

Nineteenth Report of The Official Liquidator of

**CLICO Enterprises Limited**

(In Liquidation)

For the period from July 1, 2016 to December 31, 2016

# **CLICO Enterprises Limited**

*(In Liquidation)*

*Nineteenth Report of the Official Liquidator (From July 1, 2016 to December 31, 2016)*

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## INTRODUCTION

The Nineteenth Report of the Official Liquidator of Clico Enterprises Limited ("CEL") is intended for use by the Supreme Court of the Commonwealth of The Bahamas. This report sets out the steps taken by the Official Liquidator during the period from July 31, 2016 to December 31, 2016.

## BACKGROUND AND BASIS OF APPOINTMENT

Clico Enterprises Limited is a Bahamian Company, incorporated under the Companies Act, 1992, on August 23, 2000 as British Fidelity Holdings Limited. CEL changed its name to BF Enterprises Limited on August 24, 2001. BF Enterprises Limited changed its name to CLICO Enterprises Limited ("CEL") on April 7, 2005. My review of CEL's activities, led me to believe that CEL operated as a holding company for Clico (Bahamas) Limited's ("CBL") non-insurance assets, locally and internationally.

As at December 31, 2008, CEL received advances from CBL of approximately US\$73.8M. These advances were received by CEL apparently for the purpose of paying for the acquisition and on-going expenses of CEL's investment properties. At the time of my appointment, it is unlikely that this loan could be repaid in full by CEL as CEL's single largest asset, held by CEL's wholly-owned subsidiary, Wellington Preserve Corporation ("WPC"), is the Wellington Preserve property, which is located in Palm Beach County, Florida, whose value, based on recent appraisals, cannot be fully realized in the current real estate market.

CEL's financial statements as at December 31, 2008, included a loan due from WPC in the amount of \$70M.

In addition to the loan to WPC, CEL also made a further direct investment in WPC in the sum of US\$13M.

The WPC real estate project in Wellington, Palm Beach County, Florida, at the date of my appointment as liquidator of CEL, consisted principally of 80 residential lots and various equestrian amenities and commercial sites, intended to be laid out in a 523-acre tract of land.

Among the many concerns arising out of the transfer of funds by CEL to related parties is whether or not CEL circumvented Exchange Control Regulations in The Bahamas to:

- Purchase real estate in The Bahamas without regulatory approval.
- Purchase real estate outside The Bahamas without regulatory approval.
- Repatriate revenue to the United States and elsewhere without the approval of the Central Bank of The Bahamas.
- Transfer funds from CEL to persons outside The Bahamas.

As a result of the various intercompany loans from CBL and on-going regulatory matters and concerns, it was later determined by Counsel and I, that it would be in the best interest of the creditors of CBL to place CEL into liquidation and that I be appointed Official Liquidator to protect the assets of CEL.

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## **BACKGROUND AND BASIS OF APPOINTMENT (continued)**

On August 12, 2009, I appeared with Counsel in the Supreme Court of The Bahamas on the application filed in my capacity as Official Liquidator of CBL, for an order that I be at liberty to file a winding-up petition for CEL under the supervision of the Supreme Court. A Petition to wind-up CEL was filed on that same date and Her Ladyship the Honourable Justice Mrs. Cheryl Albury, granted the application allowing me leave to proceed with the petition to wind-up CEL pursuant to Section 187 (d) of the Companies Act of 1992, Chapter 308 of the Statute Laws of The Bahamas on the ground that CEL was unable to pay its debts.

The Court also appointed me Provisional Liquidator of CEL to be assisted by Callenders & Co. as legal advisors.

It was also ordered that a Notice be published in the local gazette to inform members of the public that a winding-up petition had been filed on August 12, 2009 against CEL and that the said Petition was set down for hearing by the Supreme Court on September 8, 2009. In accordance with this order and direction, a Notice of the Petition was published on August 22, 2009.

I appeared with Counsel in the Supreme Court of The Bahamas on September 8, 2009, and on that date, it was ordered at the hearing of the said Petition that CEL be wound-up by the Court under the provisions of the Companies Act, 1992, and I was appointed Official Liquidator with Callenders & Co. as my legal advisors, to assist me in the performance of my duties. Notices were published in the local gazettes in The Bahamas, to advertise the granting of the Order for the liquidation of the CEL, subject to the supervision of the Court.

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## DEFINITIONS

In this Report, the words and expressions hereunder shall mean, as follows:

"The Official Liquidator" means Craig A. (Tony) Gomez or any member of his (the Liquidation) team.

"I" or "Me" means Craig A. (Tony) Gomez or any member of his (the Liquidation) team.

