
INVESTMENT NUMBER 4156

Shareholders Agreement

among

**BANCO DAVIVIENDA S.A.
and
COLMENA ESTABLECIMIENTO BANCARIO
and
CONAVI BANCO COMERCIAL S.A.
and
CORPORACIÓN FINANCIERA NACIONAL Y SURAMERICANA -
CORFINSURA
and
COMPAÑÍA INVERSORA COLMENA S.A.
and
COMPAÑÍA DE SEGUROS BOLIVAR S.A.
and
INTERNATIONAL FINANCE CORPORATION**

Dated

2001

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SHAREHOLDERS AGREEMENT

THIS AGREEMENT is entered into this day of , 2001 by and among:

- (1) **BANCO DAVIVIENDA S.A.** a bank organized and existing under the laws of The Republic of Colombia and having its registered office at Carrera 7 No. 31-10 Piso 24, Bogotá, Colombia ("Davivienda"); and
- (2) **COLMENA ESTABLECIMIENTO BANCARIO**, a Bank organized and existing under the laws of The Republic of Colombia and having its registered office at Carrera 7 No. 77-65 Piso 5, Bogotá, Colombia ("Colmena");
- (3) **CONAVI BANCO COMERCIAL S.A.**, a bank organized and existing under the laws of The Republic of Colombia and having its main registered office at Carrera 43 A#1A Sur-Piso 4 Edificio Santillana Medellín, Colombia ("Conavi");
- (4) **CORPORACIÓN FINANCIERA NACIONAL Y SURAMERICANA - CORFINSURA** a credit establishment organized and existing under the laws of the Republic of Colombia and having its registered office at Carrera 43 A#3-101, Medellín, Colombia ("Corfinsura");
- (5) **COMPAÑÍA INVERSORA COLMENA S.A.** a corporation, organized and existing under the laws of the Republic of Colombia and having its main registered office at Calle 72 10#71 Piso 11, Bogotá, Colombia ("Inversora Colmena");
- (6) **COMPAÑÍA DE SEGUROS BOLIVAR S.A.** an insurance company, organized and existing under the laws of the Republic of Colombia and having its registered office at Carrera 10 No. 16#39 Piso 2, Bogotá, Colombia ("Seguros Bolívar"); and
- (7) **INTERNATIONAL FINANCE CORPORATION**, an international organization established by Articles of Agreement among its member countries, including the Republic of Colombia ("IFC").

WHEREAS:

- (A) Corporación Hipotecaria Colombiana S.A. Sociedad Titularizadora (the "Company") has been incorporated for the purpose of specified in Section 2.01 of this Agreement.

- (B) The parties hereto have agreed to enter into this Agreement to make contractual provisions to, inter-alia, govern the relationship between them arising out of their shareholdings in the Company and the management of the Company.

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I

Definitions - References and Headings

Section 1.01. Definitions. Wherever used in this Agreement terms defined in the Recitals hereto shall have the same meaning when used elsewhere in this Agreement and the following terms have these meanings:

- "Accounting Principles" prior to the second anniversary of incorporation of the Company accounting standards applicable in Colombia in accordance with Colombian laws and regulations, consistently applied and thereafter the International Accounting Standards promulgated by the International Accounting Standards Committee, together with its pronouncements thereon from time to time, and applied on a consistent basis, to the extent that such International Standards are not inconsistent with mandatory requirements applicable in Colombia;
- "Additional Shareholders" any Shareholders who have become party to this Agreement in the manner contemplated in Section 2.05(b);
- "Auditors" the external auditors ("*revisor fiscal*") of the Company from time to time;
- "Authority" any national, supranational, regional or local government or governmental, administrative, fiscal, judicial, or government-owned body, department, commission, authority, tribunal, court, agency or

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| | entity, or central bank (or any Person, whether or not government owned and howsoever constituted or called, that exercises the functions of a central bank); |
| "Authorizations" | any consent, registration, filing, agreement, notarization, certificate, license, approval, permit, authority or exemption from, by or with any Authority, whether given by express action or deemed given by failure to act within any specified time period and all corporate, creditors' and shareholders' approvals or consents; |
| "Board of Directors" | the board of directors of the Company; |
| "Business Day" | a day when banks are open for business in Bogotá, Colombia and New York, New York; |
| "Colombia" | the Republic of Colombia; |
| "Company" | Corporación Hipotecaria Colombiana S.A. Sociedad Titularizadora; |
| "Core Sponsors" | Davivienda, Colmena and Conavi and "Core Sponsor" means any of them; |
| "Dollar Equivalent" | on any date and in respect of an amount denominated in Pesos, the amount in Dollars that could be purchased with that amount in Pesos at the rate of exchange quoted by the <i>Tasa de Cambio Representativae de Mercado</i> , as determined by the <i>Superintendencia Bancaria de Colombia</i> at or about 11 a.m., Bogotá time on such date for the purchase of Dollars with Pesos for deliver on the second Business Day thereafter; |
| "Dollars" and the sign "\$" | the lawful currency of the United States of America; |
| "Estatutos" | the <i>estatutos</i> of the Company; |
| "Financial Year" | the accounting year of the Company which, unless otherwise modified in accordance with the provisions of the Estatutos, shall be the period |

commencing each year on January 1 and ending on the following December 31;

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| "IFC Shares" | the Shares in the Company from time to time subscribed for by IFC, and any other Shares owned by IFC as a result of the exercise by it of any conversion rights or of any stock split, dividend issue of bonus shares recapitalization or similar transaction or event applicable to them; |
| "IPO" | the initial public offering of shares in the capital of the Company; |
| "Material Adverse Effect" | a material adverse effect on: <ul style="list-style-type: none">(i) the Company, its assets or properties;(ii) the Company's business prospects or financial condition;(iii) the carrying on of the Company's business or operations; or(iv) the ability of the Company to comply with its obligations under this Agreement; |
| "Mortgage Loans" | loans, made to finance or refinance purchase or construction or improvement of housing and secured by mortgages over the relevant property; |
| "Net Equity" | the sum of share capital, the amount of any mandatory convertible bonds and subordinated debt in each case treated as equity by the Securities Superintendency (<i>Superintendencia de Valores</i>), share premium, reserves deriving from re-valuation of assets when specifically required by law or by the relevant technical regulations of the Securities Superintendency (<i>Superintendencia de Valores</i>), other reserves required by law or by the charter including reserves approved by the Shareholders in General Assembly Meetings of the Company, retained profits and reserves required by inflation accounting in the event that applicable laws and |

regulations require the Company to follow such an accounting method;

- "Official" any officer of a political party or candidate for political office in the Country or any officer or employee (i) of the Government (including any legislative, judicial, executive or administrative department, agency or instrumentality thereof) or (ii) of a public international organization;
- "Operating Policies and Guidelines" operating policies and guidelines adopted by the Company in accordance with the provisions of Section 4.11, relating among other matters to those referred to in Section 4.11;
- "Option Agreement" an agreement entered into or to be entered into between IFC, the Core Sponsors and others providing for the right of IFC to sell its Shares at a pre-agreed price on the occurrence of certain specified events;
- "Person" any natural person, corporation, company, partnership, firm, voluntary association, joint venture, trust, unincorporated organization, Authority or any other entity whether acting in an individual, fiduciary or other capacity;
- "Pesos Equivalent" on any date and in respect of an amount denominated in any currency other than Pesos (the "second currency"), the amount in Pesos that could be purchased with an amount in that second currency at the rate of exchange quoted by the *Tasa de Cambio Representativae de Mercado*, as determined by the *Superintendencia Bancaria de Colombia* at or about 11 a.m., New York time on such date for the purchase of Pesos with the second currency for deliver on the second Business Day thereafter;
- "Pesos" and the sign "COP" the lawful currency of Colombia;

