## PRIVATE PLACEMENT MEMORANDUM

February 12, 2018

# Be Aliv Limited ("Be Aliv" or "Aliv")

Petersfield Road off Soldier Road
P.O. Box CB 13050

Nassau, N.P., The Bahamas

div

\$15,000,000

# 8% CUMULATIVE REDEEMABLE AMORTIZING SERIES I PREFERENCE SHARES

THIS OFFERING OPENS February 12, 2018

THIS OFFERING CLOSES February 23, 2018

ISSUE PRICE PER PREFERENCE SHARE: B\$1,000

FINANCIAL ADVISOR & PLACEMENT AGENT

**ROYAL** FIDELITY

Be Aliv Limited is offering B\$15,000,000 aggregate principal amount of an 8.00% 10 Year Cumulative Redeemable Amortizing Series I Preferred Shares ("Series I Shares" or "Shares") issue.

Series I Shares are 10-year Cumulative Redeemable Amortizing Preferred Shares, paying an annual Dividend rate of 8.00%, semi-annually on April 30 and October 31 of each year, commencing October 31, 2018.

Repayment of principal on the Series I Shares will occur in 5 equal annual installments beginning on October 31, 2023 and ending on October 31, 2027.

The Shares will be unsecured obligations of the Issuer and will rank behind Secured Commercial Bank Debt and the Series A and B Notes Issued in March 2017.

There are certain risks associated with investment in these Shares. See "Risk Factors" herein. Investors should evaluate these matters before making a purchase.

Be Aliv Limited is a company established under the provisions of the Companies Act and regulated by the Utilities Regulation and Competition Authority.

This Memorandum is not required to be registered with the Securities Commission of The Bahamas (the "Commission") pursuant to Section 92(b) of the Securities Industry Act, 2011. While this document has not been registered with the Commission, a copy will be filed with the Commission. However, the Commission has not checked and will not check the accuracy of the statements made herein and accepts no responsibility therefore or for the financial soundness of the Issuer or the value of the securities concerned. Neither the Commission nor the Government of The Commonwealth of The Bahamas passes judgment on the merits of the offering and is therefore not liable for any statements or omissions contained herein.

The Board of Directors of Be Aliv Limited (the "Company") accepts responsibility for the information given. To the best of its knowledge and belief, this information is in accordance with the facts and does not omit anything likely to affect the import of such information.

This confidential Private Placement Memorandum is intended for persons solicited by the Company's Placement Agents. Each person will receive a unique username and password that will provide them with access. Under no circumstances should it be reproduced or distributed to any other person. This document shall be governed by and construed in accordance with the laws of The Commonwealth of The Bahamas.

Prospective investors should not treat the contents of this Memorandum as advice relating to legal or investment matters and are advised to consult their own professional advisors concerning any proposed investment in the Shares offered herein.

Investors should be aware that the value of the Shares offered herein may go down as well as up.

#### All inquiries should be directed to the following individuals:



### FINANCIAL ADVISORS & PLACEMENT AGENTS

Michael Anderson President 397-4518, cell 424-3048

Jim Wilson V.P. Corporate Finance 397-4031, cell 376-4570

**Geron Gibson** Corporate Finance Manager 397-4575, cell 826-6200

Royal Fidelity Merchant Bank and Trust Ltd.

51 Frederick St

P.O. Box N-4853

Nassau, The Bahamas

## NOTICE TO INVESTORS

This confidential Private Placement Memorandum (the "Private Placement Memorandum" or "Memorandum") is being furnished by Be Aliv Limited ("Aliv", "Be Aliv", the "Issuer", or the "Company"), for use by potential investors considering investing in the Company through this private placement ("Private Placement" or "Offering") of Series I Shares. This Memorandum is not intended to provide the sole basis for any decision about, or evaluation of, the First Schedule

# Rights Attaching to the Series I 8% Cumulative Redeemable Amortizing Preference Shares of B\$1,000 Each

The Company's authorized capital includes 50,000 Series I 8% Cumulative Redeemable Amortizing Preference Shares at a par value of \$1,000 each. The rights, privileges, restrictions and conditions attaching to each of the Series I 8% Cumulative Redeemable Amortizing Preference Shares are as follows:

#### Term

The Series I 8% Cumulative Redeemable Amortizing Preference Shares shall be issued on February 23, 2018 and shall be redeemed in full not later than October 31, 2027, on the terms herein set forth.

#### Ranking

The Series I 8% Cumulative Redeemable Amortizing Preference Shares are unsecured obligations of the Company and rank behind any secured debt and the Company's Series A and Series B Fixed Rate Notes, equally among themselves and ahead of all other existing and future unsubordinated, unsecured debts of the Company and its ordinary shares.

## **Voting Rights**

- (a) The holders of Series I 8% Cumulative Redeemable Amortizing Preference Shares shall not be entitled to receive notice of, attend, vote at, or be heard at any meeting of the shareholders of the Company.
- (b) The Series I 8% Cumulative Redeemable Amortizing Preference Shares shall be entitled to vote separately as a series upon any proposal to amend the Articles of the Company to:
  - (i) amend the terms of issue of the Series I 8% Cumulative Redeemable Amortizing Preference Shares; or
  - (ii) effect an exchange, reclassification or cancellation of all or part of the Series I 8% Cumulative Redeemable Amortizing Preference Shares.

#### Dividends

- (a) Dividends on the Series I 8% Cumulative Redeemable Amortizing Preference Shares are payable semi-annually in arrears, calculated on an actual/365 day basis.
- (b) The Series I 8% Cumulative Redeemable Amortizing Preference Shares shall be entitled to receive, and the Company shall pay thereon preferential cumulative cash dividends at the rate of 8% per annum. Such dividends shall accrue from and including the date of issue of such shares and subject as hereunder provided, shall be payable in arrears in equal semi-annual installments on April 30 and October 31 in each year (each of which dates is hereinafter referred to as a "Dividend Payment Date"). The first Dividend Payment Date shall be October 31, 2018. No dividends shall be paid on the Ordinary Shares of the Company or any shares ranking after the Series I 8% Cumulative Redeemable Amortizing Preference Shares including any non-cumulative preferred shares unless all accrued and unpaid dividends of the Series I 8% Cumulative Redeemable Amortizing Preference Shares have been paid.

- (c) If any Dividend Payment Date would otherwise fall on a day which is not a day when clearing banks in The Bahamas are open for business (each a "Business Day") it shall be postponed to the next day which is a Business Day unless it would fall into the next calendar month, in which case it shall be brought forward to the immediately preceding Business Day.
- (d) If on any Dividend Payment Date a dividend accrued to and payable on such date is not paid in full on the Series I 8% Cumulative Redeemable Amortizing Preference Shares then issued and outstanding, the dividend or the unpaid part thereof shall be paid on a subsequent Dividend Payment Date or Dividend Payment Dates determined by the Board of Directors.
- (e) Any dividends on the Series I 8% Cumulative Redeemable Amortizing Preference Shares shall be paid by cheque drawn on a bank in The Bahamas, wire transfer or electronic transfer. Cheques in respect of dividend payments will be mailed to preferred shareholders at the address appearing in the Register of Shareholders or in accordance with such shareholder's instructions for payment to a specified bank account at a bank in The Bahamas.

#### Amortization

- (a) Holders of the Series I 8% Cumulative Redeemable Amortizing Preference Shares shall be entitled to be repaid the par value of such Shares (the "Principal") in five equal annual installments commencing on October 31, 2023 and concluding on October 31, 2027 (each a "Principal Payment Date").
- (b) If any Principal Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next day which is a Business Day.
- (c) Principal payments in respect of the Series I 8% Cumulative Redeemable Amortizing Preference Shares shall be paid by cheque drawn on a bank in The Bahamas, wire transfer or electronic transfer. Cheques in respect of Principal payments will be mailed to preferred shareholders at the address appearing in the Register of Shareholders or in accordance with such shareholder's instructions for payment to a specified bank account at a bank in The Bahamas.

## Redemption

- (a) The Company may not redeem any of the Series I 8% Cumulative Redeemable Amortizing Preference Shares prior to the third anniversary of the date set by the Company as the 'closing date' for the offer thereof. Thereafter, the Company may at its option redeem the Series I 8% Cumulative Redeemable Amortizing Preference Shares in whole or in part upon provision of 90 days' prior written notice to the holders of the Preference Shares. Each date on which the Company shall redeem all or any Series I 8% Cumulative Redeemable Amortizing Preference Shares shall be a "Redemption Date".
- (b) Payment in respect of the Series I 8% Cumulative Redeemable Amortizing Preference Shares being redeemed shall be made by cheque drawn on a bank in The Bahamas, wire transfer or electronic transfer. Cheques in respect of early redemption payments will be mailed to preferred

- shareholders at the address appearing in the Register of Shareholders or in accordance with such shareholder's instructions for payment to a specified bank account at a bank in The Bahamas.
- (c) From and after any Redemption Date, the Series I 8% Cumulative Redeemable Amortizing Preference Shares called for redemption shall cease to be entitled to dividends or any other participation in the assets of the Company and the holders thereof shall not be entitled to exercise any of their other rights as shareholders in respect thereof.

## **Accelerated Redemption**

All principal owing in respect of the Series I 8% Cumulative Redeemable Amortizing Preference Shares shall become immediately due and payable, together with all outstanding accrued and unpaid dividends, upon: (i) the Company's failure to make a principal payment on a Principal Payment Date; or (ii) the Company's failure to pay dividends on three Dividend Payment Dates.

## Liquidation Rights

In the event of the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company for the purpose of winding-up its affairs, each holder of Series I 8% Cumulative Redeemable Amortizing Preference Shares shall be entitled to receive an amount equal to the par value per share of all Series I 8% Cumulative Redeemable Amortizing Preference Shares held by such holder, together with an amount equal to (i) the premium paid thereon and (ii) all accrued but unpaid cumulative dividends thereon, before any amount shall be paid or any assets distributed to the holders of the Ordinary Shares or any other class of Shares ranking junior to the Series I 8% Cumulative Redeemable Amortizing Preference Shares. Thereafter, the holders of the Series I 8% Cumulative Redeemable Amortizing Preference Shares are not entitled to any other distribution of the assets of the Company.

## Shares (including evaluation of the creditworthiness of the Issuer).

The information contained in the Memorandum has been obtained from the Company and from other sources identified herein. The Advisor, as defined and listed on page 2, makes no representation or warranty as to the accuracy or completeness of information contained in this Memorandum, or any other written or oral communication transmitted in the course of the evaluation of the Company and the Shares offered. The Advisor has not independently verified any of the information and data contained herein and the same is enclosed for information purposes only. The Advisor makes no representation or warranty as to the accuracy or completeness of such information and will not have any liability for any representations (expressed or implied) contained in, or for any omissions from, this Memorandum or any other written or oral communication transmitted to the recipient by the Advisor, in the course of the recipient's evaluation of this Offering. The Advisor is not representing that the Shares are a legal investment for the prospective purchasers of the Shares. Neither the Bahamas International Securities Exchange nor the Securities Commission of The Bahamas have reviewed or endorsed the accuracy of this Memorandum. Sale of the Shares will be restricted to The Commonwealth of The Bahamas.

This Memorandum is not intended to provide the sole basis for any credit or other evaluation and should not be considered as a recommendation by the Advisor that any recipient hereof participates in this Offering. Each recipient contemplating participating in this Offering is responsible for making his own independent investigation of the financial condition and affairs of the Company and his own appraisal of the creditworthiness of this Offering or any other party referred to in this Memorandum. The delivery of this Memorandum at any time does not imply that the information contained herein is correct at any time subsequent to the date on the cover hereof. The Advisor does not accept responsibility for updating this Memorandum and therefore it should not be assumed that the information contained herein is necessarily accurate, complete, or up to date other than on the date stated on its cover page.

The Shares described herein are being offered privately in The Bahamas to Eligible Investors as defined herein.

The Memorandum and its exhibits, together with any information contained herein or disclosed during discussions related hereto, are confidential and, without the express prior written consent of the Issuer, may not be reproduced, or used for any purpose other than the evaluation of the proposed transaction, or furnished to any other person, except your employees and advisors with a need to know who are advised of the confidentiality of the information. By your acceptance of this Memorandum and such information, you agree to comply with the provisions of the preceding sentence.

This Private Placement Memorandum is intended for use only in The Commonwealth of The Bahamas and is not to be construed as an offering of any Shares herein referred to outside The Bahamas. The Private Placement is available to all eligible investors who are accredited investors (as defined in the Securities Industry Regulations, 2012 and herein, each an "Eligible Investor" as herein defined).

This Memorandum contains forward looking statements which are often identified with words such as "estimate," "plan," "expect" and "believe," which are estimates reflecting the best judgment of the Company's management and involve risks and uncertainties that could cause actual results to differ materially from those suggested by forward looking statements. Potential investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they were made.

This Memorandum is issued to give information to potential Eligible Investors with regards to the Issuer. The Board of Directors of Be Aliv Limited accepts full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts, the omission of which would make any statement in the Memorandum misleading.

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## **DEFINITIONS**

In this document, unless the context otherwise requires, the following expressions have the meanings assigned to them:

"Act"	Companies Act, 1992 (as amended)	
"Advisor"	Royal Fidelity Merchant Bank & Trust Limited	
"Amortizing"	Amortizing refers to gradual repayment of principal under a debt obligation during the life of the debt, according to an amortization schedule, typically through equal payments.	
"The Bahamas"	The Commonwealth of The Bahamas.	
"Basis of Allotment"	As described on page 13.	
"BISX"	The Bahamas International Securities Exchange.	
"Board" or "Board of Directors"	The Board of Directors of Be Aliv Limited.	
"Business Day"	A day on which Clearing Banks in The Bahamas are open for business.	
"Clearing Banks"	Those Banks which are members of the Clearing Banks Association of The Bahamas.	
"Closing Date"	In respect of the Series I Shares, February 23, 2018 or such date or dates as the Company may determine as set out in the Second Schedule or such date or dates as the Company may determine being not later than 180 days from the date hereof.	
"Commission"	The Securities Commission of The Bahamas.	
"Company"	Be Aliv Limited and where the context includes its successors and assigns whether immediate or derivative.	
"Cumulative"	In reference to the Dividends, the cumulative feature means that any Dividends owed continue to accumulate until they are paid, and any Dividends owing must be paid in full prior to the payment of any dividend to holders of non-cumulative preferred shares or Ordinary Shares of the Company.	
"Dividend(s)"	The dividend paid or to be paid to the Preference Shareholders	

"Dividend Payment Dates"	The date on which a semi-annual Dividend payment is due, being April 30 and October 31 with the first Dividend payment date being October 31, 2018. If any Dividend Payment Date would otherwise fall on a day which is not a Business Day (as defined above) it shall be postponed to the next day which is a Business Day unless it would fall into the next calendar month, in which case it shall be brought forward to the immediately preceding Business Day.	
"EBITDA"	Earnings Before Interest Taxes, Depreciation and Amortization. Used as a means to calculate company's cash flow.	
"Eligible Investors"	An investor who meets the eligibility criteria set out on page 16, who or which is also an "accredited investor" as defined on page 16 of this Memorandum.	
"Escrow Agent"	Royal Fidelity Merchant Bank & Trust Limited.	
"Government"	The Government of The Bahamas.	
"Issue Date"	The date on which Shares are allotted to an investor by the Board of Directors and recorded in the Company's official register by the Registrar. For all applications received by the Closing Date and allotted by the Board of Directors, the Issue Date will be the Closing Date.	
"Issue Price"	The price at which these Shares are being offered to investors, which is B\$1,000.00 per Share.	
"Issuer"	Be Aliv Limited.	
"Paying Agent" and "Registrar"	Royal Fidelity Merchant Bank & Trust Limited is the Paying Agent and Registrar. The Paying Agent makes dividend payments to Shareholders on behalf of the Issuer. The Registrar is responsible for keeping records of the ownership of the Issuer's Shares.	
"Placement Agents"	An entity that acts as agent for the Issuer in privately placing securities. Royal Fidelity Merchant Bank & Trust Limited is the Placement Agent for this Private Placement.	
"Principal"	The par value of the Shares.	
"Private Placement" or "Offering"	Private Placement is any offer and sale of any security by a company or entity not involving a public offering. The terms "Private Placement" or "Offering" are used interchangeably in this document.	

"Private Placement Memorandum" or "Memorandum"	This Private Placement Memorandum dated February 12, 2018	
"Ranking"	The priority given to Shareholders with respect to the payment of accrued but unpaid Dividends and Principal in the event of liquidation or winding up.	
"Redeemable"	Redeemable refers to the redemption of the Shares at the option of the Company prior to maturity. The Company may not redeem the Series I Preference Shares prior to the third anniversary of the Closing Date. Thereafter, the Company may at its option redeem the Series I Preference Shares in whole or in part upon provision of 90 days prior written notice to the holders of the Preference Shares.	
"Residents"	Persons holding a permanent resident permit with the unrestricted right to work in The Bahamas or persons holding a work permit issued by the Government of The Bahamas.	
"Secured Commercial Bank Debt"	Debt incurred by the Issuer through secured borrowing from a commercial bank, which by reason of such security will rank in priority to the Shares.	
"Series I Shares" or "Shares"	B\$15,000,000 8.00% 10 Year Cumulative Redeemable Amortizing Preference Shares	
"Shareholder"	Owner of Shares.	
"Shareholder Agreement"	Agreement between the Company, Cable Bahamas Ltd. and HoldingCo 2015 Limited dated June 23, 2016	
"Tangible Net Worth"	The net worth of a company that excludes any value derived from intangible assets.	
"Total Debt/Equity Ratio"	The amount calculated using a numerator being all liabilities and a denominator being shareholder's equity including retained earnings.	
"Trust Deed"	The Trust Deed made as of the 22nd day of March, 2017 between The Company and the Trustee related to the issuance of Series A and Series B Notes as amended from time to time.	
"Trustee"	Royal Fidelity Merchant Bank & Trust Limited.	
"URCA"	Utilities Regulation and Competition Authority. The regulator for Be Aliv Limited under whose supervision the Company is authorized to offer its services to the Bahamian public.	

The Bahamas.
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Words denoting the singular shall include the plural and vice versa; words denoting gender shall include all genders; and words denoting persons shall include bodies corporate and vice versa.

## **BE ALIV LIMITED**

## OFFERING SUMMARY

## **FOR**

# 8% CUMULATIVE REDEEMABLE AMORTIZING SERIES I PREFERENCE SHARES

Be Aliv Limited is a company registered under Companies Act, 1992 (as amended)

This summary is to be read in conjunction with the Audited Financial Statements for the year ending June 30, 2017 (see Appendix I), the unaudited Interim Financial Statements for September 30, 2017, and summary Financial Projections through to June 30, 2022, and the information appearing in the Private Placement Memorandum (including the section titled "Risk Factors").

Issuer:	Be Aliv Limited (the "Issuer" or the "Company")		
Opening Date:	February 12, 2018		
Closing Date:	February 23, 2018		
Issue Date:	February 23, 2018		
Security:	8% 10 Year Cumulative Amortizing Redeemable Series I Preference Shares (the "Series I Shares").		
Escrow Agent:	Royal Fidelity Merchant Bank & Trust Limited.		
Amount of Offer:	The Series I Shares will be offered in an aggregate amount of B\$15 million.		
Subscription Size:	The minimum subscription size is 50 Shares (or B\$50,000) and increments of 10 Shares (or B\$10,000) thereafter.		

Issue Price Per Note:	B\$1,000	
Use of Proceeds:	The proceeds of the Series I Shares will be used to fund workin capital requirements and the continued build out of the Ali mobile network throughout the archipelago of The Bahamas.	
Dividend Rate	Series I Shares will pay a dividend at a rate of 8.00% per annum.	
Dividend Payment:	Payable semi-annually in arrears on an actual/365-day basis on April 30 and October 31 with the first dividend to be paid on October 31, 2018. The Shares will pay dividends from and including the Closing Date unless the Closing Date has been extended by the Company's Board of Directors in its sole discretion.	
Maturity:	October 31, 2027	
Principal Repayment:	Repayment of Principal will occur in 5 equal annual instalments beginning on October 31, 2023 through to the final maturity date of October 31, 2027, unless redeemed earlier as set out herein.	
Terms of Escrow:	Subscription amounts will be deposited in an escrow account with the Escrow Agent, which will accept and verify all subscription receipts and will only release the funds to the Issuer when all conditions of this Offering are met.	
Basis of Allotment:	The Company's Board of Directors reserves the right to allocate the Shares in its absolute discretion although it is its intent to allot the Shares on a First Come First Served basis, meaning that the Shares will be issued in the amounts requested, in the order subscriptions are received. In the event that the Shares are oversubscribed, the allocations will be determined at the discretion of the Board of Directors; the Board of Directors may also elect to increase the offering amount in order to accept such additional subscriptions.	
	If this Private Placement is less than fully subscribed by the Initial Closing Date, the Board of Directors further reserves the right to either proceed with the issue of the Shares or refund any subscriptions received. Furthermore, the Board of Directors may, in its absolute discretion and subject to any other conditions in this Memorandum, issue the Shares in respect of total subscriptions less than the aggregate amount	

	of the Offering, and extend the offering period for additional subscriptions until the issue is fully subscribed, or the offer is terminated by the Board of Directors. Such subscriptions accepted after the Initial Closing Date shall be entitled to the rights and privileges as detailed herein after acceptance by the Board of Directors, and as evidenced by the issuance of the confirmation of all particulars.  Any subscriptions that are not allocated will be refunded without interest.
Further Issue/Up sizing:	The Issuer may from time to time, without the consent of the Shareholders, issue additional debt securities. In addition, the Issuer reserves the right to increase the size of the Share issue at the Closing Date, or anytime thereafter, without the consent of the Shareholders.
Early Redemption:	The Issuer may not redeem these Shares prior to the third anniversary of the Closing Date. After such third anniversary, the Issuer may at its option redeem the Shares in whole or in part upon the provision of 90 days' prior written notice to the Shareholders.
Ranking of Shares:	With respect to the payment of Dividends and Principal payments upon liquidation, the Shares will be unsecured obligations of the Issuer. The Shares will rank behind the Secured Commercial Bank Debt and Series A and B Fixed Rate Notes, equally among themselves and ahead of all other existing and future unsubordinated, unsecured debts of the Issuer and its Ordinary Shares.
Collateral:	The Shares are a general obligation of the Issuer and are not secured by any specific collateral.
No Voting Rights or Equity Ownership:	Shareholders will not have an equity interest in the Issuer. Shareholders' voting rights are limited and inure solely in respect of those matters set out herein.
Acceleration of Redemption:	All Principal owing in respect of the Series I 8% Cumulative Redeemable Amortizing Preference Shares shall become immediately due and payable, together with all outstanding accrued and unpaid Dividends, upon: (i) the Company's failure to make a Principal payment on a Principal Payment Date; or (ii) the Company's failure to pay dividends on three Dividend

	Payment Dates. Refer to Notice to Investors on page 3 for additional details as to Rights attaching to these Shares.	
Withholding:	In the event of any law or regulation requiring a withholding in respect of any charges, fees or taxes, the amount to be received under the Shares will represent payment as per the Rate of dividends or repayment of Principal less such withholding.	
Registration:	Evidence of ownership will be in the form of "Book-Stock." No certificates will be issued for the Shares.	
Governing Law:	The laws of The Commonwealth of The Bahamas.	