"CEL" means CLICO Enterprises Limited (In Liquidation).

"CBL" means Clico (Bahamas) Limited (In Liquidation).

"Clico Trinidad" means Colonial Life Insurance Company (Trinidad) Limited.

"CEL's General Counsel" means Callenders & Co., the Liquidator's Bahamian Counsel up to April 25, 2013 and Lennox Paton from April 26, 2013 to the present time.

"US Counsel" means Fowler White Burnett P. A. and/or Gordon & Rees LLP.

"Court" means the Supreme Court of the Commonwealth of The Bahamas.

"WPC" means Wellington Preserve Corporation.

"GBM" means Grand Bahama Millwork and Building Supplies Limited.

"GVA" means Golf View Apartments.

"BIA" means the Bahamas Investment Authority.

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**STEPS TAKEN BY THE OFFICIAL LIQUIDATOR (for the period from July 1, 2016 to December 31, 2016)**

1. I met with General Counsel regarding the GBM and GVA properties, to establish beneficial ownership of the same for CEL.
2. I met with General Counsel on matters related to property title defects of the GBM and GVA properties.
3. I met with General Counsel on matters regarding obtaining Validating Property Permits from BIA for all of CEL's Grand Bahama properties and the Westridge property in New Providence.
4. I gave approval for appraisals to be done on all of CEL's properties in Grand Bahama.
5. I continued to advertise the GBM, GVA and Westridge properties for sale.
6. I met with General Counsel on the claim received from Clico (Bahamas) Limited (CBL).
7. I met with General Counsel on the claim received from Clico Trinidad.
8. I met with General Counsel on the Deposition of CEL's former Officers and Directors.
9. I met with General Counsel on matters pertaining to the 18<sup>th</sup> Official Liquidator's Report.
10. Completed the 18<sup>th</sup> Official Liquidator's Report.

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## CONCERNS

- **Court Matters (Bahamas)**
- **General Counsel**
  - On January 31, 2016, I met with General Counsel to discuss a strategy to address the outstanding matters affecting the progress of the liquidation, particularly the issues surrounding the beneficial ownership of the GBM and GVA properties.
  - On May 13, 2016, I once again met with General Counsel regarding pending litigation and title issues related to the Grand Bahama properties.
  - On May 18, 2016, I received from General Counsel, a copy of a letter addressed to the Director of the Bahamas Investment Authority, applying for a Validating Permit with regard to the Confirmatory Conveyance of the GBM property.
  - On May 23, 2016, I received from General Counsel, a copy of a letter addressed to the Director of the Bahamas Investment Authority, applying for a Validating Permit with regard to each of the Bahamia Subdivision Conveyances.
  - On July 19, 2016, General Counsel wrote BIA seeking an update on the application submitted to obtain a Validating Permit for CEL's Westridge property.
  - On August 29, 2016, General Counsel attended a hearing before the Industrial Tribunal in Freeport, Grand Bahama on an application brought by Mrythlyn Knowles against GBM for wrongful termination. The application was dismissed.
  - On September 26, 2016, I met with General Counsel to address the following matters:
    - CEL's properties in Grand Bahama;
    - Landholding Permits to be obtained from BIA;
    - CBL's claim against CEL and;
    - Possible legal action against CEL's directors.

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## CONCERNS

- **Court Matters (Bahamas) (cont'd)**
- **US Counsel**
  - I continue to discuss with US Counsel, the best strategy to pursue and depose the former Officers and Directors of CEL and the outstanding issues affecting the winding up and dissolution of WPC.
  - US Counsel received the 2012 tax refund which was deposited into CEL's bank account in the United States of America.
- **CLICO Enterprises Limited – Corporate Records**

It is apparent from review of the records made available to me that CEL was incorporated to hold assets for CBL that were not related to CBL's insurance business.

I conducted a search of the CEL's corporate records at the Companies Registry and discovered that the last Annual Return filed on behalf of CEL was dated September 2007, listing CEL's shareholders as Mayco Holdings Ltd., and Nardco Holdings Ltd. Each company held one share in CEL. Based on my review of CEL's corporate records it appears that these companies simply acted as nominee shareholders.

I have requested by way of letter, permission from the Central Bank of The Bahamas for me and General Counsel to perform a search of CEL's records held by the Bank. As at the date of this report, I had not received a response from the Central Bank regarding this request.

General Counsel is reviewing this matter and will opine on what further action should be taken by me.