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| "Principal Shareholders" | the Core Sponsors, the Related Investors and IFC, and "Principal Shareholder" means any one of them; |
| "President" | the president and chief executive officer of the Company; |
| "Prohibited Payments" | any offer, gift, payment, promise to pay or authorization of the payment of any money or anything of value, directly or indirectly, to or for the use or benefit of any Official (including to or for the use or benefit of any other Person if the Company knows, or has reasonable grounds for believing, that the other Person would use such offer, gift, payment, promise or authorization of payment for the benefit of any such Official), for the purpose of influencing any act or decision or omission of any Official in order to obtain, retain or direct business to, or to secure any improper benefit or advantage for, the Company, its Related Parties or any other Person; provided that any such offer, gift, payment, promise or authorization of payment shall not be considered a Prohibited Payment if, in IFC's reasonable opinion, it is lawful under applicable written laws and regulations; |
| "Related Investors" | Corfinsura, Inversora Colmena and Seguros Bolívar, related respectively to Conavi, Colmena and Davivienda; |
| "Related Party" | in, respect of any Person (the "first Person"), any other Person: <ul style="list-style-type: none">(i) over twenty per cent (20%) of whose capital is owned , directly or indirectly, by the first Person;(ii) for which the first Person may nominate or appoint a majority of the members of the board of directors or persons performing similar functions; or |

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| | (iii) which is otherwise effectively controlled by the first Person; |
| | (iv) by which the first Person is effectively controlled, whether directly or indirectly; or |
| | (v) which is under common control with the first Person; |
| "Securities" | securities issued under mortgage securitization process (<i>procesos de titularizacion hipotecaria</i>) and bonds and mortgage bonds (<i>bonos hipotecarios</i>) in each case, warehoused, packaged, issued or traded by the Company; |
| "Shareholder" | at any time any person owning Shares at that time; |
| "Shares" | voting common shares in the capital of the Company; |
| "Sponsors" | the Core Sponsors and the Related Investors; and |
| "Taxes" | any present or future taxes, withholding obligations, duties and other charges of whatever nature levied by any Authority. |

Section 1.02. Interpretation. In this Agreement, unless the context otherwise requires:

(i) actively traded shall be construed as traded *cum media bursatilidad* as determined by the Securities Superintendency (*Superintendencia de Valores*);

(ii) headings and underlinings are for convenience only and do not affect the interpretation of this Agreement;

(iii) words importing the singular include the plural and vice versa;

(iv) an expression importing a natural person includes any company, partnership, trust, joint venture, association, corporation or other body corporate and any governmental authority or agency;

(v) a reference to an Article, Section, Schedule or party, is a reference to that Article or Section of, or that Schedule or party to, this Agreement;

(vi) a reference to a document includes an amendment or supplement to, or replacement or novation of, that document but disregarding any amendment, supplement, replacement or novation made in breach of this Agreement; and

(vii) a reference to a party to any document includes that party's successors and permitted assigns.

ARTICLE II

Business and Organization of CHMC

Section 2.01. Corporate Purposes. (a) The main corporate purposes of the Company will be to:

- (i) acquire Mortgage Loans meeting pre-defined standards;
- (ii) maintain a portfolio of Mortgage Loans; and
- (iii) warehouse, package, issue and trade:
 - a) any type of securities issued under the mortgage securitization process (*procesos de titularizacion hipotecaria*); and
 - b) to the extent permitted by applicable laws and regulations, corporate bonds and mortgage bonds (*bonos hipotecarios*);
- (iv) undertake and develop a trading and market making activity in the securities issued by the Company; and
- (iv) any other transactions entered into by the Company in accordance with its Estatutos, Colombian laws and regulations and with the terms and conditions of this Agreement to enable the Company to meet its financing requirements

(b) The Company will provide credit enhancement of Securities through financial structuring and/or by partially guaranteeing the Securities issued. Funding requirements will be covered by:

- (i) the Company's own share capital;
- (ii) the issuance of Securities and any other type of instruments allowed by Colombian regulations for such purpose; and
- (iii) bank borrowings, and/or the issuance of corporate bonds as appropriate.

Section 2.02. *Organization and Supervision.* The Company will be organized under the laws of Colombia and have its principal place of business in Bogotá and will be regulated by the Securities Superintendency (*Superintendencia de Valores*) or such other governmental agency responsible for the supervision of companies carrying on a business of the nature hereby agreed as the business to be carried on by the Company.

Section 2.03. *Share Capital* (a) The issued and paid up share capital of the Company shall be:

- (i) at inception, the higher of the Pesos Equivalent of one million Dollars (\$1,000,000) and the minimum amount required by the relevant regulations;
- (ii) by no later than August 1, 2001, the higher of the Pesos Equivalent of ten million Dollars (\$10,000,000) and the minimum amount required by the relevant regulations;
- (iii) upon the first issue of any securities issued under the mortgage securitization process, no less than the minimum amount required by the Securities Superintendency (*Superintendencia de Valores*); and
- (iv) subject as hereinafter provided, by the later of the 31st of January 2002 (or such other date agreed by a majority of the parties to this Agreement and the date 6 months after the increase made pursuant to (iii) above), the Pesos Equivalent of fifty million Dollars (\$50,000,000).

For the purposes of determining whether the Company is in compliance with the provisions of Section 2.03(iii), account shall be taken of the amount of

any mandatory convertible bonds issued by the Company to the extent that they are subscribed.

(b) While it is the intention of the parties that the amounts specified in sub-section (a) will be subscribed by the dates specified therein, each subscription by the Shareholders will be subject to the satisfaction of any conditions of subscription applicable thereto.

(c) It is intended that over a period of four years the Company's Net Equity will be increased to a level estimated to be in the region of the Pesos Equivalent of two hundred million Dollars (\$200,000,000).

(d) The total authorized and issued share capital of the Company and the rate of capital increases will ultimately be determined by:

- (i) rating agency requirements
- (ii) regulatory/legal requirements,
- (iii) market conditions; and
- (iv) the Company's realized business volume and performances;

(e) The parties intend that the share capital of the Company will be represented by ordinary shares, the holders of each of which will be entitled to one vote at any meeting of members of the Company. The Shareholders may also consider the issue of privileged shares, mandatory convertibles bonds and preference shares in any combination as agreed upon by the Shareholders, in order to properly address regulatory and fiscal requirements applicable to the Company.

(f) As part of its capitalization policy, the Company is also expected to issue convertible debt in an amount to be agreed by a majority of the parties to this Agreement.

(g) Immediately after IFC's initial subscription, the Company will have issued and the Shareholders, other than IFC, will have subscribed, the higher of (i) the Pesos Equivalent of seven hundred and fifty thousand Dollars (\$750,000), and (ii) seventy five percent (75%) of the minimum amount of share capital of the Company required by applicable regulations, of shares and each of the Core Sponsors will have subscribed for twenty one point seven per cent (21.7%) of the share capital of the Company and each of the Related Investors

will have subscribed for three point three per cent (3.3%) of the capital of the Company.

(h) Subsequent to IFC's initial subscription and subject to the provisions of this Section 2.03(h) each of the Core Sponsors will subscribe and pay for up to twenty one point seven per cent (21.7%) of the share capital of the Company and for up to twenty one point seven per cent (21.7%) of any convertible debt issued by the Company and shall each procure that its Related Investor or one or more of its Related Parties subscribe and pay for such percentage of the share capital of the Company which, when aggregated with the percentage of the share capital subscribed by the Core Sponsor, equals twenty five per cent (25%) and such percentage of any convertible debt issued by the Company which, when aggregated with the percentage paid by the Core Sponsor, equals twenty five per cent (25%) of the amount of convertible debt issued. If a Related Investor or a Related Party does not subscribe and pay for a percentage of the share capital and or convertible debt in the manner hereby contemplated, the Core Sponsor to which it is related shall take up the entire twenty five per cent (25%) subscription and the entire twenty five per cent (25%) of the convertible debt issued. The obligations of the Core Sponsors hereunder shall be reduced pro-rata to any reduction in their percentage shareholding in the Company as a consequence of the acquisition of Shares by Additional Shareholders.

(i) IFC will enter into a subscription agreement with the Company pursuant to which it will commit to subscribe to and pay for up to twenty five per cent (25%) of the share capital of the Company.

(j) Neither IFC nor the Core Sponsors shall be obliged to subscribe to any Shares after its initial subscription, made pursuant to the escritura pública de constitución of even date herewith and made among the parties hereto, until technical advisors, appointed in accordance with the provisions of Section 4.10 have been appointed to prepare the Operating Policies and Guidelines.

(k) Neither IFC nor the Core Sponsors shall be obliged to subscribe to any Shares after its second subscription, as contemplated by the provisions of Section 2.03(a)(ii) until the Operating Policies and Guidelines are adopted by the Board in accordance with the provisions of this Agreement.

