

## TRINIDAD AND TOBAGO

### MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING dated 30<sup>th</sup> January 2009 is made between the Minister of Finance acting for and on behalf of the Government of the Republic of Trinidad and Tobago (hereinafter referred to as "GORTT") of One Part and CL Financial Limited of CL Duprey Building, 41-43 St Vincent Street, Port of Spain (hereinafter referred to as "CLF") acting for itself and as agent for its affiliates to include Colonial Life Insurance Company (Trinidad) Limited (hereinafter referred to as "CLICO"), CLICO Investment Bank Limited (hereinafter referred to as "CIB") and British American Insurance Company (Trinidad) Limited (hereinafter referred to as "BA") of the Other Part.

#### WHEREAS:

- (a) The financial condition of CIB, CLICO and BA threaten the interest of depositors, policy holders and creditors of these institutions and pose danger of disruption or damage to the financial system of Trinidad and Tobago;
- (b) CLF has asked for the GORTT's intervention in the rehabilitation of CIB, CLICO and BA in the interest of and for the protection of depositors, policy holders and creditors of these institutions; and
- (c) GORTT and CLF have agreed to enter into this Memorandum of Understanding whereby steps will be taken to correct the financial condition of CIB, CLICO and BA and to protect the interest of depositors, policy holders and creditors of these institutions.

The Parties therefore agree as follows:

1. CLF agrees to take steps to correct the financial condition of CIB, CLICO and BA by:
  - a. selling all of its shareholdings in Republic Bank Limited (RBL);
  - b. selling all of its shareholdings in Methanol Holdings (Trinidad) Limited (MHTL);
  - c. selling all of its shareholdings in Caribbean Money Market Brokers Limited (CMMB); and
  - d. selling all or any of their other assets as may be required to achieve the said correction.

The proceeds of the sale of assets referred to in clause (a), (b), (c) and (d) above will be applied to satisfy the Statutory Fund requirements for CLICO and BA under the Insurance Act, 1980 and the balancing of the third-party assets and liabilities portfolio of CIB.

2. In the event that there is a shortfall after the application of the proceeds realized from the sale of the assets set out in clause 1(a), (b), (c) and (d) above, CLF warrants and undertakes to provide collateral which may include a secured charge on the fixed and floating assets of CLF, CLICO and BA sufficient to secure any financial assistance to be provided by GORTT in respect of that shortfall for the purpose of maintaining public confidence and stability in the financial system.
3. GORTT may call upon the Central Bank for its guidance in this matter and for its assistance generally in giving effect to this Memorandum of Understanding.

**CIB:**

4. GORTT and CLF will agree on the definition of CIB's unencumbered third-party assets and liabilities and their valuation as established by an independent valuator.
5. The agreed unencumbered third-party assets and liabilities will be sold/transferred to a financial institution approved by the GORTT.
6. For the discharge of its obligations herein in respect of CIB, CLF shall sell, dispose of or collateralize the following assets as required to ensure the balancing of the third-party assets and liabilities portfolio:
  - a. Shareholdings in RBL owned by CLF and the other members of the CLF group of companies;
  - b. Shareholdings in Caribbean Money Market Brokers Limited (CMMB) owned by CLF and all other members of the CLF group of companies; and
  - c. Other assets of the CLF group of companies, of such quality and value as agreed to by the GORTT and as may be required,and CLF shall provide the relevant Board resolutions as specified in clause 19 in relation to such sales.
7. The sale/transfer of the unencumbered third-party assets and liabilities portfolio will be facilitated by the assumption of control of CIB by the Central Bank pursuant to the exercise of its emergency powers under section 44D of the Central Bank Act, Chap. 79:02 and the execution of the relevant agreement with the financial institution (the accepting bank) for

the purchase and assumption of the unencumbered third-party assets and liabilities portfolio (purchase and assumption agreement).

8. Upon execution of the said purchase and assumption agreement, the Central Bank shall revoke the licence of CIB pursuant to provisions of the Financial Institutions Act, 2008 and CIB shall cease to conduct business of a financial nature and cease using the word "Bank" in its name or title.
9. The assets and liabilities of CIB not transferred/sold to the accepting bank will be retained by CIB for disposal as it sees fit.

