

THE TURKS AND CAICOS ISLANDS

2013

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)

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

**December 31, 2013**

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

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# **TCI BANK LIMITED**

**(In Liquidation under the supervision of The Supreme Court)**

## **SEVENTH REPORT OF THE OFFICIAL LIQUIDATOR**

### **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 July 1, 2013, to December 31, 2013.

#### **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, 2013, been subject to an audit.

1.3.2 As the Company's Official Liquidator, my report is solely 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 Sixth Report**

In my sixth report, I listed further steps to be taken, as at June 30, 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 sixth report as at June 30, 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, July 1, 2013, to December 31, 2013, forty-four (44) loan account balances were either renegotiated or refinanced and final settlements made.
- 2.1.2. During the previous six months, USD\$1,216,817 was collected from borrowers as opposed to USD\$2,210,309 for the six months ended December 31, 2013 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 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.

Of the sixty-five (65) properties under foreclosure proceedings; one (1) of the properties was refinanced and the balance settled and eight (8) properties can now be sold via private treaty. The remaining fifty-six (56) properties are the subject of Section 64 (see Appendix III) and/or Section 72 (see Appendix IV) notices. If the loan balances are not renegotiated or settled before expiry of the notices, then the properties will become subject to the auction process.

## **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 \$2,125,634 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 the various shareholder banks to determine which collateral being held by them can be utilized against their deposit balances. The minutes of the Company's Board of Directors meeting held on 18 September, 2007 stated as follows:

“Be it resolved that Lines of Credit be established with ABI Bank Ltd. for \$6 Million, Grenada Co-operative Bank for \$2 Million, National Bank of Dominica \$4 Million and St. Kitts Nevis Anguilla National Bank for \$5 Million. \$6½ Million in government bonds will be pledged to secure the Line of Credit from St. Kitts Nevis Anguilla National Bank.”

The amount outstanding under the line of credit from St. Kitts Nevis Anguilla National Bank amounted to \$7,668,791.25 as of the date of liquidation. Since that date the interest

and principal on one of the underlying collateral secured, The Antigua and Barbuda Government Bonds 7.5%, have been received directly by St. Kitts Nevis Anguilla Bank in part settlement of the outstanding amount due to that bank. St. Kitts Nevis Anguilla Bank has not claimed in the liquidation because of its collateral held. In addition TCI Government Bonds held by the Company have also been claimed by St. Kitts Nevis Anguilla Bank as being part of the collateral.

I am currently in discussion with the shareholder banks to resolve the outstanding amounts and the status of any collateral held. These matters will be addressed in my next report.

## 2.4 Investments

2.4.1 As at the date of this report, I have received total redemption payments of USD\$2,833,334 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 31-Dec-13
Unquoted investment in ECIC Ltd.	\$ 631,990	\$ -	\$ 100,000
Antigua Government Bond	1,499,998	-	-
TCI Government Bond 7.5%	3,833,333	(1,333,334)	2,499,999
TCI Government Bond 8%	2,000,000	(1,500,000)	500,000
Accrued Interest	206,858	(206,858)	-
<b>Total</b>	<b>\$ 8,172,179</b>	<b>\$ (3,040,192)</b>	<b>\$ 3,099,999</b>

During the period \$426,365 in principal repayment and interest was received and paid to the respective beneficiaries (see Appendix II).

During the previous period I was contacted by shareholders to 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 will be discussed in our next report as details are still outstanding.

## **2.5 Cash balances**

For the period the net cash increase (after deducting expenses) was USD\$2,069,213. As at December 31, 2013, the Company's cash balance is USD\$9,029,270. A detailed analysis of cash inflows and outflows is contained in the Receipts and Disbursements Account analysis provided in Appendix I.

2.5.1 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 various matters including taxation of costs;
- (e) Performing daily operational tasks;
- (f) 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, 2013. 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 the Company's main asset continues to be a depressed loan portfolio, 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.

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.

This report covers the period July 1, 2013, to December 31, 2013, and will be followed by half yearly reports, as at June 30 and December 31.

Respectfully submitted as of the 31st day of March, 2014 this the seventh report.



Anthony S. Kikivarakis Sr.

Appendix I

**TCI Bank Limited (In Liquidation)**  
**Receipts & Disbursements Account**  
**For the period July 1, 2013, to December 31, 2013**  
*(Unaudited)*  
*(Expressed in United States dollars)*