- **Assets**
  1. **Real Estate - Westridge Lots**
    - CEL owns 12.472 acres of vacant land, which is divided into 12 lots, situated in Lake Point, Westridge Estates, New Providence.
    - I advertised the property in the local gazettes and have also contracted Colonial Realty Ltd. to assist with marketing the property for sale.
    - On July 1, 2014, I received an offer for the property and on July 3, 2014, I had a discussion with the Realtor and forwarded my questions to them regarding the offer.
    - On August 11, 2014, after further discussions with the Realtor, I accepted the offer for the sale of the property. The accepted offer was sent to Callenders & Co. for them to prepare the sale agreement.

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## CONCERNS

- **Assets (continued)**

- On August 12, 2014, I received a communication from General Counsel advising that CEL did not receive/apply for any Validating Permits from The Bahamas Investment Authority Board to purchase/own the property. General Counsel is addressing this matter with The Bahamas Investment Authority Board.
- On September 12, 2014, I received the purchase/sale agreement from General Counsel and I sent General Counsel my comment on the same.
- On September 15, 2014, General Counsel sent the purchase/sale agreement to the purchasers' attorney for their review and thereafter the execution of the agreement by the purchasers.
- On January 5, 2015, I received the executed sale agreement from the proposed buyer, Wursong Company Limited.
- On January 14, 2015, I received the 10% deposit for the property from the proposed buyer.
- On February 5, 2015, I received an updated appraisal of the property, prepared by Bahamas Realty, as requested by me.
- On February 10, 2015, I requested and received an engineer's rendition of the Westridge property being sold.
- On March 30, 2015, I communicated with General Counsel on the application to The Bahamas Investment Authority Board, requesting the Validating Permit for CEL to own the Westridge property.
- On March 30, 2015, I communicated with General Counsel on the application to approve the sale of Westridge property to Wursong Company Limited. The Order was granted.
- On April 13, 2015, General Counsel and I met with one of the shareholders of Wursong Company Limited and their attorney; they requested an eight (8) week extension on the closing of the sale. After discussion as to the reason for the extension, they indicated that it was for the completion of an environmental impact assessment ("EIA"). The extension was granted by me subject to the condition that we would be given a copy of the EIA on completion of same. On April 17, 2015, the agreement was amended to reflect the new closing date.
- On April 28, 2015, I received a letter from the attorney for Wursong Company Limited, the proposed purchasers of the property, advising that the purchaser could not secure the required financing to close the sale therefore they now wish to terminate the sale agreement.

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## CONCERNS

- **Assets (continued)**

1. **Real Estate - Westridge Lots (continued)**

- On May 13, 2015, in accordance with Section 16 of the sale agreement, which allows the buyer to terminate the agreement if financing cannot be secured, I advised General Counsel to terminate the agreement and return the buyer's deposit.
- On June 12, 2015, General Counsel was in communication with The Bahamas Investment Authority Board seeking to secure the Validating Permit which would have given permission for CEL to acquire the Westridge property.

### Update since the Eighteenth Report of the Official Liquidator

- As at the date of this reporting period, the Validating Permits required to give good title to the properties had not been obtained from BIA.
- Additionally, as at the date of this report, there were no potential buyers for the property.

2. **Grand Bahama Millwork and Building Supplies Limited**

The property on which Grand Bahama Millwork and Building Supplies Limited is located is in Freeport, Grand Bahama, in the Civic Industrial Area, situated at Forest Ave. and Yellow Pine Street. The store was primarily involved in the sale of hardware, housewares, lumber and other building amenities.

General Counsel and the liquidation team were able to obtain pertinent documents from both the Central Bank of The Bahamas, files held at Clico's main office and from Counsel for GBM, as follows:

- A Management Agreement dated September 1, 2000, between GBM and CEL (formerly BF Enterprises Limited and formerly known as British Fidelity Holdings Limited). This agreement appoints CEL as the Manager of GBM for a period of 99 years and CEL became the beneficial owner of certain assets of GBM, including the hardware and building supplies store. The Agreement also stipulated that the Manager will pay compensation to GBM in the sum of \$100.00 per annum. The receipt of the payment was acknowledged in the Agreement.
- GBM was experiencing liquidity issues and the creditors of GBM are now threatening legal action.

