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THE MORNING CALL – SMALL BUSINESS TOUGH QUESTIONS

“PUBLIC OFFERING”

by

Bernard M. Lesavoy, MBA, JD

Attorney at Law

Lesavoy Butz & Seitz LLC

1620 Pond Road, Suite 200

Allentown, PA 18104-2255

Phone: 610-530-2701

Fax: 610-530-2727

Email: blesavoy@LesavoyButz.com

Website: www.LesavoyButz.com

Question: "What is involved in a public offering of stock --- I'm wondering if it would be beneficial to a small business?"

Answer: Not surprisingly, the answer depends on a number of factors which include the nature of your product or service, management team, past experience and trend analysis, prospects for the future, interest in your company by a broad spectrum of the public, and many others.

The commonly recognized advantages of taking your company public include lowering the cost of capital, increasing personal wealth, improving competitive position, the prestige of being a publicly owned company, taking advantage of market price fluxuations, growing through acquisitions, borrowing without personal guaranties, raising equity in the future, attracting and retaining key employees, as well as improving general liquidity and estate planning flexibility. Typical disadvantages include the expense of taking your company public, continuing pressure to maintain a solid growth pattern, required disclosure of detailed information, loss of control, vulnerability to shareholder lawsuits and certain tax disadvantages. If, given the competing advantages and disadvantages, you are inclined to proceed, anticipate an advanced planning period of as much as five years.

It takes time to develop an impressive management and professional team, adopt a stock option plan, grow your business with an eye toward the public market place, show earnings growth before going public, obtain audited or at least auditable financial statements for several years, establish multiple classes of stock and/or other anti-take over defenses, select your own independent board members, create insider bail-out opportunities and generally clean up your act and find an underwriter.

Your ultimate selection of an underwriter can be a difficult task given the multitudes of options available. There are national, institutional, niche, regional, local and syndicates of underwriters to choose from. Scrutinizing their track records, experience/applicability in your industry and personal compatibility are important factors in your final determination.

The process also involves securing valuations, making appropriate registrations, preparing prospectuses, selecting a stock exchange, satisfying listing requirements and complying with the many regulatory restrictions.

Given the right circumstances, a public offering can be extremely beneficial!