



GOING

PUBLIC

# TABLE OF CONTENTS

<i>THE JAMAICA STOCK EXCHANGE</i> _____	4
<b>Operations</b> _____	4
<b>Types Of Shares Quoted</b> _____	5
<i>MINIMUM LISTING REQUIREMENTS</i> _____	6
<i>GOING PUBLIC: Questions &amp; Answers</i> _____	7
<i>ADVANTAGES OF GOING PUBLIC</i> _____	9
<i>CONSEQUENCES OF GOING PUBLIC</i> _____	10
<i>PROFESSIONAL ADVISORS</i> _____	11
<i>THE PROSPECTUS</i> _____	13
<i>COSTS OF GOING PUBLIC</i> _____	14
<i>CHECKLIST FOR GOING PUBLIC</i> _____	15
<i>LISTING ON THE JAMAICA STOCK EXCHANGE</i> _____	16
<i>COMPANIES' LISTING FEES</i> _____	17
<i>Listing Fees</i> _____	18
<i>BROKER MEMBER</i> _____	19

## **FOREWORD**

The Jamaica Stock Exchange (JSE) takes pride in presenting Going Public, - a document designed for companies wishing to list on the JSE as well as for persons wanting general information about listing.

We hope that Going Public will provide the information needed and will assist in promoting the orderly development of the stock market and the Stock Exchange in Jamaica.

We wish to acknowledge the Alberta Stock Exchange for assistance in the compilation of this document through their publication of the similar title “**Going Public**”.

C. Wain Iton

General Manager

## THE JAMAICA STOCK EXCHANGE

### *Mission Statement*

*“To provide a fair, efficient, ethical and transparent medium for the conduct of a viable securities market that facilitates the mobilization of capital to finance the growth and development of the nation.”*

The Jamaica Stock Exchange was incorporated as a private limited company in August 1968. It is the oldest and largest Stock Exchange in the English-speaking Caribbean and is governed by a Council/ Board of Directors, which has the following composition:

- (1) The Governor of the Central Bank (Bank of Jamaica) or his nominee.
- (2) A representative of the Ministry of Finance
- (3) Three persons other than seatholders.
- (4) Up to ten seatholders representing members.

### ***Operations***

---

The Jamaica Stock Exchange operates at 40 Harbour Street, Kingston. The General Manager is responsible for the day-to-day operations of the Exchange.

The stock exchange commenced operations on Monday, February 3, 1969. Stocktrading is restricted to broker-members who trade both as agents and as principals.

The JSE's principal objectives are:

- (1) To promote the orderly development of the stock market and the stock exchange in Jamaica.
- (2) To ensure that the stock market and its Broker-members operate at the highest standards practicable.
- (3) To develop, apply and enforce rules designed to ensure public confidence in the stock market and its broker-members.
- (4) To provide facilities for the transaction of stock market business.
- (5) To conduct research, disseminate relevant information and maintain local and international relationships calculated to enhance the development of the JSE.

## ***Types Of Shares Quoted***

---

The types of securities traded are listed below

- Ordinary/Common shares
- Preference shares<sup>1</sup>
- Corporate Bonds

Any company which is incorporated or registered and operating a business in a Caricom country, or company which is listed on a Recognised Stock Exchange may apply to be listed on the Jamaica Stock Exchange, by any one of the following methods.”

- (a) Prospectus Issue: an offer to the public by or on behalf of a company at a fixed price.
- (b) Offer for Sale: an offer to the public, by or on behalf of a third party at a fixed price.
- (c) Offer by Tender: an offer to the public by or on behalf of a company or a third party by tender.
- (d) Placing: an offer through a broker-member of the Exchange to sell the securities of a company to the public.
- (e) Introduction: where none of the company's securities is being offered to the public.

---

<sup>1</sup> Includes one US\$ denominated security

## MINIMUM LISTING REQUIREMENTS

- (1) Total issued share and loan capital of the company should be \$200,000 or more with the share capital portion being not less than \$100,000.
- (2) Ordinary Shares/Stock
  - the issued nominal value should be \$100,000 or more
  - there should be a minimum of 100 share/stockholders holding in their own right not less than 20% of the issued ordinary capital [this percentage being not less than \$50,000 nominal value excluding the holding(s) of one or more controlling share/stockholder (s)].