Section 2.04. Shareholders' Undertakings Each of the parties to this Agreement shall co-operate and use reasonable efforts, including the exercise, in the case of IFC at the written request of any other party to this Agreement, to the extent that the same is within its powers and voting rights, its powers as a Shareholder and the voting rights it controls at meetings of the Board of Directors, so as to ensure that:

(i) the business of the Company shall be conducted in the best interests of the Company on sound commercial profit-making principles so as to generate the maximum achievable profits;

(ii) the Company operates freely and in a transparent way, conducting its activities on an arms-length basis;

(iii) The Company seeks an appropriate investor grade domestic rating, for both the mortgage backed securities it arranges/issues and the mortgage bonds (*bonos hipotecarios*) that it issues from Duff & Phelps de Colombia or another Colombian rating agency approved by the Board of Directors and acceptable to IFC.

(iv) In respect of any international issuance the Company seeks an appropriate international rating from an international rating agency approved by the Board of Directors and acceptable to IFC. Each of the parties to this Agreement acknowledge that as at the date hereof any of Standard & Poor's, Moodys and Duff & Phelps constitute acceptable international rating agencies.

Section 2.05. *Additional Acknowledgements and Undertakings* (a) Each of the parties to this Agreement acknowledges and agrees the Company will not have any obligation to conduct its transactions solely with or to benefit only one or some of the parties to this Agreement.

(b) The Principal Shareholders intend to broaden ownership of the Company by inviting Corporacion Andino Fomento and other Colombian parties to subscribe and pay for shares in the Company, of a class to be determined, which shares are expected to represent approximately twenty per cent (20%) of the total share capital of the Company after issuance. Prior to the date of incorporation of the Company the terms of issue of any such additional shares shall be subject to the agreement of each of IFC and the Core Sponsors. After the date of incorporation of the Company the terms thereof shall be determined in accordance with the Estatutos. It will be a condition of the issue of shares in the Company to any such party that that party shall, at the request of any of the Principal Shareholders, become a party to this Agreement and any other agreement regulating the rights of shareholders in the Company by entering into a supplemental agreement substantially in the form set out in Schedule 2.

(c) It is the intention of the parties to this Agreement that the Company will make an IPO through the offer of additional shares of a class to be determined, which is expected to represent at least 25% of the total share capital of the Company after issuance. Each of the parties to this Agreement will use its

reasonable efforts (in the case of IFC at the request of the other parties to this Agreement) to procure that the Company uses its best efforts to effect such offering as soon as the Company's development and the market conditions support it. Each of the parties to this Agreement further agrees to use its reasonable efforts to procure (in the case of IFC at the request of other parties to this Agreement), that in conjunction with the IPO, shares in the Company are listed on the Bogotá Stock Exchange and as appropriate on NASDAQ, the London and Luxembourg Stock Exchanges.

(d) Each of the parties to this Agreement acknowledges that it is not anticipated the market will favor such an IPO within the first four years of the Company commencing operations as a *titularizadora de prestamos hipotecarios*.

ARTICLE III

Representations

Section 3.01. *Representations of the Shareholders*. Each of the parties to this Agreement other than IFC represents and warrants to each other and to the other parties to this Agreement that:

(a) the execution, delivery and performance by it of this Agreement are within its corporate or other applicable powers, have been duly authorized by all necessary corporate or other applicable action, and do not contravene (i) its charter documents, if applicable; (ii) any contractual restriction binding on or affecting it; or (iii) any law, regulation license, order or decree applicable to it;

(b) no Authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body in Colombia (which has not already been obtained or made) is required for the due execution, delivery and performance by them of this Agreement; and

(c) this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

Section 3.02. *Representations of IFC*. IFC hereby represents and warrants that (i) this Agreement has been duly authorized, executed and delivered by IFC and (ii) its obligations under this Agreement constitute its legal, valid and binding obligations.

ARTICLE IV

Corporate Governance

Section 4.01. Undertaking as to Corporate Governance. Each of the parties to this Agreement agrees that

- (a) the corporate governance of the Company shall be conducted in the manner set out in this Article IV; and;
- (b) it shall, (in the case of IFC at the written request of any other parties to this Agreement) to the extent that the same is within its powers and voting rights and to the extent permitted by applicable law, exercise its powers as a Shareholder and the voting rights it controls at meetings of the Board of Directors accordingly.

Section 4.02. Board of Directors. (a) Until the date of the closing of the IPO, the Board of Directors shall comprise of five (5) directors and thereafter seven (7).

(b) Subject to the provisions of Section 4.02(i), provided that it is the legal and beneficial owner of Shares representing at least five per cent (5.0%) of the issued voting shares of the Company, each of the Core Sponsors and IFC (a "requesting party") shall be entitled to nominate one member of the Board of Directors and his alternate and each of the parties hereto shall at the request of any requesting party, cast its vote to ensure that the person nominated by the requesting party is appointed to the Board of Directors. Each of the parties hereto shall vote its shares in favor of a nominee of the Additional Shareholders, if any, as a member of the Board of Directors and his alternate.

(c) Any director that is nominated pursuant to Section 4.02(b) may only be removed upon request by the party nominating such director (the "nominating party"), which nominating party shall have the sole right to nominate a replacement thereof. Each of the parties hereto, at the request of a nominating party, shall cast its vote at a meeting of the Shareholders for the immediate removal of the relevant nominee.

(d) In connection with their service on the Board of Directors, the Company shall reimburse each Director for all expenses properly incurred in

carrying out his duties as a Director, including the costs of attending meetings of the Board of Directors

(e) If for any reason no IFC designee is a member of the Board of Directors, the Core Sponsors, the Related Investors and any Additional Shareholders shall procure that the Company shall provide to IFC all information provided to the Board of Directors.

(f) Save as otherwise agreed pursuant to this Section 4.02 each member of the Board of Directors shall be appointed by vote of the Shareholders.

(g) The members of the Board of Directors shall have the right to appoint an advisor to attend and participate in meetings of the Board of Directors to help the Board to develop the strategic and technical plan of the Company. Such advisor shall have no voting rights.

(h) Each member of the Board of Directors will receive monthly, quarterly and annual reports on the business, investment performance, guarantees issued and financial results of the Company, and any other reports or information that they may request from time to time.

(i) In the event that any of IFC or the Core Sponsors or any Additional Shareholders (a "Defaulting Party) is in breach of its obligations under this Agreement and, to the extent that such breach is capable of being remedied fails to remedy it within ten (10) Business Days after notice from a party to this Agreement specifying such breach and requesting that it be remedied or makes any Prohibited Payment; (A) such Defaulting Party shall forfeit its right to nominate a member of the Board of Directors, in the case of a breach of its obligations under this Agreement until such breach is remedied to the satisfaction of each of the other parties to this Agreement and (B) the Defaulting Party shall, at the request in writing of the holders of a majority of the issued voting shares of the Company other than those owned by the Defaulting Shareholder, promptly procure the resignation of any member of the Board of Directors nominated by it provided that if any such breach was attributable solely to actions of any director appointed by the Defaulting Party taken in contravention of the instructions of the Defaulting Party and the Defaulting Party procures the resignation of that director, the right of the Defaulting Party to nominate a member of the Board of Directors shall be reinstated.

Section 4.03. Delegation of Directors' Powers. (a) The Board of Directors shall be entitled to delegate its powers to committees having such powers and duties as may be delegated to them by the Board of Directors.

(b) The Board of Directors may also delegate to the President or to any member of the Board of Directors such of their powers as they consider desirable to be exercised by him. Any such delegation may be made subject to any condition the Board of Directors may impose.

Section 4.04. The Chairman. At the first meeting of the Board of Directors, the members of such Board of Directors shall elect the chairman of the Board of Directors who shall preside at every meeting of the Board of Directors at which he is present.

Section 4.05. Board Meetings. (a) Meetings of the Board of Directors shall be held at least four (4) times each year to discuss and establish, among other things, the Company's policies, strategies, business plans and on-going performance relative to budget.

(b) Each of the parties to this Agreement shall be sent notice at least fifteen (15) days prior to the date of any meeting of the Board of Directors. Such notice shall include the date, time place and agenda of the meeting.

(c) At least four (4) Directors will be required to be present for a quorum.

(d) Subject as otherwise provided herein, any resolution of the Board of Directors shall require the favorable vote of a majority of the Board of Directors.