**CLICO and BA:**

10. CLF shall establish and make full and true disclosure to GORTT regarding the Statutory Fund position of CLICO and BA based on the valuation and admissibility requirements of the Insurance Act, 1980 for the year ended December 31, 2008.
11. For the discharge of its obligations herein in respect of CLICO, CLF will sell, dispose of or collateralize the following assets as required to ensure that the Statutory Fund requirements for CLICO and BA are satisfied :
  - a. Shareholdings in RBL owned by CLF and the other members of the CLF group of companies and not required for the discharge of the obligations at clause 6 above;
  - b. Shareholdings in MHTL owned by CLF and all other members of the CLF group of companies, to GORTT with an option for CLF to repurchase on terms to be agreed; and
  - c. Other assets of the CLF group of companies, of such quality and value as agreed to by the GORTT and as may be required,and CLF shall provide the relevant Board resolutions as specified in clause 19 in relation to such sales.
12. The GORTT agrees to provide collateralized loan financing to CLICO and BA to meet any residual Statutory Fund deficit, as confirmed by the Central Bank, which may arise after the discharge of the obligation at clause 11 above.
13. CLF agrees that CLICO and BA will restructure its business and operations to conform to traditional life insurance business lines in a manner approved by the Central Bank. This restructuring will also include a reconstitution of the Board of Directors, Board Committees and senior management. Until such time as the restructuring is completed, CLF agrees to the appointment of a Manager of CLICO and BA selected by the Central Bank to oversee the operations of these companies and also recommend any necessary changes to the structure. GORTT shall approve the selection of the members of the Board of Directors and of

senior management and, as far as possible by mutual agreement with CLF, appoint the Chairman of the Board.

14. In consideration of its significant financial exposure to CIB, CLICO and BA, GORTT will receive appropriate shareholdings in CLICO and BA.
15. Within a period of two (2) years, CLF shall take the necessary steps to have CLICO and BA listed on the Trinidad and Tobago Stock Exchange (TTSE), subject to the listing requirements of the TTSE.
16. The Memorandum of Understanding does not preclude (a) the Central Bank from requiring that CLF, CIB, CLICO and BA take any other action which in the opinion of the Central Bank is desirable; or (b) the Central Bank taking such action as the Central Bank may think fit under the provisions of the Financial Institutions Act, the Insurance Act or the Central Bank Act and any of them.
17. CLF warrants that the signatories for CLF are the duly authorized agents of CLF with direct and/or ostensible power to sign this Memorandum of Understanding and upon execution of this Memorandum of Understanding, CLF shall produce original or certified copies of its Board of Directors' resolutions of itself and all other parties forming part of its agency authorizing (a) the entering of these parties to this Memorandum of Understanding and (b) authorizing CLF to act as its duly appointed agent for purposes herein. Upon the show of justifiable circumstances if a party is unable to produce a copy of its Board of Director's resolution at the signing of this Memorandum it shall do so within one (1) week of the signing of this Memorandum. If CLF or any party under the agency fails to comply with this provision GORTT shall cease to make any payment or provide financial support to CLF and this Memorandum shall be null and void.
18. CLF will make full and fair disclosure of all CLF companies and their assets and liabilities to be provided by a date specified by GORTT after consultation with CLF.
19. During the course of this Memorandum CLF (including all agency parties) shall issue to GORTT (through the Minister of Finance) detailed monthly progress reports ("report(s)") which shall highlight the progress of the disposal of the assets. Upon receipt of these reports the GORTT may and has the explicit power to make request for further and other information or to issue such other directives or requirements in furtherance of the purposes of this Memorandum of Understanding. In the interest of clarity these reports are due by the 25<sup>th</sup> day of each month and if the 25<sup>th</sup> day falls on a Saturday, Sunday or public holiday these reports are due on the first working day following.

20. CLF will instruct the Boards of the CLICO and BA to cease any new inter-company transactions, any increases in salaries of directors and senior officers, any payments of dividends, bonuses, share options and any disposal of assets without a schedule provided to GORTT for its prior approval.
21. CLF agrees and will instruct without any reservation or restriction its shareholders, directors, senior officers and staff members to give full and fair disclosure of any and all information requested by GORTT in whatever medium so requested and within the timeframe set for delivery of the said information.
22. GORTT may call on CLF to do or effect any of the above obligations within such timeframe as may specified by GORTT after consultation with CLF.

IN WITNESS WHEREOF of the duly authorized representatives of the Parties have hereunto set their hands this 30th day of January 2009

SIGNED for and on behalf of the  
 GOVERNMENT OF THE REPUBLIC OF  
 TRINIDAD AND TOBAGO by  
 MINISTER OF FINANCE, MS. KAREN  
 NUNEZ-TESEIRA in the presence of:

*[Signature]*  
 NICOLE LITTON  
 MANAGER LEGAL  
 CENTRAL BANK

*[Signature]*

SIGNED for and on behalf of the  
 CL FINANCIAL LIMITED by  
 its duly authorised agent, MR. LAWRENCE A.  
 DUPREY in the presence of:

*[Signature]*  
 Attorney at Law  
 115 St. Ann's Road  
 Port of Spain.

*[Signature]*