*Or there are arrangements then in place, which Council approves in writing as likely to result in such minimum holding (as to number of holders and their total holdings) being achieved by the end of business on the first day the securities are listed.*

- (3) Irredeemable Preference Shares and/or Preference Shares convertible into Ordinary Shares/Stock
  - the issued nominal value should be no less than \$ 100,000. If the application is for a combination of both classes of securities, provided no one class is of an issued nominal value of less than \$50,000, the total issued nominal values may be aggregated in meeting the minimum requirements of \$100,000 of issued share capital.
- (4) Redeemable Preference Shares and/or Debenture Stock
  - the issued nominal value should be no less than \$ 100,000. If the application is for a combination of both classes of securities, provided one class is of an issued nominal value of \$50,000 or more, the total issued nominal values may be aggregated in meeting the minimum requirements of \$100,000 of issued share capital.

## **GOING PUBLIC: Questions & Answers**

These are some of the questions usually asked by a company that wants to 'go public' are the following:

### **(1) Can my company go public?**

---

Any company can go public. A history of good earnings, promising prospect or product, competitiveness and a sound management team are beneficial to the success of a public issue of shares.

### **(2) Is this company ready to go public?**

---

Readiness to go public depends on:

- (a) real growth in combination with good earning potential
- (b) an outstanding management team
- (c) a need to obtain funds

Additionally, if the company is at the developmental stage where manufacturing, marketing and technological viability has been achieved but it has not yet shown a profit, it may be the right time to make a public offering.

### **(3) How much capital should I raise?**

---

This is dependent on how much capital the company needs and the percentage of ownership that the owners want to relinquish to the public.

Who decides what price the shares should be issued at?

The issue price of the shares results from agreement between the management and the broker/investment dealer who manages the issuing of the shares. The major factor though, is the marketplace. Other factors to be considered are the economic climate, projected growth, past earnings, and the types of securities i.e., whether they are common or preference.

### **(4) When do I go public?**

---

Deciding when to go public is a crucial point. In order to get the price you need, there must be investors' interest and suitable industry and financial conditions. Working together with advisors, it can be determined when the conditions are right to make a public offer.

**(5) How much will it cost?**

---

The precise expenditure is hard to estimate because each issue is unique. The most significant costs are those arising from legal work, accounting, broker commissions and printing.

Initial issue expenses depend on the size of the issue, the current availability of financial statements and reports. Most of these costs are up front and would not be covered by an unsuccessful issue.

## **ADVANTAGES OF GOING PUBLIC**

The main reason for going public is to raise funds to increase working capital, retire indebtedness or to finance future growth and expansion.

- Some other advantages to be derived from a listing on the Jamaica Stock Exchange are:
- Making a public offering can bring a better price than a private placement
- The company's debt/equity ratio and net worth will improve and future financing alternatives will be enhanced
- It provides liquidity for shareholders
- The capital structure to facilitate future offerings will be in place
- Share options become available to management and employees
- Valuation of the company through the market for listed shares
- Public ownership results in making the company better known and can enhance corporate image and business opportunities
- Can provide a cost effective way of transferring ownership to successive generations of owners

## **CONSEQUENCES OF GOING PUBLIC**

There are many significant consequences of 'going public' that must be considered before making a public issue of shares. Some of these are:

### **(1) Public Disclosure**

---

Once the public is admitted to ownership, the corporation is obligated to provide timely, continuous reporting of corporate information as required by regulatory agencies

- Financial reporting on the company's operations must be disclosed to the public quarterly [not later than 45 days after the end of the quarter], and annually [not later than 90 days after the end of the company's financial year]
- The directors' role is broadened by the responsibility to the public as they have to act in the best interest of the shareholders
- All insiders' share transactions must be reported in accordance with the Securities Act of 1993
- Significant corporate changes must be publicised

Disclosure of such information is usually beneficial because it focuses attention on companies' deficiencies and successes, and encourages efficient and effective management.