(e) Resolutions of the Board of Directors in respect of the election of the President of the Company and the criteria applicable to the selection of the President of the Company and the determination of his remuneration shall require the affirmative vote of four members of the Board of Directors, including any director nominated by IFC.

Section 4.06. Shareholders Meetings. (a) The general meetings of the Shareholders shall be annual and extraordinary general meetings. The annual shareholders meetings shall be held once a year within ninety (90) days following the end of each Financial Year. Extraordinary general meetings shall be held as often as necessary.

(b) Subject as hereinafter provided, Shareholders' meetings shall be held upon notice addressed to all Shareholders, which shall be sent at least fifteen (15) days prior to the date of the proposed meeting. The notice shall include the time, place and agenda of the meeting. Resolutions of the general meetings shall be restricted to the matters set forth in the agenda of the relevant meeting.

Notwithstanding the foregoing, Shareholders' meetings may be convened without such notice (i) by agreement in writing among all the Shareholders and otherwise in accordance with applicable laws and regulations and (ii) as a result of the failure of the requisite quorum of shareholders to attend a duly convened meeting, in which case notice of any adjourned meeting shall be given in accordance with applicable laws and regulations.

(c) Subject to the provisions of Section 4.06(b) and as hereinafter provided, a quorum of a general meeting shall be deemed validly attained if Shareholders representing the majority of the Company's issued and outstanding share capital are present at the meeting, either in person or through attorneys-in-fact or representatives. The quorum of any meeting convened in accordance with applicable laws and regulations as a result of the failure of the requisite quorum of shareholders to attend a duly convened meeting shall be that set by applicable laws and regulations.

(d) Except as otherwise required by law, all resolutions at a general meeting of the Shareholders shall be adopted by the affirmative vote of a majority of the voting shares represented at the meeting.

Section 4.07. Committees. (a) The Board of Directors shall establish the following committees:

- (i) an audit committee;
- (ii) an operational committee;
- (iii) an investment committee, the function of which will be to oversee:
 - (a) the acquisition of mortgage assets by the Company;
 - (b) the guarantees to be issued by the Company; and
 - (c) the investment management of the Company's liquid assets; and
- (iv) an asset/liability management committee the function of which will be to oversee the prudent management of the Company's assets and liabilities with respect to interest rate, liquidity and exchange rate risks and the policies of which will be approved by the Board of Directors

and shall consult together with a view to determining and implementing the most efficient and practical management and operational structure for the Company, including giving consideration to the establishment of additional committees, provided that the Board of Directors will not delegate any power to any committee of the Board of Directors without the approval of the Board of Directors. Notwithstanding the foregoing, no matter may be delegated to a committee if such delegation is not permitted by the Colombian Commercial Code or any other law or regulation applicable to the Company.

(b) Each of the credit policies and criteria used by the Investment Committee for evaluating investment performance shall be approved by the majority of the Board of Directors.

(c) The investment and guarantee guidelines for evaluating investment performance and establishing criteria, will be prepared in conjunction with the Technical Advisor and shall require the approval of the Board of Directors.

Section 4.08. Composition and Function of and Reporting by Committees.

(a) Each of the operational committee, the investment committee, the asset/liability management committee and any other committee established by the Board of Directors shall be constituted giving due consideration to the recommendations of the President and report directly to the President; and

(b) The audit committee shall report directly to the Board of Directors and shall be chaired by a Director appointed by the Board of Directors.

Section 4.09. President and Chief Executive Officer. The initial President shall be appointed unanimously by the Principal Shareholders and may be a member of the Board of Directors. Future Presidents will be selected and appointed by resolution of the Board of Directors with the consent of IFC. Presidents will not be members of the Board of Directors, unless so elected by the Shareholders, but shall be entitled to receive notice of, attend and be heard at meetings of the Board of Directors.

Section 4.10. Technical Assistance. (a) Each of the parties to this Agreement agrees that the Board of Directors will have the right to appoint technical advisors in connection with the conduct of the business of the Company as a "*titularizadora de prestamos hipotecarios*". The identity and terms of reference of any advisors shall be approved by the Board of Directors and IFC.

(b) IFC will have the right to request the Board of Directors to appoint qualified persons to provide technical assistance to the Company in specific areas of its business if they deem it appropriate and each of the parties to this

Agreement shall, upon receipt of a request from IFC, exercise the votes that it controls both at Shareholders meetings and meetings of the Board of Directors to ensure the appointment by the Company of such persons. IFC will also have the right during the first four year of its operation, to object, on reasonable grounds, to the appointment of a particular technical assistance provider where such appointment has been requested in accordance with the provisions of this Section 4.10.

(c) No changes to the nature of any agreed technical assistance or the cancellation of any agreement pursuant to which such assistance is provided may be effected without the approval of IFC.

Section 4.11. *Operating Policies and Guidelines.* (a) The Board of Directors shall approve the Operating Policies and Guidelines which Operating Policies and Guidelines must be in form and substance acceptable to IFC and shall set out the Company's general fundamental policies, including, but not limited to:

- (i) the structure and organization of the Company;
- (ii) a profile and selection process for the President of the Company;
- (iii) measurement of objectives of the Company;
- (iv) compensation for the President and senior management of the Company; and
- (v) those matters set out in Schedule 1.

(b) The Operating Policies and Guidelines shall not be amended without the consent of IFC.

ARTICLE V

Covenants

Section 5.01. *Covenants.* Each of the parties shall, (in the case of IFC at the written request of any of the Core Sponsors), to the extent that the same is within its powers and voting rights and to the extent permitted by applicable law,

exercise its powers as a Shareholder and the voting rights it controls at meetings of the Board of Directors so that the Company:

(a) conducts its business with due diligence and efficiency and in accordance with sound financial and business practices and maintains adequate insurance coverage, reflecting prudent standards and industry practice of comparable companies, in respect of the following;

- (i) the Company's information technology facility;
- (ii) directors' and officers' liability insurance;
- (iii) loss through dishonest or fraudulent act of employees including physical loss of property or cash;
- (iv) property, fire and general liability insurance; and
- (v) other insurances required by law;

(b) causes the proceeds of any investment made in the Company to be applied exclusively for its operations;

(c) maintains an accounting and cost control system, management information system and books of account and other records, which together adequately reflect truly and fairly the financial condition of the Company and the results of their operations in conformity with the Accounting Principles;

(d) appoints a firm of internationally recognized independent public accountants acceptable to IFC as external auditors ("*revisor fiscal*") of the Company and, in case the Auditors cease to be the auditors of the Company for any reason, appoints and maintains as Auditors of the Company a firm of independent public accountants of international standing and sound reputation approved by IFC, such approval not to be unreasonably withheld;

(e) as soon as available, but in any event within thirty (30) days after the end of each quarter of each Financial Year, delivers to IFC and each member of the Board of Directors:

- (i) two (2) copies of the Company's complete financial statements for such quarter prepared in conformity with Accounting Principles, consistently applied, and, if requested by any Shareholder, certified by an authorized representative of the Company;

- (ii) a detailed quarterly income statement and balance sheet (including contingencies) for the period from the last audited statements to the last day of such quarter;
 - (iii) a comparison of the quarterly and year-to-date income statement and balance sheet to the budget for said periods, together with explanations of any material variations;
 - (iv) a forecast for the remainder of the then current Financial Year (or if such quarter is the last quarter of a Financial Year, for the next Financial Year), based on the actual results, explaining major variations from the original budget and, if such forecast is in respect of any of the first three quarters of a Financial Year, indicating the funding requirements of the Company in the remaining period
 - (v) a report on any factors materially affecting or which might materially affect the business and operations or its financial condition of the Company; and
 - (vi) a list of all significant financial transactions between the Company and any of its Shareholders during the relevant quarter, including summaries of any mortgage portfolios acquired;
- (f) as soon as available but in any event within ninety (90) days after the end of each Financial Year, delivers to IFC:
- (i) two (2) copies of the complete consolidated financial statements of the Company for such Financial Year, which are in agreement with its books of account, and prepared in conformity with the Accounting Principles, consistently applied, together with an audit report on them;
 - (ii) a copy of any management letter or other communication from the Auditors to the Company or its management with respect to such Financial Year, on, among other things, the adequacy of the financial control procedures and accounting systems and management information system of the Company together with any response of the Company thereto;

