

MINISTRY OF FINANCE OF REPUBLIC OF INDONESIA
CAPITAL MARKET SUPERVISORY AGENCY

DUPLICATE OF
DECISION OF CHAIRMAN OF CAPITAL MARKET SUPERVISORY
AGENCY

NUMBER: KEP-67/BL/2007

CONCERNING

GUIDELINES CONCERNING THE FORM AND CONTENT OF A
PROSPECTUS FOR MUNICIPAL BOND PUBLIC OFFERING

CHAIRMAN OF CAPITAL MARKET AND FINANCIAL INSTITUTION
SUPERVISOR AGENCY,

Considering : that in order to ensure an administrative order and legal certainty on the Municipal Bonds Public Offering, it is deemed necessary to enact the Decision of Chairman of Capital Market and Financial Institution Supervisory Agency concerning Guidelines Concerning The Form And Content Of A Prospectus For Municipal Bond Public Offering;

In view of :

1. Law Number 8 of 1995 Concerning Capital Market (Statute Book Year 1995 Number 64, Supplement to the Statute Book Number 3608);
2. Law Number 32 of 2004 Concerning Regional Government (Statute Book Year 2004 Number 125, Supplement to the Statute Book Number 4437);
3. Law Number 33 of 2004 Concerning Regional Government (Statute Book Year 2004 Number 126, Supplement to the Statute Book Number 4438);
4. Government Regulation Number 45 year 1995 concerning the Capital Market Organization (Statute Book year 1995 Number 86, Supplement to Statute Book Number 3617) as revised by Government Regulation Number 12 year 2004 (Statute Book year 2004 Number 27, Supplement to Statute Book Number 4372);
5. Government Regulation Number 46 of 1995 Concerning Capital Market Organization (Statute Book Year 1995 Number 87, Supplement to Statute Book Number 3618);
6. Government Regulation Number 54 Year 2005

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concerning Regional Loan (Statute Book Year 2005 Number 136, Supplement of Statute Book Number 4574)

7. Decision of the President of the Republic of Indonesia Number 45/M Year 2006;
8. The Ministry of Finance Regulation Number 147/PMK.07/2006 concerning Procedure for Issuance, Accountability, and Publication of Municipal Bond;

MINISTRY OF FINANCE OF REPUBLIC OF INDONESIA
CAPITAL MARKET SUPERVISORY AGENCY

HAS DECIDED:

To issue : DECISION OF CHAIRMAN OF THE CAPITAL MARKET AND FINANCIAL INSTITUTION SUPERVISORY AGENCY CONCERNING GUIDELINES CONCERNING THE FORM AND CONTENT OF A PROSPECTUS FOR MUNICIPAL BOND PUBLIC OFFERING.

Article 1

Provisions concerning Guidelines Concerning The Form and Content of A Prospectus For Municipal Bond Public Offering are regulated in Rule Number IX.C.13 as stipulated in the attachment of this Decision.

Article 2

Rule Number IX.C.13 as stipulated in the attachment of this Decision applies to Prospectus as a document of Municipal Bond Registration Statement submitted to Bapepam dan LK on or after the day of the promulgation of this Decision.

Article 3

This decision shall become effective since the date of its promulgation.

In order for the public to be aware of this Decision, it is hereby ordered that this Decision be published on the State Gazette of the Republic of Indonesia

MINISTRY OF FINANCE OF REPUBLIC OF INDONESIA
CAPITAL MARKET SUPERVISORY AGENCY

Enacted in : Jakarta
Date : April 13, 2007

Chairman of the Capital Market and
Financial Institution Supervisor
Agency

signed

A. Fuad Rahmany
NIP 060063058

Based on the original documents
Head of General Affair Division

signed

Prasetyo Wahyu Adi Suryo
NIP 060076008

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**RULE NUMBER IX.C.13: GUIDELINES CONCERNING THE FORM AND
CONTENT OF A PROSPECTUS FOR
MUNICIPAL BOND PUBLIC OFFERING**