### **(2) Directorship**

---

There are definite differences in the responsibilities of directors of a public company and those of a private company. In a public company the responsibility to the shareholders takes precedence. The directors are entrusted with managing the affairs of the company in the best interest of the shareholders and are therefore accountable to them. Board members not directly involved in the daily operations can give advice and provide objectivity and balance to management and lend credibility to the company's reputation.

### **(3) Management Style**

---

The managers of the company which has gone public must be aware of the obligations and constraints of running the company and adopt a suitable management style. Corporate business decisions can no longer be self-serving and managers must always be reminded of their fiduciary responsibilities.

## **PROFESSIONAL ADVISORS**

The process of "Going Public" *is* serious business. It is therefore imperative that competent advisors are identified to ensure a successful public offering. The choice to go public should be discussed with professional advisors as early as 18 months before the funds needed are required. Professional advisors include stockbrokers, accountants, legal counsel and investment bankers. Some criteria for selecting professional advisors are as follows:

- Recognized organizations with reputable securities experience and full service capabilities
- Experience
- Knowledge of your area of business
- Research capability and financial market advice
- Track record [history of success in negotiating past issues]

### **Accountants & Lawyers**

---

The services offered by these practitioners are familiar to nearly everyone. In the matter of a public offering they should be selected on the basis of their knowledge of security requirements. They are charged with the responsibility for the accurate preparation and presentation of financial and legal documents.

### **Broker/Dealer**

---

The broker/dealer's role is to:

- Do a complete investigation of the company's management, financial position, product or prospect, business plan and industry.
- Come to a decision with the company on the method of offering; whether an underwriting ("firm commitment") or an agency relationship ("best efforts" )
- Assist the company in determining the price of shares
- Review the prospectus for accuracy
- Where possible, encourage activity in the secondary market on behalf of the company after the initial offering.

## Going Public

### **Underwriting the Issue**

---

Underwriting is the business of investment bankers who usually form an underwriting group also called a syndicate, to pool the risk and assure the successful distribution of the issue.

### **Best Effort (Agent)**

---

Here, the investment bankers act only as agents for the sale of the company's shares. They agree to do their best to sell an issue to the public. Instead of buying the securities outright, these agents have an option to buy and an authority to sell the securities. They receive commissions usually on a sliding scale and the company's receipts depend on the success of the sale.

### **All Or None**

---

This method gives the issuer the right to cancel the entire issue if the underwriting is not fully subscribed.

In any of the methods, the broker/investment banker may be given the option to make further purchase of shares at an agreed price. He/she would exercise this option if the issue is oversubscribed or if the market price increases over the issue price.

## THE PROSPECTUS

The prospectus is a formal written offer to sell securities that sets forth the plan for a proposed business enterprise or the facts concerning an existing one that an investor needs to make an informed decision. The prospectus documents all the primary information about the company. It provides detailed information and statistical data for the prospective shareholders. The process includes filing the preliminary prospectus with the Securities Commission and the Jamaica Stock Exchange. It is reviewed and any deficiencies noted will be communicated to the principals of the company and their professional advisors.

Successful completion of a prospectus offering of shares requires the full co-operation of management, auditors, legal counsel, broker, banker and sponsoring member of the Jamaica Stock Exchange.

Some of the information published in the prospectus are

- *Background information on the company.* This gives history, description of the industry, prospects and operations.
- *Financial Statements:* Up-to-date audited financial statements (where applicable) must be included, sometimes up to 3 years may be required.
- *Business Plan:* The business plan is vital for investor information. It details growth projections, development and strategic plans to achieve objectives.
- *Use of proceeds:* This information shows the main uses of the net estimated proceeds on a maximum and minimum basis. Particulars of any major assets to be acquired or prospects to be developed.
- *Directors, officers and major shareholders:* The prospectus must give information on the full names, descriptions, main occupations and addresses of Directors together with their equity holdings in the company seeking listing.

