

[Date]

[Name of Board Member/Compensation Committee Chair]

[Company Name]

[Address]

[City, State, Zip Code]

Subject: Executive Compensation and Incentive Plan IPO Readiness Assessment

Dear [Name],

In preparation for [Company Name]'s proposed initial public offering (IPO), we have conducted an advisory review of your current executive compensation structures and incentive plans. This letter outlines the necessary adjustments required to align with public market standards, regulatory requirements, and governance expectations.

Our assessment focuses on the following key areas of IPO readiness:

1. Peer Group Benchmarking

To ensure competitive positioning as a public entity, we recommend establishing a formal peer group of publicly traded companies of similar size, industry, and growth profile. This will serve as the basis for setting base salaries, annual bonuses, and long-term incentive targets.

2. Equity Incentive Plan (Omnibus Plan)

We recommend the adoption of a new 20[XX] Equity Incentive Plan that includes:

- A sufficient share reserve for post-IPO grants.
- An "Evergreen" provision for automatic annual share increases.
- Flexibility for various award types (RSUs, Stock Options, Performance Shares).

3. Short-Term Incentive (STI) Formalization

Transitioning from discretionary bonuses to a formulaic annual incentive plan based on transparent financial and strategic KPIs is critical for investor confidence and SEC disclosure compliance.

4. Governance and Compliance

To meet Exchange and Institutional Shareholder Services (ISS) standards, the following policies should be implemented:

- **Clawback Policy:** To comply with Dodd-Frank requirements.
- **Stock Ownership Guidelines:** To align executive interests with long-term shareholders.
- **Insider Trading Policy:** Including pre-clearance procedures and blackout periods.

5. Disclosure Preparation (CD&A)

The Company must prepare for the Compensation Discussion and Analysis (CD&A) section of the S-1 registration statement. This requires a clear narrative of the compensation philosophy and the rationale behind pay decisions.

Next Steps

We recommend a meeting with the Compensation Committee on [Date] to review the proposed timeline for these implementations and to finalize the new equity plan design before the filing of the S-1.

We look forward to supporting [Company Name] through this transition.

Sincerely,

[Your Name/Signature]

[Your Title]

[Consulting Firm Name]