

# ECIC HOLDINGS LIMITED

*A Company of Caribbean Indigenous Banks*

## PRIVATE & CONFIDENTIAL

July 29, 2010

Messrs Anthony Kikivarakis and Mark Munnings  
Provisional Liquidators  
TCI Bank Ltd. (in provisional liquidation)  
Butterfield Square  
Providenciales  
Turks & Caicos Islands

Gentlemen:

### **RESCUE PLAN FOR TCI BANK LTD [in Provisional Liquidation] (TCIB)**

This proposal is being submitted on behalf of the following banks (Investor Banks):

- St Kitts Nevis Anguilla National Bank Ltd.
- National Bank of Dominica Ltd.

The following other banks from the Eastern Caribbean, all of which (along with the Investor Banks above [EC Banks]) are shareholders of TCIB and some of which (along with the Investor Banks above) are creditors of TCIB, wholly support the efforts of the Investor Banks:

- Grenada Co-operative Bank Ltd
- ABI Bank Ltd.
- Antigua Overseas Bank Ltd.
- Bank of Nevis Ltd.
- National Bank of Anguilla Ltd.
- Caribbean Commercial Bank (Anguilla) Ltd.

As a result of the court hearing of July 15, 2010 and further discussions with stakeholders, representatives of the Investor Banks joined a team from the Kosoy/Biden team and presented their rescue proposals to town hall meetings organized by the Creditor Protection Committee and attended by bank depositors in Grand Turk on July 23 and North Caicos and Providenciales on July 24, 2010.

Attendees at the town hall meetings were asked to indicate the bidder whose plan they supported as well as indicate whether they would like to avoid full liquidation. The feedback from the meetings demonstrates to us that there is overwhelming support for the reopening of TCIB and for the Investor Banks' plan. The Creditor Protection Committee, organizers of the meetings, have committed to providing the results of the depositors votes directly to you.

The EC Banks have been working on a rescue of the Bank for some time. They were part of a negotiating committee, along with the National Insurance Board of the TCI (NIB) and the Board of Directors of TCIB, attempting to finalise an agreement with a potential investor for the rescue of TCIB on April 9<sup>th</sup> 2010.

Since April 9<sup>th</sup>, the EC Banks have been involved in a number of discussions with the Provisional Liquidators (PLs), the NIB, interested investors, a Creditors Protection Committee representing depositors and a number of local shareholders. The EC Banks have concluded that the best option for rescuing TCIB is for all stakeholders with common interests to work collaboratively, in an effort that is fair and as equitable as possible and will lead to a successful and sustainable financial institution. Together, the cooperating stakeholders represent significant percentages of TCIB's depositors and shareholders as detailed in Clause 1, below.

In this connection, we submit this final proposal on behalf of the Investor Banks outlined above for the consideration of the Provisional Liquidators and the Court.

## 1. COOPERATING STAKEHOLDERS

While the proposal is being presented on behalf of the Investor Banks, the following entities have been party to the discussions and to its development:

- EC Banks (holding 48% of TCIB's shares and approx 19% of its deposit liability)
- NIB (holding approx 16% of TCIB's shares and approx 29% of its deposit liability)
- Creditors Committee (representing holders of approx 20% of TCIB's credit liability)
- Local Shareholders Committee (holding approx 10% of TCIB's shares)

## 2. RECAPITALISATION

### 2.1 Ordinary Shares

The Investor Banks will immediately invest \$5 million in ordinary shares to strengthen TCIB's Balance Sheet and as a demonstration of our commitment to the long term development of the Bank.

### 2.2 Preferred Shares

The Investor Banks will also immediately invest an additional \$7.5 million in Preference Shares.

## 3. TREATMENT OF SMALL DEPOSITORS

All deposit accounts, regardless of account type, will have no restrictions placed on the first \$50,000.00. This will allow all small depositors to access their funds immediately the Bank is reopened. Based on the most recent information available, this arrangement

impacts approximately 97% of the Bank's depositors. This component of the plan meets the PLs' requirement for free access for small depositors.

#### 4. TREATMENT OF CHECKING ACCOUNT HOLDERS

Holders of checking accounts, both individual and corporate, with balances in excess of \$50,000.00 will have access to an additional amount of \$50,000.00 of their balances over a twelve month period in increments of \$12,500.00 every quarter, starting three months after the Bank reopens.

This gesture will allow small business persons who have been severely impacted by the Bank's closure to start using their operating accounts again and get their businesses going again.

#### 5. TREATMENT OF OTHER DEPOSIT BALANCES

The Investor Banks are proposing that all checking account holders with balances over \$100,000.00 and all other depositors (including all EC Banks and the NIB) with balances over \$50,000.00 will keep their deposits in whole but will be required to maintain these deposit balances in the Bank for a minimum period of five years from the date that the Bank reopens at an interest rate of 1.75% per annum. This period is to allow the Bank time to recover, develop new business and attain profitability. This strategy requires the participation of all depositors.