- (iii) a report, in the form of Schedule 3, detailing the Company's total non-performing loans, total provisions and non-performing loans comprising collateral for any Securities, at the end of such Financial Year;
 - (iv) a review of the operations of the Company during such Financial Year, in a form and substance which satisfies applicable laws and regulations, containing inter alia the information listed in Schedule 4; and
 - (v) a list of all significant financial transactions entered into between the Company and any of its Shareholders during such Financial Year;
- (g) makes available to each of the Shareholders all of the information referred to in Section 5.01(f) at the meeting of Shareholders immediately following the same becoming available;
- (h) delivers to IFC and each member of the Board of Directors promptly following receipt a copy of any management letter or other communication sent by the Auditors or any accountants retained by the Company to its management in relation to its financial, accounting and other systems, management or accounts if not provided pursuant to subsection (e) (ii) or (f)(ii) above;
- (i) promptly, and in any event within fifteen (15) days thereof, delivers to IFC two (2) copies of the minutes of all meetings of the Board of Directors and Shareholders' meetings;
- (j) promptly provides to each of member of the Board of Directors and to IFC such information as any party to this Agreement from time to time shall reasonably request about the Company;
- (k) permits representatives of IFC to visit any of the premises where the businesses of the Company are conducted and to have access to the books of account and records of the Company, including access to meetings of executive management and senior management and permits representatives of other Shareholders to visit any of the premises where the businesses of the Company are conducted in accordance with applicable laws and regulations;
- (l) promptly notifies IFC and each member of the Board of Directors of any proposed change in the nature or scope of the business or operations of the

Company and of any event or condition which might have a Material Adverse Effect;

(m) promptly notifies IFC and each member of the Board of Directors as soon as it becomes aware of any litigation or administrative proceedings before any Authority or arbitral body which might have a Material Adverse Effect;

(n) conducts its business in compliance with the applicable laws and regulations, as well as the applicable environmental, occupational health and safety requirements of the Government of Colombia (including, without limitation, those laws respecting employment and employment practices, child labor, terms and conditions of employment, pay equity and wages and hours);

(o) obtains and maintains in force (or where appropriate, promptly renew) all Authorizations necessary for carrying on of the business and operations generally of the Company;

(p) performs and observes all the conditions and restrictions contained in, or imposed on the Company by, any such Authorizations;

(q) files all relevant tax returns and pays all taxes promptly upon the same becoming due, or in case of taxes not yet due make adequate reserves for the payment of each of such taxes;

(r) enters into any financial transaction only on an arm's length basis;

(s) authorizes, in the form of Schedule 4, the Auditors (whose fees and expenses shall be for the account of the Company) to communicate directly with IFC and each member of the Board of Directors at any time regarding the Company's accounts and operations and furnish to IFC and each member of the Board of Directors a copy of such authorization;

(t) causes each of its officers, directors, agents, employees and other representatives to promptly disclose to each member of the Board of Directors and IFC all details (and will provide any written proposals, inquiries or other materials) regarding any information, inquiry, communication (whether written or oral) or other indication of interest in any reorganization, consolidation, merger, sale of all or substantially all of the assets of the Company, sale of the share capital of the Company or any other transaction which, if consummated, would materially affect the Company or any of its Shareholders;

(u) at each annual meeting of the Shareholders, delivers to IFC a certificate, dated as of the date of such annual meeting, signed by the chief

executive officer of the Company stating that, since the later of the date of the execution of this Agreement or the most recent annual meeting of the Shareholders, the Company has complied with the course of action contemplated by this Section 5.01, except as disclosed on a schedule attached to such certificate;

(v) adopts a policy whereby the holders of shares of any class will be entitled to participate equally with the holders of the same class of shares in all distributions to shareholders, whether such distributions are in the form of cash dividends, stock dividends, stock splits or an alternative form of value transfer;

(w) adopts and adheres to a policy of earnings retention, consistent with requirements of Colombian laws and regulations, providing for retention of earnings in specific circumstances and sufficient to maintain a desired credit rating by the rating agencies, notwithstanding that the anticipated result of such policy is that the Company's shareholders will not receive distributions on their Shares in the first three years of operation;

(x) does not effect any alteration to the authorized and issued share capital of the Company and the rate of capital increases contemplated by Section 2.03 without the consent of the majority of the Shareholders;

(y) shall not make (and shall not authorize or permit any Related Party or any other Person acting on its behalf to make) any Prohibited Payment; and

(z) shall not, during the first 4 years of operation (or until listing, if earlier, on any of the Bogotá Stock Exchange NASDAQ, or London or Luxembourg Stock Exchange), approve any increase in the capital of the Company or issue any shares or any securities convertible into shares other than those contemplated in Section 2.03, unless it has the approval of the Board of Directors and is agreed by IFC; and

(aa) does not elect the President of the Company and determine the criteria applicable to the selection of the President of the Company and his remuneration without the consent of IFC.

Section 5.02. Covenant Relating to Prohibited Payments. Each of the Core Sponsors, the Related Investors and any Additional Shareholders shall notify each of the other parties to this Agreement of its concerns that any Prohibited Payment has been made and to cooperate in good faith with each of the other parties to this Agreement and their representatives and representatives of the Company in determining whether such a violation has occurred, and shall respond promptly and in reasonable detail to any notice from the notifying Shareholder,

and shall furnish documentary support for such response upon the notifying Shareholder's request.

Section 5.03. Confidentiality. Each of the parties to this Agreement hereto agrees that during the term of this Agreement, it shall not disclose any information of the Company which it receives and that is clearly and conspicuously identified as "Confidential Information" (the "Information"). Notwithstanding the foregoing, any party to this Agreement receiving such Information (the "Receiving Party") shall have no obligations hereunder with respect to Information which is (i) known to the Receiving Party on a non-confidential basis at the time of disclosure from the Company; (ii) at the time of that disclosure, or comes thereafter, in the public domain other than pursuant to a breach of an existing obligation by the Receiving Party; (iii) rightfully received from a third party without a restriction on further disclosure and without breach of the other provisions of this Section 5.03; (iv) independently developed by the Receiving Party; or (v) Information which is required by law, rule or regulatory authority on request of any Authority; provided, however, that the Company is given prior notice of disclosure to any Authority.

ARTICLE VI

Additional Covenants

Section 6.01. Information Covenants. Each of the Core Sponsors and any Additional Shareholders, shall:

- (i) as soon as reasonably practicable, but in any event within thirty (30) days after each annual general assembly at which its financial statements are approved, deliver to IFC:
 - (a) two (2) copies of its complete consolidated and unconsolidated financial statements as approved, which financial statements shall be in agreement with its books of account, and prepared in conformity with accounting principles applicable in Colombia in accordance with Colombian laws and regulations, consistently applied, together with an audit report on them; and
 - (b) if rated, a full report of the rating agency/ies.

- (ii) promptly provide to IFC such information as IFC may from time to time reasonably request to enable IFC to monitor their ability to full-fill its obligations under the Option Agreement in the event of the exercise by IFC of its Put Option;
- (iii) promptly provide to IFC such other information as IFC from time to time shall reasonably request of it with regard to the matters arising out of this Agreement or the Option Agreement; and
- (iv) within fifteen (15) days thereafter each of its shareholders' meetings (whether regular or extraordinary), deliver to IFC two (2) copies of extracts from the minutes of all such meetings to the extent that they relate to matters arising out of this Agreement.

ARTICLE VII

Transfer of Shares

Section 7.01. *Restrictions on Transfer.* (a) Each the Core Sponsors, the Related Investors and any Additional Shareholders confirms that it will subscribe to shares in the Company and acquire convertible debt with the intention of investing in the Company and not with a view of re-selling.

(b) Without limitation to the obligations of the Core Sponsors pursuant to Section 7.01(c), each of the Core Sponsors, the Related Investors and any Additional Shareholders agrees that, prior to the earlier of the date falling four years after the date of this Agreement and the listing of Shares on any of the Bogotá Stock Exchange NASDAQ, or the London or Luxembourg Stock Exchange (the "Retention Period"), so long as IFC retains some or all of the Shares initially subscribed by IFC, it shall not, without obtaining the prior written consent of a majority of the other parties to this Agreement, including IFC, sell or in any manner dispose of, pledge or encumber, or permit any encumbrance to exist over, all or any portion of its shares in the Company or any convertible debt other than to a Related Party that becomes a party to this Agreement as a Shareholder, by executing an instrument of adherence in form and substance satisfactory to each of the parties hereto.