## OFFER TIMETABLE

Opening Date: 9 a.m. February 12, 2018

Closing Date: 5 p.m. February 23, 2018

Issue Date: February 23, 2018

**Confirmation Date:** Within 21 days of the Closing Date

#### **ELIGIBLE INVESTORS**

Eligible Investors include Bahamian citizens, Residents, trusts designated 'resident' for exchange control purposes and Bahamian companies wholly owned by Bahamians who or which also qualify as accredited investors. Other interested investors may subscribe for the Shares upon obtaining prior approval from the Central Bank of The Bahamas. Minors are not eligible as investors.

THIS OFFER IS MADE ONLY TO THE FOLLOWING ELIGIBLE INVESTORS WHO ARE ALSO ACCREDITED INVESTORS AS DEFINED BELOW.

#### If an individual:

- 1. The applicant is 18 years of age or older; and
- The applicant is a citizen of The Bahamas or holds a permanent residency permit with the unrestricted right to work in The Bahamas, or a naturalized citizen of The Bahamas (a "Resident"); or
- 3. The applicant holds a permanent resident permit which does not carry the unrestricted right to work or a work permit granting the right to work in The Bahamas; or
- 4. The applicant is granted approval as an investor in the offering by The Central Bank of The Bahamas.
- 5. The applicant is not applying for the Shares as nominee for any other person, corporation, trust or fund that would not be an Eligible Investor.

#### If a corporation:

- 1. The applicant is incorporated under the laws of The Commonwealth of The Bahamas and is resident for exchange control purposes; and
- 2. The applicant is wholly owned by Resident individuals or by individuals granted approval as investors in the offering by The Central bank of The Bahamas; and
- 3. All necessary corporate action has been taken to authorize the purchase of the Shares; and
- 4. The applicant is not applying for the Shares as nominee for any other person, corporation, trust or fund that would not be an Eligible Investor.

If a trust or pension fund:

- 1. Beneficiaries of the trust or fund are Residents of The Bahamas, Bahamian resident companies owned by them and/or any other eligible trust or pension fund which is granted approval as an investor in the Shares by The Central Bank of The Bahamas; and
- Trustees of the trust and managers of the fund represent that they have the necessary power and all requisite action has been taken to enable them to effect the purchase of the Shares; and
- 3. The applicant is not applying for the Shares as nominee for any other person, corporation, trust or fund that would not be an Eligible Investor.

#### **ACCREDITED INVESTORS**

"Accredited Investors" carries the meaning set out in Regulation 2 of the Securities Industry Regulations, 2012. The Offering to Accredited Investors will be made in accordance with Regulation 109 of the Securities Industry Regulations, 2012.

An "Accredited Investor" means any person who comes within any of the following categories, or whom the Issuer reasonably believes comes within any of the following categories, at the time of the sale of the Shares to that person -

- a) Any bank licensed under the Banks and Trust Companies Regulation Act (Ch.316) or licensed and operating outside of The Bahamas, whether acting in its individual or fiduciary capacity;
- b) Any registered firm under the Securities Industry Act 2011 or company registered to conduct securities business and operating outside of The Bahamas, acting for its own account;
- c) Any insurance company registered under the Insurance Act (Ch. 347) or licensed and operating outside of The Bahamas;
- d) Any investment fund licensed or registered under the Investment Funds Act (Ch. 369A) or regulated and operating outside of The Bahamas;
- e) Any employee benefit plan if the investment decision is made by a plan fiduciary, which is either a bank or trust company licensed under the Banks and Trust Companies Regulation Act (Ch. 316), an insurance company registered under the Insurance Act (Ch. 347), or a registered firm under the Securities Industry Act (Ch. 363) or if the employee benefit plan has total assets in excess of B\$5,000,000;
- f) Any director, senior officer or general partner of the issuer of the securities being offered or sold, or any director, senior officer or general partner of a general partner of that issuer;
- g) Any individual whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds B\$1,000,000;
- h) Any individual who had an individual income in excess of B\$200,000 in each of the two (2) most recent years or joint income with that person's spouse in excess of B\$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

- i) Any person, other than an individual, with total assets in excess of B\$5,000,000, not formed for the specific purpose of acquiring the securities offered;
- j) Any entity in which all of the equity owners are Accredited Investors;
- k) The Government of The Bahamas or any public authority established in The Bahamas;
- I) The government of any foreign jurisdiction, or any agency of that government;
- m) Any person purchasing on behalf of an account that is managed on a fully discretionary basis by that person, if that person is registered or authorized to carry on business as an adviser managing securities on a discretionary basis under the laws of the Bahamas or a foreign jurisdiction;
- n) Any person residing outside of The Bahamas who qualifies as an Accredited Investor, however defined, or has similar status, under the securities legislation of that person's country of residence, or who meets the criteria specified in paragraph (g) or (h) and is otherwise lawfully entitled to purchase the securities under the securities laws applicable to such purchase; or
- o) Any person that is recognized or designated by the Commission as an Accredited Investor

SUBSCRIPTIONS FOR THE SHARES WILL NOT BE ACCEPTED UNLESS THE PROSPECTIVE INVESTOR CERTIFIES THAT HE/SHE/IT IS AN ELIGIBLE INVESTOR WHO OR WHICH ALSO QUALIFIES AS AN ACCREDITED INVESTOR.

## SUMMARY OF THE PRIVATE PLACEMENT

This section contains a general summary of certain information contained in this Memorandum. It may not include all the information that is important to you. The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial information appearing elsewhere in this Memorandum.

#### THE OFFERING

By way of a resolution of the Board of Directors, the Company has decided to raise B\$15.0 million Bahamian dollars through this Offering. The Offering will consist of 10 Year Cumulative Redeemable Amortizing Series I Preferred Shares with a fixed annual dividend rate of 8.00% to be paid semi-annually in April and October with the first dividend payable on October 31, 2018. The Series I Shares will be amortized in 5 equal annual installments commencing on October 31, 2023 through to the final maturity date on October 31, 2027, unless earlier redeemed as set out herein.

#### **ABOUT BE ALIV LIMITED**

#### **EXECUTIVE OVERVIEW**

This summary highlights information that may be contained elsewhere in this offering memorandum. It does not contain all the information you need to consider in making your investment decision. You should read carefully this entire offering memorandum, including the "Risk Factors" section, our financial projections and the related notes included elsewhere in this offering memorandum.

See "Presentation of Financial and Other Information" for a discussion of the presentation of financial information included in this offering memorandum.

Our fiscal year ends on June 30 and references in this offering memorandum to any specific fiscal year are to the twelve-month period ended June 30 of such year. For example, "fiscal 2017" means our fiscal year that began on July 1, 2016 and ended on June 30, 2017.

Be Aliv Limited ("Aliv" or "Be Aliv") is the new entrant to the wireless telecommunications market in The Bahamas and is a leading provider of wireless communications services in The Bahamas. As the main challenger to the incumbent, Aliv is committed to driving product development and innovation in the mobile cellular sector, providing an awesome customer experience as well as demonstrating that Aliv is a transformational corporate partner and employer of choice.

The mobile cellular license was awarded to Aliv on July 1, 2016 and mobile services were launched on New Providence and Grand Bahama on 1 October 2016 and then full commercial launches in New Providence, Grand Bahama, Abaco and Eleuthera in November and December 2016. These four islands represent approximately 93% of the population in The Bahamas. The network is a brand new 3G and 4G/LTE platform with no legacy 2G/GSM technology. Aliv coverage is now available in Bimini and Andros raising the population coverage to 96%. Coverage to the remaining islands is ongoing in a phased delivery approach and will be completed no later than July 2018. National Roaming arrangement means Aliv customers can use Service on most of the other islands in Bahamas.

Aliv is jointly owned by Cable Bahamas Ltd. ("CBL") (48.25%) and HoldingCo2015 Limited ("HoldCo") (51.75%), which is owned by the Government of The Bahamas until such time as the Government divests of the shares in HoldCo.

## Our Network Technology and Coverage

We provide coverage in all population centers using HSPA+ and LTE digital technology. Providing high quality network coverage is a critical component of our strategy, as we believe population-wide coverage through a high-quality network is a key requirement for gaining leading market positions, in particular at

launch. Importantly, we have significant spectrum assets, which will permit us to increase our customer base and expand the availability of new data and value-added services. Unlike the incumbent and main competitor, the Aliv network was designed specifically for LTE technology, ensuring better data coverage.

As at December 31, 2017 the Company has completed 166 network tower site locations and is expected to complete the remaining 65 sites by March 2018 bringing the total network sites to 231. In addition to the outside network infrastructure Aliv is also in the process of completing its Indoor Building Solution initiative in every major commercial building in the country. This initiative will ensure contiguous network coverage and access to customers. Additional network enhancements and applications that support innovative customer needs are also being implemented with expectations of completion by fiscal Q4 2018.

From the onset the requirements of our network build out included certain dependencies inclusive of the use of both CBL and Bahamas Telecommunications Company ("BTC") network infrastructure where applicable. With respect to the BTC infrastructure, the URCA and Ministry of Works regulations require that where possible, tower sites sharing is mandated to preserve the environment of The Bahamas with specific focus on minimizing the proliferation of tower sites throughout the country. In addition, the southern Family Islands roll out necessitated the use of BTC subsea transmission services. As a direct result of very material delays in the installation and provisioning of services on these BTC dependencies the actual launch of the Family Island networks was significantly delayed. Despite the delays, which are being addressed by URCA, Aliv has proceeded and completed the nondependent areas and is ready to launch once the BTC requirements are met.

On April 28, 2017 Mobile Number Portability ("MNP") was implemented after a long period from the initial expected date of implementation. The delays with respect to this very critical component of the business created some challenges: (i) they impacted the launch of Aliv's commercial offerings and post pay business segment; (ii) they had a negative impact on legacy post pay customers that wanted to port their service from BTC but were unable to do so because of the delays on MNP implementation. While the majority of the 25,000 customers porting their numbers completed the process within the 2 hours required by the rules, the remaining customers experienced lengthier delays on the completion of customer ports. These issues have been the subject of an URCA regulatory review with the view to improving the overall success rate and eliminating any issues that prevent customers from personally selecting their network operator.

Aliv is confident that with the resolution of the issues as noted, it will be able to fully execute its plans throughout the Family Islands. Notwithstanding the delays however, Aliv, through its national roaming program, is providing its services through all the Family Islands with no additional costs to the customers.

In terms of network resilience, Aliv has two fully resilient core networks; one located in Nassau and the other in Freeport. Each of these are their own self-sufficient infrastructure enabling them to serve the entire customer base for voice and data connections. The Aliv cell sites are interconnected on the four main islands via the CBL "Bahamas International Cable System" ("BICS") subsea fibre network. This fibre network has a ring topology to guard against any physical cuts or failure of electronic components. For the other islands, Aliv has an arrangement with BTC to provide these transmission services on the Bahamas Domestic Submarine Network international ("BDSNi") fibre ring. For further network protection key cell sites have been upgraded with eight hours of battery capacity and diesel backup generators. For the "last-mile" transmission connection, key sites have both a fibre connection and a backup microwave link to ensure continuity of connection in the event of any issues with one of these transport mediums.

The Aliv network Key Performance Indicators ("KPI") are reported on and examined on a regular basis by URCA. To date all KPI's have been within the URCA requirements. By way of a summary the network KPI's for week 1 of 2018 are included in the table below

Technology	КРІ	Weekly Score
	Call Drop Rate %	0.02
4G / LTE	Average User Throughput Downlink(Mbit/s)	11.04
	Network Availability %	99.94

Notwithstanding BTC's delays in providing of transmission facilities to link the cell sites back to the central core networks and the access to the BTC sites on the Family islands to install the Aliv cellular network equipment, the rollout of the sites is expected to be completed by the end of fiscal Q4 2018.

## **Retail Operations**

As at December 2017, Aliv had achieved a customer base of over 97,000 on a 30 day basis or 106,000 on a 60 day basis<sup>1</sup>. Our market share is estimated at 29%. A major focus for Aliv is to promote customers on plans. We have achieved a result whereby over 60% of our customer base regularly purchase our plans. Aliv continues to provide the most competitive mobile offerings with a superior network and value to the Bahamian market.

We have achieved industry record adoption of our services and porting results despite the delays noted. We continue to see improvement in our average revenue per user ("ARPU") results as customers take advantage of the ability to switch to our network while keeping their existing phone numbers. Since MNP was implemented on April 28, 2017, we have seen porting customers grow exponentially month over month with currently 25,000 active ports inclusive of both prepaid and post pay.

As at December 2017, the Company had 13 branded retail stores, over 1,000 agent outlets selling top up and plans and has installed and contracted for 10 kiosk top up stations throughout the country. It is anticipated that additional locations will come on-stream in the southern family islands as the network roll outs are completed, as well as plans to further increase coverage to certain underserved areas in our existing markets.

<sup>&</sup>lt;sup>1</sup>the 60-day basis is included for comparative purposes as BTC reports on a 60-day basis

The retail operations are now operating on 6 major islands including New Providence, Grand Bahama, Abaco, Eleuthera, Bimini, and Andros. Strategic alliances have been formed and close monitoring of the operations to ensure customer satisfaction. Aliv believes firmly that a superior customer experience is critical to achieving its goals.

To ensure consistent customer service delivery, Aliv continues to review its operations both internally and externally through programs such as its Mystery Shopper Program, customer surveys and the application of Net Promotor Score specific feedback. The results of these measures are used collectively to maintain superior customer service.

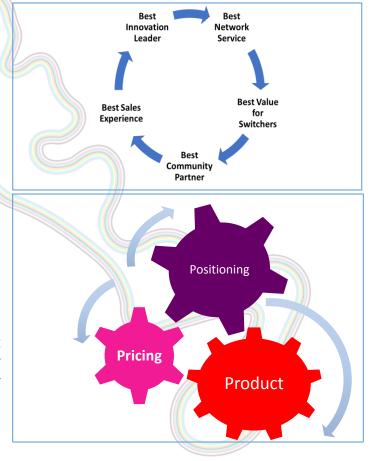
## Strategic Outlook

Aliv's focus and mandate is "Best" - Best Innovation Leader, Best Network, Best Value for switchers, Best

Community Partner and Best Sales and customer experience. These initiatives translate in our strategic positioning, pricing, and products.

Due to the sensitive and competitive nature of our business we are limited in what we can reveal regarding our full strategic push for the next two years. However, the contents provide an update of our progress to date.

Aliv has been positioned as the new, vibrant and fashionable company that is bringing innovative, high quality wireless communications services to our markets, attracting a loyal clientele and serving areas and populations that have been historically underserved by our competitors. We have implemented a uniform marketing and branding strategy across our islands, yet we also apply a customized, grassroots marketing approach to individual communities that is highly reflective of the local culture. We believe our commitment to the communities in which we operate results in a growing loyal clientele and differentiates us from the incumbent operator.



As at December 31, 2017, we estimate that the Company has achieved just under 30% of what we have determined to be the total cellular market in the Bahamas.

We have established a significant amount of local and international partners in virtually every industry in The Bahamas. Our consumer strategy is a mix of both a very targeted approach to customer acquisition as well as the traditional wider consumer offerings. From a commercial perspective, we have partnered with both vendors and customers in a manner that is uncommon to the industry where we provide mutual value in conventional ways that support deeper relationships that impact our market growth.

We have developed a unique and innovative customer proposition that appeals to all segments of the Bahamian market including the following elements:

- Full range of SMART phone handsets from globally recognized manufacturers including Apple iPhone, Samsung and Alcatel, with attractive offers particularly aimed at those porting their number to Aliv;
- No contract for service is required. The consumer simply chooses a weekly, Freedom, or 30-day, Liberty, service plan that provides voice, text and data allowances. A customer needs to purchase one of these plans in order to use the LTE data network. These plans are available to purchase at over 1,000 agent locations as well as on the Aliv app;
- Voice allowances in plans include calls to the US and Canada;
- Other pricing innovations introduced to the market by Aliv include per second charging for voice services, free incoming calls when connected to Aliv network and simple one rate for calling any number in the Bahamas (whether fixed or mobile, on-net or off-net);
- All of Aliv's smartphone devices come fully loaded with Aliv's approved apps, which we believe
  creates a content rich environment to stimulate data usage, delivering, news, music and gaming
  right to the mobile device. Thus far we have partnered with Cable Bahamas to drive TV on the go
  experience with the REVGO app and classified and business services with the app Mobile Assist;
- Corporate customers can obtain best value handsets and service pricing by signing a 24-month
  contract commitment with us and benefit from the ability to manage their service using a state
  of the art self-service web portal that enables them to obtain billing information, analyze spend
  patterns, add/change credit limits, request new additional services and place their employees into
  groups to reflect their organization structure.

We are confident that our continued focus on innovative service offerings, world class LTE data network and superior customer care will continue to deliver the most rewarding customer experience in the market and will be our unique differentiators from our competition.

Since its launch in 2016, Aliv has also supported many key community and cultural initiatives including, but not limited to the Special Olympics, Sir Durward Knowles, Freedom Farm, Hands for Hunger, Junior Achievement Bahamas, Icon awards, Red Cross Ball, Red Ribbon Ball, Miss Bahamas World, The University of The Bahamas, BTVI Graduation, The AIDS Foundation, Pure Silk Golf Tournament, International Wine & Food Festival, Friends of the Blood Bank, The Bahamas International Film Festival, Bahamas Economic Outlook, Susan G. Komen Race for The Cure, The Heart Ball, Bahamas Primary School Student of the Year, Girl's in ICT, Lupus 242, Royal Bahamas Police Force Youth and Urban Renewal programs, and various other cultural festivals, including Junkanoo, regattas and family island homecoming events. It is Aliv's mandate to continue to support the community we operate in through partnerships. These initiatives will continue as we continue to build the best partnerships and relationships in the country.

## Our Differentiated Customer Experience

The cornerstone of our competitive positioning is transparency and value for the Bahamian customer. We want to ensure that every Bahamian has an exceptional customer experience and the ability to purchase a top of the line handset at a variety of prices. Similarly, we have designed service plans that are attractive to customers by offering simple and affordable wireless services and innovative products that are easy to purchase. Our customer base is supported by a well-trained sales and customer service staff who provide 24 hour support from our Service Center located in Grand Bahama.

We are the first wireless operator in The Bahamas to provide customer care 24 hours a day, seven days a week and a calling party pays (CPP) regime for calls from fixed lines. Customers are able to contact us 24 hours a day by telephone, through the Aliv App, via online chat, and in person at our retail outlets during store hours. Aliv has uniquely designated a WhatsApp number 812–Aliv (812-2548), just for customers, which allows for easy communication and quick resolutions of any questions or concerns they may have. This convenience has never been seen before in telecommunications in The Bahamas and proves that Aliv is a true leader in innovation and technology. Most recently added is the Aliv online assistance live chat feature.

For customers that contact us by telephone, we have live operator agents and automated interactive voice options and responses. Customers can contact us by using the three-digit speed dialing on their wireless phones "611" or through a conventional toll-free number - 1 (242) 300-2548. Our highly responsive customer care agents also make outgoing calls to each newly activated customer. One of the main functions of customer care is to educate new customers about how to use basic phone functions and to inform them about the value-added services we offer.

To ensure continuous quality of service delivery a number of key metrics are deployed in the call centre operations. Agent performance continues to be measured using "Score Cards" measurements created by our Quality Assurance team to assist in measuring performance in the following categories:

- Customer Relationship
- Customer Effort
- Resolutions
- Critical Areas- Verification and Professionalism

Agents receive coaching/training from Quality Assurance and Team Leaders. We have instituted our Performance Improvement Program (PIP) - A multi week program to improve performance or termination.

Our voice and data services, including short messaging service, App, and LTE technologies, are aimed at a range of customer needs and enable us to reach customer segments which we believe were underserved by our competitor. We are also increasing our focus on value added services (VAS) that will increase our data penetration. We take the time with all new activations in-store to ensure the customer phone "walks"

out working" and we pay particular attention to our first call resolution rate in our call centre, both key drivers of a rewarding customer experience.

Starting October 2017, we launched our Aliv Concierge channel. This channel was developed to provide "butler" service to those prospective customers that are too busy or less inclined to visit our store locations. These are generally higher ARPU post-paid customers. The offer includes door service, allowing for purchase of devices, plans and porting.

