

APPENDIX 1



JAMAICA STOCK EXCHANGE JUNIOR MARKET

REVISED EXECUTIVE SUMMARY 1, JUNE 2012

Introduction:

The Jamaica Stock Exchange (JSE) has established a Junior Market, which it believes will encourage domestic investment in entrepreneurship, employment and economic development. The Exchange has received feedback from various member dealers indicating that there is a demand for the facility, and as a result it has committed to ensuring that there are a sufficient number of new listings each first year.

Junior markets generally allow investors to put capital into legitimate small and medium sized companies (SMEs) that are listed. The addition of the JSE Junior Market to Jamaica represents an exciting new opportunity for local (and Caricom) SMEs to raise capital, and for investors to participate in both the Junior Market and for the growth and development of the local economy.

The establishment of the JSE Junior Market is a collaborative effort of the Government, acting through the Ministry of Finance, as well as the relevant regulator, being the Financial Services Commission, together with the Jamaica Stock Exchange, member dealers and other key stakeholders.

The framework for the JSE Junior Market described below.

Junior Market Overview

There are five primary areas of consideration which addresses the development, implementation and governance of the JSE Junior Market which are highlighted below:

1. Junior Market: General Requirements for Listing

As a general rule, the development of the Junior Market is designed to attract new capital and to encourage new start-ups. Junior Market companies will act as the vehicle through which support and resources can be obtained from investors.

The requirements outlined below take into account both of these objectives:

- *The listing by a company of any securities on the Exchange, including the Junior Market, is in the absolute discretion of the Board of the Exchange*

- *Companies desirous of listing on the Junior Market must do so via an Initial Public Offering, requiring the issue of a prospectus complying with the Companies Act and the Securities Act*
- *A company which is incorporated or registered, and operating a business in a Caricom country, may apply to be listed on the Junior Market*
- *A company which is wholly or partially a subsidiary of any entity that is listed on a recognized stock exchange shall not be eligible for listing on the Junior Market*
- *A company listed on the main board of the Exchange is ineligible for a transfer of its listing on the Junior Market*
- *The SME must appoint a mentor to its Board. The mentor must be approved as 'Fit & Proper' by the Financial Services Commission (FSC)*
- *The JSE's general scrutiny of the SME for the purposes of graduation to the main board of the Exchange is a requirement during the period where the SME is listed on the Junior Market*

2. **Minimum Issued Capital and Number of Stockholders**

No request for listing of a company's securities on the Junior Market will be considered unless:

- *The shareholder's equity of the company following the capital raising activity outlined in the prospectus shall not be less than J\$50 million and shall not exceed \$500 million*
- *All of securities which are the subject of the company's request for listing must be issued and fully paid at the date of the application to the Exchange*
- *The company must have a minimum of 25 shareholders holding not less than 20% of the issued share capital*
- *Any company listed on the Junior Market that fails to maintain the minimum capital requirement and the minimum number shareholders stipulated above shall be delisted*

3. **Method of Issue**

The only method of issue for the purposes of initial listing of the Junior Market company is that of a public offer requiring a prospectus issued in accordance with the Companies Act and the Securities Act. A public offer may be made by or on behalf of a company at a fixed offer price. The following requirements apply to this method of issue for the purposes of initial listing:

- *The draft prospectus must be forwarded to the Exchange at least fourteen (14) days before the date set out for publication. In addition, the prospectus is required to be reviewed and registered by both the Office of the Registrar of Companies and the Financial Services Commission.*

- *Publication of the approved prospectus can take the form of an electronic submission to the Exchange and an upload to the JSE's website. .*
- *The approved prospectus will be disseminated through lead brokers and selling agents acting on behalf of the Junior Market companies. The prospectus must be published at least 7days before the public offer of the companies are open for subscription.*

Further issues by a Junior Market company will be required to be made in compliance with Rule 404 of the Exchange, e.g. the issues must be made on a pre-emptive basis to existing shareholders, unless the shareholders have disapplied their rights for that purpose by resolution in general meeting.

4. Application for Listing

Within fifteen (15) days after allotments a request for listing must be made to the JSE. The Exchange will develop the following standard form “shelf” documents which will be made available to prospective Junior Market companies for completion and submission:

- Prospectus
- Listing Agreement
- Listing Application
- Specimen Share Certificate
- Resolution of both directors and shareholders authorising the listing
- Letter from company secretary or legal counsel, confirming compliance with the articles of association
- Letter from company secretary or legal counsel, confirming compliance with the requirements for listing on the Junior Market company generally

5. Annual Reports & Accounts

For the purpose of transparency each Junior Market company will be required to undertake an annual statutory audit. In addition, each Junior Market company will be required to report on a quarterly and annual basis. Both of these requirements are in keeping with those for listed companies on main Exchange.

