

**Don't Lose your Nomad -
Everything you Need to
Know About Listing on AIM**

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**Don't Lose your Nomad - Everything you
Need to Know About Listing on AIM**

- What is AIM?
- Why is it in the news?
- What does it all mean for equity incentives?
 - NYSE/NASDAQ
 - LSE Full List
 - AIM

What is AIM?

- London Stock Exchange
 - Recognised Investment Exchange
 - ISD Regulated Markets
 - including Full List
 - Exchange Regulated Markets
 - including AIM



What is AIM?

- Smaller, growing companies
 - any country
 - 1,335 UK
 - 304 international
 - 14.5% Australia, 14.5% Canada, 13.5% Ireland, 12.8% USA
 - any industry sector
 - 354 financial - £30.6bn
 - 216 basic materials - £20.2bn
 - 244 consumer services - £12.3bn
 - 110 oil & gas - £12bn
 - 187 technology - £5.9bn
 - 115 healthcare - £4.8bn



Source – London Stock Exchange AIM Market Statistics – April 2007

What is AIM?

- Features
 - No minimum size or shareholder numbers
 - No particular financial track record/trading history
 - Light touch regulation
 - AIM Rules for Companies – February 2007
 - AIM Rules for Nominated Advisers – February 2007



What is AIM?

- Regulation
 - Nomads
 - Must be appointed and retained while traded
 - Losing nomad means suspension of trading
 - Assess appropriateness of company for AIM
 - Advise and guide company on responsibilities under AIM rules
 - Admission document
 - Restrictions on deals
 - Close periods



What is AIM?

- Disclosure
 - Price sensitive information
 - Corporate transactions
 - Substantial
 - Related party transactions
 - Reverse takeovers
 - Disposals – fundamental change of business
 - Miscellaneous information
 - Director deals
 - Significant shareholders
- Half-yearly reports and annual reports
- Documents sent to shareholders

Why is it in the news?

- Ed Balls
 - UK Economic Secretary to the Treasury - speech to City of London Corporation Dinner, 25 October 2006
 - *Our system of principles and risk-based regulation provides our financial services with a huge competitive advantage and is regarded as the best in the world.*
- US Committee on Capital Markets Regulation
 - Interim report – 30 November 2006
 - *It is the Committee's view that in the shift of regulatory intensity balance has been lost to the competitive disadvantage of U.S. financial markets... We conclude that the SEC and self-regulatory organizations ("SROs") should engage in a more risk-based process, focused explicitly on the costs and benefits of regulation. To the extent possible, regulations should rely on principles-based rules and guidance, rather than the current regime of detailed prescriptive rules.*

Why is it in the news?

- John Thain

- NYSE Chief Executive - Davos, 26 January 2007 (source - FT)
 - *[In relation to AIM, LSE] did not have any standards at all and anyone could list. I think they are starting to tighten up and they should... [LSE] had to be careful not to damage its reputation by allowing in companies that are not well run.*
 - *[LSE had] the second best brand in the world.*

- Roel Campos

- SEC Commissioner - Dow Jones Newswire, March 2007
 - *I'm concerned that 30% of issuers that list on Aim are gone in a year. That feels like a casino to me and I believe that investors will treat it as such.*

What does this all mean for equity incentives?

- US-listed companies
 - US and non-US
 - NYSE
 - NASDAQ
- UK-listed companies
 - UK and non-UK
 - LSE Full List
 - AIM

US-listed companies

- NYSE and Nasdaq listing requirements
 - Shareholder approval
 - Most equity compensation plans
 - some exemptions. If apply, approval by:
 - independent compensation committee OR
 - majority of independent directors
 - Material revisions
 - material increase in number of shares available
 - Certain corporate events excepted
 - expansion of types of available awards
 - material expansion of class of participants
 - material expansion of the term of the plan
 - re-pricing option if not specifically permitted by plan

NYSE/Nasdaq listing requirements

- Exemptions from approval requirements
 - plans made available to shareholders generally (not considered equity compensation plans)
 - plans allowing purchase at full value (not considered equity compensation plans)
 - employment inducement awards
 - some grants, plans and amendments on M&A
 - some tax qualified, non-discriminatory benefit plans
 - plans adopted before rules
- Exemptions
 - foreign private issuers
 - limitations and disclosure requirements

Sarbanes-Oxley

- No director or officer dealings in black-out period
 - timely notice to directors, officers and SEC
 - more than 3 business days
 - at least 50% of all participants are unable to buy or sell company stock
 - foreign private issuers
 - > 15% of worldwide workforce OR
 - > 50,000

US-listed companies

- SEC filings
 - Form S-8
 - short form registration statement
 - any employee benefit plan
 - Reporting
 - 10% plus ownership, report trading within 2 business days
 - Form 144 prior to sale by directors, officers and affiliates
 - Exemption for foreign private issuers

LSE Listed Companies

- **UKLA Listing Rules**

- Shareholder approval
 - New employees share schemes
 - new shares
 - treasury shares
 - i.e. not existing shares through trust
 - New long term incentive plans
 - at least one director entitled to participate
 - Service/performance conditions more than one financial year
 - Exceptions
 - all-employee plans
 - recruitment or retention of single director
 - Discounted subscription options
 - except all-employee plans



LSE Listed Companies

- **Model Code**

- timing of grant and exercise

- **Combined Code**

- performance conditions
- non-executive directors

- **Criminal Justice Act**

- insider trading

- **FSMA**

- market abuse
- financial promotion



LSE Listed Companies

- **Investor concerns**
 - ABI Guidelines
 - IVIS reporting
 - Risk of failed resolution
 - ABI/NAPF Joint Statement on Executive Contracts and Severance
- Reputational risk

AIM Listed Companies

- **AIM Rules**
 - Shareholder approval not required
 - Articles
 - Shareholders agreement
 - New Businesses
 - <2 years trading
 - employees with 0.5% or more
 - No disposal of shares for 1 year from IPO
 - Notification
 - “without delay”
 - director or spouse/dependants
 - grant, exercise and sale

AIM Listed Companies

- AIM Rules (contd)
 - Restrictions on Dealing
 - companies must restrict disposal of shares by employees
 - 2 months prior to publication of the company's results
 - Option plans must reflect restrictions re grant timing
- Criminal Justice Act
 - insider trading
- Investor concerns
 - ABI Guidelines

Non-UK Companies: Regulatory requirements

	Listing Rules/ ABI	Model Code	Combined Code	DDRR Regs 2002	CJA/ FSMA	HMRC (for tax benefit)
UK incorporated company	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Foreign Company primary listing in UK	<input checked="" type="checkbox"/>	The FTSE100 Index will require any non-UK incorporated company seeking admission to the index to publicly commit to compliance with UK standards of corporate governance				<input checked="" type="checkbox"/>
Foreign Company secondary listing in UK	If subject to full Listing Rules of the exchange on which have primary listing, may obtain certain exemptions (e.g. from continuing obligations). However institutional investors encourage full compliance			If incorporated in EU follow laws of competent authority		<input checked="" type="checkbox"/>
Foreign Company GDR listed in UK	<input checked="" type="checkbox"/>	The FTSE100 Index will require any non-UK incorporated company seeking admission to the index to publicly commit to compliance with UK standards of corporate governance				<input checked="" type="checkbox"/>

Questions?

Thank you for your participation

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