

RULE NUMBER IX.C.8 : GUIDELINES CONCERNING THE FORM AND CONTENT OF A PROSPECTUS FOR A PUBLIC OFFERING BY MEDIUM OR SMALL BUSINESS

Attachment

Decision of the Chairman of Bapepam

Number : Kep-56/PM/1996

Date : January 17, 1996

Substitute Prior Decision

Number : Kep-10/PM/1996

Date : March 20, 1995

A Prospectus must contain details and material facts regarding a Public Offering, that may influence an investor's decision, that are known or should reasonably be known by the Issuer and Managing Underwriter, (if any). The Prospectus must be clear and communicative. Important facts and opinions must be summarized and disclosed in the beginning of the Prospectus. The sequence of the facts in the Prospectus is determined by their relevance to a specific issue, not by this rule.

Issuers must be prudent in the use of photos, charts or tables in the Prospectus, because such materials may mislead the public. Moreover, an Issuer must also highlight important facts clearly in order to attract readers' attention.

The Issuer may include in the Prospectus the disclosure of material facts other than those specified in this rule in accordance with the company's operations or industrial sector in order not to mislead the public. The Issuer, Underwriter(s) and Capital Market Supporting Institutions and Professionals are responsible to determine and disclose the facts in a clear and communicative manner.

1. A Medium or Small Business must ensure that the Prospectus issued in connection with its Public Offering includes all the information or material facts that are necessary to evaluate the offered securities.
2. The Public Offering Prospectus of Medium or Small Business is divided into parts as follows :
 - a. the first part of the Prospectus must contain the information specified in item 3 of this Rule;
 - b. a table of contents;
 - c. information concerning the offered securities, as provided in item 4 of this Rule;
 - d. a description of the Medium or Small Business's capital structure, as provided in item 5 of this Rule;
 - e. the use of funds obtained from the Public Offering, as provided in item 6 of this Rule;
 - f. a debt statement, as provided in item 7 of this Rule;
 - g. a description of the Medium or Small Business, as provided in item 8 of this Rule;
 - h. a description of business risks as provided in item 9 of this Rule;

- i. a financial statement, as provided in item 10 of this Rule;
 - j. an analysis and discussion by the management of the Medium or Small Business, as provided in item 11 of this Rule;
 - k. a description of securities subscriptions, as provided in item 12 of this Rule;
 - l. an additional part covering any other material information concerning the Public Offering, such as a price stabilization plan(if any).
3. Items which should be disclosed in the first part of Prospectus, include:
- a. the effective date;
 - b. the offering period;
 - c. the allotment date;
 - d. the refund date;
 - e. the Securities certificate submission date;
 - f. the proposed listing date;
 - g. the company's full name, logo (if any), address of the head office, factory, and representative office (if any), telephone number, facsimile, and telex (if any), Post Office Box number (if any), and the Issuer's main business activity;
 - h. the name of the Securities Exchange(s), if the Securities are to be listed;
 - i. a preliminary listing agreement between the Issuer and one or more Securities Exchange(s), if the securities are to be listed; and what action will be taken if the offered Securities do not meet the listing requirements at such Securities Exchange(s);
 - j. the nature of the offering, including the amount, a brief description of the securities and their nominal value and price;
 - k. the place and date of the issuance of the Prospectus;
 - l. the following statement in large type which directly attract of the readers:
 - 1) **BAPEPAM HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES, NOR HAS IT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY CONTRADICTING REPRESENTATION THERETO IS ILLEGAL”.**
 - 2) **“THE ISSUER AND UNDERWRITER (IF ANY) ARE FULLY RESPONSIBLE FOR THE ACCURACY OF INFORMATION OR MATERIAL FACTS AND THE OBJECTIVITY OF OPINIONS INCLUDED IN THIS PROSPECTUS”.**
 - 3) **“THIS PUBLIC OFFERING BY A MEDIUM OR SMALL BUSINESS, IS IN ACCORDANCE WITH BAPEPAM RULE NUMBER IX.C.7”**
 - 4) **“THE ISSUER IS NOT USING SECURITIES COMPANY SERVICES IN THIS PUBLIC OFFERING” (If Applicable)**
 - 5) a summary statement of the main or extraordinary risks concerning the offered Securities (if any);
 - 6) a summary statement of any factors which may cause trading in the securities to

become limited or less liquid;

