

## REGULATION XD

**SECURITIES (EXEMPT DISTRIBUTIONS) REGULATIONS, 2006****PART 1 DEFINITIONS AND INTERPRETATION****1.1 Short Title**

This Regulation may be referred to as Regulation XD.

**1.2 Definitions**

(1) Words and expressions defined in Regulation R (including the Forms to Regulation R), or defined in the *Securities Act* or the *Companies Act, 2004*, unless otherwise defined in this Regulation, have the same meanings when used in this Regulation.

(2) In this Regulation

“accredited investor” means any person who the issuer and if applicable the licensed dealer or the selling security holder (as the case may be) involved in the distribution reasonably believes after diligent inquiry, comes within any of the following categories at the time of the distribution of the securities to that person -

- (a) any governmental authority or public statutory corporation constituted under any written law in Jamaica;
- (b) a bank as defined in the *Banking Act* or insurance company registered under *The Insurance Act, 2001*;
- (c) an approved retirement scheme, approved superannuation fund or specified pension fund, as defined in *The Pensions (Superannuation Funds and Retirement Schemes) Act, 2004*;
- (d) any director, officer or general partner of the issuer, or any director or officer of a general partner of the issuer;
- (e) any unit trust, mutual fund, non-redeemable investment fund or other collective investment scheme that is registered with the Commission;
- (f) a trust company or licensed dealer purchasing as principal or on behalf of a fully-managed account where the account holder is an accredited investor;
- (g) any individual whose net worth exceeds 50 million dollars, or a corporation wholly-owned by such an individual or a trust of which such an individual is the sole primary beneficiary;
- (h) any individual who had a net income before taxes in excess of 10 million dollars in each of the two most recent calendar years, or a corporation wholly-owned by such an individual or a trust of which such an individual is the sole primary beneficiary;
- (i) any entity that had net assets in excess of 250 million dollars as reflected in its financial statements for its most recently completed fiscal year or

alternatively, if its most recently completed fiscal year ended less than 90 days prior to the relevant date, as reflected in its financial statements for its second most recently completed fiscal year;

- (j) any entity organized outside of Jamaica that is analogous to the entities listed in paragraphs (a) to (f) or that qualifies as an accredited investor or has a similar status however defined, under the securities legislation of its governing jurisdiction;
- (k) any individual residing outside of Jamaica who qualifies as an accredited investor or has a similar status however defined, under the securities legislation of the individual's country of residence;
- (l) any individual or entity recognized as an accredited investor by the Commission;

“entity” includes a corporation, partnership, trust, or other business organization, whether incorporated or unincorporated;

“distribution” means any dealing with a security, including:

- (a) a sale or disposition for valuable consideration;
- (b) the receipt by a dealer, issuer, selling security holder or promoter of an order to buy or sell the security;
- (c) any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the foregoing; and
- (d) and any of the actions described above made with respect to
  - (i) securities of an issuer that have not been previously issued;
  - (ii) previously issued securities of an issuer that have been redeemed or purchased by the issuer; or
  - (iii) previously issued securities of an issuer;

“fully-managed account” means an account of a client for which a trust company or licensed dealer makes the investment decisions if the trust company or licensed dealer has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

“person” includes a entity as defined above;

“printed” or “written” includes material distributed by electronic means;

“private issuer” means an issuer

- (a) that is not a reporting issuer or an investment fund;
- (b) whose securities, other than non-convertible debt securities,

- (i) are subject to restrictions on transfer that are contained in the issuer’s constating documents or security holders’ agreements; and
- (ii) are beneficially owned by not more than 50 persons, not including employees and former employees of the issuer;

“recognized rating agency” means a credit rating organization recognized by the Commission for the purposes of this Regulation;

“securities legislation” means the *Financial Services Commission Act, 2001*, the *Securities Act* and all applicable regulations, rules or guidelines made pursuant to either such Act, the rules of the Jamaica Stock Exchange and sections 40 to 47 and the *Third Schedule* to the *Companies Act, 2004*, and includes analogous legislation of any other jurisdiction.

**PART 2 EXEMPT DISTRIBUTIONS**

**2.1 Accredited Investor**

- (1) The prospectus requirement in section 2.1 of Regulation R does not apply to a distribution of a security to an accredited investor purchasing as principal.
- (2) The registration requirement under section 26 (1) of the *Securities Act* in respect of a trade in a security in the circumstances referred to in subsection (1) shall be satisfied by compliance with Part 3 of this regulation.
- (3) For the purposes of subsection (1) a trust company or licensed dealer described in paragraph (f) of the definition of “accredited investor” is deemed to be purchasing as principal.