Intrinsic to the Aliv brand is our commitment to the community in which we live and work. We know that we are only as strong and as profitable as the customers that we serve. In keeping with this we aim to develop and support programs that increase self-sufficiency, inspire innovation, and support the culture of The Bahamas. Over the last several months, we have sponsored Freedom Farm (youth sports league), Hands For Hunger, The Bahamas Icon Awards and supported musicians, youth sports programs, hurricane relief, young and upcoming artists, local business initiatives and a wide selection of other charitable endeavors. As we grow and evolve, we will continue to expand our role as being the partner of choice for The Bahamas.

The goal remains "Believe in Best"

## **Our Operations**

Our business is currently organized into six islands: New Providence, Grand Bahama, Abaco, Eleuthera, Bimini and Andros. The following table presents, data for each island in which we have wireless operations.

Market	Population Launched		<u>Mobile</u>	Retail Store	Top-up
IVIAIREL	ropulation	Lauticileu	Cell Sites	<u>Count</u>	<u>Locations</u>
New Providence	<u>246,329</u>	~	73	9	640
<b>Grand Bahama</b>	<u>51,368</u>	~	33	4	180
<u>Abaco</u>	<u>17,224</u>	~	23	1	129
<u>Eleuthera</u>	<u>11,515</u>	~	17	6	71
<u>Bimini</u>	<u>1,988</u>	•	4	1	17
<u>Andros</u>	<u>7,490</u>	~	16	1	47
Total	335,914	6	166	22	1,084

Note: population based on 2010 Population Census

As at December 31, 2017, we have captured approximately 29% of the available market across all markets in which we have opened. Below is a summary of our operations in each market in The Bahamas, organized by launch date, detailing our operations in the market, and the characteristics of the market:

*New Providence* - the most populous island in The Bahamas, is an island with a population of approximately 250,000. It is the capital of The Bahamas and has the majority of the economic activity in the country. On October 1, 2016, we completed the initial build-out of our island-wide LTE and 3G HSPA+ network and soft launched wireless services.

Grand Bahama - Aliv soft launched operations in Grand Bahama on October 1, 2016 after building out our network across the island including the district of Freeport (Free trade zone). Freeport Grand Bahama is the designated "second city" of The Bahamas and the second most populous with a population of 51,368. Grand Bahama while second in economic activity has a very high mobile penetration rate.

Abaco - On December 15, 2016, we completed the build-out of our network and launched wireless services in Abaco. Abaco is an island with a population of 17,224. It has a very large immigrant, expat and transient population that contribute in a material way to the economy of the island. The varied and diverse communities are also significant mobile users as it serves as one of the main sources of both local and international communications.

Eleuthera – We completed the construction of our network in Eleuthera on December 21, 2016 and launched service on December 23, 2016. Eleuthera has a population of 11,515. The island is actually made up of three distinct island communities i.e. the main land of Eleuthera, Harbour Island and Spanish Wells. These three communities which collectively make up Eleuthera are also very different in many respects and our focus is on all three segments in approaches that are tailored to the uniqueness of each community.

Bimini – We completed the construction of our network in Bimini on August 16, 2017 and launched service on August 18, 2017. Bimini has a population of 1,988. It consists of two islands – North Bimini Island and South Bimini Island and a number of cays. Its proximity to Florida makes it a frequent stop for boaters and other tourists.

Andros – We completed the construction of our network in Andros on November 24, 2017 and launched service on December 1, 2017. Andros has a population of 7,490. It is the largest island in The Bahamas and consists of three major islands – North Andros, Mangrove Cay and South Andros. As the island is very large and the population spread out, communications becomes a very important factor for its residents. Our focus here is to ensure full and stable coverage over the entire island.

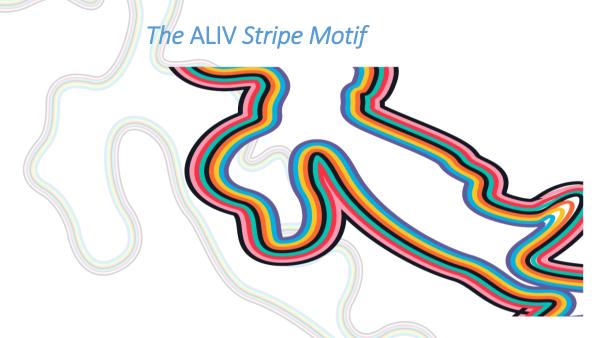
We have installed network equipment in Exuma, Long Island and Cat Island and await BTC's completion of their final work.

## Brand Development, Principles and Advertising

The Aliv brand is a uniquely Bahamian brand built on first world qualitative and quantitative techniques. Its development commenced in January 2016 and culminated with the launch of Aliv in November 2016. It was the result of engaging a number of brand agencies in a tender process that involved CBL and ALIV senior management, utilizing the results of a series of on the ground market research activities that were completed over the first six months of 2017. This ensured the brand was truly built of, for and by Bahamians, using best in class brand evolution and creation principles.

A core part of the brand identity is the Aliv motiv, it is the representation of the best of Bahamian culture based on Junkanoo colours and vibrancy, while the curving shapes are the traced outline of each of the Bahamian islands, representing many places and people, all uniquely and collectively Bahamian in one great Nation.

Since November 2016, Aliv has become the most recognized brand in the country. Aliv has established a step change in marketing, advertising, public relations, communications and community engagement in the market. Aliv has irrevocably changed for the better, in the consumers mind, what a best in class service operator is. Over 500+ unique and dynamic campaigns, partnerships and promotions have helped to promote the Aliv brand across the Bahamas. This consumer perception is proven by the results of our first Net Promoter Score("NPS") which was completed in late 2017. This tool is an invaluable, independent and globally recognized standard of brand measurement to gauge the loyalty of customer's relationships. Aliv scored a NPS of 58. Apple has an NPS of 72. Proof indeed that the Aliv brand is among the best in the world.



Inspired by the coast-lines of our country our proprietary multi-color stripe motif was created to encapsulate our core foundational idea of Individual & Collective Freedom

## Our Human Resources Infrastructure and Recruiting Strategy

We believe we have successfully developed a unique corporate culture based on entrepreneurship, innovation, client focus and commitment to the communities we serve. We have a strong, highly experienced and committed team in each of our markets, including a mix of expatriates with years of experience in the telecommunications industry and local professionals with deep knowledge of our markets. Many of our professionals have developed unparalleled experience in launching and building leadership positions in new markets. We believe our team has the experience necessary to continue to expand our operations and have prepared development plans for local employees to become the future leaders of the Company.

## Senior Management Team

The following table sets forth members of our senior management as of the date of this offering memorandum. The business consists of a blend of international & regional experienced mobile network operator executives combined with Bahamian executives with over 100 years of combined experience in the telecommunications industry.

In addition to the base salary and performance bonus that is extended to all full-time staff, the senior management team and permanent staff are also incentivized with a long-term incentive plan. The purpose of the plan is to best align the interests of the participants, representing critical employees, with those of the Company's ordinary shareholders through opportunities of additional compensation.

Name	Location	Title
Damian Blackburn	New Provid <mark>en</mark> ce	Chief Aliv Officer
Barry Williams	New Providence	Chief Money Maestro
Jay Naylor	New Providence	Chief Aliv Guardian
Stephen Curran	New Providence	Chief Aliv Innovator
Gravette Brown	New Providence	Chief Aliv Business Developer
Dwayne Davis	New Providence	Chief Aliv Solutions Architect
Alan Bates	New Providence	Chief Aliv Partner
Johnny Ingle	New Providence	Chief Aliv Champion
Patrice Thompson	New Providence	Aliv Team Director
Allison Levarity	Grand Bahama	Chief Aliv Care Giver
Richard Stanton	Grand Bahama	Aliv Partner, Northern Bahamas

**Damian Blackburn** joined the Company on July 1, 2016 as Chief Executive Officer. Mr. Blackburn has over twenty years working at senior levels across the global telecommunication industry, having held senior

management positions with Virgin Mobile, BT Group, Digicel and Vodafone in the North and Central America, Europe & Caribbean regions. A key part of the team that launched Virgin Mobile in UK over a six-year period, he was instrumental in revolutionizing the telecoms market in the UK, creating hundreds of jobs in the process & leading to an intial public offering of the business on the London Stock Exchange. In addition to his Virgin Mobile experience, he has held key roles at Digicel as Regional CEO of the Eastern, Northern and Dutch Caribbean markets. He also served as CEO of Digicel's largest market in Haiti and its operation in Honduras and as Group Business Development Director led Digicel's entry into the Cable TV markets across multiple markets.

He still retains strong links to Haiti, serving on the board of Sevis Finansye Fonkoze since 2013, a double bottom line institution and the largest microfinance institution in Haiti that provide micro-loans to approximately 70,000 women and small businesses. He has been chairman of the board since 2015. In his role as CEO of Digicel Haiti, he was involved in the construction of the Marriott Hotel in Port au Prince, served as on the Foundation board that completed the building of over 100 schools in Haiti. He also led the early establishment of a mobile money solution in partnership with Scotiabank that is now Mon Cash, the largest mobile money solution in the Caribbean, and served as a Board director on the American Chamber of Commerce playing a key role in attracting the American Chamber's regional conference to Haiti. He has also served on the boards and invested as an angel investor in technology start-up companies, in particular mobile financial services and advertising technology solutions and as a Governor of the College of St Hild & St Bede, University of Durham, and St Clement Danes Church of England Primary School. He is currently serving as a member of the Grand Bahama Technology Hub Steering Group established by the Office of the Prime Minister of the Bahamas. He is a Fellow Chartered Management Accountant and Chartered Global Management Accountant, a United Kingdom citizen and resides currently in the Commonwealth of the Bahamas.

Barry Williams joined the Company in July 2016 as Chief Financial Officer. Mr. Williams has previously served as Senior Vice President of Finance and CFO, of Cable Bahamas Ltd., with direct responsibility for all financial reporting, financing and cash flow management. Instrumental in building Caribbean Crossing's operations, he was directly involved in the initial 2001 \$25 million private placement for that division. With Cable Bahamas, he assisted in growing consolidated revenues from \$31M in 2001 to currently over \$150M and operating income from \$15M to over \$50M. Mr. Williams also led all financing transactions for Cable Bahamas totaling over \$700 million. He brings expertise in financial planning, reporting & operations. He joined Cable Bahamas in 2001 as Director of Finance, was promoted to Vice President of Finance in 2005 and Senior Vice President of Finance in 2010. Prior to joining Cable Bahamas Mr. Williams spent seven years with Deloitte & Touché managing audit and consulting engagements, specializing in financial services institutions and retail organizations, in both The Bahamas and Canada offices. Mr. Williams is a Certified Public Accountant and a member of The Bahamas Institute of Chartered Accountants. He holds a Bachelors of Business Administration Degree from Acadia University, Nova Scotia, has attained the Canadian Securities Course certificate and also completed the Canadian Broker Dealer Course, the Stanford Emerging CFO course and Harvard Advanced Management Program.

Jay Naylor joined the Company in June 2016 as Chief Operating Officer. As a senior executive member of the Aliv Team, Jay contributes as part of the core leadership team to guide Aliv from a startup to a fully operational industry-leading mobility company. Jay directs, administers, and coordinates the internal

operational activities of the organization in accordance with policies, goals, and objectives established by the Chief Executive Officer (CEO) and the Board of Directors. Jay leads and directs the following functions and/or business units: operations, human resources, information systems, traffic, new business coordination, and agency promotion and communication. Jay was instrumental in Cable Bahamas' acquisition of the cellular license, having planned, designed and prepared the company's bid to acquire the license and carry the Company through the auction bidding processes. Jay was key to developing two telecommunications start-ups; in the UK and New Zealand, where Jay was Chief Technology Officer and General Manager of Network Planning and Operations, respectively. Jay holds two degrees from the University of Saskatchewan; Bachelor of Science in Engineering and a Bachelor of Science in Zoology.

**Stephen Curran** joined the Company in August 2016 as Chief Technical Officer. Stephen Curran has been working in the telecoms industry for the past 20 years. For sixteen years, he worked with Digicel on the rollout of the cellular networks worldwide and more recently on the network design and planning of the new Digicel properties. Stephen has a PhD in Aviation Management from ERAU, Daytona Beach, Florida and a B.Eng and an M.Eng from Dublin City University in Ireland. Stephen is originally from Ireland but moved to The Bahamas in August 2016.

Gravette Brown joined the company in February 28, 2017 as Chief Aliv Business Developer. In her role she heads up the company's commercial strategy, business development and partnership initiatives across the Bahamas. Before joining Aliv, she was an investment professional with 18 years of experience in the fields of portfolio management and emerging market principal investing. She began her international career as an associate at JP Morgan in New York City and Geneva, Switzerland where she worked as a business analyst in the investment and private banking divisions. She then worked for 12 years at the International Finance Corporation of the World Bank Group where she attained the rank of principal investment officer and concluded her career there leading the corporation's investments in the manufacturing and services sectors across the African continent — a \$250 MM per annum business. Gravette has lived and worked in New York, New York; Washington, DC; Geneva, Switzerland; Dakar, Senegal and Lagos, Nigeria. She is a graduate of the University of Pennsylvania in Philadelphia, PA where she graduated with Bachelor of Arts (BA) degrees in International Relations, French and Economics. She is also the holder of a Master of Business Administration (MBA) degree from Columbia University in New York, New York with a concentration in Finance. She speaks fluent French.

**Dwayne Davis** joined the Company in July 2016 as IT Director. Dwayne A. Davis is a Senior Technology and Operations professional with a proven background in information technology and IT operations with over 25 years of experience, across The Bahamas, the Caribbean, North America and European regions. Previous senior management roles include regional manager for RBC Private Banking and RBC Dominion Securities, IT Manager for J.P. Morgan, V.P. of Technology at CitiTrust (Bahamas) and Abaco Market, Director of Information Technology for both UBS Bank Bahamas and UBS Trust Company Bahamas and Cayman Islands. All roles held direct responsibility for technology and IT operations. In January 2011, Dwayne founded Bay Shore Management Services Limited, a full-service Bahamian technology solutions provider and consultancy Firm. Dwayne has been an active member Toastmasters International Club

1600, Club 7178 and Club 7108 for the past 25 consecutive years, Dwayne is also a member of Scottish Freemasonry, Lodge St. Joseph, and a life member of Kappa Alpha Psi Fraternity Incorporated having served as Polemarch and active with Junior Achievement National Speech competition since 2003. Dwayne is married with three children.

Alan Bates joined the Company in June 2016 as VP for Sales, Top-up and Distribution. He has over 17 years of corporate executive experience with large scale telecom projects. Prior to joining Aliv Limited, Alan was head of International Business Development for Caribbean and North America, responsible for the development of Actavo's Groups growth strategy in target international markets and develop long term working relationships and agreements with major telecom operators. From 2003 to 2013, Alan has held various senior roles at Digicel in the Caribbean including CEO of the British Virgin Islands, where he oversaw the launch of the business in the BVI in November 2008 and growth of the business from the third operator to second operator. Alan has a proven track record of growing market share of new entrants in mature markets.

Johnny Ingle joined the Company in June 2016 as VP for Products, Pricing, Marketing and Communications. Prior to joining Aliv, he held numerous positions with Digicel across the Caribbean, including CEO of Digicel Barbados, where he maintained Digicel market share at 56% despite the acquisition and rebrand of Cable and Wireless to Flow in Barbados. He started with Digicel Haiti in March 2008 as Commercial Director where he was instrumental in driving Digicel to the No.1 in market share in Haiti, at the time the second largest market for subscriber base in the entire Digicel group. Johnny is originally from Ireland but moved to The Bahamas in June 2016, having lived and worked in across the Caribbean for over a decade. Johnny has a Bachelor Degree in Management & Marketing from the National University of Ireland and holds fellowships with the Sales Institute of Ireland, the Marketing Institute of Ireland and the Public Relations Institute of Ireland.

Patrice Thompson joined the Company in August 2016 as Human Resources Director. Patrice Thompson is a human resources professional with over 15 years' people-centric leadership experience. Starting as an operations leader at Atlantis managing marketing, sales, and customer experience, she then transitioned to human resources as Executive Director of Talent and Sourcing where she attracted and retained senior level talent for one of the leading resorts in The Bahamas. She has created, developed and executed sourcing strategies, provided consultative guidance to senior leadership regarding talent needs and prospective job openings, while ensuring specific talent needs and skill requirements were met for all business units. Patrice received her Bachelor of Arts in Business Administration from Nova Southeastern University and holds further professional certifications in 'Performance-Base Hiring', 'Talent Plus', and 'Neuroscience and Talent Management'.

**Allison Levarity** joined the Company in August 2016 as Director for Customer Care. A Grand Bahamian who directs and oversees all aspects of Aliv's customer service policies, objectives, and initiatives, ensuring the delivery of high quality service and support before, during and after our product is sold. A graduate of Bethune - Cookman University with a Bachelor Degree in Accounting, Allison has held various senior positions including Customer Service Representative to Branch Manager at Commonwealth Bank —

Customer Service & Foreign Exchange Representative, at Bank of The Bahamas – Customer Service and Audit. Allison is a Certified Professional Manager and Certified Human Resource Manager.

**Richard Stanton** joined the Company in July 2017 as General Manager/Freeport, G.B. Mr. Stanton is a 33-year telecommunications veteran. He spent 13 years in the Caribbean working for Digicel Group Ltd. His Caribbean assignments spanned countries such as Trinidad & Tobago through the Eastern Caribbean and Central American countries. He has served as CEO on numerous islands within the Eastern Caribbean. In his current role he will be focused on delivering growth in sales, revenue and EBITDA.

Mr. Stanton is originally from Leeds, England and is currently relocated to Freeport Grand Bahama. He is married with one daughter.

## **Training**

Be Aliv is committed to ensuring that our staff are best-in-class and continually sharpening our skills. Each year all employees work with their team leaders to devise personal development plans that reflect their skills development needs and their career trajectory. This is a part of the annual performance appraisal process and senior management objectives and goal setting.

## Operations, Technology, Network and Systems

## **Network and Systems**

Our strategy is to provide full population coverage at launch in each island when we begin to offer service on the island. We define "population coverage" as coverage of places where persons habitually live and traverse, in full compliance with the URCA regulations. This coverage strategy has proven successful, as we believe full population coverage is a key requirement to provide a competitive product offering for Bahamian customers.

Two identical core networks have been built, one located in New Providence Island and one in Grand Bahama, both located at Cable Bahamas Ltd.'s ("CBL") secure datacentre facilities. We lease rack space for our equipment. Our network is interconnected directly to BTC's fixed switch, to enable us to route calls to their fixed and mobile customers. This is covered by an interconnect agreement signed prior to our launch on the 1st October 2016. CBL also has two landing station locations in Miami offering resilience on the international link. We use LTE technology on the 700MHz and 1700/2100 MHz spectrum bands, and HSPA+ technology on the 850MHz and 1900 MHz bands. All our cell sites have both LTE and HSPA+ technology. LTE is the most commercially advanced wireless technology in the world. As LTE is so widely used, it is supported by a variety of vendors and allows operators to achieve cost economies in infrastructure and mobile terminal equipment. The network equipment has been provided by Huawei, a

world leading vendor for telecoms equipment. We use the latest generation Huawei equipment and maintain the latest software releases.

Huawei provide the network monitoring from their Network Operations Centre ("NOC") in Mexico under a Managed Services Agreement ("MSA"). CBL monitors the transmission network from their NOC in New Providence.

Aliv was awarded spectrum in the following ranges:

#### Coverage

- 2 x 11 MHz at 850MHz for 3G HSPA+
- 2 x 12 MHz at 700MHz for LTE Band 13

#### Capacity

- 2 x 20MHz at 1900MHz for 3G HSPA+ capacity
- 2 x 15MHz at 1700/2100MHz for LTE Band 4 capacity

The following table shows the number of sites that will be built on each island to provide coverage across all the islands, in line with the mobile license terms

	In- Progress	On Air	Total
New Providence	1	73	74
Grand Bahama	0	33	33
Abaco	1	23	24
Eleuthera	0	17	17
Exuma	17	0	17
Bimini	1	4	5
Andros	1	16	17
Berry Island	3	0	3
Cat Island	10	0	10
Long Island	11	0	11
San Salvador	4	0	4
Rum Cay	1	0	1
Inagua	1	0	1
Crooked Island	5	0	5
Acklins	6	0	6
Ragged Island	1	0	1
Mayaguana	2	0	2
Total	65	166	231

To date, the majority of the on-air cell sites being utilized have been built by CBL and are utilized by Aliv pursuant to a master services agreement. CBL had built 126 sites as at 1st January 2018 and plans to build a further two sites to complete the cell site portfolio. Almost all the sites are monopoles and built to sustain hurricane winds of up to 150Mph. Each site can accommodate two operators, one of which is Aliv. All the key low band sites have a backup generator with a seven-day fuel supply. Aliv has built 24 sites and has leased from BTC a further 79 sites in order to complete the network buildout requirements to the Family Islands. At some key locations, such as large hotels and government buildings, we will install inbuilding solutions (IBS) where it is difficult for the external cell sites signal to penetrate the building. These IBS will ensure better quality indoor coverage.

The Aliv cell sites are interconnected on the four main islands via the CBL BICS subsea fibre network. This fibre network has a ring topology to guard against any physical cuts or failure of electronic components. For the other islands Aliv has an arrangement with BTC to provide these transmission services on the BDSNi fibre ring. For the "last-mile" transmission connection key sites have both a fibre connection and a backup microwave link to ensure continuity of connection in the event of a problem with one of these transport mediums.