## **COSTS OF GOING PUBLIC**

"Going Public" does have costs which will vary with each issue. The main expense areas are:

- Broker/Investment Dealer Fees - based on a percentage of stock price and is established subject to negotiation
- Professional Fees - depends on professionals retained
- Printing Costs - depends on the size and quality of the document
- Listing Fees - based on the number of shares listed for trading
- Ongoing costs
  - Annual Fee
  - Registrar/Transfer Agent - depends on Registrar/Transfer Agent retained

## **CHECKLIST FOR GOING PUBLIC**

This checklist shows the progression of events in the process of going public:

- Selection of introducing broker/dealer, legal counsel and accountants/financial advisors
- Selection of additional directors
- Compiling of the required financial statements
- Preparation of business plan, feasibility studies and technical reports
- Preparation of the prospectus / Memorandum for Listing
- Printing of the preliminary prospectus
- Filing the preliminary prospectus / Memorandum for Listing with the Stock Exchange
- Filing Application for Listing with the Stock Exchange
- Filing Listing Agreement with the Stock Exchange
- Presale meetings and pricing of shares
- Clearance for filing of final prospectus
- Public sale and distribution of shares
- Filing of final listing documentation with the Stock Exchange
- Posting of shares on the Jamaica Stock Exchange for public trading.

## **LISTING ON THE JAMAICA STOCK EXCHANGE**

The listing of securities on the Stock Exchange is in the absolute discretion of the Council of the Exchange. Council may delegate such powers to a duly appointed *Listing Committee*. Companies may list on the Jamaica Stock Exchange through one of the following methods:

- (1) *Prospectus Issue*: an offer to the public by or on behalf of a company at a fixed price
- (2) *Offer For Sale*: an offer to the public, by or on behalf of a third party at a fixed price
- (3) *Offer By Tender*: an offer to the public, by or on behalf of a company or a third party by tender
- (4) *Placing*.- an offer through stockbroker-members of the Jamaica Stock Exchange to sell the securities of a company to the public
- (5) *Introduction*: where none of the companies securities are being offered to the public

In accordance with Rule 403 of the Jamaica Stock Exchange [see Rule 403 A-D], in order to be listed there is a requirement to file a number of documents. Some of these are:

### ***Application for Listing***

This is a description of the history, debts, assets, capitalization, share issues, officers and directors, technical reports and description of shareholdings in the company.

### ***Statutory Declaration by Officers***

This attests to the accuracy of the information contained in the Application for Listing.

### ***Appointment of a Transfer Agent***

A trust company that has agreed to record and transfer share certificates.

### ***Personal Information Form***

Disclosure for each officer, director, promoter and insider.

## **COMPANIES' LISTING FEES**

### **(1) Initial Fee**

---

The Initial Fee, which is based on total par value of each new listing of securities not already listed, must accompany each Application for Listing. The minimum charge for Initial Fee is \$50,000.

### **(2) Annual Fee**

---

Calculation of Annual Fees payable is based on the higher of total par value or average market value at month-end for the previous twelve-month or shorter period (where applicable), of all classes of a company's securities which are the subject of listing. The minimum charge for Annual Fee is \$50,000.

The Annual Fee becomes due on January 1 each year following the calendar year of listing and must be forwarded to reach the Exchange within thirty (30) days of that date. There is an agreement in place between existing listed companies and the Jamaica Stock Exchange re: the implementation of this new fee schedule.

### **(3) Supplementary Fee**

---

The Supplementary Fee is payable for all additional issues, during a calendar year, of securities already listed and must accompany the first Supplementary Application for Listing for that calendar year. The total amount payable is calculated on the aggregate par value of the securities issued during each calendar year of issue.