**2.2 Minimum Purchase Amount**

- (1) The prospectus requirement in section 2.1 of Regulation R does not apply to a trade in a security to a person purchasing as principal if
  - (a) the security has an acquisition cost to the purchaser of not less than ten million dollars paid in cash at the time of the purchase; and
  - (b) the trade is in a security of a single issuer.
- (2) The registration requirement under section 26 (1) of the *Securities Act* in respect of a trade in a security in the circumstances referred to in subsection (1) shall be satisfied by compliance with Part 3 of this regulation.
- (3) This section does not apply to a trade in a security to a person that is created or used solely to purchase or hold securities in reliance on this exemption from the prospectus requirement.

**2.3 Highly-rated Debt Securities**

- (1) The prospectus requirement in section 2.1 of Regulation R does not apply to a trade in a security to a person purchasing as principal if

- (a) the security has been assigned a rating of BBB+ (or equivalent) by a recognized rating agency;
  - (b) equity securities of the issuer are listed for trading on a recognized stock exchange;
  - (c) the issuer has existing debt or equity securities registered with the Financial Services Commission and is not in default of any requirements of the Commission, or has a similar status in any recognized foreign jurisdiction; and
  - (d) the purchaser is provided access to substantially the same information concerning the issuer and its securities as would be required to be provided in a prospectus prepared in accordance with Regulation R.
- (2) The registration requirement under section 26 (1) of the *Securities Act* in respect of a trade in a security in the circumstances referred to in subsection (1) shall be satisfied by compliance with Part 3 of this regulation.

**2.4 Private Issuer**

- (1) The prospectus requirement in section 2.1 of Regulation R does not apply to a distribution of a security of a private issuer to a person who purchases the security as principal and is
- (a) a director, officer, founder or control person of the issuer;
  - (b) a close business associate of a director, officer, founder or control person of the issuer; or
  - (c) a person associated with the issuer.
- (2) The registration requirement under section 26 (1) of the *Securities Act* does not apply to a trade in a security in the circumstances referred to in subsection (1).
- (3) Except for a trade to an accredited investor, no commission or finder's fee may be paid to any director, officer, founder or control person of an issuer in connection with a trade under subsection (1).

**PART 3 EXEMPT DISTRIBUTION REQUIREMENTS**

**3.1 Pre-notification Requirement**

No person shall trade or participate in the distribution of a security pursuant to an exemption under section 2.1, 2.2 or 2.3, unless the issuer or selling security holder has delivered to the Commission a duly completed Form XD F-1 Notice of Exempt Distribution in respect of the proposed trade or distribution not less than 15 days before the proposed trade or distribution.

**3.2 Due Diligence Requirement**

An issuer, selling security holder or licensed dealer shall not trade in a security on the basis of the exemption provided for in section 2.1 unless that person has reasonable and probable grounds for believing, after due inquiry properly undertaken before completion

of the trade, that the prospective purchaser meets the relevant criteria of the definition of accredited investor that is being relied upon in respect of the trade.

**3.3 Exempt Distribution Report**

The issuer or selling security holder shall deliver to the Commission a duly completed Form XD F-2 Exempt Distribution Report in respect of each trade in a security in reliance on an exemption under section 2.1, 2.2 or 2.3 no later than the last day of the calendar month following the month during which the trade took place.

**PART 4 MARKETING RESTRICTIONS AND REQUIREMENTS**

**4.1 General Restriction**

An issuer or selling security holder (“vendor”) or other person participating in a distribution on behalf of the vendor, shall not distribute any printed or written material or electronically provide or make available any material respecting a security that is not permitted by sections 4.2 or 4.3.

**4.2 Pre-registration Communications**

Prior to delivery of a Form XD F-1 Notice of Exempt Distribution to the Commission in respect of a security, an issuer shall not engage in or procure, either directly or through a market intermediary or otherwise, any act, advertisement, solicitation, negotiation or other conduct in furtherance of any dealing in relation to those securities.

**4.3 Distribution of Material Following Notice of Exempt Distribution**

From the date of delivery to the Commission of a Form XD F-1 Notice of Exempt Distribution in respect of a proposed trade or distribution pursuant to an exemption provided for in section 2.1, 2.2 or 2.3, a person trading in the security in a distribution may

- (a) distribute an offering memorandum, any document referred to in the offering memorandum, a circular, a term-sheet or other document describing the security proposed to be distributed and providing such other information as may be permitted or required by any guideline of the Commission; and
- (b) solicit expressions of interest from any prospective purchaser that the person reasonably believes to be qualified to purchase that security if, prior to such solicitation or forthwith after the prospective purchaser indicates an interest in purchasing the security, a copy of the offering memorandum or other document describing the security as permitted by paragraph (a) is delivered to the prospective purchaser.