Network resilience is provided a number of ways. Firstly, there are two identical core networks built in two separate islands ensuring no single point of failure. Secondly, we are carrying out increased hardening of the network, adding alternative power solutions for longer cell site life in the event of grid power failure. On key sites we plan to install a second pathway for last mile transmission access. On the international connectivity, owing to the submarine fibre ring architecture there is no one single point of failure.

Aliv is implementing a software upgrade that will allow Carrier Aggregation on the network. This allows suitable devices access both LTE Band 13 and Band 4 at the same time and increases the data rate available to a user to over 120 Mbps

## Information Technology

The strategy for information technology (IT) is driven by our business strategy and operational objectives. We have standard configurations for both our core IT infrastructure and business support systems. These

configurations are built using industry leading technologies such as VmWare and their architectures are aligned with our networks and customer care functions to compliment and support the services they provide.

Our IT infrastructure configuration is standardized on Cisco UCS Virtual Servers along with Microsoft and Linux for the core systems, with off Island backup and replication for core systems. We use proprietary systems for customer care, customer provisioning, post pay billings and reporting, interfaced with Huawei OCS and Core Systems.

Roaming is facilitated via a commercial agreement with BICS that gives us roaming with over 500 partners covering 190 countries worldwide as well as bi-lateral agreements with other global carriers. We rely on CBL to transit calls to/from international carriers, but we retain the option to do this ourselves.

We use proprietary application program interfaces (APIs) to integrate these systems with our networks to maximize automation of data throughput and coherency of operations. Where proprietary interfaces are not available we work with our vendors to develop and deploy in-house solutions to achieve the required integration and automation.

High availability of critical systems and data integrity is considered paramount to the overall IT strategy. As a result, we have carried out an End to End systems audit around the security of our systems and network components. We have developed a disaster recovery program covering each of our critical systems. Backing up and retention of data consists of a very structured regime of twice daily backups with offsite copies held in CBL's location, along with real time replication of the servers in Freeport. The retention periods of these backups are set to be consistent with the legal and regulatory requirements for The Bahamas.

The above has enabled us to develop and maintain an effective front-end management information systems capability. This capability is based on our proprietary system. The capability is used to aggregate and data mine the transactions generated by our key network nodes and systems including: switches, top-up, call handling and rating platforms, as well as customer care and retail management/store systems. Our standard configuration also enables us to set up IT for new islands very quickly.

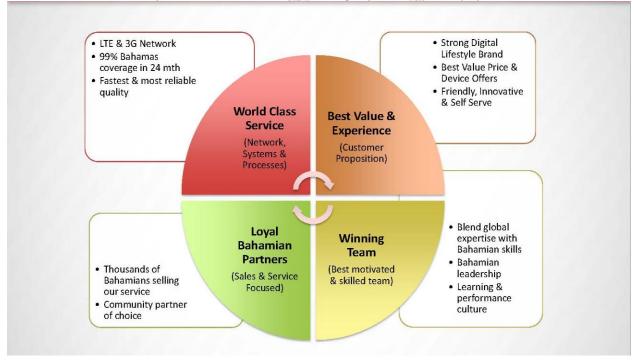
### What we Sell and How we Sell it

Our research has indicated that consumers in The Bahamas generally feel they pay too much for wireless services and are offered little choice. Our pricing strategy addresses these needs by offering a choice of packages to suit subscriber requirements, including weekly and monthly standard plans which have data, voice minutes and text bundled in a simple plan at price points and durations to meet every customer's needs. These packages treat calls to USA and Canada at the same price as calls within The Bahamas, offering the consumer the freedom to call the people they want to most often without having to consider the price. For specific diaspora who live in The Bahamas, such as Haitians, Jamaicans, Cubans, South Americans and Europeans, Aliv has developed a region-specific plans.

We seek to provide innovative data and voice services and applications aimed at different customer needs to improve customer satisfaction and increase revenues. We offer our services on a pay in advance basis to the consumer segment. To commercial customers we offer post-paid terms. Our pay in advance service involves the payment by the subscriber in advance for airtime and bundled plans. The commercial postpaid offering requires a multi-year contract with a fixed minimum monthly payment. This monthly payment provides for a pre-determined amount of airtime and services. Any usage in addition to or above these pre-determined amounts will result in additional charges being incurred by the customer and, paid after the service is provided.

Our pay in advance offerings provide plans containing voice minutes, data usage and texts and features such as voicemail and call forwarding. We offer a variety of plans, including plans that offer unlimited bundles of minutes. We provide two principal methods to add credit to, or "top-up," pay in advance accounts. The first is through electronic top-up using the use of point-of-service terminals. The second is through the use of the Aliv app or on-line. Top-up through the app has several advantages over electronic top-up, primarily because the app reduces operational costs and can be done instantly by the customer as they wish through a credit or debit card registered on the app. The Aliv app is zero rated for customers, ensuring that customers are never blocked from topping up. All the Aliv plans offer the following features

- Customers' data Can be used on both Aliv LTE (Band 13 & 4) & nbHSPA+ (850Mhz) networks.
- Talk minutes & text All include outbound calls to Bahamas, Canada and USA numbers (both mobile & fixed).
- No charges to receive calls or text from anywhere in the world or any network in the world.
- Per second and per megabyte charging from first billable second.
- Free to call customer care
- Can use allowance anytime in The Bahamas.
- Automatically renews unless consumer changes plan or doesn't pay.



In addition, we offer bolt-on plans for those customers who exceed their plan during the 7 day or 30 day period and want to continue using their phones before their plan renews. Pay in advance top-up is always available as a default option. Bolt-ons are also featured for international roaming for customers when they travel outside The Bahamas.

We provide pay in advance voice and data roaming service to our pay in advance customers through 500 roaming partners in 190 countries, and we are constantly adding new countries. Through a third-party agreement with BICS, we have been able to offer roaming from launch, and we established roaming services directly with key roaming partners which will allows us preferred roaming rates for our customers traveling to the main markets of the US, Canada, UK and the rest of the Caribbean.

*In-Bound Visitor Roaming Services*. We receive in-bound roaming revenues from subscribers to LTE and HSPA+ networks in other markets that travel to our markets and use our network. We intend to offer shortly, through our local and international partners, packages and incentives to the very significant tourism market, which we believe is underserved in a number of respects.

### **Handsets**

We procure and distribute handsets in-house, stocking the latest, cutting edge wireless devices, which we believe match the needs of our market segments. We carry a comprehensive range of handsets at the entry level, mid-range and high-end price ranges, boasting the latest range of smartphones including a wide range of Android and Apple devises. Our distinctive competitive advantage is that we offer the highend handsets at only a slight premium to prices in the US. We regularly provide best in market promotional offers across our range of handsets in particular rewarding those who port their number to us.

# The Company and Shareholders

# **Capital Structure of the Company**

The Company's authorized share capital is Fifty Million Five Thousand Bahamian dollars (B\$50,005,000.00), divided into (i) Five Thousand (5,000) ordinary shares with a par value of one Bahamian dollar (B\$1.00) each and (ii) Fifty Thousand (50,000) preference shares with a par value of one thousand Bahamian dollars (B\$1,000.00) each.

## **Principal Shareholders**

The following table sets forth current information with respect to beneficial ownership of our common shares by: (i) The Bahamian Government and (ii) Cable Bahamas.

Except as otherwise indicated, the holders listed below have sole voting and investment power with respect to all shares beneficially owned by them.

Identity of Person or Group	Percent of Common Shares Owned
HoldingCo2015 Limited <sup>(1)</sup>	51.75%
Cable Bahamas Ltd,	48.25%

<sup>(1)</sup> The Government has plans to divest its holdings in Holding Co2015 Limited which may change the beneficial owners of HoldingCo2015 Limited in the future.

In accordance with the requirements for a private company as set out in the Securities Industry Act, 2011, the Company's constitutive documents (i) restrict the right to transfer its shares; (ii) limit the number of its security holders to no more than fifty beneficial owners; and (iii) prohibit any invitation to the public to subscribe for its shares.

# **Related Party Agreements**

## Master Services Agreement

We have entered into an agreement with Cable Bahamas Ltd. ("CBL") pursuant to which it provides us with access to its network infrastructure and occupation of leased properties, access to CBL financing guarantee, managed services, CBL services for Aliv stores, rights to CBL's trademarks and Intellectual property rights. We pay CBL fees for the use of such services. The fees are subject to review every year and can be increased by CBL by not more than the annual relevant Bahamian CPI, unless the increase arises from an increase from a third-party provider to CBL. This agreement was entered into on the commencement day of the license and expires on the expiry of the 15-year license term.

In addition, CBL has granted Aliv, the right to access CBL customer data gathered in compliance with the Data Protection Act (Privacy of Personal Information) Act (Chapter 324A) Statute Law of The Bahamas or any amendment thereof ("Relevant Data Protection Law").

# The following table sets forth the material operational agreements we rely on for operating the business and the term for which these agreements apply:

Vendor	Description of Service	Term
CBL MSA	Provides access to key technical, financial, legal and commercial services from CBL (one of our shareholders)	15 Years
CBL MLA	Provides the terms under which we access the CBL Towers, which they built.	5 Years extendable
CBL Huawei	Supply of Cellular Equipment and Services incl. annual support and maintenance – back to back agreement.	7 Years extendable
BICS	Carrier Service, roaming and other network services	Primary agreement is for 5 Years, while other services are 3 Years
MMS	Merchant System Software (POS) unlimited use across the Bahamas	5 Years
Seamless	Electronic Recharge (Top-up) system	5 Years
Kansys	Pre-paid and Postpaid billing system	Ongoing
BTC Interconnect	Agreement governing call termination services provided by BTC	Continues in effect unless terminated in accordance with specific circumstances outlined in Agreement
BTC Tower Collocation	Contains terms and conditions upon which BTC agrees to make available its Infrastructure Sharing Services	5 years from 10 <sup>th</sup> April 2017
BTC Transmission	Sets forth terms and conditions upon which BTC will provide specific capacity on its fiber optic submarine cable system (BDSNi)	Draft Agreement not yet signed. Proposed term is for Agreement to continue in effect for 120 days following the expiration or termination of all Service Orders entered into pursuant to the Agreement.
BTC National Roaming	Agreement governing national roaming services received from BTC	2 years from 1 <sup>st</sup> July 2016, extendable
CBL Interconnect	Agreement governs call termination services provided by SRG (CBL)	Draft Agreement not yet signed. Proposed term is 5 years.

### **Corporate Governance**

Shareholder agreement On June 23, 2016, our shareholders along with the Company entered into a Shareholders Agreement. The Shareholders Agreement is the substantive and legal document that governs the relationship between CBL, Aliv and HoldingCo2015 Limited. This Agreement sets out all the material governance perspectives of the relationships among the parties and outlines the process and procedures required for all material transactions. The Shareholders Agreement contains certain restrictions on the transfer of our equity securities, as well as customary "tag-along," "drag-along", registration rights and pre-emptive rights provisions. In addition, the Shareholders Agreement provides that HoldingCo2015 Limited has the right to appoint three (3) of our seven Directors, while CBL has the right to nominate four (4) Directors. The Chairman has been appointed by the Board and the vice Chairman by HoldingCo2015 Limited.

Audit Committee. Our directors have established an Audit Committee. The Audit Committee is responsible for determining and applying policy on behalf of the Board to the financial reporting and internal control principles of Aliv and for maintaining an appropriate relationship with Aliv's auditors. The membership of any committee of Aliv shall at all times include one of the directors appointed by HoldingCo2015 Limited and two of the directors appointed by CBL (in each case to the extent any such directors have been and remain so appointed). The majority of its members shall be independent of any Shareholder if required by any applicable policies and regulations as may be from time to time in force.

HR & Remuneration Committee. Our directors have established an HR & Remuneration Committee ("HR Committee"). The HR Committee is responsible overseeing the Company's Human Resources Compensation and Benefits policies as it relates to the Company's objectives and good management practices; evaluating executive performance and overseeing compensation and benefits of the Company's executives. The membership of any committee of Aliv shall at all times include one of the directors appointed by HoldingCo2015 Limited and two of the Directors appointed by CBL (in each case to the extent any such Directors have been and remain so appointed). The majority of its members shall be independent of any Shareholder if required by any applicable policies and regulations as may be from time to time in force.

# **BOARD OF DIRECTORS OF THE COMPANY**

Board Members	Title
Franklyn Butler	Chairman
Gowon Bowe	Deputy Chairman
Michele Merrell	Director
Dave Smith	Director
James Bain	Director
Gary Kain	Director
Ross McDonald	Director

## Franklyn Butler II

Mr. Butler is a graduate of St. Anne's High School in Fox Hill. He furthered his studies in England where he attended Trent College in Nottingham, England and received his A levels. He later went on to the University of Warwick in Coventry, England where he attained a Bachelor of Science degree in Accounting and Finance.

Mr. Butler returned from England in 2003 and served as Sales Manager and Operations Manager at Milo B Butler & Sons Co. Ltd for over ten (10) years. Since that time, he now operates as the President and Managing Director. He also serves as a director of several companies which include Tuscan Shores Developments Company, AML Foods Limited and Milo B Butler & Sons Limited.

He attends Christ Church Cathedral where he is a leader of the Alpha group within the parish. He is also a member of the YPO chapter in the Bahamas and enjoys reading, singing, travelling and spending time with his family. Mr. Butler is the third son of Franklyn and Clementine Butler.

### Gowon Bowe

Gowon is the Group Chief Financial Officer for Fidelity Bank & Trust International Limited, including its publicly traded subsidiary Fidelity Bank (Bahamas) Limited. Prior to this role, he was a partner and Advisory Leader with a Big Four (4) accounting firm, having served with member firms in The Bahamas and the United Kingdom on an accelerated career path.

Gowon is a proud graduate and alumnus of St. Anne's High School and the now University of The Bahamas, and possesses a Bachelor of Commerce in Accounting with First Class Honours and a Masters of Business Administration with a specialisation in Finance from Dalhousie University in Halifax, Nova Scotia, Canada; he was the recipient of the University Medal for the Commerce department due to high academic achievements, which continued as he placed second overall in the State of Georgia on his first attempt at the Uniform Examination of Certified Public Accountants.

Gowon has provided and continues to provide professional services, including financial advisory services, to private and public sector entities, including the Government of the Commonwealth of The Bahamas, and was the leader of accounting and audit technical, risk and quality functions while serving as a partner. He is President of the Bahamas Institute of Chartered Accountants, and immediate past Chairman of the Bahamas Chamber of Commerce and Employers Confederation. Gowon is a significant contributor to objective analyses of the Bahamian economy and its participation in the global sector, and an oft-sought after presenter/facilitator at financial and economic seminars and training sessions, as well as speaker at business/accounting related discussion forums and media programs.

# Michele Merrell

Ms. Michele Merrell brings with her almost 20 years of professional experience in marketing and communication primarily in the telecoms and IT solutions industry. She is currently VP of Global Marketing with CSPI & Modcomp Systems, a global organization that develops IT solutions, systems integration services and dense cluster computing systems, and has previously held executive positions with Brightstar Corp. and Tyco International. She is the President of Merrell Consulting Group, a global marketing and corporate communications consultancy out of Florida. Ms. Merrell's experience and expertise in mobile

and wireless communication augurs well for the Company as CBL bids to secure the second cellular license for The Bahamas in 2015.

Ms. Merrell's business achievements have earned her several of awards and recognition over her career. Recently, in 2013, she was named by the Diversity Journal as a "Woman Worth Watching" award recipient. She was named by the South Florida Business Journal in 2012 as one of their "Business Woman of Influence."

As well as being involved in many Florida and US national organizations, Ms. Merrell is a member of the international board of directors for the Global Telecom Women's Network (GTWN), and is the President of the North America chapter for GTWN, an organization that actively promotes and mentors women in the telecom and technology industries. Additionally, she is on the Board of Directors for the YWCA of Miami-Dade. She is a member of numerous local and national professional organizations.

Ms. Merrell holds several professional memberships and received a Bachelor of Arts (BA) in Marketing Communications from the University of Wisconsin and a Master of Business Administration (MBA) in International Business from Everest University.

### **Dave Smith**

Mr. Smith is a founding partner of dss 360 Solutions Ltd. specializing in compliance, operations consulting and other facilitation services. Dave is the former Executive Director of the Securities Commission of The Bahamas ('SCB') and has over 30 years' experience in financial services where he held numerous senior managerial positions with marque institutions.

Dave has served in numerous other roles, such as Board Member and Chair of the Public Hospital Authority Audit Committee and Deputy Chair of the Finance Committee, Executive Vice President, Treasurer and Lecturer at the Bahamas Institute of Financial Services.

Dave is a Certified Public Accountant and holds Bachelor's and Master's Degrees in Business Administration from Taylor University, Upland, Indiana. He is a Fellow of The Bahamas Institute of Financial Services [FBIFS]

## <u>James Bain</u>

James R. Bain attended Eastern Senior School and Nassau Technical School. He obtained his Single Phase Electrical License in 1965 and Three Phase license in 1968. Mr. Bain received his Trans Ed Certificate from The College of the Bahamas in 1980. From 1960 to 1976 he received his practical training in the electrical field at Taylor Industries. Upon his retirement from Taylor Industries, he then established Bain's Electric Company and still serves as President of the company.

Mr. Bain, has extensive knowledge and experience in the building and technology sector. He has served as Chairman of the Special Architectural Committee and Deputy Chairman of the Town Planning Committee for a number of years. Mr. Bain is a founding member of the Bahamas Electrical Contractor Association and currently serving as its Chairman. A Justice of the Peace and a Paul Harris Fellow in the Rotary Club of East Nassau. He is married with three children and resides in New Providence.

### Gary Kain

Mr. Kain obtained a B.A. and an M.B.A. from McMaster University in 1969 and 1973, respectively. In 1975 he obtained a C.A. designation from The Institute of Chartered Accountants of Ontario. In 1986 he obtained a C.B.V. designation from The Canadian Institute of Chartered Business Valuators. From 1984 until 1988, he was employed by Canadian Satellite Communications Inc. (Cancom), a TSE-listed satellite communications and broadcasting company. He started with Cancom as V.P. Finance and was subsequently promoted to CFO and then COO.

In 1988 he conceived of and founded Regional Cablesystems Inc., a Cable TV, high-speed Internet and telecom company with operations throughout Canada and the Bahamas. At Regional, Mr. Kain was CEO and Chairman of the Board of Directors. The company (which was later renamed Persona Inc.) was listed on the TSE and was included in the TSE 300 index. When sold in 2004 for gross proceeds of \$406 million, the company employed 550 individuals, had \$175 million in revenue, \$75 million in cash flow and provided service to over 1,100 communities in Canada and 15 islands in The Commonwealth of the Bahamas.

In addition to Regional Cablesystems Inc., Mr. Kain is (or has been) a member of the board of directors of the following organizations: Cable Bahamas Ltd., a publicly traded telecommunications company with operations throughout the Bahamas; The Community Foundation of Oakville, a charitable foundation serving the community of Oakville; Norsat International Inc., a TSE-listed manufacturer of satellite communications equipment; Sheridan College, a college of technology and advanced learning, with approximately 15,000 full time students; Oakville Hydro Ltd., a local hydro-electric power distribution company; Organic Resource Management Inc., a TSXV-listed provider of vacuum truck services for the collection, treatment and disposal of non-hazardous liquid waste and the production of energy therefrom; Summit Broadband Inc. (and its wholly owned subsidiary, The Orlando Telephone Company, Inc.), a facilities-based broadband provider specializing in the hospitality and private community sectors in Central Florida; and McMaster University, a research intensive institution of approximately 25,000 graduate and undergraduate students which is ranked as one of the top 100 universities in the world.

# **Ross McDonald**

Mr. McDonald served 35 years with Royal Bank of Canada ("RBC") retiring as Senior Vice President & Head of Caribbean Banking. From 2003 until his retirement in 2011, Mr. McDonald led RBC's commercial and retail banking operations throughout the Caribbean, which included responsibility for over 1,400 employees in nine countries. He was instrumental in the acquisition of RBTT, which expanded RBC's operations to 19 countries and territories across the region. Mr. McDonald is currently a director of RBC Royal Bank (Bahamas) Limited, RBC's commercial bank in the Bahamas; RBC FINCO, which is a public company, and RBC's mortgage banking company in the Bahamas. He also serves as a director of Royal Fidelity Merchant Bank & Trust (a 50% joint venture between RBC and Fidelity Bank) which provides investment and corporate advisory services in the Bahamas and Barbados. He is also a director of Bahamas Petroleum Company Plc an Aim listed public company, formed to invest in an offshore oil exploration program in the territorial waters of The Bahamas and a director of Cable Bahamas Limited and BeAliv Limited. Mr. McDonald earned a Bachelor of Arts (Economics) from the University of Vermont and a Masters of Business Administration from the Richard Ivey School of Business. Since moving to the Bahamas, Mr. McDonald has supported many initiatives that benefit local charities and institutions by serving on the boards of the Canadian Lyford Cay Foundation, the Governor General Youth Awards and

Canadian Friends of the College of the Bahamas. He and his wife Nancy are the founders of Read Bahamas, a program that has donated more than 40,000 high quality children's books to schools throughout the Bahamas. The couple has three fine, married children, two wonderful grandchildren and live in the Bahamas with their two dogs.

# **General and Liability Insurance**

We maintain the types and amounts of insurance customary to the industry and markets in which we operate, including general, fire, theft & catastrophic, public liability coverage and coverage for employee-related incidents, injuries and property damage. We consider our insurance coverage and that of our operations to be adequate both as to risks and amounts for the business conducted by us. We are insured against risks of sudden and unforeseen physical loss including loss by natural disasters, including hurricanes, for the replacement cost of our network and other assets (subject to customary deductibles).

### **Use of Proceeds**

The funds will be used to fund the capital expenditure of Be Aliv Limited to complete the construction and roll-out of the second mobile network infrastructure in The Bahamas and cover operational cash flow needs. Should this offering be oversubscribed the Directors may consider applying the excess funds to repay the equipment leases which would significantly improve company cash flows over the ensuing 5 years. The totality of this offering and senior debt fund raising will allow us to finance the remainder of the project in its entirety while also providing for any contingency events.

