

Forestry Funds



Guide to listing on the
Cayman Islands Stock Exchange

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The Cayman Islands Stock Exchange

Third Floor, SIX, Cricket Square
P.O. Box 2408GT
Grand Cayman KY1-1105
Cayman Islands

Telephone: + 1 345 945 6060
Facsimile: + 1 345 945 6061
Email: csx@csx.ky
Web site: www.csx.ky

Introduction

The Cayman Islands is recognised worldwide as a leading centre for investment funds.

Since its launch in 1997 the Cayman Islands Stock Exchange (“CSX”) has established itself as a leading specialist stock exchange and a gateway to capital markets across the world. The CSX has developed a set of listing rules geared towards specialist products and specifically tailored to meet the needs of funds of all types.

The CSX combines a clear and effective regulated listing environment with flexibility of approach and efficient and timely processing of listing applications. The rules facilitate listings of open or closed ended funds with long or short term investment objectives so are particularly well adapted to the requirements of forestry funds investing in projects at various stages.

Closed ended funds can benefit from the ability to trade on the CSX’s new equity market ‘XCAY’ which operates on Deutsche Boerse’s XETRA® trading platform with settlement by Clearstream Luxembourg. All CSX listings, net asset values and trading information can be accessed from the CSX’s dedicated pages on Bloomberg and on our website.

A CSX listing can provide a cost-effective way to access global markets, particularly for funds raising smaller amounts. The benefits of a CSX listing include:

- access to a wider investor base – some investors require shares to be listed, others may simply prefer the transparency and regulatory oversight that a listing provides;
- increased visibility;
- the possibility of trading shares on a secondary market which gives investors the option to withdraw funds before forests have reached maturity.

This guide sets out the basic requirements for listing forestry funds. To find out more, visit www.csx.ky or call us on +1 345 945 6060.



The Cayman Islands
Stock Exchange.

An efficient gateway
to global markets

What CSX has to offer

The general benefits of listing a fund are that a listing increases a fund's potential investor base and increases the visibility, marketability and prestige of the fund. The particular benefits of the CSX as a listing environment are as follows:

- International recognition
- Member of the Inter Market Surveillance Group
- Placement on over 300,000 Bloomberg terminals
- Fund pricing, news and analysis on CSX website
- Trading on the CSX's XETRA trading platform

Recognitions

The CSX is recognised by the UK tax authority HM Revenue & Customs as a “recognised stock exchange” under Section 1005 of the Income Tax Act 2007. This recognition makes CSX listed securities eligible for investment by certain UK pension schemes and generally enhances Cayman’s position as a jurisdiction with the regulatory and legislative framework necessary for the conduct of international finance and securities transactions.

The CSX is a member of the Inter Market Surveillance Group, a surveillance focused group of over 30 major exchanges from around the world, and an affiliate member of IOSCO and the World Federation of Exchanges.

Visibility

The CSX has dedicated pages on Bloomberg which makes news, share prices, net asset values, company profiles and other information on CSX-listed securities available on over 300,000 terminals worldwide. To access this information on Bloomberg type CSX <GO>.

The CSX also has a dedicated website for publication of pricing information and news stories on listed funds. The CSX site can provide links to a fund's own website or to other websites providing analytical information about the fund. There is no additional cost to the fund for using the CSX website.

Trading facilities

In 2013 the CSX launched a new equity market on the XETRA trading platform, Deutsche Boerse’s international cash market platform for trading equities, exchange traded funds and other instruments. Based on the industry-driven and international messaging standard FIX protocol (Financial Information eXchange protocol), the XETRA FIX Gateway offers simple and flexible access to all XETRA markets and up to 400 banks and brokers based around the world.

CSX trades can be settled on Clearstream Luxembourg or any equivalent alternative.

Flexibility

CSX rules are based on IOSCO disclosure principles but unlike many European exchanges the CSX is not bound by the EU Prospectus Directive and so can be more flexible in its approach. Funds are free to use existing offering documents as a base for a listing document.

- Flexibility
- Smooth and speedy fund listing process
- Competitive costs
- Accounts prepared to relevant required standards
- No investment policy restrictions

For closed-ended funds, where company ownership is limited to sophisticated investors it is possible to lower the requirement for a liquid share market and public share ownership. This is an important concession that allows companies to market to a more limited group of investors whilst still enjoying the other benefits of a listing.

Fast response

The CSX will endeavour to make your fund listing a smooth and speedy process. Provided an application is submitted to the CSX in substantially complete form a listing can be achieved in 2-3 weeks.

Competitive fees

The listing fees of the CSX are highly competitive compared with those charged by other exchanges. Listing and annual fees for secondary listings are half those of a corresponding primary listing.