**4.4 Post-distribution Communications**

- (1) Following completion of an exempt distribution of securities pursuant to Part 2, an issuer shall not engage in or procure, either directly or through a market intermediary or otherwise, any act, advertisement, solicitation, negotiation or other conduct in furtherance of any dealings in relation to those securities or of any similar securities of the issuer, whether issued or to be issued.

- (2) Despite subsection (1) but subject to subsection (3), following completion of an exempt distribution, an issuer may issue a press release and may place a tombstone-type advertisement in print media regarding the details and completion of the distribution.
- (3) A tombstone-type advertisement as permitted by subsection (2)
  - (a) shall be limited to factual content only,
  - (b) shall state on its face that it is made as a matter of record only and is not an offer to procure or deal in any securities;
  - (c) shall not invite any person to contact the issuer or any other person in order to obtain more information concerning any securities; and
  - (d) may not be placed more than once in any single media publication and may not be placed in a newspaper more than 30 days after the completion of the distribution.

**4.5 List of Invitees**

Every licensed dealer participating on behalf of the vendor in the distribution of a security pursuant to an exemption under section 2.1, 2.2 or 2.3, and if there is no dealer, the vendor, shall maintain a record of the names and addresses of all persons to whom the offering memorandum or other material has been forwarded.

**4.6 Statement of Rights**

Every offering memorandum, or if there is no offering memorandum, another document describing the security to be distributed in an exempt distribution pursuant to section 2.1, 2.2 or 2.3, shall

- (a) provide to the purchaser cancellation rights, rights of withdrawal and contractual rights of action analogous to those set forth in Appendix A of Regulation R; and
- (b) contain a statement of those rights as set out in Appendix A of Regulation R.

**PART 5 RESALE RESTRICTIONS**

**5.1 Resale Restrictions**

- (1) The holder of a security purchased pursuant to an exemption provided for in Section 2.1, 2.2 or 2.3 may not trade the security except pursuant to an exemption provided for in this Regulation, unless and until the following conditions are met:
  - (a) Subject to subsection (2),
    - (i) the issuer has completed a public distribution of securities of the same class as the security pursuant to a prospectus and at least 12 months have elapsed since the date of the distribution; or

- (ii) the issuer has not previously issued any securities of the same class as the security in a public distribution, does not issue any such securities as part of the proposed distribution, and at least six months have elapsed since the date of the exempt distribution;
  - (b) No unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade;
  - (c) No extraordinary commission is paid to any person in respect of the trade; and
  - (d) If the selling security holder is an insider or officer of the issuer, the selling security holder has no reason to believe that the issuer is in default of securities legislation in any jurisdiction.
- (2) Paragraph (a) of subsection 1 does not apply to trade in a non-convertible debt security.

**PART 6 COMING INTO FORCE**

**6.1 Effective Date**

This regulation comes into force on • 2007.

Form XD F-1  
**NOTICE OF EXEMPT DISTRIBUTION**

This is the form required under section 3.1 of the *Securities (Exempt Distributions) Regulations, 2006* (Regulation XD).

**INSTRUCTION: Provide full and complete particulars with respect to each item below. If any item does not apply to the proposed trade or distribution, provide a brief explanation as to why the item does not apply.**

**Information about the issuer**

**Item 1:** The full name of the issuer of the securities to be distributed, the address and telephone number of its head office and the issuer's jurisdiction of incorporation.

**Item 3:** The address of the principal business office of the issuer. If the issuer is a foreign person, the name and address of its agent in Jamaica.

**Item 4:** The names and residential addresses of the directors of the issuer.

**Item 5:** The general nature of the business activity actually carried on or to be carried on by the issuer.

**Item 6:** A table showing the capitalization of the issuer, together with a description of the amount and classes of outstanding securities of the issuer.

**Item 7:** The names and addresses (residential addresses for individuals) of all persons beneficially owning 10% or more in aggregate of the outstanding stock of the issuer.

**Information about the proposed distribution**

**Item 8:** Names and addresses of proposed underwriters of the issue or any licensed dealers expected to participate in the distribution.

**Item 9:** The amount and type of securities to be offered and the specific exemption or exemptions under Regulation XD that are applicable to the distribution.