1. General

- a. All definitions stipulated in Rule Number IX.C.12 regarding Guidance Concerning the Form and Content of A Registration Statement for A Public Offering of Municipal Bond, apply in this Rule.
- b. Prospectus must contain all important and relevant information or facts concerning events, incidents or fact that may affect the price of a Security on an Exchange and or that may influence the decisions of investors, prospective investors or others that have an interest in such information, that are known or should reasonably be known by the Head of Region and Underwriter (if any).
- c. Prospectus must contain information that is complete, adequate, objective, clear and understandable.
- d. All important facts and considerations must be summarized and disclosed in the beginning of the Prospectus. The sequence of facts in the Prospectus is determined by their relevance to a specific issue, not by this rule.
- e. Region should also highlight important information and facts clearly in order to attract the attention of readers.
- f. The disclosure of Material Information and Fact, the use of photos, charts, and or tables shall not mislead the public.
- g. Region may include in the Prospectus the disclosure of material facts other than those specified in this rule in accordance with the Region's conditions, in order not to mislead the public.
- h. Region, Underwriter (if any), Capital Market Supporting Institutions, and Professionals are jointly and severally liable that all information in the Prospectus does not contain false statement with respect to Material Information, and does not omit Material Information and being disclosed with regard to number 1 letter c, letter d, letter e, and letter f of this Rule.

2. Specific

- a. Information on the cover of the Prospectus

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- 1) Information to be disclosed on the cover of the Prospectus should at least contain the following:
 - a) the effective date;
 - b) the offering period;
 - c) the allotment date;
 - d) the refund date;
 - e) the Municipal Bond submission date;
 - f) the maturity date;
 - g) the interest payment date(s);
 - h) the interest rate;
 - i) the full name of the Trust Agent;
 - j) sinking fund;
 - k) the full name, address, logo, telephone number, facsimile number, e-mail address (if any), website (if any), PO Box number (if any) of the Regional Government Office and the Project funded by the Municipal Bonds;
 - l) the Project funded by the Municipal Bonds;
 - m) the nature of offering, including a description of the essential elements, amount, nominal value and price of the Municipal Bonds;
 - n) the place and date of issuance of the Prospectus;
 - o) The following statement in large type, which directly attracts the attention of readers:

“BAPEPAM AND LK HAS NOT APPROVED OR DISAPPROVED THESE MUNICIPAL BONDS, NOR HAS IT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY CONTRADICTING REPRESENTATION THERETO IS ILLEGAL”.
 - p) a statement that the Region and Underwriter (if any) are fully responsible for the truthfulness of all information and fairness of opinions disclosed in the Prospectus as follows:

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“THE REGION AND UNDERWRITER(S) (if any) ARE FULLY RESPONSIBLE FOR THE ACCURACY OF INFORMATION OR MATERIAL FACTS, AND OBJECTIVITY OF OPINIONS INCLUDED IN THIS PROSPECTUS”; and

- q) a short statement, in capital letters which attracts the attention of readers, regarding the risk factors and possible illiquidity of the offered Municipal Bonds and the main risk of the Region and Project funded by the Municipal Bonds.
- 2) the cover of the Prospectus shall also contain the information regarding an early redemption, Municipal Bond guarantee, the full name of the Municipal Bond guarantor, the Municipal Bond rating, the proposed listing date and the name of the Securities Exchange, and the full name of the Managing Underwriter and other Underwriters, if:
- a) Municipal Bonds can be redeemed;
 - b) The Project funded by Municipal Bonds and or the assets owned by the Region with respect to the Project will be pledged as a Municipal Bond guarantee;
 - c) The payment of Municipal Bonds is guaranteed by the guarantor;
 - d) Municipal Bonds have a rating from Securities Rating Agency;
 - e) Municipal Bonds will be listed in Securities Exchange; and or
 - f) Municipal Bond Public Offering uses the Managing Underwriter and other Underwriters.
- b. Information on the inside cover of the Prospectus
- Information that must be disclosed on the inside cover of the Prospectus shall at least include:
- 1) information that Registration Statement has been submitted to Bapepam and LK with respect to Capital Market regulations;

