

THE TURKS AND CAICOS ISLANDS

2015

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)

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

**December 31, 2014**

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 ninth report on the liquidation. This report covers the period July 1, 2014, to December 31, 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 December 31, 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 Eighth Report**

In my eighth report, I listed further steps to be taken, as at June 30, 2014. 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 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 eighth report as at June 30, 2014, 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, 2014, to December, 2014, fifteen (15) loan account balances were either renegotiated or refinanced and final settlements made.

2.1.2. During the previous six months, USD\$1,740,625 was collected from borrowers as compared to USD\$3,643,211 for the six months ended December 31, 2014 and as noted in Appendix I. This increase of more than one hundred percent (100%) over the previous six months was due to the fact that two loans for more than \$1,000,000 each were substantially settled as a result of restructuring and refinancing by myself and the clients.

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 arising from non-payment of outstanding amounts.

To date I have initiated foreclosure proceeding against properties of eighty seven (87) borrowers with significant overdue loans and overdrafts in the amount of USD \$41,517,418.24. 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 24<sup>th</sup>, 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. 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. A fourth auction was held November 4, 2014 where I placed seven properties up for sale but was successful in selling only one (1) of the seven (7) properties.

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

1. 87 section 64 notices served

2. 54 section 72 notices served
3. 6 private treaty orders obtained
4. 19 properties have completed the 1<sup>st</sup> auction process
5. 15 properties have completed the 2<sup>nd</sup> auction process
6. 4 auctions in total carried out to date
7. 2 properties sold to date by auction
8. 8 loans settled after foreclosure proceedings started
9. 23 properties to be placed before the courts seeking private treaty orders

## **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\$36,053 was paid to creditors arising from the first interim dividend distribution declared. This amount arises from creditors who are entitled to the first distribution only recently coming forward to collect amounts due to them.

## **2.3 Shareholder Banks Balances**

- 2.3.1. As stated in our previous report 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\$2, 466,666 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”) and accrued interest of USD\$206,858. Details of the Company’s investment activities are shown below.

| Investments                      | As at<br>9-Apr-10   | Collected                 |                     |
|----------------------------------|---------------------|---------------------------|---------------------|
|                                  |                     | During the<br>Liquidation | As at<br>31-Dec-14  |
| Unquoted investment in ECIC Ltd. | \$ 631,990          | \$ -                      | \$ 100,000          |
| Antigua Government Bond 8.5%     | 1,499,998           | -                         | -                   |
| TCI Government Bond 7.5%         | 3,833,333           | (1,666,666)               | 2,166,667           |
| TCI Government Bond 8%           | 2,000,000           | (800,000)                 | 1,200,000           |
| Accrued Interest                 | 206,858             | (206,858)                 | -                   |
| <b>Total</b>                     | <b>\$ 8,172,179</b> | <b>\$ (2,673,524)</b>     | <b>\$ 3,466,667</b> |

During the period \$405,281 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. There is no change from the previous report.

The Antigua Government Bonds had their final repayment of principal and interest is 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\$3,497,174. As at December 31, 2014, the Company's cash balance is USD\$14,049,946. 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 further auctions 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 December 31, 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 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 will seek the permission of the Court to pay a second dividend distribution in the amount of twenty cents in the dollar (0.20) to creditors and depositors of the company.

On approval by the court it is anticipated that this will be done prior to June 30, 2015. Creditors and depositors will accordingly be contacted.



## 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 taking legal action where necessary.

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 only sold two (2) properties arising from foreclosure proceedings. A number of properties will be subject to private treaty sales in the future.

As noted in the previous section a second dividend distribution is anticipated prior to June 2015 arising from available cash resources from collections since the initial distribution.

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

Respectfully submitted as of the 25th day of March, 2015 this the ninth report.



Anthony S. Kikivarakis Sr.

Appendix I

**TCI Bank Limited (In Liquidation)**  
**Receipts & Disbursements Account**  
**For the period July 1, 2014, to December 31, 2014**  
*(Unaudited)*  
*(Expressed in United States dollars)*

|  |           |                                    |
|--|-----------|------------------------------------|
| <b>OPENING BALANCE</b>                           |           | <b>\$ 10,588,825</b>               |
| <b>RECEIPTS</b>                                  |           |                                    |
| Loan Receipts - TCI Bank Customers               | 3,643,211 |                                    |
| Principal repayments and interest on TCIG Bonds  | 406,264   |                                    |
| Interest income - Interest bearing deposits      | 14,815    |                                    |
| Trustee and management fees for TCIG Bonds       | 10,000    |                                    |
| Proceeds from the sale of assets                 | 3,040     |                                    |
| <b>TOTAL RECEIPTS</b>                            |           | <b><u>4,077,331</u></b>            |
| <b>DISBURSEMENTS</b>                             |           |                                    |
| Liquidators' fees and other costs                | 284,584   |                                    |
| Legal fees related to foreclosure proceedings    | 105,289   |                                    |
| Salaries and related expenses - former employees | 55,160    |                                    |
| Rent and utilities - office                      | 33,873    |                                    |
| Legal fees                                       | 27,100    |                                    |
| Rent and utilities - Liquidator and Agents       | 20,824    |                                    |
| Communication expenses                           | 13,821    |                                    |
| Security   | 12,697    |                                    |
| Storage  | 10,560    |                                    |
| Vehicle costs                                    | 7,274     |                                    |
| Equipment rental, maintenance, and supplies      | 3,349     |                                    |
| Annual return                                    | 3,250     |                                    |
| Cleaning services                                | 1,955     |                                    |
| Bank charges                                     | 419       |                                    |
| <b>TOTAL DISBURSEMENTS</b>                       |           | <b><u>(580,156)</u></b>            |
| <b>NET RECEIPTS FOR THE PERIOD</b>               |           | <b>3,497,174</b>                   |
| <b>FIRST INTERIM DIVIDEND</b>                    |           | <b>(36,053)</b>                    |
| <b>ENDING CASH BALANCE</b>                       |           | <b><u><u>\$ 14,049,946</u></u></b> |
| <b>Cash Consist of:</b>                          |           |                                    |
| Interest bearing deposits                        |           | \$ 12,199,602                      |
| Operating Account                                |           | 1,663,962                          |
| General Account                                  |           | 185,315                            |
| Petty cash                                       |           | 1,068                              |
| <b>TOTAL CASH HELD</b>                           |           | <b><u><u>\$ 14,049,946</u></u></b> |

**Appendix II**

**TCI Bank Limited (In Liquidation)**  
**Receipts & Disbursements Account-Fiduciary Accounts**  
**For the period July 1, 2014, to December 31, 2014**  
*(Unaudited)*  
*(Expressed in United States dollars)*

|  |                           |
|--|---------------------------|
| <b>OPENING BALANCE</b>   | <b>\$ -</b>               |
| <b>RECEIPTS</b>  |                           |
| Principal repayments and interest on TCIG Bonds (held in a fiduciary capacity) | <u><b>405,281</b></u>     |
| <b>DISBURSEMENTS</b>   |                           |
| Payment of principal and interest on fiduciary funds                           | <u><b>405,281</b></u>     |
| <b>ENDING CASH BALANCE</b>   | <u><u><b>\$ -</b></u></u> |