

THE TURKS AND CAICOS ISLANDS

2018

IN THE SUPREME COURT

CAP 122

IN THE MATTER of
TCI BANK LIMITED
(In Liquidation by Order of the Supreme Court of the Turks & Caicos Islands)

AND

IN THE MATTER of
THE COMPANIES ORDINANCE (CAP 122)

FIFTEENTH REPORT OF THE OFFICIAL LIQUIDATOR
TO
THE SUPREME COURT OF THE TURKS & CAICOS ISLANDS

December 31, 2017

Respectfully Submitted by
Mr. Anthony S. Kikivarakis Sr.
As Official Liquidator for
TCI Bank Limited

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1 INTRODUCTION

1.1 Background

I, Anthony S. Kikivarakis Sr., Chartered Accountant and Chairman and CEO of Kikivarakis & Co., am the Official Liquidator for TCI Bank Limited (hereinafter referred to as the “Company”). I first took office as one of the Provisional Liquidators for the Company on 9 April, 2010, by order of the Honourable Justice Richard Williams of the Supreme Court of the Turks and Caicos Islands (the “Court”). On 29 October, 2010, I was appointed as one of the Joint Official Liquidators of the Company by the Court. This Joint Official Liquidator position remained in place until 23 October, 2012 when Mr. Mark E. Munnings was removed by the Court as one of the Joint Official Liquidators leaving me as the sole Official Liquidator of the Company.

My powers, as Official Liquidator, are set out in section 107 of the Companies Ordinance (CAP 122), which is exercisable without the sanction or intervention of the Court, pursuant to the Order of Mr. Justice Richard Williams dated 29 October, 2010.

In my said position and as an officer of the Supreme Court, I hereby submit to the Court, The Turks and Caicos Islands Financial Services Commission (the “FSC”), shareholders, and creditors of the Company the fourteenth report on the liquidation. This report covers the period July 1, 2017, to December 31, 2017.

1.2 Sources of Information

1.2.1 Specific details of the sources of information used and relied upon are given where referred to in this report.

1.3 Limitation

1.3.1 During the reporting period I have relied on the integrity of the information and documents contained in the Company’s records, supplied by former employees and other interested parties. Although I have sought to cross check information from different sources, to confirm their accuracy, I have not independently verified all of the information

and documentation upon which I have relied during the course of the reporting period; neither has the Company's financial records, as at December 31, 2017, been subject to an audit.

- 1.3.2 As the Company's Official Liquidator, my report is solely based on factual matters. While I believe all of the information in this report to be true and accurate, I reserve the right to amend this report should additional information come to my attention.

1.4 Currency

- 1.4.1 The Company's activities are conducted in United States Dollars (US\$) therefore, unless otherwise stated, all references to currency are in US\$.

1.5 Further Steps to be Taken as Stated in the Fourteenth Report

In my fourteenth report, I listed further steps to be taken, as at June 30, 2017. Steps taken in this regard were listed in the appropriate sections beside the said tasks. Nevertheless, after analyzing the tasks to be performed and prioritizing the same, I still have a small number of distributions from the first dividend not yet paid as a result of persons not being found or the current beneficiaries not yet being determined.

I will continue to advise the Court and interested parties of our progress in the Company's winding up proceedings, in subsequent reports.

2 OBJECTIVE OF THIS REPORT

The objective of this report is to provide parties interested in the Company's liquidation with the steps that have been taken since the fourteenth report as at June 30, 2017, and the progress made since that date. Topics included in this report are dealt with in the following sections:

- (a) Collections on outstanding loans
- (b) Proof of debt and dividend payments
- (c) Shareholder Banks Balances

- (d) Investments
- (e) Cash
- (f) Other Matters
- (g) Conclusion.

2.1 Collections on Outstanding Loans

- 2.1.1. During the reporting period, July 1, 2017, to December 31, 2017, twenty-eight (28) loan account balances were either set off with deposits, renegotiated or refinanced and final settlements made.
- 2.1.2. During this period, USD\$3,568,845 was collected from customers as noted in Appendix I. This amount was obtained from, sales of private treaty properties, proceeds from payouts and/or refinancing's from loan customers resulting from foreclosure proceedings.
- 2.1.3. As of the date of this report, there continue to be other loans and overdrafts that are now the subject of foreclosure proceedings arising from non-payment of outstanding amounts.

To date I have initiated foreclosure proceeding against properties of one hundred and three (103) borrowers with significant overdue loans and overdrafts. These proceedings will result in applications being made to the court to conduct private treaty sales. Most of our sales arise from private treaty court orders giving me the power to list the properties with real estate brokers.

