

BARITA INVESTMENTS LIMITED

RESPONSE TO MEDIA REPORTS ON BEHALF OF PARENT COMPANY

December 20, 2021

Cornerstone Financial Holdings Limited (“CFHL”), the parent company of Barita Investments Limited (“Barita”), wishes to comment on certain media reports regarding the filing of a lawsuit by Sagicor Investments Jamaica Limited (“SIJL”), a shareholder of CFHL.

The facts are as follows:

1. In June 2018 SIJL, a wholly owned subsidiary of Sagicor Group Jamaica Limited (“SGJ”), was engaged by CFHL and Cornerstone United Holdings Jamaica Limited (together, “Cornerstone”) to act as arranger and underwriter with respect to financing CFHL’s 75.0% majority acquisition of Barita Investments Limited via a takeover bid on the Jamaica Stock Exchange (“JSE”). For its services in this respect, SIJL was compensated via fees and separately was granted a 4.50% shareholding in both CUHJL and CFHL for nominal consideration. Between June 2018 and September 2019, through a series of fundraising transactions with Cornerstone and its affiliates, the Sagicor Group would have earned over US\$3.5M in fundraising fees. The aggregate of fundraising fees, dividend income, and the value of the aforementioned shareholding, which SIJL has recently offered for sale at US\$12.5M, totals approximately US\$17.0M in value accreting to SIJL from the Cornerstone relationship in just three (3) years.
2. In June 2020, shortly after the onset of the pandemic occasioned by the Novel Coronavirus (“COVID-19”) Cornerstone indicated to SIJL as well as its other shareholders its intention to raise additional equity capital via a rights issue (the “2020 Rights Issue”) to further capitalize its subsidiaries in line with the principles of prudence and risk management. The details of the impending 2020 Rights Issue were presented by Cornerstone to Peter Melhado (Chairman – SGJ), Christopher Zacca (President and CEO – SGJ), and other members of SGJ and SIJL’s senior leadership. The consequences of SIJL’s decision not to participate in Cornerstone’s fundraising efforts were fully explained, acknowledged, and understood.
3. The details of the impending 2020 Rights Issue were further ventilated at an Extraordinary General Meeting (“EGM”) of all Cornerstone shareholders (including SIJL) who unanimously voted in favour of the proposed 2020 Rights Issue. The 2020 Rights Issue closed in July 2020 and was oversubscribed. Notably, before closure of the 2020 Rights Issue, Cornerstone received a letter from SIJL indicating its intention to abstain from participating in the 2020 Rights Issue. Resulting from SIJL’s decision not to participate in the 2020 Rights Issue its shareholding fell from 4.50% to 3.47%.
4. In July 2021, a few days after the notice of another capital raise was dispatched to shareholders and approximately a year after the successful closure of the 2020 Rights Issue, Cornerstone received a letter from SIJL in which SIJL claimed that it suffered losses of US\$4.058M resulting from the 2020 Rights Issue and demanded compensation. SIJL further claimed that these losses were the result of the dilution of its shareholding following the 2020 Rights Issue. This dilution, however, was the natural result of SIJL’s decision to abstain from participating in the 2020 Rights Issue. Cornerstone responded to SIJL indicating its disagreement with the claim.

5. SIJL followed its initial letter with a series of letters, which included threats of pursuing legal action against Cornerstone and its directors in respect of its claims around the 2020 Rights Issue.
6. In July 2021, Cornerstone returned to its shareholders via an EGM to propose raising additional equity capital via another rights issue (the “2021 Rights Issue”) and an additional private offering (the “Cornerstone APO”). The 2021 Rights Issue and APO were approved by all Cornerstone’s shareholders except SIJL. Both the 2021 Rights Issue and the Cornerstone APO were oversubscribed and successfully closed in September 2021. Consequent to SIJL’s non-participation in the 2021 Rights Issue, SIJL’s shareholding fell to 2.77% post both fundraising exercises.
7. In late August 2021, SIJL proposed to Cornerstone that it would stay legal action if Cornerstone bought or guaranteed the sale of SIJL’s Cornerstone shareholding. While Cornerstone is in contact with one or more potential buyers, Cornerstone declined the unusual request to guarantee the sale of SIJL’s Cornerstone shareholding as it has no interest in or need to buy its own shares. In response to this fact, Cornerstone anticipates that SIJL may take legal action against Cornerstone and/or its directors.

Of note, media reports have indicated a claim of US\$4M being demanded by SIJL, which represents approximately 0.72% of Cornerstone’s shareholders’ equity which stood at US\$550M as at September 2021 and 0.46% of Cornerstone’s total assets, which stood at US\$859M as at September 2021. For financial year ended September 2021, Cornerstone generated US\$72M in net profits and returned over US\$13.6M in dividends to its shareholders during the period.

Cornerstone has sought legal advice on the merits of SIJL’s claim and based on advice received from senior counsel from both Barbados and Jamaica, they are of the view that both CFHL and its directors should be able to successfully defend SIJL’s threatened claim.

CFHL is a privately owned investment holding company incorporated in 2017 and domiciled in Barbados. CFHL owns 74.16% of Barita, a full-service investment banking and asset management firm domiciled in Jamaica and listed on the JSE, which it acquired in August 2018. CFHL’s sister company, CUHJL is a Jamaican domiciled entity incorporated in 2015 and owns 100.00% of Cornerstone Trust & Merchant Bank Limited, which it acquired in December 2016. CUHJL intends to apply for a financial holding company licence as required under the Banking Services Act.

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Sincerely,

BARITA INVESTMENTS LIMITED

Malindo Wallace

Group Legal Counsel & Company Secretary