



Bahamas International Securities Exchange

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Offering shares to the public and Listing on BISX

Introduction

Offering shares to the investing public (going public) is a conscious decision taken by companies and the entrepreneurs who own that company to achieve a desired goal. The reasons for going public can vary greatly according to the entrepreneur and company's stage of operations. This article seeks to provide a basic outline regarding the process of offering shares to the public and also, what steps a company must take to list its shares on The Bahamas International Securities Exchange (BISX).

Reasons for offering shares to the public

The following are two of the most widely cited reasons for companies going public worldwide, with a Bahamian context added after each reason:

1. **To finance future expansion:** Companies seeking to expand their operations exponentially will require capital (or money) to fund this growth, therefore, companies often consider offering shares as one way to secure those funds. As the commercial banking sector in The Bahamas becomes increasingly conservative in their lending to businesses, the capital markets become a much more accessible and viable alternative for companies seeking to secure the funds needed to finance expansion.
2. **Succession planning:** Most companies began as an idea borne out of an owner's passion, and for many businesses, particularly in The Bahamas, the founder of the company is the individual who has a passion for the business that is integral to that company's initial success. However, it is not uncommon for successive generations to have different passions that lead them to different career paths from the founding generation. For business owners facing this challenge, one option to consider is divesting themselves from their own company. This will involve selling off a large number of shares and creating a public company with professional management from what was previously a private company with family management. This is frequently an



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efficient way to ensure a wealth transfer to following generations while ensuring the long term viability and survival of the company. This is a unique challenge for many local companies that has led many Bahamian entrepreneurs to speak with BISX about their financing and operational futures.

The process of Going Public and offering shares can be broadly broken down into three (3) distinct Phases: the **Planning and Preparation Phase**, the **Offering Phase** and the **Closing Phase**.

Planning and Preparation Phase – From the moment a company makes the determination that it intends to go public, until the time that the company has registered its Prospectus, represents the Planning and Preparation Phase of going public:

- i. Preliminary Review of ownership and capital requirements – a company's owners should begin by identifying how much capital they are seeking to raise, and the percentage of the company that they are willing to sell to the public in order to realize their goal.
- ii. Review of company's corporate structure with company legal counsel – private companies typically have terms and conditions written into their company by-laws (in the form of the company's Memorandum and Articles of Association) that restrict their ability to go public. With legal counsel, the company at this step would identify those by-laws that would need to be amended. For example, this may include provisions which limit the free transferability of the company's shares, or provisions which limit the number of shareholders.
- iii. Identify and source professional advisors – while a company could carry out much of the going public process without the assistance of an advisor, advisors do make the process of going public simpler, as they bring experience navigating the disclosure, distribution and Exchange listing requirements, from having carried out this process several times before. Some advisors that may be required are: Underwriters, Financial Advisors, Placement Agents, Auditors, Legal Counsel and Public Relations. BISX has several members that are qualified to assist with this process.
- iv. Prepare Prospectus – any company's securities that may become available for purchase and trading by the public must have a prospectus registered or exempted from registration with the Securities Commission of The Bahamas (the "Securities Commission"). The prospectus is a formal disclosure document which provides material



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information about several key aspects of the company wishing to sell its securities to the public, specifically its operations, directors and management, financial statements, all company securities, and any other material information that an investor might consider necessary when making an investment decision.

- v. Make formal contact with the Securities Commission of The Bahamas and BISX – to ensure a streamlined registration and listing process, it is recommended that the company make contact with the Securities Commission and BISX at an early stage and then engage in frequent communication with both entities.
- vi. Finalize Offering Documents with the Securities Commission of The Bahamas – before the company's securities can be offered to the public, the Securities Commission must register the Prospectus.
- vii. Finalize Listing Documents with BISX – if the company wishes to list on BISX, it must file a registered Prospectus and other listing documents to begin the listing process.

Offering and Closing Phases and Listing on BISX – this would be the process from the time that the company's Prospectus is registered by the Securities Commission until the company commences trading on BISX:

- i. Announcement of the Offering – at this stage the prospectus is published and made available to the general public. This is a formal step which ensures that all interested persons have equal access to all available material information about the company and the securities it is offering to the public. The Prospectus would also include information about the opening and closing dates of the offering and the issuance of shares once the offering successfully concludes.
- ii. Closing of the Offering - Once the offering has concluded, the company's advisors will collect all funds, ensure the accuracy of the information submitted by investors and then formally issue shares to investors, thereby creating the initial shareholder register for the new public company. The company will then receive the proceeds of the offering minus any fees incurred.
- iii. Listing on the Exchange – At the same time that the company was registering its prospectus, it would have submitted its prospectus to BISX for review and consideration



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for listing. Early initial contact can allow the Exchange to provide a preliminary approval to listing contingent upon the successful completion of the public offering. Once the offering has been successfully completed and all final listing documents provided to BISX, BISX will perform a final review and formally communicate to the company that its securities have been admitted to listing on the Exchange. Once listed, the company's securities will be placed on the BISX Automated Trading System and will be eligible to be bought and sold through BISX's Broker-Dealer Members by any qualified investor.

Conclusion

As companies consider all financing options, they should bear in mind several important factors when considering offering shares to the public. Investors are interested in investing in companies that have demonstrated a sustainable business model that must include a capable and experienced management team and board of directors that features independent directors. Additionally, one component that is common to all successful offerings is the help of a qualified financial advisor.

When evaluating the process of going public, it should be noted that the process of offering shares to the public is not a swift fundraising method, but rather a deliberate course of action that can take upwards of 6 months to a year to complete. Additionally, after the process of going public is completed, the company will be required to engage in ongoing public communications and disclosures with the investing public and its shareholders. As a result, it is not a decision that should be made without careful consideration by all stakeholders, as not all companies are suitable for a public share offering.

At BISX, we meet regularly with companies that are considering going public to advise them of what is required in order to have securities listed and traded on the Exchange. We encourage all companies considering this step to reach out to the Exchange at an early stage to ensure a smooth offering, listing and trading process.

BISX will continue to publish regular articles in the daily newspapers speaking to the Exchange, its operations and addressing the comments, questions and concerns of the investing public. Please look out for our upcoming article: *Misconceptions Regarding the Bahamian Capital Markets*

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