PRIVATE TO PUBLIC SERVICES

Going public refers to the process of a private company selling shares that were formerly held privately and are now available to new investors for the first time, otherwise known as an initial public offering (IPO). Companies usually go public to raise capital in hopes of expanding, and venture capitalists may use IPOs as an exit strategy. Going public increases prestige and helps a company raise capital to invest in future operations, expansion, or acquisitions. However, going public diversifies ownership, imposes restrictions on management, and opens the company up to regulatory constraints.

Our team at Stony Hill works with you to determine if this is a viable option for your company and helps you execute a plan to take your company public.

If a company decides to conduct a registered public offering, the Securities Act requires the company to file a registration statement with the SEC before it may offer its securities for sale. The company may not actually sell the securities covered by the registration statement until the SEC staff declares the registration statement "effective". Once the registration statement is effective, the company becomes subject to Exchange Act reporting requirements.

The IPO process begins with contacting an investment bank and making certain decisions, such as the number and price of the shares that will be issued. Investment banks take on the task of underwriting or becoming owners of the shares and assuming legal responsibility for them.

The goal of the underwriter is to sell the shares to the public for more than what was paid to the original owners of the company. The final SEC-approved prospectus is sent to print at an experienced financial printer familiar with the SEC's regulations. The offering price is based on several factors and is determined by the investment banker the day before the registration becomes effective. In summary, going public is a significant step for any company and involves several important and sensitive steps that protect the company and potential investors.

Companies should consider the reasons for going public and the positive and negative effects it may have on the company.