

# MoFo's Ten Commandments for Israeli IPO Candidates

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**Oldie but Goodie**  
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# I. Check Your IP, and Check It Again

- Israeli companies are tech companies and strong IP protection is almost always essential to create value for tech companies.
- Angel and VC funding in Israel often does not provide sufficient funds to build out the patent portfolio in a strategic way.
- A rigorous third party review often prevents missteps and embarrassment.

## II. Develop a Multi-Year Financing Plan That Is Realistic

- Raise enough money upfront to withstand surprises and closed windows.
- Think about how subsequent business developments will affect possible follow-on and secondary offering opportunities.
- Become conversant with different financing methodologies.

# III. Make Sure Your VC's Will Support This Effort

- VCs often have different price thresholds and liquidity needs.
- They often disagree concerning their respective roles in the future public company.

# IV. Develop a Plan to Protect Your Individual Paper Wealth

- Think about 10b5-1 programs and hedging strategies before talking to underwriters.
- Make sure you have a reasonable corporate policy concerning ownership retention by management.
- Get the bankers on your page before they are engaged.

# V. Get the Governance Issues Resolved before Talking to Bankers

- Some directors will stay on, others will not.
- Find the lady.
- Make sure the board will meet current Sarbanes standards.
- Make sure the board and board committees can function appropriately.

# VI. Educate Yourself, Other Senior Officers and Directors Concerning Disclosure Issues

- Some of the current SEC disclosure requirements are counter intuitive for Israeli management.
- The first SEC IPO filing is invariably confidential.
- In Israel, it is amazing what you can learn from your barber.

## VII. Understand That Cheap Stocks May Turn Out to Be Expensive

- If you think you have a cheap stock issue, get a recognized valuation firm to assist.
- You will be negotiating with the SEC and your auditors will have a point of view.

## VIII. Accept That It Will Take Longer, Be More Difficult and More Expensive than You Expect

- There are some exceptions to this rule, but they are few.
- Companies that effect the most successful IPOs are those that are best prepared and organized before they begin the process.
- A really good offering environment helps.
- You have to be able to operate the company during the offering process. This process can strain and exhaust management.

# IX. Embrace the Fact That the IPO Process May Bring Forth an Acquirer

- The board and management need to align their respective interests before starting the IPO process.
- Strategic acquirers and private equity players often come forward with competing proposals.
- Be careful with your bankers. Create incentives to bring about the result you favor.

# X. Deal with the IPO as a Means to an End, Not an End

- Party on, not.
- An IPO is only a start. Because it is often difficult to become a public company in the U.S., too many executives view becoming a public company as an ultimate goal.

# Questions?



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