Foreclosure proceedings and auctions as of the date of this report are as follows:

- 1. 103 section 64 notices served
- 2. 51 private treaty orders obtained
- 3. 15 properties have completed the 1st and 2nd auction processes
- 4. 4 auctions in total carried out to date
- 5. 2 properties sold to date by auction
- 6. 33 loans settled after foreclosure proceedings started

2.2 Proof of Debt and Payment of second and first dividends

- 2.2.1. As noted in Appendix I, during the reporting period a total sum USD\$8,731,262 was paid to a shareholder bank and creditors arising from the second and first interim dividend distributions declared.

2.3 Shareholder Banks Balances

- 2.3.1. As stated in our previous report a small number of shareholder banks still have outstanding loan balances with the Company. I am in discussion with two shareholder banks to determine which collateral being held by them can be utilized against their deposit balances.

1) St. Kitts Nevis Anguilla National Bank (SKNANB):

During the period this matter was concluded following protracted discussions with SKNANB's officials and their attorneys.

In October we agreed in principle to settle the debt at \$8,723,404.27 inclusive of capital and interest payments as opposed to the original amount claimed of \$9,492,803.00

At the request of TCI Bank Limited, granted 17th of January, 2008, SKNANB was receiving directly from the Government of Antigua the capital and interest payments due on the Antigua Bonds which also formed part of the SKNANB's security. The initial claim by SKNANB did not account for the fact that the interest it was receiving on the Bonds was higher than the interest payable on its loan to TCI Bank. This interest saving represented \$266,249.11 and we were therefore also able to set this amount off against the sum initially claimed by SKNANB. In addition the claim as presented by SKNANB did not account for the capital payments they received under the Antigua Bonds and these totaled \$1,500,002.00. The effect was that SKNANB's claim was further reduced to reflect these payments received by them.

Prior to our settlement, SKNANB filed a summons on the 22nd of September 2017 seeking leave to issue proceedings against the Bank in on this matter. This settlement reached by my attorney and I resulted in that summons being withdrawn thereby avoiding further costs to the Liquidation. Additionally the settlement resulted in the Company continuing to benefit from the TCIG Bonds, previously hypothecated to SKNANB, from which it now expects to receive a further \$2,368,881.57(principal and interest) over the remaining life of the Bonds. The TCIG Bonds will mature on the 30th November 2020 and the 4th of May 2021.

As Liquidator I am confident that there continues to be a local market for the TCIG Bonds which continues to pay interest above present market rates in the Turks and Caicos and notably above the rate that was attached to the SKNANB debt.

2)Antigua Overseas Bank (AOB):

AOB is the second shareholder bank which I am presently in discussions with officers of this bank regarding a claim due to the Company. As of this report, the discussions are not concluded.

2.4 Investments

- 2.4.1 As at the date of this report, I have received total principal redemption payments since the date of liquidation of USD\$4,066,666 on the TCI Government 8% Fixed Rate Non-callable 2006-2021 Bonds and the TCI Government 7.5% Fixed Rate Non-callable 2006-2021 Bonds (“the Bonds”). Accrued interest of USD\$206,858 as of the date of liquidation was also received. Details of the Company’s investment activities are shown below.

Investments	As at 9-Apr-10	Collected During the Liquidation	As at 31-Dec-17
Unquoted investment in ECIC Ltd.	\$ 631,990	\$ -	\$ 6,954
Antigua Government Bond 8.5%	1,499,998	-	-
TCI Government Bond 7.5%	3,833,333	(2,666,666)	1,166,667
TCI Government Bond 8%	2,000,000	(1,400,000)	600,000
Accrued Interest	206,858	(206,858)	-
Total	\$ 8,172,179	\$ (4,273,524)	\$ 1,773,621

During the period the Company received \$342,028 in principal repayment and interest was received as agent and paid to the respective beneficiaries (see Appendix II).

The Company's 632,200 shares in ECIC Limited are still being carried at a value of \$6,954.20 (0.011 per share).

The Antigua Government Bonds had their final repayment of principal and interest in July 2013 and the amount was retained by St. Kitts Nevis Anguilla Bank. As a result of the settlement of the SKNANB matter as noted in 2.3 this investment was recovered in full.

2.5 Cash balances

For the period the net cash increase (after deducting expenses) was USD\$3,335,807. As at December 31, 2017, the Company's cash balance is USD\$6,871,099. A detailed analysis of cash inflows and outflows is contained in the Receipts and Disbursements Account analysis provided in Appendix I.