Given the refusal by the NIB to accept the proposal of mandatory conversion of part of their deposits to preference shares, the Investor Banks feel that it is the fairest way to ensure that the Bank is given time to get back on a sustainable footing and to allow the stakeholders to support it during its rebuilding phase.

Given the huge challenge involved in contacting all creditors (we have no access to the Bank's database of clients) this proposal is being made on the basis that it is the best option for the depositors on a whole to recover their funds and on the assumption that the court will agree to a scheme of arrangement based on the agreement of a significant majority of the depositors.

The Investor Banks have worked closely with the Creditor Protection Committee. The Committee has mobilized a large number of depositors and is in the process of collating the final tally of depositor reaction for submission to the PLs. We are advised that the aggregate value of the deposits associated with the depositors who responded to the Committee is approximately 20%.

The Olint/Hallmark accounts are subject to the control of the Court. The Investors Banks are proposing to the Court that these accounts are treated in the same manner as the other accounts. In the event that a court decision requires that funds placed in those accounts are returned to individual investors, separate accounts will be created for the investors and they will receive interest and get access under the same terms that apply to the other accounts.

The aggregate value of deposits held by EC Banks represents approximately 19% of total deposits. The value of deposits held by the NIB represents approximately 29% of total deposits. The aggregate value of deposits held by the other creditors on record represents approximately 20% of total deposits. The aggregate value of deposits under the control of the Court represents approximately 10% of total deposits. This represents approximately 78% of the deposit base on the Bank.

## 6. THE REVISED FINANCIAL STRUCTURE

The ownership of ordinary shares in the rescued bank will be as follows:

Existing shareholders: 2 %

New shareholders: 98 %

While the Bank's capital has been completely eroded and its shares have no current value, the Investor Banks have agreed to allocate 2% of the value of the Bank to existing shareholders as a demonstration of their commitment to the shareholders and the Bank moving forward.

After the Bank has been turned around and made stable and profitable, existing shareholders as well as citizens and residents of the TCI will be allowed the opportunity to invest further in the equity of the Bank.

## 7. NIB DEBENTURE

The Investor Banks will provide an additional \$5,500,000.00 in cash to pay off the loan made by the NIB last year and to ensure that the debenture over the fixed and floating assets of the Bank is released.

## 8. LIQUIDITY

In addition to the new injection of \$12,500,000.00 of equity, the Investor Banks will ensure that at opening, deposits of at least \$12,500,000.00 are placed in the Bank for a minimum period of three years to ensure that the Bank has adequate liquidity to meet initial operating expenses, demands for withdrawals by clients and to start lending again.

The total new liquidity that will be available to the Bank will be at least \$25,000,000.00.

## 9. BANK MANAGEMENT

The Investor Banks will engage a management team with the qualifications, skills sets and experience to manage a bank with a distressed portfolio out of liquidation. The team, which will include professionals with international banking experience, will bring to the Bank expertise in key functions including compliance, loan underwriting, micro and small business lending, loan syndication, private banking, capital markets and human resource management, among others.

The Senior Management Team, whose resumes are appended to this proposal, will include:

CEO - **Dr Wilbert Bascom** is an accomplished banker with significant regional and international experience.

CFO – **Mr. Anthony Galloway** is highly qualified and experienced in the finance and audit functions in commercial banking.

Systems and Operations Manager – **Mrs Denise Escayg** is an experienced regional banker with significant experience in supporting other banks in the Caribbean.

Credit Manager – **Mr. David Mallett** has decades of experience in banking with special skill sets in managing distressed portfolios.

Risk and Compliance Manager - **Mrs. Pamela Pogson** has significant experience in compliance and risk functions in commercial banks.

Corporate Secretary and Human Resource Officer - **Miss Alexandria Missick** has functioned in the role of Corporate Secretary at TCIB.

The Internal Audit and Marketing functions will be outsourced to professional marketing and audit firms on the island in the first instance. Potential candidates are already being reviewed. In the medium term, these functions will be maintained internally.

The Investor Banks intend to streamline operational costs without compromising the quality of the services offered and increasing operational risks. It is envisioned that the Bank will be reopened with a compliment of between sixteen and nineteen staff.

## 10. BANK GOVERNANCE

The governance of the Bank will be strengthened significantly. A new Board of Directors will be elected from persons with the right skills and experience in banking, corporate law, finance, human resource management and corporate governance. The NIB and other creditors will be offered the opportunity to name two directors to the Board.

Once the Investor Banks are given the go ahead to reopen the Bank, a shareholder's meeting will be convened as soon as practicable.

The following persons will be elected to the Board of the Bank to govern its affairs immediately after its reopening:

- **Sir Edmund Lawrence** is Managing Director of the St Kitts Nevis Anguilla National Bank Ltd. (SKNANB). Sir Edmund founded the Bank almost forty years ago and the Bank has grown to become the largest bank in the Eastern Caribbean with assets in excess of EC\$2 billion. Sir Edmund has been at the forefront of banking in the Caribbean for decades. His knighthood was awarded by Her Majesty for his lifelong contribution to banking in the region.

