

HEADS OF AGREEMENT

EC 95/11

THIS AGREEMENT is made the 5th day of March, 1998

BETWEEN: **FINSAC LIMITED** (“the Purchaser”), a company incorporated under the Companies Act and having its registered office at 76 Knutsford Boulevard Kingston 5 in the parish of St. Andrew;

HORIZON GROUP LIMITED, a company incorporated under the Companies Act and having its registered office at 25 Dominica Drive, Kingston 5 in the Parish of Saint Andrew (“the Company”);

AND: **THE SHAREHOLDERS of HORIZON GROUP LIMITED** listed on the signature page hereto (“the Shareholders”).

WHEREAS the Company is the holding company in respect of the entities listed in the Schedule hereto (“the Group”);

AND WHEREAS the Shareholders have recognized that the Group is in need of restructuring and have made representations to the Purchaser to assist in the restructuring of the Group;

AND WHEREAS the Purchaser has agreed to assist in the restructuring of the Group for the benefit of depositors and other claimants and financial institutions within the Group;

AND WHEREAS the parties have established a framework for the restructuring of the Group on the following terms and conditions.

NOW THEREFORE, the parties agree as follows:

Interpretation

1. In this Agreement the following terms shall have the following meanings:
 - “**Financial Entities**” means the following entities, namely: Horizon Merchant Bank Limited, Horizon Building Society, Horizon Securities Limited, Horizon Life Limited and Horizon Financial Services Limited;
 - “**Non-Financial Entities**” means all the entities listed in the Schedule hereto other than the Financial Entities;
 - “**Principals**” means the following persons, namely, Elon Beckford, Ewart Scott, Errol Stewart, Spring Walk Holdings Limited, Grancel Limited and Ascot Limited.

2. 2.1 The Shareholders agree in principle and subject to contract to sell as beneficial owners and the Purchaser agrees in principle and subject to contract to purchase the whole of the issued share capital of the Company for the sum of ONE THOUSAND JAMAICAN DOLLARS (J\$1,000.00), completion to take place on or before March 31,1998.
 - 2.2 These Heads of Agreement are subject to:
 - 2.2.1 the granting of all consents under any agreement with any creditor or secured lender necessary for the completion of this Agreement and the definitive agreement;
 - 2.2.2 the granting of all necessary governmental and other consents and/or approvals, including without limitation, the Bank of Jamaica, the Minister of Finance and Planning, the Office of the Superintendent of Insurance and the Securities Commission;
 - 2.2.3 the negotiation, agreement and signature of a suitable definitive agreement appropriate to the transaction detailed herein with the following special matters to be included:
 - 2.2.3.1 warranties to be provided by the Principals and the Company to the effect that for each of the entities listed in the Schedule hereto, with the exception of liabilities and other matters disclosed in a disclosure letter, the aforesaid balance sheet takes account of all material liabilities and there are no undisclosed liabilities which could materially adversely affect the business or operations of the Company or any of the entities listed in the Schedule hereto;

2.2.3.2 warranty or undertaking that, to the best of the knowledge and belief of the Principals (after due enquiry) and except as disclosed in the disclosure letter, there is no litigation or arbitration proceeding, pending or threatened against the Company or any of the entities listed in the Schedule hereto which, if successful, would materially adversely affect the business or operations of the Company or any of the entities listed in the Schedule hereto;

2.2.3.3 other warranties appropriate to the transaction to be given by the Principals to the Purchaser (including without limitation) a general warranty that there is no event or series of events pending of a materially adverse nature which if realized would materially adversely affect the business or operations of the Company or the entities listed in the Schedule hereto.

2.3 In the event any consent or approval referred to in sub-clause 2.2.2 is not obtained within a reasonable period following the date of signature hereof, the parties shall assess the situation and determine jointly a suitable course of action.

3. The Purchaser shall immediately upon the signature of these Heads of Agreement have the right to commence a full investigation and audit of the affairs and business of the Company and the entities listed in the Schedule hereto by the Purchaser's auditors, Messrs. Ernst & Young, or such other persons appointed by the Purchaser. The Principals and the Company shall extend all necessary cooperation to the Purchaser and the Purchaser's auditors and agents.

4. Upon the signing of these Heads of Agreement, the Shareholders shall procure the resignation of the Board of Directors of the Company. The Purchaser reserves the right to reject such resignation or reappoint any director so resigning to the Board of Directors of the Company.

5. The Purchaser shall in no way be responsible to compensate any such director for loss of office arising from such resignation and in the event that there is any claim against the Purchaser the Principals shall indemnify the Purchaser to the full extent of such claims, including all legal costs and expenses associated in defending any such claim.

6. Upon the transfer of the shares in the Company to the Purchaser, the Purchaser shall transfer the shares in the Non-Financial Entities to the Principals or such other person or persons designated in writing by the Principals for the sum of ONE THOUSAND JAMAICAN DOLLARS (J\$1,000.00) and the Principals and/or their nominees shall be obliged to complete such transfers. Pending the re-transfer of the Non-Financial Entities, the Principals shall continue to manage the Non-Financial Entities.

