagements for many of the firm's largest clients. For Publicly Fit companies, he assists with development of IT-focused solutions such as service organization controls (SOC) reporting, system integration, cybersecurity, Sarbanes–Oxley (SOX) compliance assistance, IT audits and IT project management. Brian's experience spans a wide array of industries including technology, financial services, energy and manufacturing.

Zeeshan Khan, CPA

Zeeshan is the SPAC practice leader and audit partner. He serves public companies, from Small reporting companies to Large accelerated filers, with particular emphasis in the oil and gas, manufacturing and retail industries. For Publicly Fit companies, he also helps clients achieve compliance with regulations such as SOX 404, SEC financial reporting requirements and has experience with SEC filings, SPACs, statutory audits, quarterly reviews and comfort letters associated with debt offerings.

Working with Weaver

For companies considering going public, making the right critical decisions can mean the difference between ringing the opening bell and experiencing costly delays or even failing to launch. Properly planning for the external scrutiny involved in going public takes time, which is why preparing early is a must.

Weaver's experience working with companies to becoming Publicly Fit gives us a viewpoint that respects and appreciates the level of commitment it takes to build a successful company. We fully understand the level of commitment it takes from you to revamp your long-standing processes in order to move to the next level of business sophistication.

We work with organizations to establish the building blocks of a public company foundation and can immediately begin to offer practical recommendations for change that can be easily implemented by the company.

As a Weaver client, you also gain access to our top partners who are hands-on, day-to-day at every level of your project. They have the depth of experience needed to immediately spot and efficiently resolve potential issues that could slow down your company's progress toward becoming Publicly Fit.

If the time has come to move your company to the next maturity level, whether you are pre-public or newly public, you can begin the process with an assessment from a Weaver team with specific knowledge of your industry's distinctive challenges. We'll begin by helping you decide which members of your management team will be involved, identifying your best sources of information and documentation, determining the timeframe you are willing to allow to convert your processes, and establishing a detailed plan aimed at accomplishing those goals within the allotted schedule.

While the process can be rigorous, becoming Publicly Fit is just good business for most high-growth companies.

What you can expect as one of our clients:

- **The resources of a national and even international firm at a fair and reasonable cost.** Your investors count on you to manage your budget closely. Our commitment to quality is paralleled only by our commitment to cost-effective delivery of services — and we never sacrifice either.
- **A commitment to your complete satisfaction.** Our mission is to help you identify and achieve your financial goals and to deliver the professional accounting services you need to add measurable value in the pursuit of those goals.
- **Ongoing, exceptional client service.** The specifically selected members of your engagement team, including our senior management, will communicate with you in a timely and courteous manner at all times. In fact, to bring your firm's processes up to the Publicly Fit level, members of our engagement team will work with you, side-by-side, in your offices during the most critical aspects of the process.
- **A deep understanding of your needs.** As your professional services provider, we have a responsibility to learn your business and understand your needs. To accomplish this, we regularly supplement our already extensive knowledge of both private and public companies with the use of comprehensive, industry-specific research tools to identify and address the issues facing you.
- **A proactive stance on your behalf.** We strive to help you reach your financial goals by keeping you informed and implementing necessary process changes to accommodate relevant law changes or to help you seize new financial opportunities and conquer challenges along the way.

About Weaver

Weaver is a nationally recognized, top-40 accounting firm with offices from coast to coast with a robust public company practice.

But we're no ordinary accounting firm. Our success is built on a commitment to providing first class services with a personal touch based on experience. Weaver professionals are committed to helping our clients succeed, acting with integrity and always striving to transcend expectations.

We have the geographic reach, the industry knowledge and the technical experience to serve clients of every size and type, from publicly traded Fortune 500 companies to middle market private companies. Our services go beyond traditional assurance and tax to include financial advisory, risk and IT advisory, cyber security, valuation and transaction advisory, as well as outsourced tax and specialty tax consulting.

Ultimately, what truly distinguishes Weaver is our dedication to your success. Our philosophy has always been about doing more than expected. That's why we go beyond "check the box" compliance to provide a wide array of services designed to help our clients meet their broader operational, risk management, regulatory and strategic goals.

At Weaver, there are no "one-size-fits-all" solutions. We combine leading technical knowledge with specific industry experience to provide highly customized services tailored to each client's needs.

Industries

- Government
- Not-for-profit
- Higher education
- Professional services
- Insurance
- Private equity
- Real estate
- Hospitality
- Technology
- Construction
- Financial services
- Financial institutions
- Oil and gas
- Healthcare
- Manufacturing and distribution
- Oilfield services
- Renewable energy

Services

Advisory Services

- Risk advisory services
- IT advisory services
- Transaction advisory services
- Forensic and litigation services

Assurance Services

- Audit, review and compilation
- Agreed-upon procedures
- Employee benefit plan audit
- SOC reporting
- Attestation services
- IFRS assessment and conversion

Tax Services

- Federal tax
- State and local tax
- International tax
- Private client services

Top 40 Firm nationwide

Best of the Best Firms (2019)