

THE TURKS AND CAICOS ISLANDS

2014

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)

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

June 30, 2014

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

Table of Contents

1	INTRODUCTION.....	1
1.1	Background	1
1.2	Sources of Information.....	1
1.3	Limitation	1
1.4	Currency	2
1.5	Further Steps to be Taken as Stated in the Seventh Report	2
2	OBJECTIVE OF THIS REPORT.....	2
2.1	Collections on Outstanding Loans	3
2.2	Proof of Debt and Payment of first dividend	4
2.3	Shareholder Banks Balances	4
2.4	Investments.....	4
2.5	Cash balances	5
2.6	Other Matters.....	5
3	OTHER STEPS TO BE TAKEN BY THE OFFICIAL LIQUIDATOR	6
4	CONCLUSION	6
	Appendix I- Receipts and Disbursements Account.....	7
	Appendix II- Receipts and Disbursements Account-Fiduciary.....	8

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 seventh report on the liquidation. This report covers the period January 1, 2014, to June 30, 2014.

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 June 30, 2014, 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 Seventh Report

In my seventh report, I listed further steps to be taken, as at December 31, 2013. 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 number of potential distributions 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 seventh report as at December 31, 2013, 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, January 1, 2014, to June 30, 2014, sixteen (16) loan account balances were either renegotiated or refinanced and final settlements made.
- 2.1.2. During the previous six months, USD\$2,210,309 was collected from borrowers as compared to USD\$1,740,625 for the six months ended June 30, 2014 and as noted in Appendix I.
- 2.1.3. As of the date of this report, there continue to be significant loans and overdrafts that are now the subject of foreclosure proceedings because of non-payment of outstanding amounts.

To date I have initiated foreclosure proceeding against properties of some sixty-five (65) borrowers with significant overdue loans and overdrafts in the amount of USD\$ 36,439,638.62. These proceedings will result in public auctions before progressing to private treaty sales if the properties remain unsold at such auctions. The whole process could take up to seven months for each foreclosed property. On June 24th, 2013 I held my first auction where I placed eight (8) properties up for sale, none of which were sold. A second auction was held on January 8, 2014, and a bid was accepted for one property, but the potential purchaser subsequently failed to put up the required deposit. That property is still up for sale. Subsequent to the date of this report a third auction was held on August 13, 2014, where I placed eight (8) properties up for sale but was successful in selling only one (1) of the eight properties.

Of the sixty-five (65) properties under foreclosure proceedings; four (4) of the properties loan balances were settled, seven (7) properties are awaiting a second auction and eight (8) properties can now be sold via private treaty. The remaining forty-six (46) properties are the subject of Section 64 and/or Section 72 notices. If the loan balances are not

renegotiated or settled before expiry of the notices, then the properties will be subject to auction.

2.2 Proof of Debt and Payment of first dividend

2.2.1. As noted in Appendix I, during the reporting period a total sum USD\$65,762 was paid to creditors arising from its first interim dividend distribution declared.

2.3 Shareholder Banks Balances

2.3.1. A number of shareholder banks have outstanding loan balances with the Company which are being examined. I am in discussion with two shareholder banks to determine which collateral being held by them can be utilized against their deposit balances. One of the particular shareholder banks has not claim in the liquidation and has not responded to our request for dialogue with regard to the settlement. I will continue to pursue these matters with the aim of reaching a resolution.

2.4 Investments

2.4.1 As at the date of this report, I have received total redemption payments of USD\$3,100,000 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”) and accrued interest of USD\$206,858. Details of the Company’s investment activities are shown below.

Investments	As at 9-Apr-10	Collected During the Liquidation	As at 30-Jun-14
Unquoted investment in ECIC Ltd.	\$ 631,990	\$ -	\$ 100,000
Antigua Government Bond	1,499,998	-	-
TCI Government Bond 7.5%	3,833,333	(1,500,000)	2,333,333
TCI Government Bond 8%	2,000,000	(1,600,000)	400,000
Accrued Interest	206,858	(206,858)	-
Total	\$ 8,172,179	\$ (3,306,858)	\$ 2,833,333

During the period \$414,747 in principal repayment and interest was received and paid to the respective beneficiaries (see Appendix II).