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- 2) a statement that all Capital Market Supporting Institutions, and Professionals mentioned in the Prospectus are fully responsible for the data, information and or opinions presented, in accordance with the existing regulations as well as each respective codes of ethics and professional standards;
 - 3) a statement that other Persons are fully responsible for the opinions or information that under their consent are presented in the Registration Statement;
 - 4) a statement that regarding the Public Offering, Region prohibits any Person involved in the Public Offering to provide information or statement regarding data that are not disclosed in the Prospectus without written authorization from Region and Managing Underwriter (if any), except as otherwise regulated by regulations and law; and
 - 5) information regarding preliminary approval from Securities Exchange on preliminary listing agreement (if any) and the action that will be taken by Region if the Securities Exchange rejects the Region's listing application.
- c. The table of contents
- The table of contents shall contain chapters, subchapters, and page numbers.
- d. Information that must at least be disclosed in the Prospectus and divided into chapters as follows:
- 1) Chapter regarding the Public Offering
- This chapter should at least disclose information as follows:
- a) the total nominal amount of the Municipal Bonds;
 - b) the numbers, numbering (if in the form of script), and denomination of the Municipal Bonds to be ;
 - c) a summary of owners' rights
 - d) a summary of the nature of Municipal Bonds including information on early redemption as a choice of the Region or the Municipal Bond holders, or buy back (if any);

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- e) the offering price, interest rate, discount rate or premium on Municipal Bonds. If the interest rate is to be floating, describe how such floating rate is determined;
 - f) the date(s) and the amount of the debt principal repayment;
 - g) the date(s) of interest and other types of repayment;
 - h) a summary of requirements on redemption funds;
 - i) the Regional Government's name, business address, and description of any Person(s) acting as a Guarantor (if any) and a Trust-Agent;
 - j) a summary of principle requirements of the Trust Agent agreement, including those relating to the seniority of the Municipal Bonds compared with other outstanding debts of the Region and any additional future debt;
 - k) a summary of guarantee agreement or a guarantying statement (if any);
 - l) the Project and the assets owned by the Region with respect to the Project that will be pledged as a Municipal Bond guarantee (if any); and
 - m) information on sinking fund.
- 2) Chapter regarding the use of funds obtained from the Public Offering
- This chapter should disclose detail information regarding the use of the funds obtained from the Public Offering;
- 3) Chapter regarding statement of liabilities
- This chapter should at least disclose information as follows:
- a) A statement regarding liabilities on the latest financial statement date including the amount of current and long term liabilities;
 - b) details of each liabilities in accordance with the balance sheet accounts;

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- c) commitments and contingencies on the latest financial statement date; and
 - d) a statement of Region Head:
 - (1) that all liabilities on the latest financial statement date have been disclosed in the Prospectus;
 - (2) whether or not there are liabilities from the balance sheet date to auditor's report date and liabilities from auditor's report date to the effective date of the Registration Statement; and
 - (3) that the Region is able to settle all liabilities.
- 4) Chapter regarding Discussion and Analysis by Regional Government

On this chapter, the Regional Government should provide a narrative summary statement discussing and analyzing the financial statement and other information reflected in the Prospectus, for the purpose of explaining the financial condition and business activities of the Region. Such discussion and analysis should include:

- a) financial performance analysis based on the latest financial report, among other:
 - (1) liquid assets, illiquid assets, and the amount of assets;
 - (2) liquid liabilities, illiquid liabilities, and the amount of liabilities;
 - (3) revenues;
 - (4) expenses; and
 - (5) excess budget;
- b) a discussion of the material commitments for capital goods investments explaining the purpose of such commitments, the anticipated source of funds required to fulfill such commitments, the currency in which such commitments are denominated, and any plans the Region has to hedge any foreign currency exposure risk (if any);

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- c) a discussion and analysis of reported financial statements that contain events which are extraordinary and non recurring in nature (if any);
 - d) substantial accounts of other revenues and expenses in order to understand the Region's financial abilities;
 - e) if the financial statements reflected in the Prospectus disclose material increases or decrease in revenues, a discussion on the extent of such changes which may be attributable to any Region's revenue (if any), must be disclosed;
 - f) risk management;
 - g) the Material Information after the auditor's report date (if any);
 - h) the Region's prospect with respect to macro and international economic and quantitative supporting data if there is liable source of data;
 - i) any changes in regulations that significantly affect the Region and the impact on financial report (if any); and
 - j) any changes in accounting policy, reason and the impact on financial report (if any).
- 5) Chapter regarding the Region's risk
- On this chapter, the Regional Government should provide detail risks that arranged according to the degree of risk. Information on risks due to, among other things:
- a) competition;
 - b) policy or regulation of other region;
 - c) Government policy and regulation;
 - d) foreign or international regulations;
 - e) geography; and
 - f) demography.
- 6) Chapter regarding important events after the date of the auditor's report.

