

**EXIT STRATEGIES UNDER SMALL AND  
MEDIUM INDUSTRIES EQUITY  
INVESTMENT SCHEME**

**BY**

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(SMIEIS)”**

**ORGANISED BY**

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Small and Medium Industries Equity Investment Scheme is the voluntary initiative of the Banks to contribute to the economic development vide industrialization. The Scheme is an Investment Scheme **NOT** Loan Scheme to ensure that the enterprise is not laden with interest rate burden.

The scheme, which was officially launched in August 2001, is a bold initiative by banks to jump-start the economy to ensure sustainable development and growth. It has attracted positive attention both locally and internationally.

It also has made modest impact on the economy. As it is characteristic of fresh initiative it has aroused a lot of interest as well as criticism; particularly in the areas of relationship and functions of stakeholders; Government, beneficiaries and banks.

### **TIME FRAME**

The Scheme will be subject to review after the first five years. Banks are expected to apply funds set aside 18 months after financial year-end of each respective Bank. Banks are not expected to exit in the first three years. The reasoning here is to enable the enterprise take off and be given chance to establish.

One of such areas is exit strategy for the investing bank under the Scheme. Though considered by promoters as conflict area informed by the fear of investing banks taking over the business in the long-run, I wish to categorically state that the banks have no intention of acquiring the businesses it invested in under the Scheme. This is why I consider the inclusion of this topic very apt, as it would afford us the opportunity to reiterate and reinforce what the Bankers' Committee had preached in all the Geo-Political Zones in 2001 and had continued to do through public enlightenment and organisation of workshops for Stakeholders.

### ***EXIT STRATEGIES***

Having said this let me quickly state at this juncture that the Guidelines for the Scheme clearly stipulate the minimum time that a bank should be an investor in a company. This of course is affected by the progress recorded by the company during the period.

The earliest a bank can divest its investment is 3 years. However, depending on the improvement recorded by the company within 3 years; the Owner (Senior Partner) (60/40% BOFIA) could exercise redemption right by

reacquiring the shares of the investing bank. The mode of acquisition is a private arrangement which must recognize all statutes impacting on such transaction.

Also the Promoter and the investing bank as principal actors can fashion out other exit strategies that will be mutually beneficial. These include:

1. Planned and phased exit in tranches over a time period in order to ensure that the gains made are consolidated. As the investing bank's stake reduces it is implied that its involvement in the affairs of the company will correspondingly reduce.
2. Listing on the Exchange - with improved fortunes of the company and perhaps subsequent listing on the exchange more avenues for exit would be created.
3. At the end of the issue, the Promoter could decide to pay off the bank.

Similarly, the investing bank could evacuate its holding on the floor of the exchange after due consultation with the promoter to buy back the shares and in observance with rules and regulations of the Exchange.

You can see from the above, that the exit strategies under SMIEIS are not complex and complicated for the parties to understand and work them out smoothly in the interest of the company now revamped or established.

### ***CONCLUSION***

Distinguished Ladies and Gentlemen and all Stakeholders present, I once more wish to confirm that the banks are not interested in taking over the Promoters' business under the Scheme. The objective is to ensure that the economy is positively stimulated by the growth and success of SME to ensure sustainable development and growth. The Scheme initiative is one that is expected to galvanize productive factors and encourage all Stakeholders to work together to ensure success, which can only translate to greater employment of available employable Human Resources, Capital, Production Capacity and subsequently economic growth.

Thank you.

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OCEANIC BANK INTERNATIONAL (NIGERIA) LIMITED  
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