7. The Company and the Principals undertake that, immediately upon signature of these Heads of Agreement, they shall fully cooperate with the Purchaser with a view to restructuring their debts and other obligations and shall procure that the Non-Financial Entities co-operate fully with the Purchaser with a view to ensuring their viability.

8. Save as otherwise agreed between the parties, each party shall keep confidential and shall not make a public announcement or other disclosure in respect of these Heads of Agreement or the transaction contemplated herein without the consent of the other party.

9. The parties shall agree upon the most efficient and cost-effective method of structuring the transactions detailed above, and the parties further undertake to review and, if necessary, renegotiate any materially affected terms and conditions of these Heads of Agreement if for valid and substantial reasons the transactions are so structured so as to cause serious deviation from the original intent.

10. In consideration of the Purchaser (a) agreeing to enter into these Heads of Agreement and to negotiate in good faith with the Shareholders concerning the transaction detailed herein, and (b) commencing and completing the investigation and audit report referred to in clause 3, the Principals hereby jointly and severally agree to undertake the Purchaser the following obligations, each of which shall be a separate obligation legally binding upon the Principals and separately enforceable by the Purchaser:

10.1 That prior to the transfer of shares to the Principals or such other persons designated by them, neither the Principals nor the Company shall directly or indirectly knowingly encourage, solicit, initiate or engage or participate in discussions or negotiations with, or provide any information to, any company, partnership, person

or other entity or group other than the Purchaser (“a Third Party”) concerning any sale, merger, business combination, acquisition or other similar transaction involving any of the Non-Financial Entities or all or any part of the business or undertaking of any of the Non-Financial Entities (whatever the form or nature of such transaction, including without limitation, a transaction effected by the sale and purchase or the issue of shares and/or by the sale and purchase or assignment of any of the assets of any of the said entities (“Prohibited Transactions”).

10.2 That they shall use their best endeavours to have collected up and returned to them all copies of all non-public information they or any person acting on their behalf has distributed to other potential acquirers of any of the entities listed in the Schedule hereto or the assets of, or any interest in, any of the said entities.

10.3 That they shall immediately notify the Purchaser and will disclose to the Purchaser all details of (i) any proposals they receive to enter into or take any other action in relation to a Prohibited Transaction (“Acquisition Proposal”), (ii) any indications that any person is potentially interested in an Acquisition Proposal or (iii) the initiation and status of discussions or negotiations relating to an Acquisition Proposal.

11. Upon the signing of these Heads of Agreement, the Purchaser shall ensure that personnel from Citizens Bank Limited (“CBL”) (a company owned and/or controlled by the Purchaser) be assigned to certain Financial Entities to ensure the orderly transfer of certain liabilities of the said Financial Entities to CBL and/or any other entity as the Purchaser and/or such other entity may agree.

12. The Company undertakes that until the determination of these Heads of Agreement or its replacement by the definitive agreement it will not issue any new commercial paper and no additional liabilities will be created without the Purchaser's prior approval in writing.

13. None of the Principals or any director of the Company shall recover the proceeds of any commercial paper issued by any of the entities listed in the Schedule hereto to the extent that payment is to be made out of proceeds provided by the Purchaser or any entity owned and/or controlled by the Purchaser. This provision shall apply only to commercial paper beneficially owned by any such Principal or director.

14. The Principals shall procure that upon the signing of these Heads of Agreement none of the entities listed in the Schedule hereto shall create or allow to subsist over its assets and/or undertakings any charge, pledge, hypothecation mortgage or other security interests without the prior written consent of the Purchaser.

15. If these Heads of Agreement terminate pursuant to clause 17.1 or 17.2, the obligations contained in clause 10.1 shall also terminate and be of no effect.

16. Each of the obligations contained in clauses 10.1 to 10.2 inclusive shall be construed as a separate obligation and if any such obligation shall be held by any court of competent jurisdiction to be illegal or unenforceable, in whole or in part, under any enactment or rule of law, such obligation or part thereof shall, to that extent, be deemed not to form part of clause 10, but the validity and enforcement of the remainder of clause 10 shall not be affected and the remaining obligations contained therein shall continue to bind the parties.

17. These Heads of Agreement and the understandings herein set forth shall come into effect immediately upon signature by the parties and unless otherwise mutually agreed shall terminate:

17.1 on the execution of a definitive agreement pursuant to sub-clause 2.2.3 expressly superseding these Heads of Agreement; or

17.2 on March 31, 1998,

whichever occurs first.

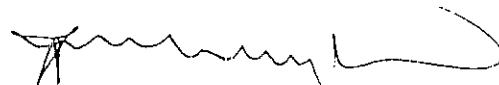
18. These Heads of Agreement will form the basis of negotiations for the definitive agreement referred to in sub-clause 2.2.3. The parties shall use their best endeavours to complete their negotiations and finalisation of the definitive agreement, without delay and in any event by March 31, 1998.

