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January 2, 2001

Dear Sirs:

RE: International Business Companies Act, 2000

On the 29th December, 2000 The Bahamas Government brought into effect the new International Business Companies Act, 2000 (the "Act").

The Act makes certain changes to the operation and management of such companies.

We outline certain changes below for you. Some may apply to your company other provisions may not. Should you have any questions please do not hesitate to contact us.

Only persons licensed and approved under the Financial and Corporate Service Providers Act, 2000 will be permitted to incorporate IBCs. Section 4 (2).

International Business Companies ("IBCs") will henceforth be permitted to own real estate in the Bahamas and to conduct business with Bahamians. This was previously disallowed.

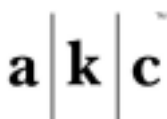
IBCs will not be allowed to carry on the business of "dealing" or "trading" in securities as an agent or providing "securities investment advise". Section 4 (1) (d).

IBCs may not be incorporated for the purpose of facilitating criminal activity. If incorporated for such purpose the Registrar shall forthwith strike the company off the Register. Section 6.

IBCs may no longer issue "bearer shares". Section 10 (a). All IBCs that have issued "bearer shares" are obligated to recall such shares within six months from the commencement of the Act and the company shall cancel such shares and substitute registered shares issued in accordance with the Act. Any "bearer shares" not recalled and cancelled within the prescribed period shall be null and void and without effect for all purposes of law. Section 195 (4).

IBCs must have a board of directors that consists of two or more persons who may be individuals or companies who shall manage the IBC. Section 40.

IBC are obligated to maintain a "Share Register" at its Registered Office which shall contain, inter alia, the following: the names and addresses of the persons who hold "registered" shares and the company should be able to produce evidence of its contents. This Register is a private register and no public filing of its contents is required. Section 29 (1), (2).



IBCs are obligated to maintain a "Register of Directors and Officers" Section 44 (1) at its Registered Office" Section 44 (3). The register shall contain the following information:

- a. the names and addresses of the persons who are directors and officers of the company;
- b. the date on which each person whose name is entered in the register was appointed as a director or officer of the company; and
- c. the date on which each person as a director or officer ceased to be a director or officer of the company.

The Register of Directors and Officers shall be filed with the Registrar and shall be open to inspection by members of the public during official hours. Section 44 (4).

IBCs shall be required to hold an Annual General Meeting. All meetings may be held either in the Bahamas or else where. Section 59 (1).

An IBC shall keep at its Registered office Section 66 (2) the following:

- (a) a copy of the Memorandum and Articles and all amendments thereto;
- (b) a register of all its directors and officers; and such other records as the Minister may by order prescribe.

A person who fails to keep a Share Register for the purposes of Section 29 shall be guilty of an offence and shall be liable on summary conviction to a fine of ten thousand dollars or to imprisonment for two years. Section 179.

A person who without any reasonable cause contravenes any section of the Act for which no other penalty is provided is guilty of an offence and shall be liable on summary conviction to a fine of ten thousand dollars or to imprisonment for two years. Section 181.

The Exchange Control Regulations Act shall not apply to a non-Bahamian owned IBC or to any transactions relating to the securities of or in such company between the holders of such securities. Section 186.

Every IBC in existence immediately before the commencement of this Act shall satisfy the requirements of the Act within one hundred and eighty days from the commencement of the Act. Section 195 (1).

Any IBC that fails to satisfy the requirements shall be struck off the Register. Section 195 (2).

All benefits accruing to an IBC prior to the commencement of this Act shall not be affected by the coming into force of the Act. Section 195 (3).

The above outlines the substantive changes introduced by the new legislation.

Should you have any questions please do not hesitate to contact us.

Yours very truly,
Alexiou, Knowles & Co.

Emanuel M. Alexiou

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