**Item 10:** The names, addresses and holdings of any beneficial owners of securities who will be selling securities as part of the offering (selling security holders).

**Item 11:** The estimated net proceeds to be derived by the issuer and selling security holders from the securities being offered.

**Item 12:** Details of underwriting arrangements, including whether the underwriters will participate in the distribution and whether the underwriting is a firm or best efforts underwriting.

**Item 13:** The approximate price (or price range) at which it is proposed that the security shall be offered.

**Item 14:** The approximate date on which the proposed offer of the security will be made and the expected time-frame to complete the distribution.

**Item 15:** The purposes for which the proceeds of the distribution will be applied, including details regarding the repayment or refinancing of existing debt, purchase of or payment for property, redemption or resale of existing securities etc.

**Item 16:** The names of any promoters of the issuer (as defined in the Securities (Registration and Prospectus Disclosure) Regulations, 2006 and details of any promoter's relationship with the issuer

**Item 17:** Information as to each other jurisdiction in which the offering is proposed to be made and whether such offering will be an exempt offering or will be made through a prospectus in such jurisdiction

**Item 18:** Particulars as to any proposed eventual public offering in Jamaica of the securities to be issued

**Certifications**

I have reviewed this Form XD F-1 Notice of Exempt Distribution ("Notice") of [name of issuer]. Based on my personal knowledge of the information provided in this Notice, after due inquiry, I certify that this Notice is true and correct in all respects. I understand that this Notice will be relied upon by the Financial Services Commission in considering the applicability and compliance with Regulation XD under the *Securities Act*.

\_\_\_\_\_  
(signature and title of chief financial officer)

\_\_\_\_\_  
(signature and title of chief executive officer)

Name and address:

Name and address:

Date: \_\_\_\_\_.

**IT IS AN OFFENCE UNDER THE *SECURITIES ACT* TO MAKE A MISREPRESENTATION IN THIS REPORT**

**Form XD F-2  
EXEMPT DISTRIBUTION REPORT**

This is the form required under section 3.3 of the *Securities (Exempt Distributions) Regulations, 2006* (Regulation XD).

**Issuer Information**

**Item 1:** State the full name of the issuer of the security distributed and the address and telephone number of its head office.

**Item 2:** State whether or not the issuer is a reporting issuer.

**Details of Distribution**

**Item 3:** Complete the following table with respect to each purchaser. This will help you in completing the remainder of this report.

Full name, residential address and telephone number of each purchaser	Number and type of securities purchased	Total purchase price (\$JA)	Exemption relied on	Date of distribution

**Item 4:** State the distribution date, or all the distribution dates if the report is being filed for securities distributed on more than one date.

**Item 5:** For each security distributed:

- (a) Describe the type of security,
- (b) State the total number of securities distributed,
- (c) State the exemption(s) relied on.

**Item 6:** Complete the following table for each jurisdiction (Jamaica and foreign jurisdictions) where purchasers of the securities reside. Do not include in this table securities issued as payment for commissions or finders fees disclosed under item 7 below.

Jurisdiction where purchasers reside	Number of purchasers	Price per security (Jamaican \$) <sup>1</sup>	Total value raised from purchasers in the jurisdiction (Jamaican \$)
Jamaica			
Other jurisdiction <sup>2</sup>			
Total number of purchasers			
Total dollar value of distribution in all jurisdictions (Jamaican \$)			

Note 1. If securities are issued at different prices list the highest and lowest price the securities were sold for.

Note 2. Add rows as necessary. List each jurisdiction on a separate row.

**Commissions and finders' fees**

**Item 7:** Complete the following table by providing information for each person who has received or will receive compensation in connection with the distribution(s). Compensation includes commissions, discounts or other fees or payments of a similar nature. Do not include payments incidental to the distribution such as legal, accounting, printing, advertising or similar services.

Full name and address of person being compensated	Compensation paid or to be paid (cash or securities)				
	Cash (\$JA)	Securities			Total JA \$ value of compensation
		No. and type	Price per security	Exemption and date of distribution	

**Certificate**

On behalf of the issuer, I certify, after diligent inquiry, that all information contained in this report is true.

Date: \_\_\_\_\_

\_\_\_\_\_  
Name of issuer

\_\_\_\_\_  
Print name, title and telephone number of person signing

\_\_\_\_\_  
Signature

**Item 9:** State the name, title and telephone number of the person who may be contacted with respect to any questions regarding the contents of this report, if different from the person signing the certificate.

**IT IS AN OFFENCE UNDER THE SECURITIES ACT TO MAKE A MISREPRESENTATION IN THIS REPORT**

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