# Historical Financial information

Audited Summary of Financial Statements for the period February 25, 2016 to June 30, 2017

# Statement of Financial Position

Α	ς	S	6	ts

Current Assets	54,956,622
Non-Current Assets	134,552,752
Total Assets	189,509,374

**Liabilities & Equity** 

28,235,462
80,152,346
81,121,566
189,509,374

# Statement of Profit or Loss

Revenue	12,870,816
Operating	
Expenses	(57,671,487)
Depreciation & Amortization	(9,488,622)
Operating Loss	(54,289,293)
Interest Expense	(1,249,137)
Net & Comprehensive Loss	(55,538,430)

See Appendix I for full set of Audited Statements to June 30, 2017

# SUMMARY FINANCIAL AND OTHER DATA, AS AT SEPTEMBER 30, 2017

# **BALANCE SHEET**

# B\$000

	30th
	September
ASSETS	
Current Assets	
Cash	\$ 20,233
Receivables	8,587
Prepaids & deposits	1,656
Inventory	4,253
Total current assets	34,729
Capital expenditures	81,157
License	59,272
Other assets	1,096
TOTAL ASSETS	\$176,254
LIABILITIES AND EQUITY	
Current Liabilities	
Payables and accruals	19,104
Due to Cable Bahamas Ltd	1,820
Due to Cable Bahamas Ltd - MSA	1,812
	22,736
Long Term Liabilities	
Long Term Debt	57,892
Deferred Huawei Financing	30,044
	87,936
Shareholder' Equity	
Share capital	136,660
Accumulated Deficit	(71,078)
Total shareholders' equity	65,582
TOTAL LIABILITIES AND EQUITY	\$176,254

#### **INCOME STATEMENT**

### B\$000

	 1st Qtr Ended 30th	
	September	
Revenue Handset revenue Service revenue Inbound traffic Outbound roaming	\$ 875 5,197 386 220	
Total Revenue	6,678	
Cost of Sales Service Commissions Interconnect costs OB roaming Handset & SIM cost  Total Cost of Sales	429 651 356 3,533 4,969	
GROSS MARGIN	\$ 1,709	
Operating Expenses  EBITDA	\$ 10,788 (9,079)	

For the year ended June 30, 2017 as audited (refer Appendix I), we generated revenues of \$12.9M with a negative EBITDA of \$44.8M (Original Projections were \$23.9M and negative \$30.3M, respectively). For the quarter ended September 30, 2017, we generated total revenues of B\$6.7M (including handset revenues) and a negative EBITDA of \$9.1M on a subscriber base of just over 88,000. The subscriber base currently exceeds 98,000. During the remainder of our fiscal 2018 all of our energy will be focused on achieving both our financial year and calendar year targets and driving towards our ultimate goal of 50% market share within 3 years, by widening our available market through the offer of business specific offerings (launched 22<sup>nd</sup> February 2017) and taking advantage of number portability, which occurred on 28<sup>th</sup> April 2017 (URCA amended date). Our primary objectives continue to be customer acquisition and increasing Average Revenue per Customer ("ARPU") growth. Revenue figures are not fully representative

of steady state revenues which is not unusual for a startup operation and as time passes it is expected that these numbers will be more consistent.

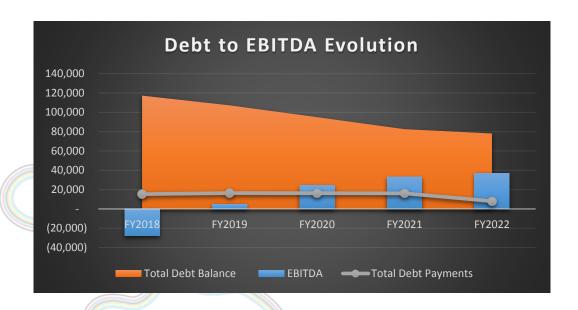
# Financial Projections and Key Business Drivers and Assumptions

# Summary of Financial Projections (Quarterlies out to 2 years and Annual out to 5 Years)

Summary annual projections for the 5 years ending fiscal year 2022 are included below. Of particular note to the below unaudited projections are the following:

- As these are interim and pro forma statements, they are unaudited.
- The Company has achieved 98% of its paid subscriber targets through to the end of December 2017, despite the delays caused by Hurricane Matthew in October 2016, and other industry challenges and dependencies outlined earlier in this Memorandum.
- Late April 2017 introduction of mobile number portability "MNP" has served to drive a further increase in subscriber numbers.
- MNP customer is a major focus for customer acquisition of higher ARPU subscribers.
- Comparing this revised forecast to the original forecast prepared over one year ago of note:
  - Our operations over the trailing twelve months ("TTM") provide a historical (albeit short term) and experienced basis from which to formulate our revised projections;
  - We estimate we are some 8 to 12 months behind our original projections for the reasons outlined elsewhere in this Memorandum;
  - As we onboard corporate and monthly subscribers, the ARPU mix will improve driving higher revenues per subscriber added.

For further detailed information please review the accompanying audited financial report for June 30, 2017 in Appendix I. See also "Risk Factors".



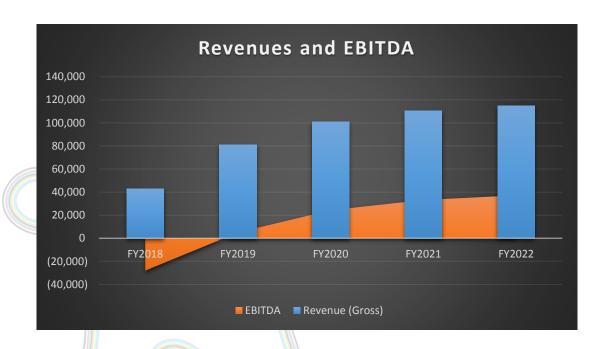
Annual Forecast through to FY 2022 ("000's")

# Annual (M's)

			0.000		
B\$	FY2018	FY2019	FY2020	FY2021	FY2022
Year-end Subs (000's)	118	144	155	158	160
Aliv Market Share	38%	47%	49%	50%	50%
ARPU*	35	49	54	56	58
<b>Total Revenue</b>	43	81	101	111	115
Cost of Sales	24	26	27	27	27
Gross Margin	19	55	74	83	88
<b>Operating Expenses</b>	47	50	50	50	50
EBITDA	(28)	5	24	33	37

<sup>\*</sup>ARPU includes interconnect/inbound revenue and handset revenue, excludes visitor roaming

Graphical representations of the foregoing are shown below. The first shows Revenues and EBITDA and the second subscriber growth and market share.





# **INVESTMENT MERITS**

**Investment return** - The yield level is within a range that the Bahamian investor may find attractive given the startup nature of the business.

- Long term strong asset liability coverage note The Shares have a fixed annual dividend rate and
  are amortizing after the first 5 years allowing investors to reinvest in potential new offerings in
  The Bahamas, and also for asset/liability matching.
- **Diversification** Provides investors with an alternative investment opportunity providing a higher fixed rate yield than may otherwise be available.

# **INVESTMENT RISKS**

An investment in the Shares involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in this Offering Memorandum, in deciding whether to invest in the Shares. The occurrence of any of the events discussed below could have a material adverse effect on our business, results of operations or financial condition. If these events occur, the trading prices of the Shares could decline, and we may not be able to pay all or part of the Dividend or Principal on the Shares, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This offering memorandum contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this offering memorandum. See "Forward-Looking Statements."

In addition to the other information contained in this Private Placement Memorandum, the following risk factors should be considered carefully by prospective investors considering investing in the Company's Shares. The risks and uncertainties described below are not set forth in any particular order and are not the only risks and uncertainties facing The Company. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Memorandum.

Prior to making an investment decision, prospective investors should review this Private Placement Memorandum and consider the suitability of this investment in light of their personal circumstances. If there is any doubt, they should seek independent professional investment and legal advice. Prospective investors should note that the market value of the Shares could go down as well as up. Other factors to consider are as follows.

# Risks Related to the Shares

# Liquidity Risk - An active trading market may not develop for the Shares.

The shares will not be listed on the local stock exchange (BISX). As such, we cannot assure you as to the liquidity of any market that may develop for the Shares, the ability of holders of the Shares to sell them or the price at which the holders of the Shares may be able to sell them. The liquidity for any market for

the Shares will depend on the number of holders of the Shares, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt, such as the Shares, has been subject to disruptions that have caused substantial price volatility. We cannot assure you that if a market for the Shares were to develop, such a market would not be subject to similar disruptions. As a result, we cannot assure you that an active trading market for the Shares will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Shares. Market fluctuations, as well as economic conditions, have adversely affected the market price of many securities. We cannot assure you that these conditions will not adversely affect the market price of the Shares.

If a market for the Shares does develop, we also cannot assure you that you will be able to sell your Shares, if issued, at a particular time or that the prices that you receive when you sell will be favorable. We also cannot assure you as to the level of liquidity of the trading market for the Shares.

<u>Assets Pledged as Security</u> - Many of our assets will be pledged to secure other obligations including Secured Commercial Bank Debt and will not be available to you until those other obligations are satisfied.

The Company is negotiating with a major international bank (the "Bank") for a US\$19.5 million senior debt facility (the "Facility"). The Bank Facility is a senior secured credit facility which is expected to have the following material features:

- 1. 5-year term, extendable by 3 years at the Bank's discretion
- 2. 3-month US Libor plus an applicable margin of 5.75% with a US Libor floor of 0.00%.
- 3. Interest will be payable quarterly in arrears and calculated on an actual/360-day basis.
- 4. Principal Moratorium: Eighteen (18) months from the date on which documentation is complete, security is perfected and all conditions precedent are satisfied ("Financial Closing").
- 5. Principal Repayment: Based on an eight (8) year amortization period, the Facility is to be repaid via quarterly principal payments of \$609,375 plus accrued interest commencing three months after the Principal Moratorium has ended. Any outstanding amounts will be due and payable at the maturity of the Facility. The Bank has the option to refinance the principal balance of the Facility at maturity.
- 6. Security includes:
  - a. Debenture over all of Aliv's fixed and floating assets;
  - b. Pledge over Aliv's current and future bank accounts with the Bank including specifically operating and debt service reserve accounts;
  - c. Assignment of cash flow, material contracts/ agreements and insurance policies, including but not limited to the mobile licenses;
  - d. Assurances and postponement of claims from CBL;

### **Other Material Terms**

- The obligations under the Facility will rank as senior secured indebtedness and will rank ahead of all current senior secured debt in terms of repayment. The Facility will rank senior to all of Aliv's future debt, including any subordinated and related party debt, trade liabilities and shareholder loans.
- ii. Debt Service Reserve Account (DSRA): At time of Financial Closing and for a period of six months Aliv shall deposit and maintain in the DSRA an amount equal to 6 months' debt service. Thereafter, the DSRA shall be funded with 12 months' of debt service. Debt service will be measured on a rolling forward 12 months basis.
- iii. Limitations on liens and future indebtedness including guarantees;
- iv. Restrictions on consolidation, mergers, sale and demerger;
- v. Restriction of change of control, ownership and management;
- vi. No ordinary dividend payments and capital withdrawals nor any other restricted payments except where permitted by the Bank will be allowed during the Build-out Phase. Thereafter any dividends, capital withdrawals, shareholder loan payments should not be undertaken to the detriment of the Company's debt servicing capability;
- vii. No preference shares dividend or redemption payments if there is an Event of Default (as defined in the Facility documents) or if such payments will result in an Event of Default;
- viii. Restrictions on additional indebtedness; and
- ix. No disruption of the obligations by CBL to Aliv under the MSA during the term of the Bank Facility notwithstanding any nonpayment of the MSA fees by Aliv therein.

### **Covenant Thresholds**

Commencing twenty-seven months after initial drawdown and to be tested quarterly, on a consolidated rolling twelve-month basis, the following are required:

- i. Debt Service Coverage Ratio EBITDA/Debt Service (DSCR):
  - a. Excluding Preference Shares: DSCR of not less than 1.20x during months [27 to 39] of the Facility tenor and not less than 1.50x thereafter.
  - b. Including Preference Shares: DSCR of not less than 1.00x during months [27 to 39] of the Facility tenor and not less than 1.30x thereafter.
- ii. Total Debt to EBITDA Ratio:
  - a. Excluding Preference Shares: Total Debt/EBITDA of not more than 4.0x during months [27 to 39] of the Facility tenor and not more than 3.0x thereafter.
  - b. Including Preference Shares: Total Debt/EBITDA of not more than 5.20x during months [27 to 39] of the Facility tenor and not more than 4.0x thereafter.

Claims of holders of the Shares against Aliv's assets will be subordinated to the Bank's claims in respect of these secured obligations. In addition, the Shares do not contain any limitation on our ability to pledge other unencumbered assets in connection with additional indebtedness permitted under the terms of any Secured Commercial Bank Debt or future credit facilities or on our ability to pledge assets to secure the indebtedness.

# <u>Revenue</u> - Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate cash required to service our debt.

Our ability to make scheduled dividend and principal payments on the Shares and to meet our other debt service obligations or to refinance our debt depends on our future operating and financial performance and ability to generate cash. This will be affected by our ability to implement successfully our business strategy, as well as general economic, financial, competitive, regulatory, technical and other factors beyond our control. If we cannot generate sufficient cash to meet our debt service obligations or fund our other business needs, we may, among other things, need to refinance all or a portion of our debt, including the Shares, obtain additional financing, delay capital expenditures or sell assets. We cannot assure you that we will be able to generate sufficient cash through any of the foregoing. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially favorable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Shares. If this were to occur, holders of the relevant debt would be able to declare the full amount of such debt due and payable. Our assets may not be sufficient to pay such amounts. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

# Price Risk - Shares may not trade at or above the subscription price.

In the event investors wish to liquidate holdings prior to maturity date they should be aware that the market value of the Shares may go down as well as up. Historical results do not guarantee future performance. The market price of the Shares could be subject to significant fluctuations in response to various factors and events, such as, but not limited to, the liquidity of the market, differences between the Company's actual financial or operating results and those anticipated by analysts or investors, volatility and fluctuations in prevailing interest rates and changes in analysts' recommendations.

# Representation - No independent representation; limited voting rights.

The Company has consulted with legal counsel, financial advisors and other experts regarding the structure of the Offering. Such counsel and advisors are accountable to the Company only and not to the Shareholders themselves. Each prospective investor should consult their own independent advisors in determining the desirability of an investment in the Shares.

The Shares shall be entitled to vote separately as a series solely in relation to (i) any proposal to amend the Articles of the Company to amend the terms of issue of the Shares or (ii) effect an exchange, reclassification or cancellation of all or part of the Shares.

# <u>Investment</u> – Non-revocation of subscription; no payment of Dividends

Subscriptions for the Shares in this Private Placement will be irrevocable. If the Share issue does not proceed for any reason, subscribers will **not** receive Dividends or interest on their subscription funds upon return thereof to them.

Suitability - The investment in these Shares may not be appropriate for all investors.

Investment in the Shares is speculative as the value of the investment may change. Should the Company enter into insolvency before the maturity date, investors may not receive future Dividends or Principal payments.

The contents of this document do not constitute investment advice. If a potential investor is in doubt, it is recommended that he or she seek personal financial advice from a stockbroker, attorney-at-law, financial advisor, accountant or other professional advisor prior to investing in this Offering.

# **Conflicts** - Claims arising by reason of conflicts of interest will be waived.

Royal Fidelity holds several roles in connection with this Offering. Furthermore, the Company is one of many clients. Consequently, conflicts of interest may arise in a variety of situations; including the provision of investment research, pricing of debt & equity securities, proprietary trading, portfolio management, personal account dealing and ownership / shareholding interests. Among other reasons, these potential conflicts may result from Royal Fidelity's investment activities on behalf of its other clients; securities offered may be recommended as investments to clients of their brokerage and/or investment advisory services and/or clients invested in their mutual funds.

Further, Royal Fidelity had, has, or may aspire to have investment banking, lending or other credit relationships with clients and may have received compensation from such clients in connection with transactions that have not been publicly disclosed. Royal Fidelity or its shareholders, directors, officers and/or employees, may have a shareholding or deal as principal in the securities of a client.

Prospective investors should assume that Royal Fidelity may have a conflict of interest and recognize that by execution of the application form for the Shares, each such investor agrees not to assert any claim against Royal Fidelity arising in connection with any conflict of interest experienced by Royal Fidelity, whether or not specifically set forth above.

# Risks Related to the Business of Aliv

# **<u>Venture</u>** - The Company is a startup operation.

Historical financial information of the Company is limited to the first 15 months. The Company is a startup operation as such, all the risks inherent in a startup operation must be considered such as slower than anticipated achievement of projected results, or a failure to achieve projected results at all. Audited financial statements are provided as at June 2017, all other financial information provided is unaudited.

# <u>Shareholder Support</u> - Owners are not obligated to support the ongoing financial wellbeing of The Company

The Company's ordinary shares are owned by HoldingCo2015 Limited and Cable Bahamas Ltd. Both of the Company's founding shareholders have provided to the Company all of the funding that they were obligated to provide under the Shareholder Agreement, and neither is under any further legal obligation to provide further funding to the Company. The additional monies raised by the Company through the issue of these Series I Shares and the earlier Series A and Series B Notes may not be sufficient to meet the expenses incurred by the Company in its drive to obtain market share and financial stabilization.

# Risks Related to our Wireless Communications Operations

<u>Regulation</u> - The wireless telecommunications operations market is heavily regulated and changes in regulation could adversely affect us.

The licensing, construction, ownership and operation of wireless telecommunications networks and the grant, maintenance and renewal of wireless telecommunications licenses, as well as radio frequency allocations and interconnection arrangements, is regulated by URCA in each of the islands that we serve or our customers access. In addition, such matters and certain other aspects of wireless telecommunications operations, including rates charged to customers, carriage of internal traffic, international settlement rates or interconnection charges, may also be subject to regulation in each of the islands that we serve or our customers' access. Changes in the regulation of our activities, such as increased or decreased regulation affecting prices, the terms of interconnect arrangements with other telephone networks, including fixed line telephone or mobile operators, or requirements for increased capital investments, could have a material adverse effect upon our business and results of operations.

<u>Country Risk</u> - We could be subject to unexpected political, economic or legal developments that impact telecommunications regulations in The Bahamas and lead directly or indirectly to an adverse impact on our operations or the ability for our customers to access our services.

Our operations could be subject to unexpected political, economic or legal developments that impact telecommunications regulations. The number of regulatory measures that our operations are subject to may also increase or become more onerous in The Bahamas as amendments or reform may take place to the telecommunications laws. For example, the regulator has designated us and our other mobile competitor to have Significant Market Power ("SMP") and we are now subject to more regulation, in particular in relation to the interconnection rates we can charge each other and third parties for terminating calls on our networks. These extended powers to the Regulator may have a material adverse impact on our revenues and generally our operations in The Bahamas. Our license and frequency allocations are subject to ongoing review, which may result in modification, early termination or revocation

While we would not expect to be required to cease operations in any island at the end of the term of our business arrangement, license or permit, we cannot assure you that business arrangements or licenses will be renewed on equivalent or satisfactory economic terms, or at all. Our license expires in 2031. Upon termination or revocation, the license may revert to the government or local telecommunications agency without, in some cases any, or adequate, compensation to us.

# <u>Competition</u> - We face competition in the wireless telecommunications islands in which we operate.

In each of the islands in which we operate, we face competition from the fixed line telephone network and one other wireless telecommunications operator. Currently, Liberty Global has management and operational control of BTC which is our principal competitor in The Bahamas, an operator with greater scale who could operate aggressively in this market. In addition, BTC is partially owned by the Government of The Bahamas and is the incumbent fixed-line provider, and this relationship may provide competitive

advantages not available to us, including greater economies of scale, the ability to offer bundles of services and subsidies of the mobile business with profits generated by the fixed-line business. Moreover, additional licenses may be awarded in our markets which could increase competition. In addition, we may face additional competition from other communications technologies that are being or may be developed in the future. More generally, the rapid development of new technologies, services and products could impact our business such as those that utilize technologies such as Voice over Internet Protocol to offer voice services to our customers. If our customers choose to use a large volume of such services instead of the services provided by us, this could negatively impact our financial performance.

Our principal competitor has substantially more extensive engineering, marketing, personnel and capital resources than we do. The wireless telecommunications operators compete for customers principally on the basis of services offered, price, marketing skills, quality and reliability of service and coverage area. Increased competition may result in pricing pressure, reduced margins and profitability, increased customer churn and the loss of revenue and market share. The level of competition is influenced by the continuous swift and technological advances that characterize the industry, the regulatory developments that affect competition and alliances between market participants.

Any failure by us to compete effectively, or aggressive competitive behavior by our competitor in pricing their services or acquiring new customers, would have a material adverse effect on our revenues and results of operations.

# <u>Mobile License</u> - Our Mobile Telecommunications license and frequency allocations are subject to coverage and quality rollout obligations, which if not met, could result in the payment of a performance penalty

The continued existence and terms of our wireless telecommunications license and frequency allocations are subject to ongoing review and assessment against coverage and rollout obligations, laid down by URCA within our license terms. Failure to meet these obligation milestones could result in the payment of specific amounts to URCA under the terms of the performance bond entered into as part of our license commitment. We cannot assure you that the business will meet all of these obligations in the time frames required and could result in the performance bond being exercised by URCA. As part of our license, we have submitted a bond totaling B\$18.2m to cover the obligations under the license. A failure to meet these obligations, could result in all or part of this bond being exercised by URCA.