19. These Heads of Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed to be an original and all of which, when taken together, shall constitute one and the same document.

20. The construction validity and performance of these Heads of Agreement shall be governed by the laws of Jamaica.


IN WITNESS whereof this Agreement was duly executed and delivered by the parties on the day and year first hereinbefore written.

EXECUTED UNDER THE COMMON SEAL of FINSAC LIMITED and delivered as and for its proper act and deed by

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Director

Director, and
Director/Secretary, in the presence of:

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Director/Secretary






WITNESS

EXECUTED UNDER THE COMMON SEAL of HORIZON GROUP LIMITED and delivered as and for its proper act and deed by

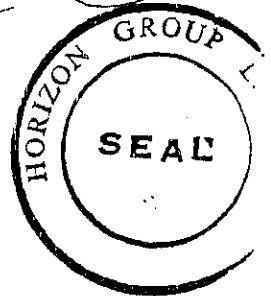
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Director

Director, and
Director/Secretary, in the presence of:

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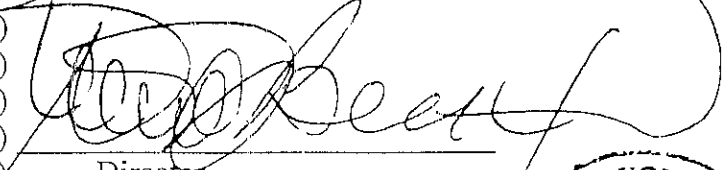
Director/Secretary





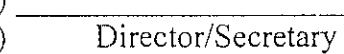
WITNESS

EXECUTED UNDER THE COMMON SEAL of SPRINGWALK HOLDINGS LIMITED and delivered as and for its proper act and deed by

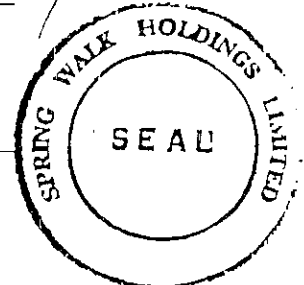
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Director

Director, and
Director/
Secretary, in the presence of:

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Director/Secretary





WITNESS

EXECUTED UNDER THE COMMON SEAL of ASCOT LIMITED and delivered as and for its proper act and deed by

Director

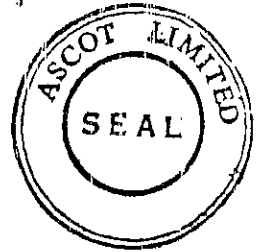
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Director

and Director/Secretary, in the presence of:

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) _____
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Director/Secretary



[Signature]

WITNESS

EXECUTED UNDER THE COMMON SEAL of GRANCEL LIMITED and delivered as and for its proper act and deed by

Director

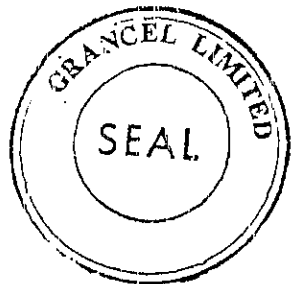
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Director

and Director/Secretary, in the presence of:

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Director/Secretary



[Signature]

WITNESS

EXECUTED UNDER THE COMMON SEAL of KIMBERLEY INVESTMENTS LIMITED and delivered as and for its proper act and deed by

Director, and

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Director

Director/Secretary, in the presence of:

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Director/Secretary

WITNESS

EXECUTED UNDER THE COMMON
SEAL of FIDELITY ECONOMIC
LIMITED and delivered as and for its
proper act and deed by

Director, and
Director/Secretary,

in the presence of:

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) Director
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) Director/Secretary

WITNESS

EXECUTED UNDER THE COMMON
SEAL of ESTAC INDUSTRIES
AGENCIES LIMITED and delivered as and
for its proper act and deed by

Director, and

Director/Secretary , in the presence of:

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) Director
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) Director/Secretary

WITNESS

MEGAN DEANE

PHILLIP REID

VERNON RICKETTS

ELETHIA RICKETTS

ERIC ALLEN

KAYLIN ALLEN

RAYMOND COKE

RUTH COKE

IVAN BURNETT

J. OLIVER DALEY

PATRICK CHIN

ESTATE STANLEY GREIG

MARVA GREIG

DWIGHT WILLIAMSON

GWENETH WILLIAMSON

CHRISTINE COCKING

JACK WILMOT

DENNIS FLETCHER

SCHEDULE

1. Horizon Merchant Bank Limited
2. Horizon Building Society
3. Horizon Securities Group Limited
4. Horizon Life Limited
5. Horizon Venture Capital
6. Horizon Insurance Brokers Limited
7. Horizon Development Company Limited
8. Horizon Consulting Services Limited
9. Rent-a-Car International (1994) Limited
10. Dolphin Distributors Limited
11. Horizon Trade Services Limited
12. Horizon Financial Services Limited