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On this chapter, the Regional Government should provide information on all Material Information subsequent to the date of the auditor's report.

7) Chapter regarding the Region

On this chapter, the Regional Government should provide information regarding:

- a) brief history of the Region, at least include:
 - (1) the date and the full name of the Region and the underlying regulation;
 - (2) brief history of the Region's establishment;
 - (3) name and amount of Region-Owned Enterprises;
 - (4) important changes in the operational of the Regional Government;
 - (5) geography and demography;
 - (6) natural resources owned or possessed by the Region;
 - (7) general description on facilities owned by the Region such as lands, buildings and their status; and
 - (8) relationship of the Region-Owned Enterprises, related to the ownership and management.
- b) Regional Government, at least include:
 - (1) the name and the picture of the Region's Head, and the Region's Vice Head;
 - (2) curriculum vitae of the Region's Head, and the Region's Vice Head that include:
 - (a) age;
 - (b) current and previous positions;
 - (c) working experience and activities; and
 - (d) the latest education, including school, field of study, and the year of graduation must be indicated

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- c) the managers of Municipal Bond management unit, at least include:
 - (1) the name, age, picture of the managers of Municipal Bond management unit;
 - (2) current and previous positions;
 - (3) working experience and activities; and
 - (4) the latest education, including school, field of study, and the year of graduation must be indicated
 - d) Managers and Bendaharawan Proyek, at least include:
 - (1) the name, age, picture of the managers of Municipal Bond management unit;
 - (2) current and previous positions;
 - (3) working experience and activities; and
 - (4) the latest education, including school, field of study, and the year of graduation must be indicated
 - e) Human Resources of the Regional Government Office, at least include:
 - (1) a break-down of employees by position and education (presented in a table);
 - (2) educational and training facilities; and
 - (3) welfare benefits (if any), such as:
 - (a) medical;
 - (b) transportation;
 - (c) insurance;
 - (d) cooperatives; and
 - (e) pension funds.
- 8) Chapter regarding general information on the Project
- On this, the Regional Government should provide information regarding:
- a) name;

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- b) location;
 - c) background;
 - d) purpose;
 - e) benefits;
 - f) values;
 - g) licenses for execution;
 - h) time frame; and
 - i) stages on the execution.
- 9) Chapter on visibility study of the Project and Project business
- On this chapter, the Regional Government should provide brief description regarding important points on the visibility study of the Project and Project business conducted by Appraisal, at least including the method, assumption, and opinions on the visibility of the Project and Project business.
- 10) Chapter on the Project risks
- This chapter provides detail description regarding project risks, at least include:
- a) any risks including the impact on the Project, according to the degree of risk; and
 - b) risk information that may cause a failure on the Project building and on the Project operation, such as:
 - (1) competition;
 - (2) government policy; and
 - (3) human resources.
- 11) Chapter on commercially operational plan of the Project
- This chapter provides detail description regarding the operational plan of the Project, at least include:
- a) the operational start of the Project commercially;
 - b) execution units of the Project operation;
 - c) an estimate of the capacity and outcome or revenue of the Project;

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- d) the extent of the dependence on certain customers including customers from the Government;
 - e) competition on the executing industry;
 - f) a description on the marketing aspects including the marketing area and system; and
 - g) information on business prospect of the Project.
- 12) Chapter on summary of important financial data
- a) This chapter provides detail description on the summary of important financial data including among other things:
 - (1) a statement that the financial statements are the source of the data;
 - (2) a statement that the financial statements have been audited by an Auditor, presentation of the Auditor's opinion, and an indication of the period covered;
 - (3) relevant financial ratios of the Region; and
 - (4) important financial data for at least the last one year financial report; and
 - b) presented data must be consistent with the financial statements including the names of accounts used.
- 13) Chapter on taxation
- This chapter provides a description of applicable taxation, both to the investor as well as to the Project and the Region and any special tax advantages that may be applicable.
- 14) Chapter on underwriting (if any)
- This chapter provides a detail description on underwriting including among other things:
- a) important provisions of the underwriting agreement, including names of the Managing Underwriter(s), Underwriters, the type of underwriting and the amount underwritten by each Underwriter;