# **BTC vs. ALIV (Pending Trademark Claim)**

On or about February 2017, Aliv began advertising its suite of prepaid international plans with the name "liberty global". On March 6, 2017, BTC wrote to Aliv's General Counsel alleging the unauthorized and infringing use of "Liberty Global" by Aliv. BTC noted that "Liberty Global" is an international telecoms company providing services around the world including in the Caribbean, which, in May 2016, became the majority shareholder in BTC. BTC alleged that Aliv's use of the phrase "liberty global" is likely to confuse the public into believing that there is a connection or an endorsement between Aliv and that company, constituting false representations. BTC demanded that Aliv remove the name and mark of liberty global and cease and desist use with any and all promotional material. BTC also advised that it intended to immediately move to register the mark Liberty Global pursuant to the Trade Marks Act of the Commonwealth of the Bahamas.

Aliv will defend its right to use the words liberty global for its suite of pay in advance international calling plans. It is Aliv's position that the words "liberty" and "global" are common words in the English Language and that BTC/Liberty Global does not have monopoly rights over the said words and that consumers in The Bahamas are unlikely to be aware of the name "Liberty Global" or to associate it with BTC. Accordingly, Aliv will continue to advertise its liberty global Haiti plan.

On September 2, 2017 an application was made by Cable Bahamas Ltd., through its holding company, for registration of, inter alia, "unity global", "freedom global" and "liberty global" as trademarks in The Bahamas. Aliv has been licensed to use these marks by CBL pursuant to Section 3 of the Master Services Agreement between CBL and Aliv and a licence agreement.

Aliv is of the view that any outcome of this matter will not have a material impact on the Company and that ultimately the Registrar General's Department will determine which entity is able to register "liberty global".

# <u>Third Party Contracts</u> - We are dependent upon interconnect agreements, transmission, leased lines and roaming arrangements.

We are dependent upon access to networks which are controlled by the incumbent which is currently a partially government-owned public telecommunications operator and wireless telephone operator. For example, we have voice and SMS interconnect agreements with BTC (our competitor). Our interconnect agreements will come up for re-negotiation over the course of term of the license. Our failure to enter into or maintain acceptable interconnect agreements with the fixed-line and wireless service providers could prevent our subscribers from calling the subscribers of fixed-line and other wireless service providers in the Bahamas, which could restrict the growth of the wireless services and may have a material adverse effect on our business and results of operations. Any failure or delay on the part of our competitor in fulfilling their contractual obligations for a prolonged period of time could have a material adverse impact on cash flow available to our business and, as a result, could adversely affect our business, results of operations or financial condition. Furthermore, we could receive a number of requests for interconnection from small locally domiciled carriers with domestic and international licenses. In the Bahamas there is a legal requirement to interconnect with other carriers licensed by URCA. Since these carriers would have no or very limited number of local subscribers, they could aggressively start to compete for incoming international calls by undercutting our rates. This could materially reduce our revenues on incoming international minutes.

In addition, our financial results are affected by the cost of transmission and leased lines to effect (i) interconnection to BTC, CBL and other third-party networks (including international) and (ii) the transmission of voice, SMS and data traffic from our mobile network tower sites to our core network systems in New Providence and Grand Bahama and connection to the internet in Florida, USA. We have in place a MSA with CBL that obtains access to such transmission and leased lines (as more fully described in this agreement), however not withstanding this, there can be no assurance that we will be able to obtain or maintain interconnect or leased line agreements on appropriate and competitive terms to maintain or grow our business in all of the islands of The Bahamas. In particular, Aliv is in the process of negotiating terms to use BTC's BDSN to obtain connectivity from certain islands in The Bahamas to our core network systems in New Providence and Grand Bahama.

The increased usage of data services will require increased transmission capacity both within our islands and also in and out of our islands, primarily to the United States. Notwithstanding the MSA with CBL, there can be no assurance that we will be able to maintain or increase transmission capacity in all required areas of our operations on appropriate and competitive terms to maintain or grow our business.

Roaming is an important feature to many of our subscribers. Subscribers can only access another telecommunications provider's wireless network if that other provider allows them to roam on its network. We rely on agreements with other wireless providers to provide roaming capability for our subscribers. For many of our customers the geographic scope of coverage and the rates we charge for roaming are factors when selecting a wireless service provider. The quality of service that our customers have when roaming may be inferior to the quality of service that we provide our customers and our customers may not be able to use the advanced features that they enjoy when making calls on their home networks. Some of our competitors may be able to obtain lower roaming rates or more favorable roaming arrangements because of their affiliation with, or ownership by, other wireless service providers. Any perceived or actual differences in the quality of service, extent of roaming capability or cost of roaming as compared to our competitors may result in a loss of subscribers, and decreased revenues which could have a material adverse effect on our business and results of operation.

# <u>Taxes and Fees</u> - We may be subject to further taxes or fees imposed by various governmental entities.

Currently we are subject to URCA fees, Spectrum Fees, Communications Fees, Business License Fees, Grand Bahama Port Authority Fees and other government levies and import taxes. The telecommunications sector is seen by many governments as a highly profitable sector and in an effort to increase revenues for the state, governments may impose new fees, taxes or levies directed at our sector. While certain of these taxes can be passed through to our customers, we will absorb others, which will reduce our revenues. In addition, the regulator has considered levying additional universal service obligation charges on network providers, which are expected to be introduced in 2018. The imposition of these taxes and fees and any other additional taxes and fees by governmental entities in The Bahamas could negatively impact our financial results of operations.

### Master Services Agreement – A significant number of services are purchased from CBL

We rely on a Master Services Agreement with CBL for access to its network infrastructure as well as preferential rates negotiated by CBL with certain third-party suppliers and other services. In the event we fail to make the payments due under this Agreement, CBL has the right to suspend the provision of such services to us, or if CBL finds itself in a position where it is unable to supply the services to Aliv, these circumstances would result in a material adverse effect on our business. However, in the event of a dispute which would lead to a suspension of services, Aliv and/or CBL is obligated to notify HoldCo thereof, which may result in certain intervention and arbitration events under both the Master Services Agreement and Shareholders Agreement.

# <u>Service Interruption</u> - Our ability to maintain and to expand our telecommunications network may be affected by disruption of supplies and services from our principal suppliers.

We rely on a limited number of leading international and domestic communications equipment manufacturers to provide network and telecommunications equipment and technical support. The key suppliers of equipment and applications for our existing network is Huawei, proprietary systems and other software suppliers including those listed in the Material Contracts section of this document. Currently, the key suppliers of our handsets are Samsung, Alcatel, Huawei, Apple and Brightstar who supply us with certain handsets and Gemalto who supply us with SIM cards. We do not have operational or financial control over our key suppliers, and we have limited influence with respect to the manner in which they conduct their businesses. We believe there are a number of alternative suppliers of handsets available to us. However, if we are unable to obtain adequate alternative supplies, equipment, software, handsets, SIM cards or services in a timely manner or on acceptable commercial terms, or if there are significant increases in the cost of these supplies, our ability to maintain and to expand our telecommunications networks may be materially and adversely affected.

# <u>Retailers and sales agents</u> - Our failure to maintain our retailer and sales agent relationships could adversely affect our business.

We distribute our products (including but not limited to handsets, SIMs, top-up and service plans) mainly through independent retailers, dealers and sales agents, and we depend on them for a substantial portion of our sales of handsets, SIM cards, top-up to add pay in advance time and service plan sales. Accordingly, our success depends upon our ability to attract, retain and motivate a large base of such effective retailers, dealer and sales agents. The loss of some of the retailers, dealers or sales agents could temporarily disrupt sales of our products and the loss of a significant number of them could have a materially adverse effect on sales of our products and could impair our ability to attract new retailers, dealers or sales agents and customers.

# Revenue Sustainability - Substantially all of our customers receive services from us on a pay in advance basis and therefore we are exposed to higher risk of customer churn.

Pay in advance customers, those customers that pay for service in advance through the purchase of wireless airtime, represented 100% of our subscribers at December 31, 2016. Pay in advance customers do not sign fixed or minimum term service contracts, which make our customer base more susceptible to switching wireless service providers. Termination or non-usage of our services by subscribers is referred to as churn. To the extent our competitor offers incentives to our subscribers to switch wireless service providers, through subsidizing or giving away handsets or other promotions, the risk of churn will increase. In addition, the introduction of number portability may negatively impact our churn if our customers decided to switch their Aliv number to the competitor network. Our inability to retain existing pay in advance customers and manage churn levels could have a material adverse effect on our business and results of operations.

# <u>Technology</u> - Our business is characterized by rapid technological change, which could render our products obsolete and cause us to make substantial expenditures to replace our products.

As new technologies develop equipment may need to be replaced or upgraded or the wireless telephone network may need to be rebuilt in whole or in part, at substantial cost to us, to remain competitive. For example, increased demand for bandwidth-intensive multimedia services will likely require us to upgrade our LTE systems to fifth generation technologies that provide increased bandwidth and speed leading to a higher network cost per subscriber than in the past. Such upgrades would require significant capital expenditures. We cannot assure you that unforeseen technological developments will not render our services unpopular with customers or obsolete. In addition, to the extent our equipment or systems

become obsolete, we may be required to recognize an impairment charge to such assets, which may have a material adverse effect on our business and results of operations.

<u>Network resilience</u> - If we cannot successfully develop and manage our network, we will be unable to expand our subscriber base and could lose market share and revenues.

Our ability to increase our subscriber base depends upon the success of the expansion and management of our network. The build-out of our network is subject to risks and uncertainties that could delay the introduction of service in some areas and increase the cost of network construction. We will or CBL does lease from third parties most of the sites on which our cellular communications towers are located. Any failure or delay in securing the renewal of these leases on favorable terms could have a material adverse effect on our results of operations. To the extent we fail to expand our network on a timely basis, we could experience difficulty in maintaining or expanding our subscriber base as our network or spectrum position may not be able to adequately support our existing or new subscribers. In addition, our ability to manage our business successfully is dependent upon our ability to implement sufficient operational resources and infrastructure. The failure or breakdown of key components of our infrastructure in the future, including our charging and billing systems, could have a material negative effect on our profits and results of operations.

<u>Too Rapid Growth</u> - Rapid growth and expansion may cause us difficulty in obtaining adequate managerial and operational resources and restrict our ability to successfully expand our operations.

We have grown rapidly and intend to seek additional licenses and acquisition opportunities. This rapid growth has placed, and we expect will continue to place, a significant strain on our management and our operations and financial resources. Management of growth and diversification will require, among other things:

- stringent control of network build-out and other costs;
- continued development of financial and management controls and information technology systems;
- expansion of internal controls;
- hiring and training of new and existing personnel; and
- coordination among our logistical, technical, accounting and finance personnel.

The expansion of our product portfolio to include a variety of ICT services to become a full data and telecommunications provider could prove costly, time-consuming and divert our management's attention from other business matters.

Our success will also depend, in part, on our ability to continue to attract, retain and motivate qualified personnel. Competition for personnel in our markets is intense due to the small number of qualified individuals. Our failure to successfully manage our growth and personnel needs could have a material negative effect on our business and results of operations.

<u>Fraud</u> - We may incur significant costs from wireless fraud, which could negatively affect our operating results.

We may incur costs and revenue losses associated with the unauthorized use of our networks, including administrative and capital costs associated with the unpaid use of our networks as well as with detecting, monitoring and reducing the incidences of fraud. Fraud also impacts interconnect costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming charges.

<u>Environmental</u> - The current concerns about the actual or perceived health risks relating to electromagnetic and radio frequency emissions, as well as the attendant publicity or possible resultant litigation, may have a negative effect on our financial condition or the results of our operations.

Media and other reports have suggested that electromagnetic and radio frequency emissions from mobile telephone handsets and base stations may cause health problems, including cancer. There is also some concern that these emissions may interfere with the operation of certain electronic equipment, including automobile braking and steering systems. The actual or perceived risks relating to mobile communications devices and base stations, or press reports about these risks, could adversely affect us, including reducing our subscriber growth rate, subscriber base or average use per subscriber. Actual or perceived risks of mobile handsets or base stations could make it difficult to find attractive sites for base stations and reduce our growth rates, customer base and average usage per customer.

<u>Concentration</u> - Our operations are largely centralized in New Providence and Grand Bahama which exposes us to the risk of significant disruptions of service should a natural catastrophe occur at or in the vicinity of those two islands.

Some of our operations, such as customer care, network operating centers, and datacentre are located in Grand Bahama. Although the network operations have already been duplicated locally in New Providence for contingency purposes, a natural disaster affecting our New Providence or Grand Bahama operations, could cause interruptions in, or termination of, services provided by our New Providence or Grand Bahama operations to the other islands. It would be costly, time-consuming and difficult to find a replacement service provider for such operations and any such events would have a material adverse impact on our and our business and operations.

# **GENERAL RISKS**

# Macro-economic Risk - The current economic condition could negatively affect us.

Beginning in 2008, worldwide economic conditions deteriorated, and the wider Caribbean including the Bahamas continue to suffer the implications associated with that recession. For the Bahamas, the delay of the Bahamar project was a major setback as it postponed the creation of many full-time jobs that would have had a direct and indirect impact on the local economy. With Bahamar now underway and expected to be fully open in early 2018, along with the recent announcement of Margaritaville branding of the Pointe project next to the Hilton Hotel, both are expected to have a positive impact on jobs and GDP. However, it will take some time for these positive impacts to trickle down to the wider economy. Our results to date have not been materially impacted by these developments, and while the positive impacts

noted are expected to happen, we may suffer if any setbacks occur to these projects, due to reduced spending by consumers in our region, including on our services and reduced roaming revenue as a result of slower tourism into our region.

Credit markets have experienced significant volatility and disruption, making it more difficult for companies to access those markets. We have significant capital expenditure requirements and rely heavily on financings through the capital and credit markets to carry out our development and expansion plans. If the cash generated from our operations is not sufficient to cover the Dividend payments, we will need to obtain other sources of funds. There can be no assurance that continued or increased volatility and disruption in the capital and credit markets will not impair our liquidity or significantly increase our costs of borrowing which could require us to delay or abandon some or all of our development and expansion plans.

# <u>Currency Risk</u> - Currency fluctuations or devaluations could reduce the amount of profit and assets that we are able to repatriate to honor our debt obligations.

A significant decrease in the value of the local currency relative to the U.S. dollar would have a material adverse effect on our results of operations and financial condition. We seek to reduce our foreign exchange exposure arising from transactions through a policy of matching, as much as possible, assets and liabilities. Our ability to reduce our foreign currency exchange exposure is limited by our ability to borrow in USD currency for the settlement with USD commitments. We cannot assure you that in the future we will be able to fund our capital expenditure needs as well as reduce our foreign exchange exposure by borrowing in USD currency. As a result, our exposure to market fluctuations or devaluations would be exacerbated.

# <u>Profitability</u> - We have incurred losses in the past and we may incur losses in the future.

For the quarter ended September 30, 2017, we incurred net losses of B\$9.2 million. We may continue to incur losses in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Future performance will depend, in particular, on our ability to generate demand and revenue for our services, to maintain existing subscribers and customers and to attract new subscribers and customers. Costs in connection with the acquisition and renewal of licenses and the costs incurred in order to commence and develop operations of wireless and related telecommunications systems will also negatively affect revenues and profitability.

<u>Access to Capital</u> – The Company is in the process of concluding a senior secured credit facility with a local commercial bank to assist with its funding requirements. While we are confident that this financing will be completed, it is possible that events could occur that may delay or cause the transaction not to close.

**Furthermore**, our current operations and our expansion plans have significant capital expenditure requirements and if we are unable to acquire such additional capital in a timely manner or at terms commercially acceptable to us, our business may be adversely affected.

We expect that the continuing expansion and development of our business will continue to require significant capital, which we may be unable to obtain on acceptable terms, or at all, to fund our capital expenditures and operating expenses, including working capital needs. We incurred capital expenditures in cash of B\$4.7 million for our business for the guarter ended September 30, 2017 for fiscal year 2018.

We may fail to generate sufficient cash flow from our operations to meet our cash requirements. Further, our capital requirements may vary materially from those currently planned if, for example, our revenues do not reach expected levels, or we incur unforeseen capital expenditures and make investments to maintain our competitive position. If this is the case, we may require additional financing that is not anticipated, or we may have to delay or abandon some or all of our development and expansion plans or otherwise forego market opportunities. We may not be able to obtain future equity or debt financing on favorable terms, if at all, particularly given the volatility and disruption to the global capital and credit markets. Future borrowing instruments such as credit facilities and lease agreements are likely to contain restrictive covenants and may require us to pledge assets as security for borrowings under those facilities or agreements. Our inability to obtain additional capital on satisfactory terms may delay or prevent the expansion of our business. In addition, we will be party to debt instruments that impose significant limitations on our and their ability to raise additional debt financing.

<u>Operational Risk</u> - Our operations are subject to various operating risks including breakdown of equipment, interruption of supplies and services and natural disasters, and resulting losses may cause a material adverse impact on our business and operations.

We use a wireless network in the Bahamas and both a fiber and microwave backbone system. The continued operation of our wireless networks involves many risks, including the breakdown of wireless transmission equipment, the failure of charging and billing and other core network software systems, the interruption of required power supplies and the effect of hurricanes and other natural disasters common in the Caribbean region. For example, in 2016, Hurricane Matthew damaged equipment, blocked roads and disrupted power, and our services throughout the Bahamian islands suffered considerable disruption as a result. Although facilities in each of our markets contain certain redundancies and back-up mechanisms, there can be no assurance that any such breakdown or failures would not prevent the affected facility from performing. Any insurance maintained to protect against certain of these operating risks may not be adequate to cover lost revenues or increased expenses. Breakdown or failure of equipment and/or systems in any of our markets may significantly reduce our revenues or increase our costs and adversely impact our business and results of operations.

<u>Capital Expansion</u> - Potential acquisitions or other strategic investments may require us to incur substantial additional debt and integrate new technologies, operations and services and we may not be able to execute our acquisition strategy successfully.

We may consider opportunities to expand our business in the Caribbean, through acquisition of licenses, mergers and acquisitions, joint ventures or other forms of strategic investment in other wireless operators. Any strategic investment we pursue may cause us to incur substantial additional indebtedness to finance the investment or, in the case of an acquisition, to assume the indebtedness of the entities that are acquired.

<u>New Venture</u> - We have a very limited operating history which may increase the risk profile of our business.

We have a very limited operating history, having commenced the provision of wireless communication services in November 2016 in The Bahamas. The risk profile of businesses with limited operating history may be higher than those with more established records of operation. While we have successfully launched services in four of our islands, there can be no assurance that we will experience similar success in the future.

# <u>Key Man</u> - We rely on our key management personnel, and our inability to retain our current personnel or attract other talented professionals may have an adverse impact on our business.

Our success to date has been influenced by the abilities and wireless telecommunications operating experience of our senior management team, including, our chief executive officer and others. If we lose the services of one or more of our executive officers or key employees or if one or more of them decide to join a competitor, we may find it difficult to find replacements with similar knowledge and experience, especially in relation to our business. As a result, our business, results of operations and financial condition could be adversely affected. Our future success will depend on our continued ability to attract, retain and motivate skilled employees and other senior management personnel. If we are unable to attract skilled professionals, fail to integrate them into our organization or fail to retain them after we have invested resources in their training, our ability to compete and our operations will be affected.

# <u>Shareholders</u> - Our shareholders, Cable Bahamas Ltd and the Government of The Bahamas, will have significant influence over our business

The Government of The Bahamas owns 51.75% of our shares through its ownership of HoldingCo2015 Limited and Cable Bahamas owns 48.25%. As a result, The Government has significant influence over those matters requiring approval by shareholders, including the election of directors, amendments to the Company's and its subsidiaries' constitutive documents, certain significant corporate transactions and the general strategic direction of the Company, their interests may not in all cases align with your interests. In addition, the Government of The Bahamas may have an interest in pursuing transactions that, in its judgment, enhance the value of an equity investment in the Company, even though those transactions may involve risks to you as a holder of the Shares. Cable Bahamas has provided a significant amount of the financial capital used to start the operations of the Company. Any unanticipated event resulting in our no longer having access to Cable Bahamas or its financial resources may affect investor confidence in us and could have a material adverse impact on our operations and financial condition.

In addition, we have entered into substantive agreements with CBL. Pursuant to the agreements, the conditions imposed by this agreements may adversely affect our business. See "Certain Relationships and Related Party Transactions—Co-Existence Agreements."

<u>Shareholder Disputes</u> - Although the Board of Aliv exercises management control over our business, Cable Bahamas and the Government of Bahamas jointly own the equity stake in the Company. Disagreements between us and our equity shareholders, or unfavorable terms in the shareholders agreement could adversely affect our operations or affect our ability to pay Dividends or make Principal repayments.

Any disagreements between the shareholders in our business may have an adverse effect on our business and results of operations and the ability to pay Dividends or make Principal repayments.

# <u>Emerging Market Risk</u> - We operate in a market that could be considered economically uncertain, which could negatively affect our operations.

We are subject to Government regulation in The Bahamas. To the extent that our operations depend on certain governmental approvals and regulatory decisions, the operations may be adversely affected by changes in the political structure or government representatives in The Bahamas. Recent political, security and economic changes have resulted in political and regulatory uncertainty. For example:

The Bahamas has very high public debt to GDP ratios, at close to 90%. Bahamas debt servicing costs remain high which hinder the government's ability to spend funds on infrastructure and other programs which in turn could have a material adverse effect on the economic activity of the country and our business.

These challenges could interrupt our operations and could have a material adverse impact on our ability to grow our business.

# <u>Country-Small Island Nation</u> - We operate in The Bahamas, which could effect changes to its laws that could unfavorably affect our financial status

There can be no assurance that the laws or administrative practices relating to taxation (including the newly introduced VAT taxes goods and services sold in The Bahamas), foreign exchange or otherwise in these jurisdictions will not change. Any such change could have a material adverse effect on our financial affairs and on our ability to obtain financing to fund our operations and expansion plans.