(c) Each of the Core Sponsors agrees for itself that so long as IFC retains some or all of the Shares initially subscribed by IFC, it shall not and shall procure that no shareholder that is a Related Party to it shall, without obtaining

the prior written consent of IFC, sell or in any manner dispose of, pledge or encumber, or permit any encumbrance to exist over, all or any portion of its shares in the Company or any convertible debt if as a result of such sale or disposition or the enforcement of such pledge or encumbrance its interest in each of the capital and the convertible debt of the Company held directly or indirectly through a Related Party would be less than seventeen per cent (17%) of the capital and the convertible debt of the Company.

Section 7.02. Right of First Refusal (a) Without limitation to any restrictions on the right to transfer shares contained in this Agreement, if any Shareholder (an "Offeror Shareholder") wishes to sell, transfer, assign, encumber or otherwise dispose of any Shares (the "Offered Shares"), such Shareholder shall give notice to the other Shareholders ("Offeree Shareholders") of its intention to do so, indicating the price and the terms and conditions of the transaction and the name of the third party interested in purchasing such Offered Shares, if any.

(b) Each of the Offeree Shareholders may, within thirty (30) days following receipt of any notice delivered pursuant to Section 7.02, give notice to the Offeror Shareholder of its intention to purchase a portion of the Offered Shares in the proportion that the number of the same class as the Offered Shares held by the Offeree Shareholder bears to the total number of Shares of that class held by the Shareholders (its "pro rata share"). In the event that during such thirty (30) day period one or more Offeree Shareholders (i) fails to deliver such notice, or (ii) exercises its right of first refusal in respect of a number of Shares less than its pro-rata share of the Offered Shares, each of the other Offeree Shareholders will have an additional period of ten (10) days within which to give notice to the Offeror Shareholder of its intent to purchase its pro rata share of the Offered Shares not taken by other Offeree Shareholders on the same terms and conditions set forth in the notification referred to in Section 7.02(a).

(c) In the event that none of the Offered Shares are purchased by the Offeree Shareholders, or should some of the Offered Shares remain unsold after the lapse of the 10-day period referred to in Section 7.02(b), the Offeror Shareholder will be entitled to sell to any third party within ninety (90) days following the expiration of such 10-day period the Offered Shares which remain unsold on the same or more onerous terms and conditions than those informed to the Offeree Shareholders.

(d) If the sale of the Offered Shares or a part thereof to a third party is not completed within the 90-day period mentioned in subsection 7.02(c), or should the Offeror Shareholder elect to seek to sell the Offered Shares on terms and conditions less favorable to the Offeror Shareholder than those set forth in the notice referred to in Section 7.02(a), the Offeror Shareholder will have to renew

the offer and the provisions of this Section 7.02 shall apply for any new proposed transaction in respect of the Offered Shares.

(e)The provisions of this Section 7.02 shall not apply:

- (i) in the event that the proposed sale of Shares by any Shareholder is to a Related Party provided, however, that such Related Party shall become a party to this Agreement as a Shareholder, by executing an instrument of adherence in form and substance satisfactory to each of the parties hereto; or
- (ii) in circumstances where a transfer of shares is to be effected as a consequence of the exercise by IFC of its option under the option agreement of even date herewith and made among the parties hereto.

ARTICLE VIII

Non-Competition Agreement

Section 8.01. *Non-Competition Obligation* (a) So long as IFC holds shares in the capital of the Company, each of the other parties hereto agrees that it shall not, during a four year period commencing from the date of incorporation of the Company or for any longer period agreed by IFC and the Core Sponsors and any Additional Shareholders, invest in any mortgage loan securitization company in Colombia carrying on business or proposing to carry on business in competition with that of the Company.

ARTICLE IX

Miscellaneous

Section 9.01. *Taxes and Expenses*. (a) Each of the Shareholders shall, in the case of IFC at the written request of any other Shareholder, to the extent that the same is within its powers and voting rights and to the extent permitted by applicable law, exercise its powers as a Shareholder and the voting rights it

controls at meetings of the Board of Directors to ensure that the Company shall (i) pay all Taxes or other charges payable in Colombia on or in connection with the execution, issue, delivery, registration or notarization of this Agreement and any documents related hereto and, (ii) upon request any Shareholders, reimburse the requesting party or its assigns for any such Taxes or other charges paid by it or its assigns.

(b) Each of the Shareholders shall exercise the votes it controls both at Shareholders' meetings and/or meetings of the Board of Directors (in the case of IFC at the written request of the other Shareholders) to ensure that the Company shall pay or reimburse as soon as reasonably practicable after the capital of the Company has been increased to the level required by the Securities Superintendency (*Superintendencia de Valores*) to acquire mortgages and issue any securities, or if earlier by January 31, 2002:

- (i) each of the Core Sponsors and IFC two hundred and fifty thousand Dollars (\$250,000) in respect of costs and expenses incurred by them in the preparation of the development of the feasibility study for the Company, professional fees and expenses, costs incurred in dealing with the relevant authorities to obtain the legal framework currently in place for Securitization Companies and cost incurred in the promotion of the Company during the period commencing five years prior to its incorporation; and
- (ii) Fiduciaria Davivienda in respect of pre-operational costs only and expenses incurred by it under the scope of the Trust Contract entered into between Fiduciaria Davivienda and the Core Sponsors pursuant to which Fiduciaria Davivienda has undertaken certain pre-operational functions and incurred expenses (including by reason of reimbursements made to IFC in respect of expenses incurred by IFC after September 1, 2000) on behalf of the Company in order to obtain necessary authorizations for the incorporation of the Company and the preparation of technical and operational aspects related to the establishment of its operations provided that Fiduciaria Davivienda has not already been reimbursed in respect thereof.

Section 9.02. *Notices and Requests.* Any notice, request, approval or other communication to be given or made under this Agreement to any party shall be in writing and except as otherwise provided in this Agreement it shall be deemed to have been duly given or made when it shall be delivered by hand, mail (or airmail if sent to another country) or facsimile to the party to which it is required or permitted to be given or made at the relevant address for

communication of such party set forth below or at such other address for communication as such party shall have designated by notice to the party giving or making such notice, request, approval or other communication.

For Davivienda:

Carrera 7 # 31-10 Piso 24
Bogotá
Colombia

Attention: Secretario General

Facsimile No.: 571 2 855580

For Colmena:

Carrera 7 # 77-65 Piso 5°
Bogotá
Colombia

Attention: Secretario General

Facsimile No.: 571 3 216934

For Conavi:

Carrera 43 A # 1A Sur-Piso 4°
Edificio Santillana,
Medellín,
Colombia

Attention: Jefe Division Jurídica

Facsimile No.: 574 3 156419

For Corfinsura:

Carrera 43 A # 3-101
Medellín,
Colombia

Attention: Secretario General

Facsimile No.: 574 268-4386

For Inversora Colmena:

Calle 72 # 10 71 Piso 11
Bogotá
Colombia

Attention: Secretario General

Facsimile No.: 571-321-6934

For Seguros Bolívar:

Carrera 10 No. 16#39 Piso 2
Bogotá
Colombia

Attention: Secretario General

Facsimile No.: 571-283-0799

For IFC:

International Finance Corporation
2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433
United States of America

Attention: Director, Caribbean and Latin America Department

Facsimile: 202-974-4392/4300

Section 9.03. *Governing Law*. This Agreement is governed by, and shall be construed in accordance with, the laws of Colombia.

Section 9.04. *Jurisdiction* (a) The parties to this Agreement agree that any dispute, controversy or claim arising out of or relating to this Agreement (including any provision of any Annex thereto) or the breach, termination or validity thereof ("Dispute") shall be finally settled by arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law then in effect (the "Rules"), except as modified herein.

(b) The arbitration shall be held in New York. The arbitration proceedings shall be conducted, and the award shall be rendered, in the English language. There shall be three arbitrators of whom the claimant and the respondent each shall select one in accordance with the Rules. The claimant shall name its arbitrator in its notice of arbitration which shall also include its statement of claim. The respondent shall name its arbitrator in its statement of defense which it shall deliver to claimant within 30 days of claimant's notice of arbitration and statement of claim. The two named arbitrators shall select a third arbitrator to serve as presiding arbitrator within 30 days of the selection of the second arbitrator. If any arbitrator has not been named within the time limits specified herein and in the Rules, such appointment shall be made by the International Court of Arbitration of the International Chamber of Commerce upon the written request of either the claimant or respondent within 30 days of such request.