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- b) brief description of each Managing Underwriter(s) and Underwriters including among other things underwriting experiences, paid in capital and Net Adjusted Working Capital; and
 - c) disclosure of Affiliation relationships between the Underwriter(s) and the Region.
- 15) Chapter on Capital Market Supporting Institutions and Professionals
- This chapter provides the names, addresses, job and responsibility description, and a brief description on the experiences in Capital Market field from Capital Market Supporting Institutions other than Trust Agent, and Capital Market Supporting Professionals participating in the Public Offering.
- 16) Chapter on Trust Agent
- This chapter provides detail description on Trust Agent including among other things:
- a) full name and address;
 - b) job and responsibility;
 - c) capital structure;
 - d) board of commissioners and directors;
 - e) type of business; and
 - f) changes (if any).
- 17) Chapter on Municipal Bonds guarantor (if any)
- This chapter provides detail description on the guarantor including among other things:
- a) full name and address;
 - b) capital structure (if in the form of a company);
 - c) board of commissioners and directors or similar level (if in the form of a company);
 - d) type of business (if in the form of a company);
 - e) changes (if any);
 - f) comparative financial statement (if in the form of a company);

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- g) disclosure of relationships between the Underwriter(s) and the Region; ad
- h) written statement on the guarantying ability and financial ability to guarantee.

18) Chapter on legal opinion

This chapter provides detail description on the legal opinion including among other things:

- a) the legality of agreements regarding the Public Offering and other important agreements;
- b) the completeness of all licenses and approvals required to perform the proposed business;
- c) the status of ownership of material assets of the Region;
- d) any material and relevant litigation, prosecution or other civil or criminal legal action in which the Region, Head of the Region, the Project leaders, Bendaharawan Proyek, and the managers of Municipal Bond management unit; and
- e) any other material items related to the legal status of the Region and the Municipal Bonds offering

19) Chapter on financial report

This chapter provides detail description on the financial report including among other things:

- a) an Auditor's report on the financial statements;
- b) the latest financial statements based on Government Accounting Standard, including:
 - (1) laporan realisasi APBD;
 - (2) balance sheets;
 - (3) cash flow statements; and
 - (4) notes to the financial statements;

If the effectiveness of a Registration Statement is over 9 (nine) months 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

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the effectiveness of the Registration Statement and interim financial statements is not more than 9 (nine) months.

- 20) Chapter on visibility study of the Project and Project business by Appraisal

This chapter provides detail description on the visibility study of the Project and Project business by Appraisal.

Time period between the effectiveness of a Registration Statement and the date of the report on visibility study of the Project and Project business is not more than 9 (nine) months.

- 21) Chapter on terms for orders to purchase Municipal Bonds

This chapter provides detail description on the terms for orders to purchase Municipal Bonds including among other things:

- a) submission of an order to purchase Municipal Bonds;
- b) criteria for acceptable orders;
- c) the number ordered;
- d) submission of order forms;
- e) payment requirements;
- f) order form receipts;
- g) allotment method of Municipal Bonds;
- h) cancellation of orders;
- i) refunds; and
- j) delivery of Municipal Bonds certificates.

- 22) Chapter on distribution of Prospectuses and order forms

This chapter provides a listing of the names, addresses, and phone numbers of Underwriters and Selling Agents where Prospectuses and order forms can be obtained.

3. By no means of undermining criminal provisions in capital market, the CMFISA may impose sanctions against any violation of this rule, as well as against any Person who causes such violation to occur.

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Chairman of the Capital Market and Financial
Institution Supervisor Agency

signed

A. Fuad Rahmany

NIP 060063058

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Based on the original documents
Head of General Division

signed

Prasetyo Wahyu Adi Suryo
NIP 060076008