- 7) If the Securities company plans to stabilize the price, its disclosure must be in conformity with Rule number XI.B.1:

“IN ORDER TO MAINTAIN THE MARKET PRICE OF THE SAME OR SIMILAR SECURITIES, IN TYPE OR IN CLASS, AS THE SECURITIES OFFERED IN THIS PUBLIC OFFERING, THE UNDERWRITER MAY STABILIZE THE PRICE AT A HIGHER PRICE THAN WHAT WOULD EXIST AT THE SECURITIES EXCHANGE IF PRICE STABILIZATION WERE NOT APPLIED. IF APPLIED, THE PRICE STABILIZATION AS WELL AS THE PUBLIC OFFERING MAY BE TERMINATED AT ANY TIME”.

4. Information regarding the offered Securities, must include the following:

- a. Information regarding the offered shares:

- 1) the number of shares offered;
- 2) their nominal value;
- 3) their offering price;
- 4) the dividend policy;
- 5) preemptive rights;
- 6) limitations on the transferability of rights or voting rights (if any);
- 7) description as to whether the offered securities are new-shares or fully paid-in shares (divestitures);
- 8) the number of the offered shares which are going to be listed (if any), and the number of the same type of shares which have been listed on a Securities Exchange (if any); and
- 9) A description regarding the decision of the Issuer and or existing shareholders to issue or not issue or list or not list their shares or other convertible securities within a period of 12 (twelve) months after the effective date.

- b. information regarding offered debt securities :

- 1) amount of the debt,including :
 - a) the debt currency denomination and other alternatives (if any); and
 - b) the amount of principle debt if its nominal value is related to a specific index (if any).
- 2) the date(s) and the amount of the debt principal repayment;
- 3) the possibility of earlier debt repayment (if any);
- 4) seniority rights of the debt compared with other outstanding debts of the medium or small company which exist or may exist;
- 5) a debt guarantee agreement, including the description of the assets of the Small or Medium Business which are pledged for the Securities offered (if any);
- 6) a summary of sinking fund provisions (if any);

- 7) the payment of debt interest, including:
 - a) the interest rate and its determination if it is a floating interest rate;
 - b) the payment date(s); and
 - c) payment methods, such as coupons, discount, or check.
- 8) conversion rights (if any);
- 9) other covenants concerning the debt securities;
- 10) The trust agent (if any), including :
 - a) the name;
 - b) the address;
 - c) a description of the Person who acts as the Trust Agent; and
 - d) a summary of the provisions of the Trust Agent agreement
- 11) debt certificate, including :
 - a) the number of certificates;
 - b) denomination(s); and
 - c) numbering.
- c. in the case of warrants, options, and other types of Securities, information that is material for investors to make evaluations of the offered Securities.
5. A description of the capital structure of the Medium or Small Business must include :
 - a. information about the authorized, issued and fully paid-in capital of the Medium or Small Business (presented in table form), including :
 - 1) the amount of shares;
 - 2) the nominal value; and
 - 3) the total nominal value of all shares.
 - b. the description of the capital structure and shareholders prior to and after the Public Offering of the Medium or Small Business (presented in table form), including :
 - 1) the description of ownership by shareholders that own 5% (five percent) or more, directors, and commissioners (including number of shares, nominal value, and the percentage); and
 - 2) shares in the portfolio, including the number of shares, the nominal value, and the total nominal value of the shares;. And
 - c. a summary description of the establishment and development of the company and the share ownership for the last 3 (three) years.
6. The use of funds obtained from the Public Offering, including the percentage of the funds planned to be used for each type of activity including among other things :
 - a. an increase in assets, such as inventory and receivables;

- b. an increase in fixed assets or other assets, such as development of facilities and other business acquisitions;
- c. payments to reduce liabilities to unaffiliated Persons;
- d. payments to reduce material liabilities to affiliated Persons. The description should include the name the type of affiliation and amount of the liability to be paid;
- e. expenses for development and marketing of new products and services; and
- f. the amount of divestment value paid to shareholders.