(c) The hearing shall commence no later than 90 days following the appointment of the last of the three arbitrators and the award shall be rendered no later than 30 days following the close of the hearing.

(d) Any arbitration proceedings, decision or award rendered hereunder and the validity, effect and interpretation of the arbitration agreement in this Section 9.04 shall be governed by the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 10 June 1958.

(e) Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, provide the other with copies of documents relevant to the issue raised by any claim or counterclaim. Other discovery may be ordered by the arbitrators to the extent the arbitrators deems additional discovery relevant and appropriate, and any dispute regarding discovery, relevance or scope thereof shall be determined by the arbitrators, which determination shall be conclusive.

(f) The parties hereby waive any rights of application or appeal to any court or tribunal of competent jurisdiction (including without limitation any courts of the United States and Colombia) to the fullest extent permitted by law in connection with any question of law arising in the course of the arbitration or with respect to any award made except for actions relating to enforcement of the

arbitration agreement or an arbitral award and except for actions seeking interim or other provisional relief in any court of competent jurisdiction.

(g) By agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies in aid of arbitration as may be available under the jurisdiction of a national court, the arbitral tribunal shall have full authority to grant provisional remedies and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect.

(h) The award shall be final and binding upon the parties, and shall be the sole and exclusive remedy between the parties regarding any claims, counter-claims, issues, or accounting presented to the arbitral tribunal. Judgment upon any award may be entered in any court having jurisdiction thereof.

(i) Any monetary award shall be made and promptly payable in U.S. Dollars free of any tax, deduction or offset, and the arbitral tribunal shall be authorized in its discretion to grant pre-award and post-award interest at commercial rates. Any costs, fees, or taxes incident to enforcing the award shall, to the maximum extent permitted by law, be charged against the party resisting such enforcement. The arbitral tribunal shall have the authority to award any remedy or relief proposed by the claimant(s) or respondent(s) pursuant to this Agreement, including without limitation, a declaratory judgment, specific performance of any obligation created under this Agreement or the issuance of an injunction.

(k) This Agreement and the rights and obligations of the parties shall remain in full force and effect pending the award in any arbitration proceeding hereunder.

(l) Notwithstanding any submission by IFC to arbitration, IFC shall continue to enjoy such immunities and privileges as are conferred on it by its Articles of Agreement or by Colombian law, the International Finance Corporation Act, the International Organizations Immunities Act or any other applicable law.

Section 9.05. *Successors and Assigns.* (a) No party to this Agreement may assign any of its rights or obligations under this Agreement, without the prior written consent of the other parties hereto. Any attempted assignment in contravention hereof shall be null and void.

(b) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto or their successors and permitted assigns.

Section 9.06. No Third Party Beneficiaries. Except as otherwise expressly provided, nothing in this Agreement shall convey any rights upon any person or entity which is not a party or a successor or permitted assignee of a party to this Agreement.

Section 9.07. Delays or Omissions. It is agreed that no delay or omission to exercise any right, power or remedy on the part of the Company or any Shareholder upon any breach or default of any party to this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default before or thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on the Company's or any Shareholder's part of any breach or default under this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing and that all remedies either under this Agreement, or by law otherwise afforded to the Company or any Shareholder, shall be cumulative and not alternative.

Section 9.08. Entire Agreement. This Agreement and the Schedules to this Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties, and supersede all prior understandings, negotiations and agreements between the parties with regard to the subjects hereof and thereof.

Section 9.09. Amendment. Any amendment of any provision of this Agreement shall be in writing and signed by the parties.

Section 9.10. Termination of Agreement. This Agreement shall continue in force until the earlier of :

- (i) in the case of any Shareholder the date upon which it ceases to be a Shareholder in the Company;
- (ii) the date of de-registration of the Company; and
- (iii) such earlier date as the parties may agree

whereupon this Agreement shall terminate and be of no further force and effect.

Section 9.11. Severability. If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby

Section 9.12. English Language. All documents to be provided or communications to be given or made by the Company to IFC or any Director or alternate nominated by IFC under this Agreement shall be in English and, where the original version of any such document or communication is not in English, shall be accompanied by an English translation certified by an officer of the party responsible for the provision of such document to be a true and correct translation of the original. As between any document or communication received in any language other than English and any translation thereof obtained by IFC, the English language version shall be the governing version.

Section 9.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names, as of the date first above written.

BANCO DAVIVIENDA S.A.

By: *Original Signed*
Name: Olga Lucia Martínez
Title: Legal Representative

COLMENA ESTABLECIMIENTO BANCARIO

By: *Original Signed*
Name: Patrick - Tissot
Title: Legal Representative

CONVAVI BANCO COMERCIAL S.A.

By: *Original Signed*
Name: Luis Fernando Muñoz
Title: Vice-President

CORPORACIÓN FINANCIERA NACIONAL Y
SURAMERICANA - CORFINSURA

By: *Original Signed*
Name: Hugo Eduardo Ramirez
Title: Proxy

COMPAÑIA INVERSORA COLMENA S.A.

By: *Original Signed*
Name: Eduardo Villar Borrero
Title: Legal Representative

COMPAÑIA DE SEGUROS BOLIVAR S.A.

By: *Original Signed*
Name: Maria Mercedes Ibáñez
Title: Legal Representative

INTERNATIONAL FINANCE CORPORATION

By: *Original Signed*
Name: Pablo Massimo Martelli
Title: Resident Representative

OPERATING GUIDELINES

Operating Guidelines will be developed and adopted by CHMC, which will further identify the general fundamental policies and procedures that will govern the operations of the Board and the Company. With the execution of these Operating Guidelines, the Board and CHMC will declare their intention to adhere to these policies and procedures. The Operating Guidelines will address (without limitation) the following areas:

- State the primary function and business objectives of CHMC.
- Operational Guidelines to include:
 - eligible mortgage lenders;
 - eligible mortgage loans (types of properties, documentation, mortgage security, underwriting criteria);
 - commitment policies;
 - monitoring of approved Seller/Service providers and mortgage loans to be purchased/secured (pre- and post-purchase review/due diligence); and
 - portfolio purchase/secured criteria (size of pool, seasoning, owner-occupancy, interest rate, product types).
- Financial Policy Guidelines – to include:
 - pricing regime;
 - asset/liability management (framework for match funding);
 - possible sources of funds (i.e. Share Capital, debt investors, short-term bank lines);
 - leverage ratios;
 - risk management framework (liquidity and maturity risk, diversification risk, interest rate risk, foreign exchange risk);
 - investments;
 - profits and distribution policy;
 - loss provisioning; and
 - prudential management ratios (i.e. Capital Adequacy Ratio; ratio of current assets to current liabilities; appropriate ratio of investments in securities, except for MBS guaranteed by the Company, to capital).
- Conflicts of Interest
- Management of the Company (i.e. management reports, staffing, committees, Board)

Revision of the Policies

SUPPLEMENTAL AGREEMENT FOR ADDITIONAL SHAREHOLDERS

THIS SUPPLEMENTAL AGREEMENT is made on the _____ day of _____, 200__.

BETWEEN:

- (1) **BANCO DAVIVIENDA S.A.** a bank organized and existing under the laws of The Republic of Colombia and having its registered office at Carrera 7 No. 31-10 Bogotá, Colombia ("Davivienda"); and
- (2) **COLMENA ESTABLECIMIENTO BANCARIO**, a Bank organized and existing under the laws of The Republic of Colombia and having its registered office at Carrera 7 No. 77-65 Bogotá, Colombia ("Colmena");
- (3) **CONAVI BANCO COMERCIAL S.A.**, a bank organized and existing under the laws of The Republic of Colombia and having its main registered office at Medellín ("Conavi");
- (4) **CORPORACIÓN FINANCIERA NACIONAL Y SURAMERICANA – CORFINSURA** a credit establishment organized and existing under the laws of the Republic of Colombia and having its registered office at Medellín, Colombia ("Corfinsura");
- (5) **COMPAÑÍA INVERSORA COLMENA S.A.** a corporation, organized and existing under the laws of the Republic of Colombia and having its main registered office at Bogotá, Colombia ("Inversora Colmena");
- (6) **COMPAÑÍA DE SEGUROS BOLIVAR S.A.** an insurance company, organized and existing under the laws of the Republic of Colombia and having its registered office at Carrera 10 No. 16-39 Bogotá, Colombia ("Seguros Bolívar");

- (7) **INTERNATIONAL FINANCE CORPORATION**, an international organization established by Articles of Agreement among its member countries, including the Republic of Colombia ("IFC"); and
- (8) [Additional Shareholder] (the "Additional Shareholder").