6. Listing Fees

Charges for the listing of a company's securities comprise an initial listing fee, an annual fee and supplementary fee. These fees will be up to 50% lower than comparable fees on the main Exchange.

7. Taxation Issues

SME will be attracted to the Junior Market based on the level of support that the Government, acting through the Ministry of Finance, has committed to provide to

them. This support includes a tax incentive for an **Allowable Period** not exceeding ten (10) years from the date of listing on the JSE Junior Market, to be implemented as follows:

- A full income tax holiday for half of the Allowed Incentive Period after listing
- A half income tax holiday for the second half of the Allowed Incentive Period
- An exemption from tax on dividends or other distributions by Junior Markets as outlined in Annex 2
- If a company exceeds its maximum shareholder's equity capital capitalization of J\$500 million it is required to list on the main JSE Board
- If the company delists within 15 years of being listed on the combined Junior Market and main exchanges it will be required to repay to the Government the tax benefits enjoyed during this period

8. Delisting of Companies

In addition to the general rules relating to delisting from the main Exchange, the following matters will also result in the suspension and/or delisting of a Junior Market company's securities:

- If the mentor to the company resigns and no replacement is instituted within 30 days
- If the mentor fails to be 'Fit and Proper'
- If the shareholder's equity capital of the company increases above the \$500 million maximum threshold required to be listed on the Junior Market
- Other requirements as set out in Appendix 2

Our Commitment

The foregoing summary has attempted to highlight the framework which governs the JSE Junior Market. The Exchange has proven that it has the necessary expertise to deliver such a quality product to the Jamaican investment market, and it is pleased to have received the support of the Cabinet of the Government of Jamaica to implement this new market

Marlene Street Forrest
General Manager and Company Secretary

APPENDIX 2

Private Co's	Junior Market 1 st Five Year Period (Tier 1)	Junior Market 2 nd Five Year Period (Tier 2)	JSE Main Market
<ul style="list-style-type: none"> • 1 shareholder min • Corporate Tax rate of 33 1/3% • Taxes due on dividends • Taxes due on capital gains • Indefinite time • Any size capital base • No minimum capital base size • No restrictions on shareholder base 	<ul style="list-style-type: none"> • 25 shareholders min ¹ • Corporate Tax rate of Nil³ • Dividends taxed if issued ⁵ • Capital gains taxed at nil rate • 1 year minimum, 5 years maximum • No less than \$50m participating equity capital at end of initial capital raising for the Junior Market (IPO only) • If company's participating equity capital reaches \$300m before year 5, it moves automatically to Tier 2 • Shareholder base at the end of each reporting quarter must be no less than the minimum to qualify for the corporate tax rate concession 	<ul style="list-style-type: none"> • 50 shareholders min² • Corporate Tax rate of 50% of the full prevailing rate⁴ • 25% of the dividends issued are taxed⁶ • Capital gains taxed at nil rate • 1 year minimum, 5 years maximum • Maximum of \$500m in participating equity capital no minimum participating equity capital applies • Once company is in Tier 2 it remains in Tier 2 until it graduates voluntarily to JSE Main market or is forced by the second 5 year limit to graduate • Shareholder base at the end of each reporting quarter must be no less than the minimum to qualify for the corporate tax rate concession 	<ul style="list-style-type: none"> • 100 shareholders min • Corporate Tax rate of 33 1/3% • Tax free issuance of all dividends • Capital gains taxed at nil rate • Must spend 15 continuous years on the Junior Market and the main Exchange to avoid repayment obligation of tax benefits • Any participating equity capital may apply as long as the company meets the JSE rules • No min capitalization size • Shareholder base at the end of each reporting quarter must be no less than the minimum in order to stay in good standing on the JSE

¹ Requires administration at the JSE level

² Requires administration at the JSE level

³ Requires implementation by the Government of Jamaica, Ministry of Finance

⁴ Requires implementation by the Government of Jamaica, Ministry of Finance

⁵ Requires implementation by the Government of Jamaica, Ministry of Finance

⁶ Requires implementation by the Government of Jamaica, Ministry of Finance