<b>OPENING BALANCE</b>		<b>\$ 9,189,691</b>
<b>RECEIPTS</b>		
Loan Receipts - TCI Bank Customers	2,210,309	
Principal repayments and interest on TCIG Bonds	426,776	
Interest income - Interest bearing deposits	14,442	
Trustee and management fees for TCIG Bonds	10,000	
Proceeds from the sale of assets	7,860	
<b>TOTAL RECEIPTS</b>		<b><u>2,669,387</u></b>
<b>DISBURSEMENTS</b>		
Liquidators' fees and other costs	396,116	
Legal fees related to foreclosure proceedings	104,000	
Salaries and related expenses - former employees	64,651	
Rent and utilities - office	37,056	
Legal fees	36,717	
Rent and utilities - Liquidator and Agents	17,338	
Security	14,053	
Communication expenses	11,748	
Storage	10,785	
Vehicle costs	6,342	
Equipment rental, maintenance, and supplies	2,925	
Cleaning services	2,040	
Bank charges	403	
<b>TOTAL DISBURSEMENTS</b>		<b><u>(704,174)</u></b>
<b>NET RECEIPTS FOR THE PERIOD</b>		<b>1,965,213</b>
<b>FIRST INTERIM DIVIDEND</b>		<b>(2,125,634)</b>
<b>ENDING CASH BALANCE</b>		<b><u>\$ 9,029,270</u></b>
<b>Cash Consist of:</b>		
Interest bearing deposits		\$ 7,170,552
Operating Account		1,507,585
General Account		350,573
Petty cash		560
<b>TOTAL CASH HELD</b>		<b><u>\$ 9,029,270</u></b>

**Appendix II**

**TCI Bank Limited (In Liquidation)**  
**Receipts & Disbursements Account-Fiduciary Accounts**  
**For the period July 1, 2013, to December 31, 2013**  
*(Unaudited)*  
*(Expressed in United States dollars)*

<b>OPENING BALANCE</b>	\$ -
<b>RECEIPTS</b>	
Principal repayments and interest on TCIG Bonds (held in a fiduciary capacity)	<u>426,365</u>
<b>DISBURSEMENTS</b>	
Payment of principal and interest on fiduciary funds	<u>426,365</u>
<b>ENDING CASH BALANCE</b>	<u>\$ -</u>

**STRICTLY PRIVATE & CONFIDENTIAL**  
**TO BE OPENED BY THE ADDRESSEE ONLY**

ABC Company,  
(LOCATION),  
Turks and Caicos Islands

(DATE)

Dear Sirs,

**Our Client: Official Liquidator TCI Bank Limited**  
**Title Number #####/### , ( LOCATION)**  
**Loan granted (DATE): US\$xxx,xxx.xx**  
**Principal sum due( DATE): US\$x,xxx,xxx.xx**  
**Interest due Date: US\$xxx,xxx.xx**  
**Total outstanding as at (DATE): US\$x,xxx,xxx.xx**  
**Interest per diem on arrears: US\$xxx.xxx**

**SECTION 64(2) REGISTERED LAND ORDINANCE NOTICE**

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We act for the Official Liquidator of TCI Bank Limited with regards the above debt owed by you. This Notice constitutes a demand for immediate repayment. Please be good enough to attend at our client's office located at F203 Regent Village, Grace Bay, Providenciales (tel: 941-7500) and arrange for the repayment of the debt. Please note our office has no power or authority to discuss any postponement or delay in payment. All communication from you at first instance in respect thereof should be directly communicated to our client.

**This letter constitutes a Section 64(2) Registered Land Ordinance Notice. This notice is a prelude to Section 72 recovery proceedings under the Registered Land Ordinance. If you fail to meet your indebtedness pursuant to the terms of this letter, our client is entitled to serve a Section 72 Notice in due course. Thereafter, should the debt not be repaid in full, our client is entitled to sell the above captioned property by way of public auction.**

Yours faithfully,

MCKNIGHTS  
Attorneys at Law  
Peter McKnight

Cc: Anthony Kikivarakis, Official Liquidator, TCI Bank Ltd.  
/Eunice Sands, Assistant to Mr. Kikivarakis.

**Appendix IV**

TO: ABC Company  
(LOCATION)  
Turks and Caicos Islands

RE: **Transfer of Charge dated: (DATE)**  
**Title Number: #####/####, (LOCATION)**  
**Principal amount outstanding as at (DATE): US\$xxx,xxx.xx**  
**Interest outstanding as at (DATE): US\$xxx,xxx.xx**  
**Total outstanding as at (DATE): US\$x,xxx,xxx.xx**  
**Interest: US\$ xxx.xx per diem**

**ANTHONY KIKIVARAKIS, Official Liquidator, TCI BANK LIMITED (in liquidation)**, hereby gives you **NOTICE** that you, being in default with payment of principal, interest and late fees secured by the above mentioned Variation of Charge, you are hereby required to pay all principal, interest and late fees secured by the said Variation of Charge **AND TAKE NOTICE** that if you do not make payment within three months from the date of service of this **NOTICE, ANTHONY KIKIVARAKIS, Official Liquidator, TCI BANK LIMITED (in liquidation)** as Chargee may exercise any of the remedies available under the Registered Land Ordinance.

**THIS NOTICE** is served to comply with section 72(1) of the Registered Land Ordinance and without prejudice to the exercise of remedies to which the section does not apply.

Dated this xxth day of (DATE)

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**MCKNIGHTS**  
Attorneys at Law  
For and on behalf of  
**ANTHONY KIKIVARAKIS, Official Liquidator, TCI BANK LIMITED (in liquidation)**