- **Mr. Gregory de Gannes** is the Managing Director of the National Bank of Dominica. Mr. de Gannes is a career banker who has worked with both international and indigenous banks in the region. He was engaged by the Caribbean Development Bank to manage the Bank of Montserrat out of distress and is involved along with Sir Edmund in the rescue effort of the Bank of Antigua.
- **Mr. Milton Lawrence** has over two decades of experience in the financial sector. He was Chairman of the National Bank of Dominica from 2000 to 2006 and is currently Chairman of Barbados based Caribbean Financial Services Corporation. He is currently the CEO of ECIC Holdings Ltd., a company established to facilitate the strategic alignment of Caribbean indigenous banks.
- **Mr. Hans Mueller** is a Miami based banker with decades of experience in starting and managing commercial banks. Mr. Mueller has deep experience in private banking, corporate credit and bank rescues.
- **Mr. Yves Speeckaert** is a corporate finance and banking expert. He has operated in Europe, Africa and South America and has worked with a number of global players. He has experience in project finance, debt restructuring, industrial sector reform and private sector development.
- As indicated earlier, *two directors* selected by the NIB and the Creditors Protection Committee will be elected at the first Annual Meeting following a decision to reopen the Bank.
- **Dr. Wilbert Bascom**, in his capacity as CEO of the Bank, will sit as an ex officio member on the Board of Directors.

The Board of Directors will appoint the following committees to assist with the governance of the Bank:

- Credit Committee
- Asset and Liability Management Committee
- Audit and Risk Committee
- Compliance Committee
- Marketing and Public Relations Committee

## 11. BROAD STRATEGY

The broad strategy of the Bank will include the following key elements:

- Marketing communication to re engage customers and regain their confidence and emphasis on customer service.

- Expansion of the scope of the Bank’s products and services to include service to targeted customers outside of the TCI. In that regard, the Investor Banks have developed, and are developing, strategic alliances with finance houses with access to high net worth clients in South America and the Middle East.
- Expansion of the use of technology to serve clients, particularly in remote areas of the TCI and overseas. Prior to its closure was one of five banks in the Caribbean to first introduce mobile banking to their customers. The Bank will have the opportunity to expand the use of mobile banking to include mobile payments, which will greatly facilitate customers in remote areas.
- While the Bank will reopen the main branch in Providenciales immediately, consideration will be given to the establishment of Agency Offices in Grand Turk and other smaller islands. Negotiations will be initiated with the NIB or other appropriate partner with a view to accommodating such offices.
- Closer collaboration with ECIC member banks in the Eastern Caribbean to take advantage of economies of scale and group participation in technology utilisation, procurement, loan syndication, training, product development, marketing, etc.
- Rationalisation of the work force to ensure that the right persons are placed in the right positions.
- Reduction in the Bank’s cost structure via renegotiation with vendors, suppliers, etc. and via outsourcing appropriate functions.

### 12. REOPENING THE BANK

A period of one to two weeks after approval of this plan will be required to reopen the Bank. That period will be necessary to allow for the following:

- Convening a shareholders meeting and electing new directors.
- Engaging a new management team.
- Interviewing and rehiring former staff.
- Interviewing and hiring new staff if that need arises.
- Negotiating the establishment of new correspondent banking relationships (the Investor Banks have already engaged TCIB’s main correspondent bank with a view to having the correspondent account reopened before the reopening of the Bank).
- Revision of the Bank’s policies and procedures.
- Development of a marketing and communication strategy to help with the building of a new image for the Bank.
- Preparation of new marketing material.

### 13. ASSUMPTIONS

The following assumptions underpin this proposal:

- The PLs will accept the support of the NIB and the significant number of depositors as adequate to support a recommendation for the approval of the Investor Banks' rescue plan.
- The Court will approve the scheme of arrangement proposed in this rescue plan.
- The Court will allow the Olint/Hallmark deposits to be treated similarly to all other deposits.
- The new investors will be insulated from any legal liabilities attracted by TCIB prior to their rescue effort.
- The appropriate authorities will issue work permits for employees that need to be brought in from outside of TCI with dispatch.
- The Financial Services Commission (FSC) will consider and decide on the approval of new directors with dispatch and prior to the reopening of the Bank.
- The immediate establishment of a sound working relation with the FSC.
- The Bank will increase its asset base to \$150 million within three years.
- The Bank will achieve profitability within three years. This assumption is based on the information at hand and which is obviously dated. The Management Team, when installed, will be in the best position to review the actual situation on the ground and it will be their responsibility to prepare an updated business plan. Projected financial statements for the first three years of operations are appended to this proposal.

#### 14. CONCLUSION

The Investor Banks are committed to ensuring that the Bank is rescued and becomes a successful local financial institution in the future.

The Investor Banks are willing and available to respond to any questions that you may have and look forward to your response to this proposal at your earliest convenience.

Truly yours

ECIC HOLDINGS LTD (ON BEHALF OF THE INVESTOR BANKS)

MILTON LAWRENCE  
CEO