MetLife's Bondholder Consent Fee – Still Insufficient

Prior to upping the bondholder consent solicitation fee to $10 this morning and extending the deadline, MetLife has invited shareholders to a special meeting to be held on October 19, 2017. The purpose of the meeting is to allow common shareholders to consider and vote on a proposal to amend language (the "Amendment") in the company's Certificate of Incorporation that could restrict preferred stock and common stock dividends and repurchases of common stock – these potential restrictions are the result of the Brighthouse Financial Inc. spin-off.

In our prior note, MetLife's Consent Solicitation: We Will Just Say "No", we commented that management appears willing to accept the curing benefits of the alternative payment mechanism (APM) available to the junior subordinated debt holders if the consent solicitation fails. This view has been conveyed to us through Goldman Sachs, MetLife's representative to the consent solicitation on the junior subordinated debt – it is stated as justification for the underwhelming fee proposal. Indeed, we are comfortable with the benefits of the alternative payment mechanism for the junior subordinated debt and any negative tax implications an APM precedent could risk to common shareholders. But, when we process the preliminary proxy statement to common shareholders there is comparative ambiguity to management's easy view of using the APM. In the section explaining Consent Solicitations of Holders of Junior Subordinated Debentures (page 6 & 7), the proxy suggests that there **would be no APM used** to satisfy interest payments on the junior subordinated debt -- the shareholder proxy reads:

> *"…interest payments **would** be suspended under substantially the same circumstances as described with respect to the Preferred Stock…on page 4. Triggering those restrictions **would**, in addition, cause a suspension of dividends on both the Preferred Stock and the Common Stock. Accordingly, if each of the consent solicitations is not approved, the holders of Preferred Stock **would not** immediately realize the potential benefits of the Amendment…"*

MetLife explains the importance of obtaining each consent solicitation from junior subordinated debt holders to *"amend mandatory interest deferral provisions"*. The proxy language here characterizes that management's failure to obtain all of these bondholder consents would risk triggering those restrictions, which *would* cause a suspension of dividends (and common stock repurchases during that period) even if shareholders were to pass the Amendment. **This representation should be an alarming circumstance to common shareholders** because it shows the fate of their dividends being in the hands of the junior subordinated debt holders. The proxy explains clearly to shareholders a consequence if bondholders do not consent to approve a change to the financial tests in the covenants – **the implication here is that MetLife, in explaining that *triggering those restrictions would cause a suspension of dividends,* has rationalized to common shareholders why the bondholder consent solicitation is worth more than even just the standard $10 fee** and we agree. Furthermore, common shareholders should agree too given their potential to be significantly disadvantaged according to their proxy.

The question then becomes: How much more should MetLife pay to bondholders for their consent? After further discussions, Goldman appears content in arguing against bondholder views, so it is unclear whether MetLife is in full appreciation of our views specifically or of any other bondholder views. This standard $10 fee is perhaps where the company should have started from to begin with in order to vet the consent's appropriate value and we will again vote "NO". **We believe that just as MetLife's board "*urges*" the common shareholders to vote in favor of the Amendment, the common shareholders should urge management to pay appropriately more for these important bondholder consents so that *triggering those restrictions* described in their proxy can't happen and the full benefits of the Amendment can happen.**

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