Financial information

Broadly, accounts prepared in accordance with International Accounting Standards, UK, US or other acceptable local GAAP or will comply with CSX financial information requirements. For funds which have been in existence for less than twelve months, the CSX requires an audited statement of the net asset value of the fund and its portfolio of investments. Funds that have not yet commenced operations are not required to produce financial statements.

No minimum subscription level for funds

The CSX does not impose any minimum subscription level for funds although funds open to retail investors will be subject to additional requirements (see below).

No restrictions on investment policy

The CSX does not impose any investment restrictions on the investment policy of a fund, nor does it insist on any prescribed degree of investment diversification or prohibit newly incorporated funds from changing their investment policies for a specific period of time.

This gives the fund a great deal of flexibility and makes a listing on the CSX very attractive to forestry funds offering highly focused investment strategies

No requirement for local directors or board independence

The CSX understands that a fund's operations may be based anywhere in the world and so, provided the fund operates within its local laws of incorporation, does not impose a requirement for its directors to be domiciled or resident in the Cayman Islands.

Although for funds open to retail investors the CSX requires the appointment of directors who are independent from the investment manager and other service providers this is not usually a requirement for other funds provided there is adequate disclosure in the listing document of any conflicts of interest.

No restrictions on redemptions

The CSX does not impose any restrictions on a fund's redemption provisions provided that they are clearly disclosed in the listing document and shareholders are treated fairly and equally.



- Directors not required to reside in the Cayman Islands
- Board independence not required except for funds open to retail investors
- No restrictions on redemptions

The listing process

Step 1: Appoint a listing agent

A listing agent registered with the CSX must be appointed by every fund applicant unless for a secondary listing. The listing agent is responsible for dealing with the CSX on all matters relating to the application and for ensuring the applicant's suitability for listing. A list of listing agents is available from the CSX website.

Step 2: Satisfy CSX conditions for listing

The fund and its listing agent must ensure that it can satisfy all conditions for listing. Applicants are encouraged to discuss any issues with the CSX directly prior to making any application.

- Appoint a listing agent
- Satisfy CSX conditions for listing
- Prepare draft listing documents
- Approval
- Listing
- Continuing obligations

Step 3: Prepare draft listing documents

A fund must submit, through its listing agent, a listing document for review and comment by the CSX. Usually this document will be the prospectus which will be used to promote the fund. The CSX rules require specific disclosures to be included in the document, which must also demonstrate compliance with the CSX's conditions for listing.

Step 4: Approval

Once the listing document is approved by the CSX, supporting documentation and the initial listing fee must be filed before the fund is admitted to listing and trading. If the listing application is being made in conjunction with the launch of a fund, the listing approval will be granted subject to the successful launch and the closing of the initial offering.

Step 5: Listing

Once the fund's securities have been issued and the listing procedures are complete, the fund will be admitted to listing and, for closed ended funds, trading. It will be allocated a Bloomberg equity ticker and details of the fund, including price information, will be posted on the CSX's dedicated pages on Bloomberg. Similar details will also be added to the CSX's website, together with any marketing materials submitted to the CSX by the fund.

Step 6: Continuing obligations

Once listed, a fund must continue to comply with its on-going obligations, as summarised in the following section.

Conditions for listing

The general requirement is that a Fund must

- appoint a listing agent (unless the application relates to a secondary listing)
- be domiciled in an approved jurisdiction
- appoint a suitable custodian
- appoint an independent auditor
- calculate net asset value at least quarterly

The directors must

- collectively, have adequate experience and expertise in the management of funds
- individually, take responsibility for the content of the listing document

The investment manager

- must demonstrate appropriate expertise and experience in the management of funds. It may be possible for a forestry fund to combine the services of an investment manager and forestry expert where such expert will provide technical forestry advice to the investment manager and ongoing forestry maintenance services. Where the investment manager is not known to the CSX, the CSX will rely on the details of the investment manager's track record, as supplied by the listing agent. The CSX does not generally apply a benchmark figure to determine the suitability of the investment manager. Each application will be considered on a case by case basis.

The custodian

- must be a separate legal entity from, but may be an associate of the fund, its directors, the investment manager or administrator
- if the custodian is not known to the CSX it must provide, through the listing agent, evidence that it is of good reputation and has the necessary experience to carry out its duties. If the custodian is a licensed entity in the Cayman Islands, this fact will be taken into account by the CSX



The Cayman Islands is a leading, globally focused, specialist exchange.



Advantages to listing Forestry funds on the CSX include a streamlined process with listing rules tailored for the specialist market.

