



Banks Holdings Limited

Banks Holdings Ltd (“BHL”)

DIRECTORS’ CIRCULAR NO. 2

**In response to the take-over bid by SLU Beverages, Ltd (“SLU”)
as amended on 26 October 2015
to acquire all the remaining issued common shares in BHL
at a cash price of \$5.60 per share (“SLU Amended Offer”)**

28 October 2015

We refer to the directors’ circular issued on 16 October 2015 (“**Directors’ Circular No. 1**”) in response to the take-over bid by SLU which at that time was to acquire all of the remaining issued ordinary shares in BHL at a cash price of \$4.00 per ordinary share (the “**SLU Bid No.1**”). Directors’ Circular No. 2 is a supplement to and shall be read by the shareholder in conjunction with Directors’ Circular No. 1 when making his/her/its decision.

Capitalised terms used in this Directors’ Circular No. 2 and not defined herein shall have the meaning assigned thereto in Directors’ Circular No. 1.

Since the publication of Directors’ Circular No. 1, the following events have occurred:

- 1) October 16, 2015 - the Company received notice from Ansa McAI Ltd. (“**Ansa McAI**”) that it had acquired the shares in the capital of BWPL Holdings Limited;
- 2) October 20, 2015 – Ansa McAI, through its wholly owned subsidiary, A.M. Caribbean Development Ventures Ltd (“**AMC**”), delivered an offer and take-over bid circular to the registered shareholders of BHL to acquire all the remaining issued common shares in BHL at a cash price of \$5.20 per common share (the “**AMC Bid**”); and
- 3) October 25, 2015 - SLU in an advertisement on page 29 A in the Sunday Sun newspaper announced the SLU Amended Offer and the SLU Amended Offer has been received by BHL.

Material Facts Relevant to a Bid from an Entity other than SLU

The convertible debt purchase agreement between SLU, Latin Capital Fund I, L.P. (“**LCF**”) and BHL dated 24 June 2010 (the “**CDPA**”) (which was disclosed by SLU in Section 1 on page 6 of the SLU Bid No.1) provides for the terms under which LCF through SLU supplied US\$ 28 million funding (the “**Loan**”) to BHL for the primary purpose of building the new brewery in Newton, Christ Church.

The CDPA provides certain rights to LCF and SLU, including the right to convert any amount of the Loan to equity in BHL at \$4.00 per share, pursuant to which SLU became a shareholder with a twenty per cent (20%) stake in BHL. As notified previously, SLU was recently acquired under the control of Ambev and accordingly, Ambev now has the ability to exercise any rights accorded to SLU under the CDPA.

In Section 1 on page 6 of the SLU Bid No.1, SLU disclosed that:

“pursuant to a convertible debt purchase agreement entered into in 2010, SLU has the right to convert certain promissory notes into 750,000 additional BHL shares, subject to consent of lenders under the convertible debt purchase agreement (the “Notes”).”

Shareholders are advised that the CDPA to which SLU refers in the SLU Bid No. 1, also provides, *inter alia*, for the following:

If any person or group becomes the direct or indirect ultimate owner of BHL shares representing more than twenty-five per cent (25%) of the total voting power of the BHL shares, then:

- (1) SLU may elect to require BHL to convert the remaining Notes (as defined above) at a cash price of \$4.00 per ordinary share;
- (2) SLU may elect to require BHL to purchase any Notes at the price of 2.5 times the outstanding principal amount thereof, plus accrued and unpaid interest. This effectively means that SLU can require the outstanding debt to SLU of US\$1.5 million (BD\$3 million) to be repaid to SLU at 2.5 times the value of the debt; or
- (3) SLU may elect to require BHL to purchase any BHL shares which were issued upon conversion of any promissory notes. The purchase price BHL shall pay shall be an amount equal to 2.5 times the principal amount of the notes converted to obtain such BHL shares, plus accrued and unpaid dividends. 13,250,000 common BHL shares (representing a twenty per cent (20%) stake in BHL) have been issued to SLU by BHL to date, pursuant to the CDPA. Therefore SLU has the ability to require BHL to re-purchase the 13,250,000 common shares at \$10.00 per share, which shares were issued to SLU on conversion of the debt in 2010.

Consequently, Ambev (and its subsidiary Cerveceria Nacional Dominicana (“**CND**”)) which has acquired control of SLU, now has the right to invoke the provisions of the CDPA. Another bidder must therefore take into account that in the circumstances of succeeding in its take-over bid, SLU can invoke the above clause which may have a significant financial impact on BHL. The additional potential cost to a bidder (other than SLU) to finance such would be the difference between \$10.00 and the final purchase price for BHL’s shares for each of the 13,250,000 shares (representing 20% of BHL) issued on conversion under the CDPA. Additionally, the remaining debt to SLU of US\$1.5 million could itself potentially generate an additional payment of BD\$4.5 million.