# <u>Inflation</u> - Potential inflation in The Bahamas may affect some customers' ability to pay for our services, and it may also adversely affect the stability of the wireless operations.

Our operations are dependent upon The Bahamas' economy inclusive of all the local economies of the various islands we operate on. We may be subject to international market fluctuations in The Bahamas and to the effect of such fluctuations on the ability of customers to pay for our services. In addition, these fluctuations may affect the ability of the market to support our existing wireless telephone interests or any growth in wireless telephone operations. It is also possible that a period of significant inflation in The Bahamas could adversely affect our costs and financial condition.

Pending Contracts and Agreements – We are still in the middle of an active rollout and as a result, we are still completing several key agreements and contracts. There are a number of material agreements which at the time of this offering were either incomplete or under negotiation between CBL and BTC. As an example, an interconnection agreement is being finalized with CBL for voice and data traffic between both companies networks and ALIV is concluding agreements with BTC for colocation and tower sharing on a number of the other Bahamian islands as well as enabling Aliv's customers to make calls and SMS and send and receive data on BTC's network ("National Roaming") for a period until September 2018. There is a risk that these agreements may not be completed in a timely manner and or the required approvals may not be received; for example, approval from CBL or HoldingCo boards, which as per the SHA has to approve certain CBL and Aliv contracts prior to execution.

# **USE OF PROCEEDS**

The Company will use the monies raised to fund working capital and various capital projects that will assist in furthering a deeper penetration into the mobile network, thereby acquiring additional subscribers and continuing to build a state of the art fiber based mobile network.

The net proceeds to be received by The Company from this offering, after issue expenses projected to be B\$350,000 are estimated to be approximately B\$14,650,000.

Issuance of Preferred Shares	B\$15,000,000
Issue Costs	\$300,000
Legal Costs and other Costs	<u>\$25,000</u>
VAT	<u>24,375</u>
Net Proceeds	<u>B\$14,650,625</u>
Use of Proceeds	
Operating Costs and Network Infrastructure	B\$14,650,625

# DIVIDEND RATE DETERMINATION AND POLICY

The fixed dividend rate on the 10 Year Series I Preferred Shares is based on the current economic conditions in The Bahamas and growth prospects for the country, and a risk premium for fixed rate debt over that of what the Company may be able to obtain on variable rate bank debt. Dividends are payable on a semi-annual basis.

In determining the offering yield, numerous factors were considered, including but not limited to:

- Expected returns required by investors
- Yield available on investment alternatives
- The stability and growth prospects of the Company

# SHARE AMORTIZATION SCHEDULE

		Beginning	Dividend	Principal		Ending
	Date	Balance	Payment	Payment	Total Payment	Balance
0	23-Feb-2018	15,000,000	\$ -	-	-	15,000,000
0.5	30-Apr-2018	15,000,000	-	-	-	15,000,000
1	31-Oct-2018	15,000,000	825,205	-	825,205	15,000,000
1.5	30-Apr-2019	15,000,000	595,068	-	595,068	15,000,000
2	31-Oct-2019	15,000,000	604,932	-	604,932	15,000,000
2.5	30-Apr-2020	15,000,000	598,356	ı	598,356	15,000,000
3	31-Oct-2020	15,000,000	604,932	1	604,932	15,000,000
3.5	30-Apr-2021	15,000,000	595,068	ı	595,068	15,000,000
4	31-Oct-2021	15,000,000	604,932	ı	604,932	15,000,000
4.5	30-Apr-2022	15,000,000	595,068	1	595,068	15,000,000
5	31-Oct-2022	15,000,000	604,932	ı	604,932	15,000,000
5.5	30-Apr-2023	15,000,000	595,068	-	595,068	15,000,000
6	31-Oct-2023	15,000,000	604,932	3,000,000	3,604,932	12,000,000
6.5	30-Apr-20 <mark>2</mark> 4	12,000,000	478,685	1	478,685	12,000,000
7	31-Oct-2024	12,000,000	483,945	3,000,000	3,483,945	9,000,000
7.5	30-Apr-2025	9,000,000	357,041	-	357,041	9,000,000
8	31-Oct-2025	9,000,000	362,959	3,000,000	3,362,959	6,000,000
8.5	30-Apr-2026	6,000,000	238,027	-	238,027	6,000,000
9	31-Oct-2026	6,000,000	241,973	3,000,000	3,241,973	3,000,000
9.5	30-Apr-2027	3,000,000	119,014	-	119,014	3,000,000
10	31-Oct-2027	3,000,000	120,986	3,000,000	3,120,986	-
Total			9,231,123	15 <mark>,00</mark> 0,000	24,231,123	

The Dividends are cumulative. As such, any Dividends owed continue to accumulate until they are paid, and any Dividends owing must be paid in full prior to the payment of any dividend to holders of non-cumulative preferred shares or Ordinary Shares of the Company.

# **GENERAL INFORMATION**

# **GOVERNING LAW**

The Shares offered herein are governed by and construed in accordance with the laws in effect from time to time in The Bahamas.

## **EMPLOYEE RELATIONS**

The Company currently employs 186 people. The employees are nonunionized.

### **MATERIAL CONTRACTS**

Please refer to Page 46 & 47 for Contracts that are materially important to the ongoing success of the company.

### **TRANSFERABILITY**

The Shares are transferable by the registered holder hereof or by his duly authorized agent at the offices of the Registrar and Transfer Agent for the issue appointed from time to time, which for the time being is Royal Fidelity Merchant Bank & Trust Limited, during normal business hours on or after the Dealing Date for the Shares.

## **EVIDENCE OF OWNERSHIP**

Evidence of ownership of the Shares offered shall be in book form. The Paying Agent and Registrar will confirm allocations within 21 days of the Closing Date.

### **LITIGATION**

The Company is aware of one pending claim. See the section titled "BTC vs. ALIV (Pending Trademark Claim)" under the heading "Risks Related to Our Wireless Telecommunications Operations" in the section titled "Investment Risks".

Other than this pending litigation, there are no current, pending or threatened legal proceedings to which the Company is a party. The Company has no reason to believe that the pending litigation will adversely affect the Company's financial position.

### **OFFERING COSTS**

Expenses of the Offering are estimated to be B\$350,000 inclusive of advisory, legal, public relations, offering memorandum costs and any other fees directly attributable to this Offering.

### **INSURANCE COVERAGE**

The Company will review insurance coverage at least annually and is of the opinion that it currently maintains adequate insurance coverage for its business operations and associated operational risks.

# REPORTING COVENANTS

The Company has covenanted and agreed to provide:

(a) audited financial statements for the Company within 120 days of each financial year end;

# **ACCELERATION OF REDEMPTION**

All Principal owing in respect of the Shares shall become immediately due and payable, together with all outstanding accrued and unpaid Dividends, upon:

- 1. the Company's failure to make a Principal payment when and as required herein on the due date thereof; or
- 2. the Company's failure to pay any Dividends on three Dividend payment dates as required herein.

Please refer to the Page 3 Notice to Shareholders which includes the full list of Rights of the Series I Preferred Shares.



# ADVISORS TO THE PRIVATE PLACEMENT

## FINANCIAL ADVISOR, PLACEMENT AGENT, & ESCROW AGENT

Royal Fidelity Merchant Bank & Trust Limited

51 Frederick Street

P.O. Box N-4853

Nassau, The Bahamas

Telephone: 242-356-9801

Facsimile: 242-326-3000

## ATTORNEYS TO THE COMPANY

Glinton Sweeting O'Brien

303 Shirley Street

P.O. Box N-492

Nassau, The Bahamas

Telephone: 242-328-3500

Facsimile: 242-328-8008

## **PAYING AGENT & REGISTRAR**

Royal Fidelity Merchant Bank & Trust Limited

51 Frederick Street

P.O. Box N-4853

Nassau, The Bahamas

Telephone: 242-356-9801

Facsimile: 242-326-3000

Royal Fidelity Merchant Bank & Trust Limited has been retained as Financial Advisor and Placement Agent. Royal Fidelity Merchant Bank & Trust Limited has been appointed as Escrow Agent and Registrar and Paying Agent to Be Aliv Limited for this Private Placement. The Advisor and Be Aliv Limited do not represent the holders of Preferred Shares issued by The Company and no independent advisor has been retained to represent such Shareholders. Royal Fidelity Merchant Bank & Trust Limited has given and not

withdrawn its consent to the issue of this Private Placement Memorandum with the inclusion herein of its name for its respective roles to the Offering in the form and context in which it is included.

Royal Fidelity Merchant Bank & Trust Limited has agreed to act as Placement Agent and secondary market makers on a best efforts basis for the Shares offered herein.

Legal matters concerning this Offering have been passed upon by Glinton Sweeting O'Brien as legal Advisors to the Company and the Financial Advisor and Placement Agent. However, in providing such legal advice Glinton Sweeting O'Brien does not take any responsibility for the financial soundness of the Company or for the correctness of any statements made or opinions expressed in this regard. In regards to this offering of Shares, Glinton Sweeting O'Brien does not represent and will not be representing investors.

# INSPECTION OF DOCUMENTS

# **Inspection of Documents**

Copies of the following documents have been attached to the copy of this Memorandum filed with the Securities Commission of The Bahamas and are now available for review at the Placement Agent's Head Office, 51 Frederick Street Branch, Nassau, The Bahamas and at the offices of the Escrow Agent, Royal Fidelity Merchant Bank & Trust Limited, 51 Frederick Street, Nassau, The Bahamas during normal business hours.

A copy of Companies Act, 1992 (as amended)

Company Memorandum & Articles of Incorporation

Board of Directors resolution approving the Private Placement Memorandum

Board of Directors resolution approving the Series I Shares

Consent of Royal Fidelity Merchant Bank & Trust Limited

**Communications Licenses** 

# SUBSCRIPTION PROCEDURES

The subscription period shall begin on February 12, 2018 at 9:00 am and will close at 5:00 pm on February 23, 2018. The Board of Directors reserves the right to extend or cancel this Offer at its discretion.

# ANTI MONEY LAUNDERING PROCEDURES

Measures aimed towards the prevention of money laundering and applicable "know your customer" legislation require that an applicant verify his/her identity to Royal Fidelity Merchant Bank & Trust Limited (the "Placement Agent"). This is in pursuance of Bahamian legislation, mainly, the Proceeds of Crime Act, 2000 ("PCA"), the Financial Transactions Reporting Act, 2000 ("FTRA") and the Financial Transactions Reporting (Amendment) Regulations, 2003 ("FTRAR"). Pursuant to the FTRA financial institutions are obliged to verify the identity of existing and prospective clients.

In addition, the Placement Agents may request further information and documents before processing the application. Failure to supply such information as requested by the Placement Agents prior to the closing of the subscription period will render such application void and result in the return of the funds which accompanied such application.

Pursuant to the FTRAR, an individual may be required to produce a copy of the first four pages of his passport (and additional pages, if relevant) or national identity card, and evidence of his address such as a copy of a recent utility bill or company statement. Each partner or beneficial owner of an unincorporated business must complete as individuals, and supply the documents requested for individuals. Additionally, a copy of the partnership agreement or other agreement establishing the unincorporated business and authorized signatory listing will be required. Corporate applicants may be required to submit a certified copy of the certificate of incorporation (and any certificate of change of name), certified copy of memorandum and articles of association, certificate of good standing from the Registrar of companies, the authorized signatory listing and the names and addresses of all officers, directors and beneficial owners.

Depending on the circumstances of each application, a detailed verification may not be required if:

- 1. the applicant makes the payment from an account held in the applicant's name at a recognized financial institution; or
- 2. the application is made through an eligible introducer as per the Financial Transactions Reporting Act, 2000.

It is further acknowledged that the Placement Agents shall be held harmless and indemnified by the applicant against any loss arising as a result of a failure to process the application if such documentation is required by the Placement Agents and has not been provided by the applicant to the Placement Agents' satisfaction.

<b>CONTROL #:</b>						

# APPLICATION FORM FOR INDIVIDUAL APPLICANT(S)

# **Be Aliv Limited**

# Series I 8.00% 10 Year Cumulative Redeemable Amortizing Preferred Shares

Completed Applications for a minimum of B\$50,000 (Fifty Thousand dollars) will be accepted from **9 am February 12, 2018 until 5.00 p.m. on February 23, 2018** or until the Offer is terminated. Full payment for the amount subscribed must accompany this application. All cheques, bank drafts or postal orders must be made payable to **ROYAL FIDELITY MERCHANT BANK & TRUST LIMITED. CASH WILL NOT BE ACCEPTED.** 

be made payable to <b>ROYAL FIDELITY MERCHANT BANK &amp; TRUST LIMITED</b> . <b>CAS</b>	SH WILL NOT BE ACCEPTED
AMOUNT OF SHARES REQUESTED: B\$ (in multiples of	of B\$10,000.00)
SURNAME:	_
FIRST NAME(S):	
Bahamian Citizen Permanent Resident with unrestricted right to wo	ork in The Bahamas
Permanent Resident with restricted right to work in The Bahamas	
Temporary Resident with Bahamas work permit Central Bank App	roved
Investor	
National Insurance #:	
And if applicable, Co-Owner:	
SURNAME:	
FIRST NAME(S):	
Bahamian Citizen Permanent Resident with unrestricted right to wo	ork in The Bahamas
<del></del>	
Permanent Resident with restricted right to work in The Bahamas	<del>M</del>
Temporary Resident with Bahamas work permit Central Bank App	roved
Investor	
National Insurance #:	
Please register joint accounts as Joint tenants with rights of survivorsh	
Common (Joint tenants with rights of survivorship will be used if no indication	is made)
00590589-1	

ENCLOSED IS A CHEQUE IN THE AMOUNT OF B\$
(Maximum cheque amount accepted is B\$200,000)
I/WE WILL BE WIRING FUNDS IN THE AMOUNT OF B\$
PLEASE PRINT THE FOLLOWING INFORMATION (For main applicant) P. O. Box
Permanent Street Address:
Town Island
Telephone Number: Work Home
Email:
DIVIDENDS PAYMENTS TO BE SENT TO THE ABOVE ADDRESS OR:
Bank:Branch:
Account Number:
DECLARATION: The Applicant(s), by signing this application, acknowledges receipt of the PRIVATE PLACEMENT MEMORANDUM dated February 12, 2018 and declares that the Applicant(s) is an Eligible Investor(s) as defined in the Private Placement Memorandum.
Signature Signature of Joint applicant
To comply with the Financial Transactions Reporting Act, 2000 (FTRA), Royal Fidelity Merchant Bank & Trust Limited may request additional information from applicants.
The completed Application and remittance must be received by 5.00 p.m. on February 23, 2018 at any of the following offices:
Royal Fidelity Merchant Bank & Trust Limited
51 Frederick Street

P. O. Box N-4853 Nassau, Bahamas THE SUBSCRIBER(S), BY SIGNING THIS APPLICATION, AGREE(S) TO THE TERMS AND CONDITIONS CONTAINED IN THE PRIVATE PLACEMENT MEMORANDUM DATED February 12, 2018.

THIS OFFER EXPIRES February 23, 2018, 5:00 p.m.

If wiring funds to Royal Fidelity, please see the two options below:

FirstCaribbean International Bank

Main Branch Transit: 09706

Swift Code: FCIBBSNS B\$ account#: 101012566

**Royal Fidelity Merchant Bank & Trust Limited** 

Please indicate Subscriber Name & reference that is it the 'Aliv Share Subscription'

Fidelity Bank Bahamas Swift: BTAMBSNS

Address: Frederick Street

Transit: 00701

Account #: 10100750

Account Name: Royal Fidelity Merchant Bank & Trust

Please indicate Subscriber Name & reference that is it the 'Aliv Share Subscription'

CONTROL #:	

# APPLICATION FORM FOR USE BY A BODY CORPORATE, PARTNERSHIP, TRUST OR FUND

# **Be Aliv Limited**

# Series I 8.00% 10 Year Cumulative Redeemable Amortizing Preferred Shares

Completed Applications for a minimum of B\$50,000 dollars (Fifty Thousand) will be accepted from **9 am February 12, 2018 until 5.00 p.m. on February 23, 2018** or until the Offer is terminated. Full payment for the amount subscribed must accompany this application. All cheques, bank drafts or postal orders must be made payable to **ROYAL FIDELITY MERCHANT BANK & TRUST LIMITED**. **CASH WILL NOT BE ACCEPTED**.

AMOUNT OF SHARES REQUESTED: B\$	(in multiples of B\$10,000.00)
ENTITY NAME:	
CONTACT PERSON:	
PLEASE PRINT THE FOLLOWING INFORMATION	
PLEASE PRINT THE FOLLOWING INFORMATION	
P. O. Box:	
Permanent Street Address:	
Town:	Islandi
TOWII.	Island:
Telephone Number: Work:	
Home:	
Contact Email	
ENCLOSED IS A CHEQUE IN THE AMOUNT OF B	\$
(Maximum cheque amount accepted is B\$200)	,000)
I/WE WILL BE WIRING FUNDS IN THE AMOUN	T OF B\$
DIVIDENDS PAYMENTS TO BE SENT TO THE ABOVE AD	DRESS OR:
Bank:	Branch:
Account Number:	

DECLARATION: The Applicant by signing this application, acknowledges receipt of the PRIVATE PLACEMENT MEMORANDUM dated February 12, 2018 and declares that the Applicant is an Eligible Investor as defined in the Private Placement Memorandum.

Authorized Signature – Title	
Under Seal	
Authorized Signature – Title	
Under Seal	

To comply with the Financial Transactions Reporting Act, 2000 (FTRA), Royal Fidelity Merchant Bank & Trust Limited may request additional information from applicants.

The completed Application and remittance must be received by 5.00 p.m. on February 23, 2018 at any of the following offices:

# Royal Fidelity Merchant Bank & Trust Limited

51 Frederick Street

P. O. Box N-4853

Nassau, Bahamas

THE SUBSCRIBER(S), BY SIGNING THIS APPLICATION, AGREE(S) TO THE TERMS AND CONDITIONS CONTAINED IN THE PRIVATE PLACEMENT MEMORANDUM DATED February 12, 2018

THIS OFFER EXPIRES February 23, 2018 at 5:00 p.m.

If wiring funds to Royal Fidelity, please see the two options below:

FirstCaribbean International Bank

Main Branch Transit: 09706

Swift Code: FCIBBSNS B\$ account#: 101012566

**Royal Fidelity Merchant Bank & Trust Limited** 

Please indicate Subscriber Name & reference that is it the 'Aliv Share Subscription'

Fidelity Bank Bahamas Swift: BTAMBSNS

**Address: Frederick Street** 

**Transit: 00701** 

Account #: 10100750

**Account Name: Royal Fidelity Merchant Bank & Trust** 

Please indicate Subscriber Name & reference that is it the 'Aliv Share Subscription'

# **APPENDIX I**

# AUDITED FINANCIAL STATEMENTS JUNE 30, 2017

# **BE ALIV LIMITED**

Financial Statements For The Period From February 25, 2016 To June 30, 2017 And Independent Auditors' Report

Deloitte.

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# Deloitte.

Deloitte & Touche Chartered Accountants and Management Consultants 2nd Terrace West, Centreville P.O. Box N-7120 Nassau, Bahamas

Tel: +1 (242) 302 4800 Fax: +1 (242) 322 3101 www.deloitte.com/bs

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Be Aliv Limited:

# Opinion

We have audited the financial statements of Be Aliv Limited (the Company), which comprise the statement of financial position as of June 30, 2017, for the period from February 25, 2016 to June 30, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from February 25, 2016 to June 30, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company for the period from February 25, 2016 to June 30, 2017, and its financial performance and its cash flows for the period from February 25, 2016 to June 30, 2017, in accordance with International Financial Reporting Standards (IFRSs).

# **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

- 1 -

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# Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to
  fraud or error, design and perform audit procedures responsive to those risks, and obtain audit
  evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not
  detecting a material misstatement resulting from fraud is higher than for one resulting from error,
  as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override
  of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

December 21, 2017

# STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2017

(Expressed in Bahamian dollar)

	2017
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 39,818,550
Trade and other receivables (Note 4)	6,801,122
Prepaid expenses and deposits	1,646,375
Due from related parties (Note 12)	80,360
Inventory	6,398,760
Deferred costs	211,455
Total current assets	54,956,622
NON-CURRENT ASSETS:	
Property, plant and equipment, net (Notes 5 and 12)	66,559,283
Intangible assets, net (Notes 6 and 12)	67,993,469
Total non-current assets	134,552,752
TOTAL	\$ 189,509,374

# STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2017

(Expressed in Bahamian dollar)

	2017
LIABILITIES AND EQUITY	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities (Note 12)	\$ 14,388,616
Deferred income	1,222,467
Current portion of lease obligation (Notes 7, 12 and 14)	9,304,603
Due to related parties (Note 12)	3,319,776
Total current liabilities	28,235,462
NON-CURRENT LIABILITIES:	
Non-current lease obligation (Notes 7, 12 and 14)	22,260,381
Notes payable (Note 8)	57,891,965
Total non-current liabilities	80,152,346
Total liabilities	108,387,808
EQUITY:	
Ordinary share capital:	
Authorized, issued, and fully paid \$5,000 shares at \$1 each	5,000
Contributed Capital	136,654,996
Deficit	(55,538,430)
Total equity	81,121,566
TOTAL	\$ 189,509,374

See notes to financial statements.