## LISTING FEES

Par/Market Capital Fee	Initial/Annual Fee	Supplementary
Under \$50m	50,000	10,000
Over \$50m - \$100m	100,000	15,000
Over \$100m - \$250m	125,000	20,500
Over \$250m - \$500m	150,000	25,000
Over \$500m - \$1.0b	250,000	30,000
Over \$1.0b - \$2.0b	350,000	50,000
Over \$2.0b - \$3.0b	450,000	50,000
Over \$3.0b - \$4.0b	550,000	50,000
Over \$4.0b - \$5.0b	650,000	50,000
Over \$5.0b - \$10.0b	750,000	50,000
Over \$10.0b	1,000,000	50,000

Effective Date: January 1, 2001

## BROKER MEMBER

**BARITA INVESTMENTS LTD.**  
CEO/CHAIRMAN  
**RITA HUMPHRIES-LEWIN**  
15 St. Lucia Way  
Kingston 5  
**Phone:** 926-2681-2/2686  
**Fax:** 929-8432  
**e-mail:** [barita@cwjamaica.com](mailto:barita@cwjamaica.com)

**DEHRING BUNTING & GOLDING LTD.**  
VICE PRESIDENT  
**MARK WALTERS**  
7 Holborn Road  
Kingston 10  
**Phone:** 960-6699/968-3365  
**Fax:** 960-6705  
**e-mail:** [info@mydbg.com](mailto:info@mydbg.com)

**FIRST GLOBAL STOCKBROKERS LTD.**  
CHAIRMAN  
**DON WEHBY**  
1 St. Lucia Way  
Kingston 5  
**Phone:** 926-1275  
**Fax:** 926-1279/929-6436  
**e-mail:** [firstglobal@gkco.com](mailto:firstglobal@gkco.com)

**M/VL STOCKBROKERS LTD.**  
CHAIRMAN  
**ED MCKIE**  
2-6 Grenada Crescent  
Kingston 5  
**Phone:** 960-1570/926-4319  
**Fax:** 960-1571  
**e-mail:** [mvl@wtjam.net](mailto:mvl@wtjam.net)

**PAUL CHEN YOUNG & CO. LTD.**  
CHAIRMAN/MANAGING DIRECTOR  
**HUGH CROSKERY**  
24-26 Grenada Crescent  
Kingston 5  
**Phone:** 929-3261/3264/3455/3400  
**Fax:** 929-4825  
**e-mail:** [pcyco@infochan.com](mailto:pcyco@infochan.com)  
**e-mail:** [spalmer@ymbs.com](mailto:spalmer@ymbs.com)

**CAPITAL & CREDIT SECURITIES LTD.**  
GENERAL MANAGER  
**DEVON BARRETT**  
18 Trafalgar Road  
Kingston 10  
**Phone:** 946-1770  
**Fax:** 978-8005  
**e-mail:** [info@capital-credit.com](mailto:info@capital-credit.com)

**EDWARD GAYLE & CO. LTD.**  
ACTING MANAGING DIRECTOR  
**SANDRA SHIRLEY**  
32 Trafalgar Road, 3<sup>rd</sup> Floor  
Kingston 10.  
**Phone:** 960-7108-8592  
**Fax:** 960-7649  
**TOLL FREE: 1-888-EDGAYLE**  
**e-mail:** [edgayle@infochan.com](mailto:edgayle@infochan.com)

**JMMB SECURITIES LTD.**  
MANAGING DIRECTOR  
**LEO WILLIAMS**  
6 Houghton Terrace  
Kingston 10  
**Phone:** 920-5039/4720  
**Fax:** 960-8106  
**e-mail:** [info@jmbbsecurities.com](mailto:info@jmbbsecurities.com)

**MAYBERRY INVESTMENTS**  
CHAIRMAN  
**CHRISTOPHER BERRY**  
1 1/2 Oxford Road  
Kingston 5  
**Phone:** 929-1908-9  
**Fax:** 929-1501/920-2103  
**e-mail:** [feedback@mayberryinv.com](mailto:feedback@mayberryinv.com)

**VICTORIA MUTUAL WEALTH  
MANAGEMENT LTD.**  
GENERAL MANAGER  
**DAVID WAN**  
52 – 60 Grenada Crescent  
Kingston 5  
**Phone:** 960 5000 – 3  
**Fax:** 960 4972