All service providers and directors

- must disclose any conflicts of interest that may arise in the operation of the fund and provide a clear statement of any cross-class liabilities

Retails funds must

- have a board with a majority of independent directors
- have an investment manager authorised and regulated in a recognised jurisdiction
- appoint an independent fund administrator to calculate or verify net asset values

The securities of all funds

- must be capable of being traded on an equal basis
- must be freely transferable except to the extent that any restrictions on transfer are approved by the CSX
- must have an ISIN

A closed-ended fund must

- have 25% of listed securities in the hands of the public unless access to the fund is restricted to sophisticated investors
- ensure that its listed securities are eligible for electronic clearing and settlement
- include in its constitution the requirement for prior shareholder approval of material changes to the constitution or class rights; the creation of additional classes of security; material changes to investment policies, objectives, investment or borrowing restrictions; extension or termination of the fund and any intention to compulsorily redeem all securities.

Contents of the listing document

The general requirement is that a fund must include in its listing document all information necessary for an investor to make an informed investment decision. In particular the listing document must disclose details of the following:

- general information on the fund including service providers and investment strategy
- the securities for which application is being made
- redemption and valuation provisions
- the fund's investment policy
- the fund's directors and service providers
- risk factors and conflicts of interest
- fees and expenses
- the fund's assets and financial position including audited financial statements where available



Funds open to retail investors must also include a key information summary in the listing document.

The fund must make certain documents available for public inspection including its constitutional documents, key service provider agreements and any financial statements.

A forestry fund must include the following information in the listing document:

- a portfolio overview broken down according to committed and drawn down investments, geographical location, tree species, tree age classes and indications of progress of tree growth
- an indication of the periods and main terms of any licenses or concessions and the economic conditions for working those licenses or concessions

- estimated future (covering at least 10 years) management requirements, cash flow and returns
- in respect of any funds which are neither committed nor drawn down there must be a detailed explanation of the intended application of any proceeds to the issuer's business and development objectives
- a statement of the expected frequency with which independent valuations will be undertaken and a statement that it will notify the CSX without delay of any deviation from such frequency

The listing document must also contain a report from a suitably qualified independent forestry expert, prepared in accordance with internationally accepted valuation standards (to be agreed in advance with the CSX), which will normally cover as a minimum:

- the basis and assumptions on which the report and valuation have been prepared
- the valuation standards or code used
- status, independence, knowledge and skills of the forestry expert
- details of the work undertaken, sources of information, any site inspections undertaken by the forestry expert and limitations of available information or access
- property description (with reference to maps and plans) including location, access, growing conditions, crop growth, sport, amenity wildlife and development potential
- commentary, where appropriate, on the forestry fund's production schedules, progress of workings and forecast extraction rates
- any special factors that may affect commercial exploitation including environmental factors,
- accessibility and availability of utilities or other essential services
- valuation of forestry assets

The report must be dated within 6 months of the listing document and the listing document must include details of any material changes to the information contained in the report.

Where no investments have been made at the time of listing and a forestry expert has yet to be appointed the listing document must include details of the criteria to be used in selecting a forestry expert and the valuation methodology to be used. In such cases the identity of the forestry expert must be agreed in advance with the CSX.

Continuing obligations

General obligation of disclosure

All listed funds must notify the CSX immediately of any price sensitive information, material new developments or operational changes and any material change in performance or financial position for dissemination by the CSX.

Ongoing valuations

Any forestry assets acquired by a forestry fund must be valued according to internationally accepted valuation standards by a suitably qualified independent valuer. Where the price paid by the forestry fund for a property is materially different from the valuation the forestry fund must include details in its annual financial report.

A forestry fund must undertake at regular intervals (at least once every three years) an independent valuation of its forestry portfolio, carried out according to internationally accepted valuation standards by a suitably qualified independent valuer. The frequency of valuation must be agreed in advance with the CSX.

Net asset value calculations

All net asset value calculations must be notified immediately to the CSX.

Interim and annual accounts

- Audited annual reports and accounts must be sent to shareholders and the CSX within six months of the period to which they relate.
- The annual report and accounts and any interim financial accounts published by the fund must be made available on request either in the Cayman Islands or at a place otherwise acceptable to the CSX.
- Annual financial statements of umbrella funds, feeder funds and funds of funds must include financial statements for the underlying funds.
- A forestry fund must include in its annual financial report a summary based on the most recent independent valuation of its forestry portfolio including:
 - the total value of forestry assets held at the year end
 - the total cost of forestry assets acquired
 - the net book value of forestry assets disposed of during the period
 - a breakdown of the geographical location and type of forestry assets held at the year end

Equality of treatment

The issuer must ensure equal treatment of all holders of the same class of listed shares.

Contact us

To obtain more information or copies of other CSX publications, including the Listing Rules, please contact the CSX at:

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Third Floor, SIX, Cricket Square
P.O. Box 2408
Grand Cayman KY1-1105
Cayman Islands

Tel: 1 (345) 945-6060

Fax: 1 (345) 945-6061

Email: csx@csx.ky

The listing rules and details on listed companies are also available on the CSX's website at www.csx.ky



Third Floor, SIX, Cricket Square, P.O. Box 2408
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