These financial statements were approved by the Board of Directors on December 11, 2017, and are signed on its behalf by:

Director

Director

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM FEBRUARY 25, 2016 TO JUNE 30, 2017

(Expressed in Bahamian dollar)

		2017
REVENUE (Note 12)	\$	12,870,816
OPERATING EXPENSES (Note 10 and 12)	_	(57,671,487)
Depreciation and amortization (Notes 5 and 6)	_	(44,800,671) (9,488,622)
OPERATING LOSS Interest expense (Note 8)	_	(54,289,293) (1,249,137)
NET AND COMPREHENSIVE LOSS	<u>\$</u>	(55,538,430)

# STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM FEBRUARY 25, 2016 TO JUNE 30, 2017

(Expressed in Bahamian dollar)

	Ordinary Share <u>Capital</u>	Contributed <u>Capital</u>	<u>Deficit</u>	<u>Total</u>
Issuance of ordinary shares Shareholder Contribution Net and comprehensive loss	\$ 5,000	\$ - 136,654,996 	\$ - (55,538,430)	\$ 5,000 136,654,996 (55,538,430)
Balance at June 30, 2017	\$ 5,000	\$ 136,654,996	\$ (55,538,430)	\$ 81,121,566

# STATEMENT OF CASH FLOWS FOR THE PERIOD FROM FEBRUARY 25, 2016 TO JUNE 30, 2017

(Expressed in Bahamian dollar)

CASH FLOWS FROM OPERATING ACTIVITIES:	2017
Net loss	Φ <i>(EE E</i> 20 420)
Adjustments for:	\$ (55,538,430)
Depreciation and amortization (Notes 5)	0.400.600
Bad debt expenses (Note 4)	9,488,622 150,000
	•
Interest expense (Note 8)	1,249,137
Operating cash flows before working capital changes	(44,650,671)
Increase in trade and other receivables (Notes 4 and 12)	(6,951,122)
Increase in prepaid expenses and deposits	(1,646,375)
Increase in due from related parties (Note 12)	(80,360)
Increase in inventory	(6,398,760)
Increase in deferred costs	(211,455)
Increase in accounts payable and accrued liabilities (Note 12)	13,139,479
Increase in deferred income	1,222,467
Increase in due to related parties (Note 12)	3,319,776
Net cash used in operating activities	(42,257,021)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to property, plant and equipment (Notes 5 and 12)	(71,271,144)
Additions to intangible assets (Note 6)	(72,770,230)
Net cash used in investing activities	(144,041,374)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Issuance of ordinary share capital (Note 10)	5,000
Increase in contributed capital (Note 13)	136,654,996
Increase in capital lease obligation (Notes 7,12 and 14)	31,564,984
Proceeds from issuance of notes payable (Note 8)	57,891,965
Net cash from financing activities	226,116,945
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,818,550
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 39,818,550

# NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM FEBRUARY 25, 2016 TO JUNE 30, 2017

(Expressed in Bahamian dollar)

### 1. GENERAL

Newco2015 Limited ("Newco") was incorporated on February 25, 2016, under the laws of The Commonwealth of The Bahamas. On December 14, 2016, pursuant to a certificate of change of name and incorporation Newco became Be Aliv Limited (the "Company").

The mobile cellular license was awarded to the Company on July 1, 2016 and mobile services were launched on New Providence and Grand Bahama on October 1, 2016. This was followed by full commercial launches in Abaco and Eleuthera from November through to December of 2016. These four islands represent approximately 92% of the population required coverage in The Bahamas. The network incorporates a new 3G UMTS and 4G LTE technology platform. Coverage to the remaining islands is ongoing in a phased delivery approach that must be completed by July 1, 2018.

Cable Bahamas Ltd (CBL) has a 48.25% shareholding in The Company and has board and management control thereof. HoldingCo2015 Limited (HoldingCo), owns the remaining 51.75% of the shares and is a special purpose holding company set up by and currently wholly owned by the Government of The Bahamas.

# 2. NEW AND REVISED INTERNATIONAL ACCOUNTING STANDARDS AND INTERPRETATIONS

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB effective for annual reporting periods beginning on or after February 25, 2016. The adoption of these Standards and Interpretations has not led to any changes in the Company's accounting policies.

# a. Standards and Interpretations adopted but not affecting the reported results or financial position

- IFRS 2 (Amended) Share-Based Payments
- IFRS 3 (Amended) Business Combinations
- IFRS 8 (Amended) Operating Segments
- IFRS 5 (Amended) Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 (Amended) Financial Instruments: Disclosures
- IFRS 11 (Amended) Joint Venture
- IFRS 13 (Amended) Fair Value Measurement
- IAS 1 (Amended) Presentation of Items of Other Comprehensive Income
- IAS 7 (Amended) Statement of Cash Flows
- IAS 16 (Amended) Property, Plant and Equipment

- IAS 19 (Amended) Employee Benefits
- IAS 27 (Amended) Separate Financial Statements
- IAS 34 (Amended) Interim Financial Reporting
- IAS 38 (Amended) Intangible Assets
- IAS 40 (Amended) Investment Property
- IAS 41 (Amended) Agriculture

The above standards have not led to changes in the financial position of the Company during the current year.

### b. Standards and Interpretations in issue but not yet effective

- IFRS 9 Financial Instruments
- IFRS 12 (Amended) Disclosure of Interests in Other Entities
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IAS 12 (Amended) Income Taxes
- IAS 28 (Amended) Investments in Associates and Joint Ventures (2011)

Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the Company.

# 3. SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance** - These financial statements have been prepared in accordance with International Financial Reporting Standards.

The preparation of financial statements, in conformity with International Financial Reporting Standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Basis of preparation** - These financial statements have been prepared on historical cost basis. The principal accounting policies are set out below:

a. Cash and cash equivalents - Cash and cash equivalents comprise cash on hand and demand deposits with original maturities of three months or less and are subject to insignificant risk of changes in value.

- b. Trade and other receivables Trade and other receivables are carried net of allowance for doubtful accounts. The credit quality of all subscriber receivables is monitored on a regular basis to determine whether any exceptions should apply to the policy and if any changes warrant an increase or decrease in the allowance for doubtful accounts. Where exceptions do apply, no provision is made for receivables outstanding 90 days or more.
- c. Inventory Inventory items are carried at lower of cost or net realizable value, with cost being determined using average cost. All inventory items are transferred to fixed assets or operating expenses accordingly, as they are placed into operation.
- d. Deferred costs Payments received in advance from subscribers are treated as deferred income and are recognized as income when earned.
- e. Property, plant and equipment Property, plant and equipment are carried at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	5 years
Furniture and equipment	3-5 years
Network infrastructure	7 - 40 years
Vehicles	5 years

All costs associated with putting an asset into service is capitalized. Improvements that extend asset lives, and costs associated with the asset, including direct labour and materials, are capitalized. Other repairs and maintenance costs are expensed as incurred.

- f. Intangible assets Intangible assets are carried at cost less accumulated amortization and net of any adjustment for impairment, and consist of the following:
  - Communications licenses All costs associated with the issuance of the Individual
    Operating License (IOL) and Individual Spectrum License (ISL) are being
    amortized on a straight-line basis over the term of the license which expires in the
    year 2031.
  - Software and licenses All costs associated with placing internally developed and purchased software and licenses into service are capitalized.

The estimated useful lives and amortization methods are reviewed at each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis.

g. Impairment of assets - At each statement of financial position date, management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell or value in use. Any impairment loss is recognized immediately in the Statement of Profit or Loss and Other Comprehensive Loss.

- h. Deferred revenue Payments received in advance from subscribers are treated as deferred income and are recognized as income when earned.
- i. Borrowing costs Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets until such time as those assets are ready for their intended use.

The costs are added proportionately to the qualifying assets over the period in which the assets are being acquired, constructed or produced.

# j. Financial Instruments:

- Financial assets Financial assets are designated as either: a) financial assets at
  fair value through profit or loss, b) held-to-maturity, c) loans and receivables and
  or d) available for sale. All financial assets are carried at fair value or at cost if
  they have no quoted market price in an active market or the fair value cannot be
  reliably measured.
- Financial liabilities Financial liabilities are designated as either: a) financial liabilities at fair value through profit and loss, or b) financial liabilities at amortized cost. At initial measurement, all financial liabilities are measured at fair value or at cost if they have no quoted market price in an active market or if the fair value cannot be reliably measured.
- k. Retirement benefit costs Employer's contributions made to the Company's defined contribution retirement benefit plan are charged as an expense as they fall due.
- I. Related parties Related parties are defined as any person or entity who has control, joint control or significant influence over the Company, key management personnel of the Company or the significant shareholders, an entity or person engaged in a joint venture with the Company and any member of a subsidiary group of which the Company is a part. Related parties include shareholders of outstanding common shares, senior executive officers, directors, and companies for which these parties have significant influence.
- m. Revenue recognition Revenues derived from the sale of services inclusive of mobile transactions, handsets and accessories are recognized when the revenue is earned.
- n. Critical accounting judgments and key sources of estimation uncertainty In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

- o. Operating leases The Company rents real estate, tower and other support structures and facilities under operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.
- p. Finance leases Assets and liabilities under finance leases are recorded at the present value of the minimum lease payments. Leased equipment is amortized over its estimated productive life.
- q. Value added tax The Company in compliance with this Act charges its customers VAT through its customer billing on all applicable services.

# 4. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

		2017
Trade receivables	\$	3,648,849
Other	_	3,302,273
		6,951,122
Allowance for doubtful accounts		(150,000)
	<u>\$</u>	6,801,122

Included in other receivables is a VAT credit of \$3,157,856 due from the Government.

The ageing of past due but not impaired trade receivables is as follows:

	2017
30 - 60 days	\$ 716,340
61 - 90 days	613,454
Greater than 90 days	551,558
	\$ 1,881,352
	2017
Balance at beginning of year	<b>2017</b> \$ -
Balance at beginning of year Amounts written off during the year	

The Company does not hold any collateral or other credit enhancement associated with its financial assets.

# 5. PROPERTY, PLANT AND EQUIPMENT, NET

	1	easehold	Fur	niture and	Leasehold Furniture and Network		Assets Under	
	Im	orovements		luipment	Infrastructure	Vehicles	Improvements Equipment Infrastructure Vehicles Construction Total	Total
COST: Additions	€9	3,251,971	S	7,896,379	\$ 55,971,824	\$ 1,012,740	3,251,971 \$ 7,896,379 \$ 55,971,824 \$1,012,740 \$ 3,138,230 \$ 71,271,144	\$ 71,271,144
Balance at June 30, 2017		3,251,971		7,896,379	55,971,824	1,012,740	55,971,824 1,012,740 3,138,230	71,271,144
ACCUMULATED DEPRECIATION: Depreciation		324,000		880,919	3,398,148	108,794	'	4,711,861
Balance at June 30, 2017		324,000		880,919	3,398,148	108,794		4,711,861
CARRYING VALUE:								
As at June 30, 2017	€	2,927,971	S	7,015,460	\$ 52,573,676	\$ 903.946	2.927.971 \$ 7.015.460 \$ 52.573.676 \$ 903.946 \$ 3.138.230 \$ 66.559.283	\$ 66,559,283



# 6. INTANGIBLE ASSETS

	Con	nmunications	So	ftware and	
		licenses		licenses	Total
COST:					
Additions	\$	64,641,998	\$	8,128,232	\$ 72,770,230
Balance at June 30, 2017		64,641,998		8,128,232	72,770,230
ACCUMULATED AMORTIZATION:					
Depreciation		4,309,467	_	467,294	4,776,761
Balance at June 30, 2017		4,309,467		467,294	4,776,761
CARRYING VALUE:					
As at June 30, 2017	\$	60,332,531	\$	7,660,938	\$ 67,993,469

# 7. CAPITAL LEASE OBLIGATION

The Company has in place a capital lease contract for network equipment for five years with an interest rate of 5% plus libor. As at June 30, 2017, the balance outstanding totaled \$31,564,983 and the current lease principal payments due within one year was \$9,304,603.

Amounts payable under capital lease:

	Present value of minimum leas <u>payment</u>	se
Within one year Within two to four years	\$ 9,304,60 22,260,38	
Total lease obligation (Note 12)	\$ 31,564,98	4

# 8. NOTES PAYABLE

The Company issued \$60 million in Series A and Series B unsecured notes in March 2017. The proceeds of the Notes are used for various capital projects and to fund working capital requirements.

The 8.00% Series A and 8.50% Series B are 10 and 15-year amortizing notes mature in 2026 and 2031, respectively. The terms of the notes are governed by a trustee agreement and all payments associated with the notes are required to be paid through a payment agent. These notes pay coupons semi-annually on June 30 and December 31. Included in accrued liabilities as at June 30, 2017 is interest of \$1,248,987.

The notes payable balance is comprised of the principal balance offset by borrowing costs at \$60 million and \$2,108,035 respectively for the current year.

### 9. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has facilities for corporate credit cards and letters of guarantee in the amount of \$215,000 which are included in Cash and Cash Equivalents in the Statement of Financial Position.

### 10. OPERATING EXPENSES

	2017
Selling costs	\$ 21,219,402
Administrative	13,139,376
Technical	10,168,315
Marketing and sales	11,231,963
Information technology	1,101,448
Government and regulatory fees	810,983
	\$ 57,671,487

### 11. EMPLOYEE COMPENSATION

For the year ended June 30, 2017, employee compensation costs totaled \$8,643,431.

Included in property, plant and equipment are amounts totaling \$589,385, which represent employee compensation which was capitalized.

The Company participates in externally managed defined contribution pension plans. Under the terms of the pension plans, the Company matches employee contributions up to a maximum of 5% of salary for its staff and up to 12.5% for executive management. In the current year, the Company's contributions amounted to \$146,998.

During 2017 the Company established a long-term incentive compensation plan (the Incentive Plan) for eligible management and line employees. The Incentive Plan utilizes "reference shares", which are designed to mirror the fair value per share of the issued ordinary shares, however these reference shares do not represent issued ordinary shares and the compensation under the Incentive Plan will be settled through cash payments. The reference shares are allocated to the relevant employees and are subject to certain acceleration and forfeiture terms and conditions, including certain conditions that must be met prior to payments by the Company following the vesting period, which is four (4) years from the date of employment. Any eligible compensation that remains unpaid (other than as a result of the Incentive Plan) following the ten (10) year anniversary of the date of establishment of the Incentive Plan, shall be forfeited and employees will have no right to payment.

The purposes of the Incentive Plan are to best align the interests of the participants of the Incentive Plan, representing critical employees, with those of the Company's ordinary

shareholders through opportunities for additional compensation. The value of the compensation is determined based on the fair value of ordinary shares of the Company. Additionally the Incentive Plan allows each participant to participate in the growth in the fair value of the Company, in excess of a pre-established fair value threshold, following the date such participant is allocated reference shares.

At the time of establishment, one hundred (100) reference shares are equal in value to one (1) share of the Company's ordinary shares. The maximum number of reference shares available for allocation under the Incentive Plan is 25,000 shares, which in aggregate is equal to 5% of the fully diluted ownership of Company's ordinary shares (including, for this specific purpose, the reference shares underlying this plan), or 250 issued ordinary shares of the Company Stock, as of the date of establishment of the Incentive Plan. The Incentive Plan is subject to amendments in accordance with its terms and conditions. As at June 30, 2017, the Company has awarded 21,425 of the available reference shares to participants, of which 4,925 was vested. However, the fair value threshold has not been exceeded and other terms and conditions have not yet been met, and accordingly, there has been no recognition of additional compensation expense in relation to the reference shares during the current year.

# 12. RELATED PARTY BALANCES AND TRANSACTIONS

Other related party balances and transactions amount:

		2017
Short term benefits	\$_	1,577,185

Statement of Financial Position

During the year, transactions with related parties resulted in the recognition of the following assets and liabilities line items. The total amounts recorded are as follows:

	2017
Due to related parties	\$ 3,319,776
Accounts payable and accrued liabilities	\$ 4,998
Due from related parties	\$ 80,360
Lease obligation	\$ 31,564,984

The Company acquired property, plant and equipment totaling \$3,671,793 and intangible assets totaling \$999,599 from related parties.

Statement of Comprehensive Income

During the normal course of operations, the Company provides services to as well as receives services from related parties. The total value of services provided and received are recorded in revenues and expenses respectively as follows:

Statement of Comprehensive Income

During the normal course of operations, the Company provides services to as well as receives services from related parties. The total value of services provided and received are recorded in revenues and expenses respectively as follows:

 2017

 Revenues
 \$ 78,634

 Operating expenses
 \$ 8,144,953

### 13. LICENCES AND AGREEMENTS

Shareholders Agreement - The agreement was executed on July 1, 2016. The parties to the shareholders agreement are the Company, HoldingCo, and CBL. The agreement provides guidance and specific requirements and commitments to each of the parties inclusive of ownership structure, capitalization, change of control, reporting and strategic initiatives, investments and related party transactions. In accordance with the agreement, 51.75% of the capital requirements of the Company of \$70,167,306 was provided by HoldingCo and the remaining 48.25% in the amount of \$65,421,691 was provided by CBL. In addition, in accordance with the agreement, CBL contributed \$1,070,999 of the initial cost incurred to establish the operation of the Company. As at June 30, 2017 there were no outstanding capital commitments from the shareholders.

Master Services Agreement - This agreement which was executed on June 23, 2016 is the substantive agreement between the Company and CBL that outlines all terms and conditions including cost and pricing requirements for all services that the Company contractually purchases from CBL in the normal course of business. The term of the agreement is for 15 years and provides for CBL to provide on request any services it ordinarily provides on arm's length basis with applicable terms and conditions. Total payments made during the year required in the agreement totaled \$8,519,364.

Master Lease Agreement - This agreement which was executed on August 24, 2016 is a "back-to-back" capital lease arrangement between the Company and CBL for the lease of mobile electronics from the Company's major wireless equipment vendor. As a material part of the agreement CBL is required to guarantee all obligations including principal repayments and interest to the vendor for the term of the lease arrangement. The term of the lease is five years; after which, once all repayments are satisfied, all rights and benefits and obligations attached to the mobile electronics will transfer to the Company. Notwithstanding this, the agreement provides that all rights and benefits specific to the mobile electronics, where applicable, have been passed or will be passed on to the Company during and after the term of the agreement. Total payments made during the year required under the agreement totaled \$8,519,364.

Communications Licenses - On July 1, 2016, the Company was issued an Individual Operating Licence (IOL), authorising the operation of an electronic communications network and provision of carriage services; and, an Individual Spectrum Licence (ISL), authorising the use of specific allocations of premium radio spectrum. Both licences have been awarded for a term of fifteen years, until June 29, 2031.

### 14. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value is the amount for which an asset can be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or need to liquidate, or curtail materially the scale of its operations or undertake a transaction on adverse terms.

In the opinion of management, the estimated fair value of financial assets and financial liabilities, (which are the Company's cash, trade and other receivables, current and non-current liabilities) at the statement of financial position date were not materially different from their carrying values either due to:

- a. their immediate or short-term maturity;
- b. interest rates that approximate current market rates or
- c. carrying amounts that approximate or equal market value.

### 15. RISK MANAGEMENT

There are various risks inherent in the mobile industry that the Company manages on an ongoing basis. Among these risks, the more significant are credit, operational, foreign exchange, liquidity, interest rate risk and capital risks.

Credit risk - Credit risk arises from the failure of a counterparty to perform according to terms of contracts. From this perspective, the Company's significant exposure to credit risk is primarily concentrated with trade and other receivables, and balances due from related and affiliated parties. Cash and cash equivalents are predominantly in Bahamian dollars and have been placed with high quality financial institutions.

Balances due from related and affiliated parties are monitored on an on-going basis and are subject to offset with due to related parties with the same party at management's discretion.

Operational risk - Operational risk is the potential for loss resulting from natural disasters inadequate or failed internal processes or systems, human error or external events not related to credit, market or liquidity risks. The Company manages this risk by maintaining a disaster and recovery plan and a comprehensive system of internal control, including organizational and procedural controls. The systems of internal control include written communication of the Company's policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel and sound accounting policies, which are regularly updated. These controls are designed to provide the Company with reasonable assurance that assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and the Company is in compliance with all regulatory requirements.

Foreign currency risk - Foreign currency risk relates to the Company operating in different currencies and converting non-Bahamian earnings at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Company is not directly exposed to foreign currency risk, as operations are denominated in Bahamian dollars (and US dollars), which is fixed to the US dollar at the following rate: B\$1 = US\$1. The Company mitigates this risk by utilizing funds received in US dollars to pay the US dollar invoices.

Liquidity risk - Liquidity risk reflects the risk that the Company will not be able to meet an obligation when it becomes due or honor a credit request to a customer and/or related party. The Company maintains a satisfactory portion of its assets in cash and other liquid assets to mitigate this risk. In addition, the Company keeps its trade payables within agreed upon terms with its vendors. On a daily basis, the Company monitors its cash and other liquid assets to ensure that they sufficiently meet the Company's liquidity requirements.

Interest rate risk - Interest rate risk is the potential for a negative impact on the statement of financial position or the statement of profit or loss and other comprehensive income arising from adverse changes in the value of financial instruments as a result of changes in interest rates. The Company manages interest cost using a mixture of fixed-rate and variable-rate debt.

### Sensitivity analysis

The Company is exposed to variable interest rates on its Capital Lease obligation. For floating rate liabilities, the analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 25, 50 and 75 basis point increase represents management's assessment of the reasonably possible change in interest rates.

Should the effective interest rate increase or decrease the effect on Net and Comprehensive Loss would be as follows:

0.75	\$ 1,065,318
0.50	\$ 710,212
0.25	\$ 335,106

Capital risk management - The Board of Directors manages the Company's capital to ensure that it has a strong capital base to support the development of its business. The Board of Directors seeks to maximize the return to shareholders through optimization of the Company's debt and equity balance. The Company's risk management structure promotes making sound business decisions by balancing risk and reward. The Directors promote revenue generating activities that are consistent with the Company's risk appetite, policies and the maximization of shareholder return. The capital structure of the Company consists of equity attributable to the common equity holders of the Company, comprising issued capital and retained.

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