2.6 Other Matters

During the period I continued to manage the liquidation process and my activities and those of my agents included, but were not limited to the following:

- (a) Instructing my agents, which included meeting with them, on tasks and procedures to be performed;
- (b) Meeting with and assisting customers in refinancing and restructuring their loan obligations and following up with banks on their behalf;
- (c) Instructing and receiving advice from my attorneys on legal matters arising;
- (d) Preparing and filing affidavits and reports with the Court and attending Court proceedings on taxation matters;
- (e) Meeting with real estate brokers and following up on sales of properties as allowed by the court through private treaty orders;

- (f) Making dividend distributions to clients where necessary.

3 OTHER STEPS TO BE TAKEN BY THE OFFICIAL LIQUIDATOR

In Section 1.5 above, we listed further steps to be taken up to December 31, 2017. Steps taken in this regard are listed in the appropriate sections beside the said tasks. Nevertheless, after analyzing the tasks to be performed and prioritizing the same, I still have a small number of distributions not yet paid as a result of persons not being located or the current beneficiaries not yet being determined.

I will continue to advise the Court and interested parties of our progress in the Company's winding up proceedings, in subsequent reports.

4 DIVIDEND DISTRIBUTION

I obtained approval from the court on April 22, 2015 to distribute a second dividend in the amount of twenty cents in the dollar (0.20) to creditors and depositors of the company.

Notice was given via the local newspapers, the radio, the website and creditors were also contacted via the telephone. The distribution process with regard to dividends is continuing although a number of creditors have not been located.

As noted in 2.3 the settlement of the claim by SKNANB, a secured creditor, resulted in a distribution of \$8,723,404.27.

5 CONCLUSION

As noted in prior reports the Company's main asset continues to be a depressed loan portfolio. As a result, most of my efforts will be dedicated to the collection of and/or conversion of the assets in the portfolio to cash. This will involve continuing foreclosure proceedings and selling properties where necessary. It is anticipated that a further dividend distribution will be made but the date of such cannot be determined at this time.

This report covers the period July 1, 2017, to December 31, 2017, and will be followed by half yearly reports, as at June 30 and December 31.

Respectfully submitted as of the 19th day of March, 2018 this the fifteenth report.

A handwritten signature in cursive script, appearing to read 'Anthony S. Kikivarakis Sr.', written in dark ink.

Anthony S. Kikivarakis Sr.

Appendix I

TCI Bank Limited (In Liquidation)
Receipts & Disbursements Account
For the period July 1, 2017, to December 31, 2017
(Unaudited)
(Expressed in United States dollars)

OPENING BALANCE		\$ 12,266,554
RECEIPTS		
Loan Receipts - TCI Bank Customers	3,568,845	
Principal repayments and interest on TCIG Bonds	344,727	
Interest income - Interest bearing deposits	23,509	
Trustee and Management fees	10,000	
Proceeds from the sale of assets	6,332	
TOTAL RECEIPTS		<u>3,953,412</u>
DISBURSEMENTS		
Liquidators' fees and other costs	266,689	
Legal fees related to foreclosure proceedings	163,277	
Salaries and related expenses - former employees	51,890	
Legal fees	46,475	
Rent and utilities - office	32,594	
Rent and utilities - Liquidator and Agents	19,889	
Security	12,808	
Storage	7,360	
Communication expenses	7,267	
Equipment rental, maintenance, and supplies	3,764	
Vehicle costs	3,591	
Bank charges	1,004	
Cleaning services	998	
TOTAL DISBURSEMENTS		<u>(617,604)</u>
NET RECEIPTS FOR THE PERIOD		3,335,807
DIVIDEND-SKNANB		(8,723,404)
DIVIDENDS-OTHER CREDITORS		<u>(7,858)</u>
ENDING CASH BALANCE		<u>\$ 6,871,099</u>
Cash Consist of:		
Interest bearing deposits		\$ 4,261,246
Operating Account		2,536,124
General Account		72,815
Petty cash		914
TOTAL CASH HELD		<u>\$ 6,871,099</u>

Appendix II

TCI Bank Limited (In Liquidation)
Receipts & Disbursements Account-Fiduciary Accounts
For the period July 1, 2017, to December 31, 2017
(Unaudited)
(Expressed in United States dollars)

OPENING BALANCE	\$ -
RECEIPTS	
Principal repayments and interest on TCIG Bonds (held in a fiduciary capacity)	<u>342,028</u>
DISBURSEMENTS	
Payment of principal and interest on fiduciary funds	<u>(342,028)</u>
ENDING CASH BALANCE	<u>\$ -</u>