

London's AIM offers alternative funding

Investment market, open to U.S. companies, goes a bit easier on regulation

Maximizing shareholder value is vital in the business world.

CEOs and CFOs often ask, "How can we increase shareholder value in the most capital efficient way?"

The London Stock Exchange answered that question in 1995 by creating the Alternative Investment Market, or AIM, which provides earlier-stage companies with the "appropriate amount of regulation," so that they can efficiently raise capital to grow and maximize shareholder value.

Since 1995, more than 2,500 companies have listed on the AIM and have collectively raised 34 billion pounds (approximately \$70 billion U.S.), making it the world's leading market for growing companies.

Recently, the AIM's growth has been spurred by three primary factors:

- its ongoing commitment to efficient and appropriate regulation, which leads to decreased time and cost to market and reasonable reporting requirements and fees;
- increased capital from the Middle East which provides the fuel for investments in enterprise; and
- the growth of Chinese companies and the unrelenting regulation in the United States, which motivate companies to opt for the AIM instead of suffering under their current regulatory regimes.

While the AIM is open to all industries and sectors, we have noticed four particular sectors for which capital seems in almost endless supply:



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- energy and alternative energy companies;
- mining and natural resource companies;
- technology ventures in a variety of sectors, but specifically wireless, telecommunications, software, consumer electronics, and content and services; and
- investment funds which then invest in a variety of companies and transactions in various sectors.

Because of its long history as a banking, insurance and money center, London has a significant number of very seasoned financial managers who understand how to manage and grow capital resources.

One major advantage of a listing on the AIM is that the AIM requires no minimum size of company — either by revenue, profit or employees. Recently, an alternative energy client took its creative business plan to the AIM, went public ("listed"), and used the proceeds to buy the assets it needed!

Another advantage is there is no minimum proportion of shares to be in public hands, no trading record requirement, and no prior shareholder approval for the majority of transactions. There are also more reasonable "lock-up" or trading restrictions on significant shareholders. An additional unique feature is that a company may be able to temporarily halt trading in its shares and issue additional shares, much like a business development company in the United States. Unlike most securities regulatory regimes, the AIM is really focused on providing efficient capital to its listed companies, and the AIM regulators have frequently expressed that excessive regulation and aggressive

corporate governance hurdles produce friction that slows capital formation and company growth.

A third advantage of an AIM listing is there

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is no requirement to be incorporated in the United Kingdom. To date, more than 250 companies from outside the U.K. and Europe have listed in the AIM. Among those are more than 40 from the United States and Canada.

Like with other public markets, if the company is in a sector where there is market appetite for investment, AIM's expectations are that its companies have a good management team; a viable business plan; good corporate governance; accurate recordkeeping and accounting; a long-term commitment of management, directors and key employees; and the ability to grow the business internationally.

In short, the AIM is an excellent choice because it provides access to a deep pool of capital, and a significant number and range of institutional and private investors, all within an efficient and appropriate regulatory environment.

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