Other Information

The BHL Directors’ Circular in response to the AMC Bid is being prepared and requires not only a review by BHL’s advisors but the collection and compilation of various data which must be statutorily disclosed. In the meantime, the SLU Amended Offer is at a higher price and closes earlier than the AMC Bid at 3:00 pm on 9 November 2015.

Accordingly, the Directors’ response to the SLU Amended Offer has taken priority and the Directors’ Circular in response to the AMC Bid will be issued as soon as possible thereafter. However, certain important factors relevant to a bid from AMC have nevertheless been considered and included in this Directors’ Circular No. 2.

Both Ambev/SLU and Ansa McAI / AMC have expressed various indications for a positive future for the BHL group of companies either in their bid circulars or to some extent in the media. The Special Committee of the BHL Board has however given consideration to the possible importance of BHL to the two bidders and offers the following comments:-

1. To the best of our knowledge (a) neither Ambev nor Ansa McAI is currently in the milk and juice processing business but both claim in media statements that they see opportunities in that regard (b) both are connected with Pepsi-Cola bottling and/or distribution - Ambev is a bottler and distributor in major Latin American markets whereas a subsidiary of Ansa McAI in Grenada is a distributor of Pepsi-Cola.

Given the relative sizes of the two corporations and the influence each may bring to bear, we consider that Ambev appears to be better placed to deal with The Coca-Cola Company, particularly given the new development reported in the media whereby AB-Inbev (Ambev's parent) is in the process of acquiring SAB Miller which has substantial Coca-Cola bottling ventures in Africa. To our knowledge, neither Ambev nor Ansa McAl has the rights to bottle or distribute Pepsi-Cola in Barbados but if desired, it appears to us that Ambev would likely have more influence in acquiring these arrangements given their substantial existing Pepsi-Cola operations in Latin America.

2. With regard to brewing, Ambev through CND (SLU's direct parent) have expressed in the media their desire for growth and for a base to manufacture their brands for export through the region such as Trinidad. Their brands include Presidente from the Dominican Republic in addition to several international brands of their ultimate parent AB-Inbev, such as Budweiser, Stella Artois, Becks and Corona which can be produced in an expanded configuration of BHL's brewery. Ambev/CND's breweries in St Vincent and Dominica are not as well equipped or positioned for such expansion.
3. Ansa McAl's breweries in Trinidad, Grenada and St Kitts, and Ansa McAl's partner Heineken with its own brewery in St Lucia already cover much of the English speaking Eastern Caribbean and Heineken now own Red Stripe in Jamaica. The interest of Ansa McAl (and to the extent that Heineken is a partner of Ansa McAl) appears to have more of a defensive purpose even if the opportunity is taken to brew Carib or Stag locally for the share of the Barbados market which they now have.
4. BHL already has approximately 80% of the Barbados beer market between its two brands, Banks and Deputy. Given the generally observed situation whereby national beers in small markets are preferred in the minds of people of the country, in our view it is unlikely that either bidder will seek to replace Banks and Deputy locally. The obvious opportunity for the Banks brewery is the manufacture of brands for export. This is particularly opportunistic for Ambev given that apart from the OECS islands, Ambev's brands do not account for any meaningful market share in the region.
5. Ansa McAl's operations in Barbados include 'Bryden Stokes' (the result of amalgamating Brydens with Stokes & Bynoe) some time ago. BHL has its own distribution business, namely Banks Distribution, and should BHL come under the control of Ansa McAl, this may present an opportunity to realise a cost reduction synergy through the combination of these two operations. Ambev owns no distribution business in Barbados which could allow for such a cost saving opportunity, but this in itself is not a guarantee that BHL's distribution business may not be allocated to a third party.

Plans under Section 10 (viii) of the SLU Amended Offer

On page 14 of the SLU Bid No. 1, SLU noted that it has no plans to, *inter alia*, amalgamate BHL with any other company. Please note that such a statement has been removed from the SLU Amended Offer. The Directors are not in a position to interpret the intention of SLU by such a deletion.

Role of the Fair Trading Commission ("FTC")

In a letter dated 22 October 2015, the FTC has written to BHL requesting that BHL notify its shareholders and the companies which are seeking to acquire a controlling interest in BHL, of the legislative requirements under the Fair Competition Act CAP 326C and related regulations. Attached in Appendix A for shareholders' information is a copy of the letter from the FTC.

It is possible therefore that the FTC may not allow the successful bidder to grow Barbados market share through the combination of the Banks brands with those of their own. Exports from Barbados would however not likely present the same concern. The Directors are however not in a position to forecast or to make a definitive statement in respect of what action the FTC may potentially take on the matter.