WHEREAS:

- (1) By an agreement, together with the supplemental agreements referred to in (2) below, the "Shareholders Agreement" dated [] and made between the parties hereto, the parties have agreed certain contractual provisions relating, inter-alia, to the relationship among them arising out of their shareholdings in the Company and the management of the Company, which relationship is further governed by the following agreements:
- i) the agreement (*escritura publica de constitucion de sociedad comercial anónima*) dated the date of the Shareholders Agreement made between the parties to the Shareholders Agreement; and
 - ii) the estatutos of the Company;.
- (2) The agreement referred to in (1) above has been supplemented by the following agreements:
- [List Supplemental Agreements entered into previously.]
- (3) By an agreement the "Option Agreement" dated [] and made between Davivienda, Colmena, Conavi and IFC, Davivienda, Colmena, Conavi have agreed to acquire from IFC certain of IFC's Shares in the Company on the terms and conditions contained therein.
- (4) The Additional Shareholder wishes to acquire from [] [*specify number of shares to be acquired*] Shares representing [] per cent ([]%) and, as contemplated, by Section 2.05 (b) of the Shareholders Agreement, to become a party to the Shareholders Agreement and to assume certain obligations of [] under the Option Agreement.

NOW IT IS HEREBY AGREED as follows:

1. Interpretation

Save as otherwise defined herein, terms defined in the Shareholders Agreement shall bear the same meaning herein.

"Obligors" Conavi, Colmena, Davivienda and any Additional Shareholder.

Muñoz

2. Additional Shareholder

With effect as from the date [hereof/that each of the Shareholders has confirmed to the other Shareholders and the Additional Shareholder that it has received, in form and substance satisfactory to it, each of the conditions precedent specified in Section 3], the Shareholders Agreement shall henceforth be read and construed as if the Additional Shareholder were party to the Shareholders Agreement having all the rights and obligations of an Additional Shareholder and a Shareholder under the Shareholders Agreement. Accordingly all references in the Shareholders Agreement to (a) any "Additional Shareholder" or "Shareholder" shall be treated as including a reference to such Shareholder; (b) the Shareholders Agreement shall be treated as a reference to the Shareholders Agreement as supplemented by this agreement to the intent that this agreement and the Shareholders Agreement shall be read and construed together as one single agreement; the Additional Shareholder shall assume obligations as an Obligor under the Option Agreement reflecting the percentage of Shares in the Company acquired by it; and (iv) the obligations under the Option Agreement of the Shareholder from whom the Additional Shareholder acquires Shares shall be reduced to the extent that they are assumed by the Additional Shareholder.

3. [Conditions Precedent

The following are the conditions precedent referred to in Section 2 which are required to be delivered to the Shareholders in relation to the Additional Shareholder:

- [(a) Documents to be determined at relevant time, including evidence satisfactory to IFC and the Obligors of the assumption by the Additional Shareholder of a pro rata portion of the obligations of the Obligors pursuant to Section 2.05 of the Option Agreement dated [] made between IFC and the Obligors, a certificate of existence and representation in respect of the Additional Shareholder issued by the Banking Superintendency and minutes of the board of directors of the Additional Shareholder, authorizing the acquisition of Shares and the assumption of obligations under the Shareholders Agreement and the Option Agreement.]¹.

4. Representations

The Additional Shareholder hereby represents and warrants in respect of itself as if the representations set out in Section 3.01 of the Shareholders Agreement were set out in full in this Agreement.

5. Counterparts

This Agreement may be signed in counterparts, all of which taken together shall constitute a single agreement.

6. Notices

For the purposes of this Agreement, Section 9.02 of the Shareholders Agreement and Section 6.01 of the Option Agreement, notices, request, approvals and other communication shall be deemed to have been given or made when duly delivered in any of the manners specified in Section 9.02 of the Shareholders Agreement to the Additional Shareholder as follows:

Name :
Address :
Attention :
Facsimile No. :

¹ To be determined on a case by case basis.

7. Law

This Agreement shall be governed by, and construed in accordance with the laws of Colombia.

AS WITNESS, the hands of the duly authorized representatives of the parties hereto the day and year first before written.

BANCO DAVIVIENDA S.A.

By: _____
Name: _____
Title: _____

COLMENA ESTABLECIMIENTO BANCARIO

By: _____
Name: _____
Title: _____

CONVAVI BANCO COMERCIAL S.A.

By: _____
Name: _____
Title: _____

CORPORACIÓN FINANCIERA NACIONAL Y
SURAMERICANA - CORFINSURA

By: _____
Name: _____
Title: _____

COMPAÑIA INVERSORA COLMENA S.A.

By: _____
Name: _____
Title: _____

COMPAÑIA DE SEGUROS BOLIVAR S.A.

By: _____
Name: _____
Title: _____

INTERNATIONAL FINANCE CORPORATION

By: _____
Name: _____
Title: _____

[Additional Shareholder]

By: _____
Name: _____
Title: _____

INFORMATION TO BE INCLUDED IN
ANNUAL REVIEW OF OPERATIONS

- (1) Core Sponsors and Shareholdings. (i) Prior to the earlier of the date falling four years after the date of this Agreement and the listing of Shares on any of the Bogotá Stock Exchange NASDAQ, or the London or Luxembourg Stock Exchange (the "Retention Period"), information on any share transfer within the group of companies of which it is part and a summary of all such transfers; and, (ii) following this period, information on significant changes in share ownership of the Company, the reasons for such changes, and the identity of major new shareholders.
- (2) Country Conditions and Government Policy. Report on any material changes in local conditions, including government policy changes that directly affect the Company (e.g. changes in government economic strategy, taxation, foreign exchange availability, price controls, and other areas of regulations.)
- (3) Management. Information on significant changes in the Company's senior management or organizational structure.
- (4) Technology. Information on any significant investment in technology and the purpose and benefits of such technology.
- (5) Corporate Strategy. Description of any changes or intended changes to the Company's corporate or operational strategy, including changes in products, scope of business and market focus.
- (6) Markets. Brief analysis of changes in Company's market conditions (both mortgage markets and Colombian capital markets).
- (7) Operating Performance. Discussion of major factors affecting the year's financial results.
- (8) Financial Condition. Key financial ratios for previous year as well as financial projections for the following year.

FORM OF LETTER TO COMPANY'S AUDITORS

[Company's Letterhead]

[Date]

[NAME OF AUDITORS]

[ADDRESS]

Ladies and Gentlemen:

We hereby authorize and request you to give to International Finance Corporation of 2121 Pennsylvania Avenue, N.W., Washington, D.C. 20433, United States of America ("IFC"), all such information as IFC may reasonably request with regard to the financial statements of the undersigned company, both audited and unaudited. It has been agreed that we supply that information and those statements under the terms of a Shareholders Agreement between the Shareholders and IFC dated _____, 2001 (the "Shareholders Agreement"). For your information we enclose a copy of the Shareholders Agreement.

We authorize and request you to send two copies of the audited accounts of the undersigned company to IFC to enable us to satisfy the obligation to IFC under Section 5.01 (f) (i) (*Covenants*) of the Shareholders Agreement. When submitting the same to IFC, please also send, at the same time, a copy of your full report on such accounts in a form reasonably acceptable to IFC.

Please note that under Section 5.01 (f) (ii) (*Covenants*) of the Shareholders Agreement, we are obliged to provide IFC with a copy of any management letter

or other communication from you to the Company or its management with respect to such Financial Year, on, among other things, the adequacy of the financial control procedures and accounting systems and management information system of the Company together with any response of the Company thereto.

Please also submit each such communication and report to IFC with the audited accounts.

For our records, please ensure that you send to us a copy of every letter which you receive from IFC immediately upon receipt and a copy of each reply made by you immediately upon the issue of that reply.

Yours truly,

(OFFICIAL NAME OF COMPANY)

By _____
Authorized Representative

Enclosure

cc: Director
Latin America and Caribbean Department
International Finance Corporation
2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433
United States of America