



**FINANCIAL SERVICES COMMISSION
ADDENDUM TO THE GUIDELINES FOR ISSUERS OF SECURITIES**

November 11, 2005

1.0 Background

1.1 In light of the increased activities in private placements, the Financial Services Commission ("FSC") has examined provisions in place for private placement. In carrying out this review, the FSC noted that the Securities Act did not provide a basis for exempting private placements from registration. Based on the foregoing, the FSC is amending guidelines SR-GUID-02/12-0005 titled "The Guidelines for Issuers of Securities" ("Issuer Guidelines"). The details of these amendments are contained in sections 2.0 to 5.0 of this paper.

2.0 The removal of the registration exemption for private placement

2.1 The Issuer Guidelines required that public offerings be registered with the FSC but relieved private placements from the registration and prospectus delivery process.

2.2 While private placements will continue to be exempted from the requirement to deliver a copy of the relevant prospectus to the FSC, the exemption from the registration requirement is hereby removed. Therefore, the following changes have been made to the Issuer Guidelines:

i) Page 3, sub-section "Private Placements", first paragraph, third sentence, will be changed from

"Based on these considerations, private placements are relieved from the registration and prospectus delivery" to

"Based on these considerations, private placements are relieved from prospectus delivery....."

ii) Page 3, sub-section "Private Placements", second paragraph, first sentence will be changed from

" In order to qualify for the registration and prospectus delivery exemption....." to

“In order to qualify for prospectus delivery exemption....”

- iii) Page 4, sub paragraph (c) “Method of Offering”, the last sentence will be changed from

“Any such general solicitation.....could cause the placement to be considered a public offering, thereby disqualifying it from the registration and prospectus delivery exemptions” to

“Any such general solicitation.....could cause the placement to be considered a public offering, thereby disqualifying it from the prospectus delivery exemption”.

3.0 Timetable for registration of private placement

- 3.1 The time required for registration of an application for private placements will be less than that required for public offerings. The timetable for registration of private placements is as follows:

An application for registration in the form of the Registration Statement must be received by the FSC a minimum of fourteen (14) days prior to the intended date of commencement of the issue.

4.0 Filing and disclosure requirements for issuing securities through private placement

- 4.1 With this addendum, issuers of securities through a private placement are now required to file the following with the FSC:

- a) The list of persons invited to participate in the private placement,
- b) A copy of the written disclosure of the resale restrictions and liquidity limitations given to each purchaser, and
- c) A copy of the declaration to be signed by the purchaser evidencing his/her consent to, and agreement to abide by, the resale restrictions

5.0 Clarification of the resale restriction condition of private placement

- 5.1 The Issuer Guidelines prescribed four conditions for issuing securities through private placements. These conditions were:

- a) Types of investors,
- b) Number of offerees,
- c) Method of offering and
- d) Resale restrictions and liquidity limitation.

In an effort to strengthen condition d) “Resale restriction and liquidity limitation”, the following sentences are inserted after the first sentence under the caption for this condition:

“The securities sold by way of a private placement may not be resold unless they are registered as a public offering of securities. Each certificate must contain a legend that discloses the resale restriction on the securities”

6.0 Effective Date

The amendments to the Issuer Guidelines as contained in sections 2.0 through to 5.0 of this paper become effective on November 1, 2005.