As reported previously, I was contacted by shareholders of ECIC who advised that this company, which was no longer operating, was likely to be sold at a deeply discounted rate. The potential buyer of ECIC was interested in acquiring the company in order to gain control of a subsidiary of the company which has a restricted banking license. This matter is still outstanding as the settlement has not yet been finalized. Therefore from a conservative viewpoint, I have reduced the carrying value of this investment to USD\$100,000.

The Antigua Government Bonds had their final repayment of principal and interest in September 2013 and the amount was retained by St. Kitts Nevis Anguilla Bank as part of their collateral assigned by the Company to it. As stated in 2.3 above this matter is still the subject of discussion and negotiation.

2.5 Cash balances

For the period the net cash increase (after deducting expenses) was USD\$1,625,316. As at June 30, 2014, the Company's cash balance is USD\$10,588,825. 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 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) Preparing and organizing the second auction and attendance at such.

3 OTHER STEPS TO BE TAKEN BY THE OFFICIAL LIQUIDATOR

In Section 1.5 above, we listed further steps to be taken, as at June 30, 2014. 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 number of potential 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 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 continued foreclosure proceedings and taking legal action where necessary. This will not be without tremendous difficulties as many of the loan customers are themselves either experiencing difficulties in making timely payments on their outstanding loan balances, not able to refinance their loans, or simply refusing to pay their loan obligations.

Again, I have not prepared an estimate of the realizable value of the loan portfolio, which is primarily backed by property and real estate, because any estimate of recovery from the sale of properties would be speculative at this time, as I have not yet sold any properties arising from foreclosure proceedings. A number of properties will be subject to private treaty sales in the future.

This report covers the period January 1, 2014, to June 30, 2014, and will be followed by half yearly reports, as at December 31 and June 30.

Respectfully submitted as of the 30th day of September, 2014 this the eighth report.



Anthony S. Kikivarakis Sr.

Appendix I

TCI Bank Limited (In Liquidation)
Receipts & Disbursements Account
For the period January 1, 2014, to June 30, 2014
(Unaudited)
(Expressed in United States dollars)

OPENING BALANCE		\$ 9,029,270
RECEIPTS		
Loan Receipts - TCI Bank Customers	1,740,625	
Principal repayments and interest on TCIG Bonds	414,672	
Interest income - Interest bearing deposits	14,235	
Proceeds from the sale of assets	3,321	
TOTAL RECEIPTS		<u>2,172,854</u>
DISBURSEMENTS		
Liquidators' fees and other costs	317,682	
Salaries and related expenses - former employees	62,026	
Legal fees related to foreclosure proceedings	39,980	
Rent and utilities - office	34,344	
Rent and utilities - Liquidator and Agents	23,436	
Legal fees	21,792	
Security	14,349	
Communication expenses	12,561	
Storage	10,560	
Vehicle costs	5,233	
Equipment rental, maintenance, and supplies	2,870	
Cleaning services	1,923	
Bank charges	782	
TOTAL DISBURSEMENTS		<u>(547,538)</u>
NET RECEIPTS FOR THE PERIOD		1,625,316
FIRST INTERIM DIVIDEND		(65,762)
ENDING CASH BALANCE		<u>\$ 10,588,825</u>
Cash Consist of:		
Interest bearing deposits		\$ 7,184,787
Operating Account		2,746,072
General Account		656,810
Petty cash		1,156
TOTAL CASH HELD		<u>\$ 10,588,825</u>

TCI Bank Limited (In Liquidation)
Receipts & Disbursements Account-Fiduciary Accounts
For the period January 1, 2014, to June 30, 2014
(Unaudited)
(Expressed in United States dollars)

OPENING BALANCE	\$ -
RECEIPTS	
Principal repayments and interest on TCIG Bonds (held in a fiduciary capacity)	<u>414,747</u>
DISBURSEMENTS	
Payment of principal and interest on fiduciary funds	<u>414,747</u>
ENDING CASH BALANCE	<u>\$ -</u>