Directors' Recommendation

The Special Committee of the Directors, in recognising their duty to BHL, its shareholders and employees, recommend acceptance of the SLU Amended Offer for the following reasons:

- 1) The SLU Amended Offer at \$5.60 is better than the \$5.20 per share currently being offered by AMC;
- 2) This new offer is at the top of the range of the Fair Market Value for BHL's shares determined by BHL's financial advisors, KPMG, within its Fairness Opinion of 13 October 2015. Notwithstanding, the competitive bidding environment that may facilitate higher offers, the SLU Amended Offer, in the view of the Special Committee, is beneficial to shareholders from a financial perspective;
- 3) The negative impact on BHL and remaining shareholders, and potentially also employees, should SLU invoke its rights under the CDPA in respect of requiring BHL to re-purchase the shares previously issued to SLU upon conversion of promissory notes;
- 4) A comparison of the potential opportunities and limitations for BHL's businesses considering what is known to-date about the two bidders as discussed above under Other Information.

Shareholders should nevertheless consider the information provided in this Directors' Circular No. 2 with regard to their own circumstances as well as the professional advice of their own advisors in making their own decision.

Closing Date

It should be noted that the closing date of the SLU Amended Offer is on 9 November 2015 some eleven (11) days before the close of the AMC Bid, currently set for 20 November 2015. Ansa McAI through AMC may however increase its offer price in response to the SLU Amended Offer but under Regulation 6(2) of the Take-over Bid Regulations, the closing date of such increased offer would need to be extended by 14 days.

Intentions of Directors & Officers who are beneficial holders of or control BHL Shares

The directors G. Anthony King, Elvin Sealy and C. Richard Cozier, and BHL's Chief Financial Officer Naresh Karnani, together with their associates where applicable, own or control shares held in BHL as was disclosed in Directors' Circular No.1. These persons have all declared that their intention is to accept the SLU Amended Offer, subject to any further bids and/or further material information coming to hand between the date on which this Directors' Circular No.2 was submitted for printing and the closing date of the SLU Amended Offer.

The directors and officers of BHL do not know whether any person who beneficially owns or exercises control or direction over BHL shares carrying more than ten per cent (10%) of the votes attached to the BHL shares has accepted or intends to accept the SLU Amended Offer in respect of any BHL shares.

Directors' Certificate

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made. The foregoing does not contain any misrepresentation likely to affect the value or the market price of the securities subject to the SLU Amended Offer within the meaning of the Securities Act, Cap 318A of the Laws of Barbados.

On behalf of the board of directors



Director
G. Anthony King



Director
Christopher D. deCaires



FAIR TRADING COMMISSION

No: 3/13/69

Date: 2015-10-22

In replying, the above number and date of this letter should be quoted.

All correspondence should be addressed to the Chief Executive Officer.

BY HAND

Mr. Richard Cozier
Chief Executive Officer
Banks Holdings Limited
Pine Hill Dairy Complex
The Pine
ST. MICHAEL

Dear Mr. Cozier,

Re: Fair Competition Act CAP 326C. Inquiry - Proposed Acquisition of Banks Holdings Limited by SLU Beverages Ltd. and ANSA McAL

The Fair Trading Commission (the 'Commission') makes reference to the publicised bids by SLU Beverages Ltd. and ANSA McAL for the acquisition of control of Banks Holdings Limited (BHL).

The Commission takes this opportunity to remind BHL that under section 20 of the Fair Competition Act CAP 326C all mergers by an enterprise that by itself controls or together with any other enterprise with which it intends to effect the merger is likely to control not less than 40 per cent of any market are prohibited unless permitted by the Commission. Section 20 (4) specifically includes any public bid for the control of an entity in this requirement.

It should be noted that according to Section 2 of the Act "merger" means the cessation of two or more enterprises from being distinct, whether by amalgamation, by one or more enterprises acquiring control over another or otherwise; or the engagement in a joint venture between enterprises which results in two or more enterprises ceasing to be distinct entities.

In view of the above the Act requires that such enterprises apply to the Commission for permission to effect any merger meeting the above threshold.

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APPENDIX A ('cont'd)

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Mr. Richard Cozier
Chief Executive Officer
Banks Holdings Limited

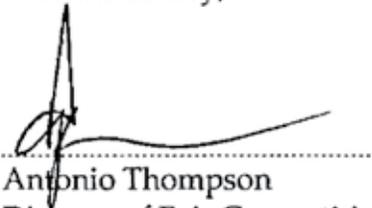
Therefore, the Commission advises BHL that it should submit any relevant information and notify shareholders and the companies which are seeking to acquire controlling interests of these legislative requirements.

For ease of reference please find enclosed copies of the following:

- Sections 20 through 22 of the Fair Competition Act CAP 326C;
- S.I. 2009 No. 104 Fair Trading Commission Act Cap. 326B Fair Trading Commission (Fair Competition Merger Fees) Regulations, 2009; and
- S.I. 2009 No. 105 Fair Competition Act Cap. 326C Fair Competition (Merger) Rules, 2009

More details on the process can be obtained from our offices should you so require.

Yours faithfully,



Antonio Thompson
Director of Fair Competition

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Enc.