7. Debt Statement

Descriptions that must be disclosed in the debt statement include :

- a. a statement regarding all liabilities on the last financial statement date, including the amount of current and long term liabilities;
- b. a description of each liability in accordance with the balance sheet accounts;
- c. the description of commitment and contingencies on the last financial statement date; and
- d. a representation letter that includes:
 - 1) a statement that the full details of liabilities of the company on the last financial statement date have been disclosed in the Prospectus;
 - 2) a statement regarding the existence of liabilities after the balance sheet date through the date of the audit report, and liabilities after the audit report date through the effective date of the Registration Statement; and
 - 3) a management statement regarding the ability of management to settle the liabilities.

8. The description of the Medium or Small Business must include :

- a. brief history of development of the Medium or Small Business since the company's establishment, including :
 - 1) the establishment date and the first name of the company;
 - 2) the company's founders and its status as a legal body;
 - 3) the initial business operations; and
 - 4) important events with regard to the business development, such as changes of ownership, major investments in fixed assets or production facilities, the development of new products or services and important marketing efforts.
- b. a brief description of the company's activities and its business prospects at the time of the Public Offering, including :
 - 1) important agreements concerning licensing, purchasing raw materials, marketing, distributing, or financing;
 - 2) a description of the main products and services offered by the Medium or Small Business;
 - 3) a general description of the type of clients served by the Medium or Small Business;

- 4) a general description of the suppliers of goods and services to the Medium or Small Business;
 - 5) a general description of production facilities owned or leased from other Persons, such as land, buildings, infrastructure, machine and equipment, and their status;
 - 6) a description regarding material human resources;
 - 7) a brief description regarding affiliated companies; and
 - 8) any transactions with affiliated Persons.
- c. a description of the management of the Medium or Small Business, including information regarding commissioners or supervisors and directors or staff, as follows:
- 1). name;
 - 2). age;
 - 3) citizenship;
 - 4) relevant working experience; and
 - 5) Formal education, if relevant, including school name, field of study, and year of graduation.
9. Information regarding business risks that arise from among other things:
- a. competition;
 - b. supply of raw materials; and
 - c. Government policy.
10. The Prospectus shall present audited financial statements for the last 2 (two) years or for such shorter period for a Medium or Small Business that has been established for less than 2 (two) years. Financial Statements including:
- a. a balance sheet;
 - b. an income statement;
 - c. a retained earnings statement;
 - d. a cash flow statement;
 - e. notes to financial statements; and
 - f. other statements and explanatory material that is part of the financial statements, if applicable, such as a statement of commitments and contingencies for a Medium or Small Company in the banking business.

If the effectiveness of the Registration Statement is over 180 (one hundred eighty) days after the date of the latest annual financial statements, these latest financial statements must be up-dated with audited interim financial statements, so that the period between the effectiveness of Registration Statement and date of interim financial statements is not more than 180 (one hundred eighty) days.

11. The Discussion and Analysis by the management of the Medium or Small Business must include :

- a. a summary description of the financial statements and other information in the Prospectus which mention existing trends, dependency in relationships with customers, products, suppliers, or certain agreements, and other factors;
 - b. a brief discussion of anticipated trends with respect to the production, products and services offered by the Medium or Small Business, including uncertainties related to such anticipated trends;
 - c. a discussion of aspects of the financial statement that reflect events that are extraordinary and non recurring in nature; and
 - d. a discussion regarding any material events after the date of the audit report.
12. A description of the procedures to subscribe for the offered Securities, including :
- a. the submission of subscription forms, payment terms, cancellations of orders, and receipts for subscriptions;
 - b. a description of limitations on who may subscribe, and allotments that are reserved for specified Persons;
 - c. the beginning and ending date of the subscription period; and
 - d. a description of subscription procedures, the refund date, and delivery of Securities Certificates or other proof of Securities ownership.