

Misc Information on IPOs....

Explanation about IPOs

New issue equity offerings

IPO	The process that a company uses to sell its first shares to the public, before the stock trades on any exchange, at a price determined by the lead underwriter
Follow-on offering	An issuance of stock by a company subsequent to its initial public offering
Secondary offering	The public sale of previously issued securities held by large investors, usually corporations or institutions

General information about IPOs

— What is an IPO?

An initial public offering (IPO) is the process of a company first selling its shares to the public. These shares are initially issued in the primary market at an offering price determined by the lead underwriter.

The primary market consists of a syndicate of investment banks and broker dealers that the lead underwriter assembles and that allocate shares to institutional and individual investors. Being allocated shares at the offering price is referred to as participating in the IPO. Participation in the IPO happens before the security is first traded on any of the stock markets.

Traditional IPOs

➤ Why and how does a company go public?

A company goes public to raise capital for financing business plans, capital expenditures, and growth opportunities. When a company intends to go public:

1. The company picks a lead underwriter to help with the securities registration process and the distribution of the shares.

The company must develop a preliminary prospectus that includes information on the management team, the company's target market, competitors, all financial data for the company, and the expected price range and number of shares to be issued.

2. The lead underwriter files a registration statement on behalf of the issuing company with the Securities and Exchange Commission (SEC). The company must typically wait a minimum of 20 days for the SEC to review the registration statement.
3. The SEC reviews the statement and preliminary prospectus to determine if the issuer meets legal and regulatory requirements. However, the SEC neither approves nor disapproves the issue itself, it only clears the issue for sale.

During the SEC review process, the lead underwriter assembles a group of other investment banks and broker dealers to become members of the underwriting syndicate.

After the registration statement is filed and preliminary prospectuses are distributed, the underwriting syndicate and selling group members act as a distribution channel by recording indications of interest in the IPO on the part of institutional and individual investors.

4. After the SEC declares the registration statement effective and the offering price has been determined, the selling group members are able to accept the confirmed indications of interest and begin the share allocation process.

— When will the offering be priced for sale?

The lead underwriter sets the offering price on a new issue typically on the evening of the day when the Securities and Exchange Commission (SEC) declares the registration statement effective.

Once the registration is declared effective and the offering price has been set, confirmations of indications of interest can begin.

— How is the offering price determined?

The price is normally based on such factors as the company's financials, products and services, income stream, as well as the demand for the shares and current market conditions.

The underwriter must determine a fair offering price which takes into consideration the need for the company to raise capital while offering the new issue at a price which represents a fair value of the shares.

The offering price and/or number of shares issued could be raised or lowered from what is described in the preliminary prospectus. Additionally, the offering can be delayed or postponed based on unfavorable market conditions.

— When do the shares begin trading?

Typically, the day following pricing is the first day that the new security will trade on the secondary market (i.e., NYSE, Nasdaq or AMEX).

— How do I participate in an IPO?

If you're interested in participating in a new issue equity:

1. Ensure that you meet [REDACTED] eligibility requirements for participating in an IPO.

2. [REDACTED]

3. Review the preliminary prospectus of the offering. This document contains offering and issuer information that the underwriter and issuer have decided you should have in order to make an informed investment decision.
4. Confirm that you are a qualified investor per FINRA (Financial Industry Regulatory Authority). FINRA rules prohibit "restricted persons" (certain persons associated with the financial services industry) from participating in the purchase of new issue offerings. You must confirm that you are not a "restricted person" on each IPO in which you choose to participate.
5. Enter an indication of interest or a bid, depending on the type of IPO sale. The indication of interest provides [REDACTED] with the maximum number of shares a customer is interested in purchasing. Call [REDACTED] to confirm your indication of interest on the confirmation date, which is after effectiveness and pricing date (the actual date will be disclosed to customers when they place their indication of interest).

6. Receive notice of expected date of effectiveness. [REDACTED] The morning of the expected date of pricing, you will receive a notification that the offering may go effective shortly.
7. Receive notice of effectiveness and pricing. [REDACTED]. You will receive a notification that: 1) the offering has been declared effective and has been priced; 2) in order to have an opportunity to purchase shares, you must confirm your indication of interest by a stated time; and 3) if you do not want to purchase shares, you must withdraw any confirmed indication prior to allocation, which will not occur prior to a stated time.
8. Confirm your indication of interest to place your order to buy shares. Indications of interest may not be confirmed prior to the registration statement being declared effective and the shares are priced. By confirming your indication of interest, you are placing an order to buy.
9. Receive notification of allocation. Customers will receive a notification that the offering has been priced and allocations have been placed in customer accounts. Customers are instructed to check their accounts [REDACTED] to verify if they received an allocation. [REDACTED]
10. Receive the final prospectus. Customers who are allocated shares of the offering will receive a copy of a written confirmation accompanied by the issuer's final prospectus. The final prospectus contains the same type of information included in a preliminary prospectus and certain amendments including, but not limited to: the exact number of shares offered, the net proceeds going to the issuer, and the concession being given to the underwriter.

— Why do I need to confirm my indication of interest?

With new issue offerings through [REDACTED] customers must confirm their indication of interest after effectiveness and pricing. By confirming your indication of interest you are informing [REDACTED] that you are interested in placing an order to buy shares at the offering price. Customers who confirm their indication of interest are not guaranteed an allocation of shares. Customers who do not confirm their indications of interest are not eligible to receive an allocation of shares.

— Can I change or cancel my indication of interest?

You may increase your indication of interest up through the close of the indication of interest period. You may decrease or cancel an indication of interest until share allocation takes place. Once share allocation takes place, your indication may not be canceled or modified.