International Best Practices for Takeovers

This Press Release is issued by the Securities Commission of The Bahamas (The Commission) pursuant to its authority under Section 44 of the Securities Industry Act 1999. The Securities Commission of The Bahamas (“the Commission”) has responsibility for the licensing, regulation and supervision of the securities and investment fund industries of The Bahamas pursuant to the Securities Industry Act, 1999 (the “SIA”), the Investment Funds Act, 2003 (the “IFA”) and the Financial and Corporate Service Providers Act, 2000 (the “FCSPA”). Additionally, the Commission is mandated inter alia to formulate principles to regulate and govern investment funds and the securities and capital markets, and to create and promote conditions to ensure the orderly growth and development of the capital markets.

The Securities Commission of The Bahamas (the Commission) holds as one of its key responsibilities, the maintenance of fair and orderly conduct in the securities market. It is with this mandate in mind that the Commission moves to provide guidance to the investing public and holders of securities in connection with any offer bid for a substantial acquisition of shares of a public company.

On January 31, 2011, Trans Island Traders Limited (TITL), in a public announcement, indicated its intent to purchase 51% of the shares of AML Foods Limited (AML), representing an offer bid. This type of transaction is normally governed by a takeover code or set of rules. There is currently no such takeover code in our current securities legislation, which governs the Commission’s regulation of the securities and capital markets.

Upon the publication of TITL’s intent as noted above, the Commission immediately commenced dialogue with both the acquiring company (Offeror) and the target company (Offeree Issuer), with a view to developing an agreed framework to govern any potential transaction following the announcement. The Commission took this step in light of the absence of codified rules for such a process and to ensure that it executed its responsibility to create and promote conditions to ensure orderly growth and
development of the capital markets. Such conditions create an environment where minority shareholders’ rights are protected and all shareholders are treated equally. The Commission also feels that participants in the securities and capital markets should adhere to generally accepted corporate governance and ethical standards that guarantee orderly conduct of the market place and protects the interests of all shareholders.

After extensive discussions, while all parties have agreed that there should be a process to govern a bid offer, there has not been full agreement on the specifics of the process. The Commission therefore feels that it is obligated to share with the investing public a broad outline of what would normally be expected in such a transaction. This outline is based on best practices and principles from a draft takeover code that has recently been developed and which will form the basis of the prescribed requirements of our securities legislation upon completion of consultation with stakeholders of the securities and capital markets.

The guiding principles of the takeover code seek to ensure:

- Equal treatment of the shareholders of target companies, and the protection of minority shareholders,
- Provision and timing of adequate information to shareholders,
- An open and even-handed bid process that does not unfairly discriminate or exert undue pressure,
- Regulation of the process in an organized manner, and
- A timetable for certain aspects and mechanics of the bid.

The Commission sets out the following framework as a guide for this and any other offer bid:

1. Once a Bid or intent to Bid is publicly announced or an action has occurred that would trigger a Bid, the clock for the time horizon during which the transaction should be completed commences. This is known as the Commencement Date.

2. It is expected that a formal Bid Circular or Prospectus should be prepared and sent to all shareholders and the target company within a specific period after the announcement. This Bid Circular should clearly outline the terms of the Bid and provide such information that would be required for the shareholder to make an informed decision. A brief summary of the Bid Circular/ Prospectus should also be published in an issue of a daily newspaper with circulation throughout the jurisdiction. This is seen as the Deemed Start Date. It is the proposal that the Bid Circular be published within 10 Business days after the Commencement Date (Announcement).

3. The Board of the target company (Offeree Issuer), which in its fiduciary duty is required to act in the best interest of ALL shareholders, is required to provide a response to the Bid via a Directors’ Circular. This circular should provide full information to the shareholders and should contain a reasoned recommendation. If such a recommendation cannot be provided, the Board
should provide a reason why it is unable to provide such guidance. Individual directors may also submit a Director’s Circular. This ensures that where there is dissent on the Board, the views of the director and the reasons for the dissent with respect to the recommendation, or any other matter, is known to the shareholders. This circular should be produced within 10 business days after the Bid Circular is sent to shareholders. A summary of this/these circulars should also be published in a daily newspaper.

4. Once the Bid Circular has been sent, the Offeror must allow the securities to be deposited for a period before these securities may be taken up (transferred and paid for). During this open period, shareholders have the right to change their minds about tendering into the offer. The Commission recommends an open period of 25 business days after the Commencement Date.

5. The Bid Circular/Prospectus is only valid for a limited period of time. The end of this period is known as the Drop Dead Date. The bid can close anytime after the expiration of the open period but MUST close before the Drop Dead Date. Under the current securities legislation, a prospectus is only valid for 60 days.

6. The price paid for shares should be the same for all shareholders of the same class and should be at minimum the highest price paid by the Offeror, or any persons acting in concert with it, for any shares of the Offeree Issuer within the preceding six (6) months.

The Commission is also available to monitor and review aspects of the process and framework that have been agreed to by the parties, and will enforce any breaches of laws and regulations that are covered under current statutes other than the rules of a takeover code.

In ensuring the equal treatment of all investors and shareholders of the target company, AML, the Commission has further determined to suspend trading in the shares of AML, effective as at the close of trading on February 22, 2011 until further notice. The suspension is applied to allow the parties engaged to provide the market with balanced and factual commentary and to ensure that there is at all times a fair and balanced market in AML’s shares. Further, the Commission will be conducting an investigation to assess the information provided in the press as well as other actions taken to date having regard for section 54(1) of the SIA, 1999 which provides that no offer to the public to sell or purchase shares can be made unless a prospectus has been registered with the Commission.

The Commission encourages the investing public and shareholders to be guided by the process outlined above in this or any other bid offer until such time as a takeover code and rules are established. The Commission is available to provide clarification of any of the points raised in this Notice. Interested parties can contact the Commission at:

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