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## CONCERNS

### Assets (continued)

- On May 28, 2014, I received a letter from the Grand Bahama Port Authority Limited, advising that GBM's license had been cancelled.
- As at June 30, 2014, GBM's store operation has been suspended and all matters related to the closure of the store are being addressed. These matters include the outstanding license fees due to the Port and the Company's liquidity matter.
- On November 3, 2014, General Counsel and I attended Court for the hearing of the Exparte application. The application was heard and the Order was granted for Dupuch & Turnquest to provide me with the requested documents with regard to GBM.
- On December 3, 2014, General Counsel received a letter from Dupuch & Turnquest along with some of the corporate files for Toma Beverages Limited, who is the sole shareholder of GBM.
- On February 6, 2015, General Counsel received certain files from Dupuch & Turnquest in particular files related to Toma Beverages Limited and Todhunter Bahamas Limited.
- On March 17 2015, I met with General Counsel to review the files subpoenaed and received from Dupuch & Turnquest.
- On March 18, 2015, I met with the Department of Labour ("the Department") in Freeport with regard to the outstanding severance payment matter for GBM's staff. I updated the Department on the status of GBM and the reason for the closure of the store, which was due to liquidity issues.
- On March 26, 2015, I met with General Counsel to review and discussed additional documents received from Dupuch & Turnquest as ordered by the Court.
- On June 12, 2015, I met with General Counsel to review and discussed additional documents received form Dupuch & Turnquest.
- On May 18, 2016, I received from General Counsel, a copy of a letter addressed to the Director of the Bahamas Investment Authority, applying for a Validating Permit with regard to the Confirmatory Conveyance for the GBM property.

### Update since the Eighteenth Report of the Official Liquidator

- In August 2016, I had an appraisal prepared for the GBM property.
- At the date of this report, CEL still has not received the Validating Permit from BIA and General Counsel continues to follow up.

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## CONCERNS

### 2. Golf View Apartments

This property consists of an 8-unit townhouse apartment complex situated in Bahamia, at Rum Cay Drive, Freeport, Grand Bahama.

- After further investigations I have determined that apparently seven (7) of the units are conveyed to CEL. I am presently investigating the status of the eighth unit and the missing conveyance document. General Counsel is reviewing the documentary title to ascertain the state thereof and then resolve any deficiencies in the title.

During my review of this matter it was discovered in the preliminary search that:

- All of the apartment units were void of a validating permit from the Bahamas Investment Authority ("BIA").
- FirstCaribbean International Bank Limited has a lien on the seven (7) apartment units by way of a Debenture.
- The permits have not been located and General Counsel has requested certified copies of the permits from the BIA. This will allow the conveyances for the apartment units to be lodged for recording and a fee will be required for the same. In accordance with the International Persons Landholding Act, the conveyances are void without a validating permit.
- The lien on the apartment units is being addressed by General Counsel to allow for their sale. However, as at the date of this report we have not received the requested permits from the BIA.
- General Counsel and I are reviewing the Golf View Apartments matter in conjunction with our review of the documents received from Dupuch & Turnquest regarding the GBM matter.
- On May 23, 2016, I received from General Counsel, a copy of a letter addressed to the Director of the Bahamas Investment Authority, applying for a Validating Permit with regard to each of the Bahamia Subdivision Conveyances.

#### **Update since the Eighteenth Report of the Official Liquidator**

- In August 2016, I had an appraisal prepared for the GVA property.
- As at the date of this report, the Validating Permits remain outstanding and there were no potential buyers for the property.

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## CONCERNS

### 4. Shabisco (Haiti)

CEL owned a building in Clercine, Cazeau, Rue, Haiti called Shabisco, which was used to house the operations of a bakery. The bakery has been closed and inoperable for the past six (6) years. The property had an appraised value of US\$1,450,000.00 as at January 2008.

- On October 3, 2014, I contacted Shabisco's former attorney in Haiti, Sibylle Theard Mevs ("Sibylle") of the law Firm, Theard & Associates. I requested her to provide me with an update on the property in Port Au Prince, Haiti. I also requested her to get me an updated appraisal on the building and land.
- I received a response from Sibylle, advising that the building is now being used in part by Sogebank, the mortgagor and partly rented and occupied by The Red Cross.
- On February 8, 2015, I requested from the attorney Sibylle, a further update on the building. I was advised that the building was still occupied by Sogebank and The Red Cross.
- This building, which was damaged in an earthquake, and which carried a mortgage with Sogebank, is no longer considered an asset and related liability to the Company.

- **Loan Agreement**

According to CEL's audited financial statements dated December 31, 2007, the Company entered into a loan agreement with Clico Bahamas Limited where the parent (CBL) agreed to make advances to the Company for different investments at an interest rate of 12%, to be calculated on the annual balance of the loan. This loan was unsecured and repayable when the sale of lots was completed.

As at the date of the commencement of the liquidation, the loan balance due to CBL totaled \$73.8M.

- The loans (advances) made by CBL to CEL's various subsidiary companies were guaranteed by CL Financial in the amount of US\$58M.
- These advances were guaranteed by the parent company, CL Financial Limited in a Guarantee Agreement dated April 2008.
- CEL has defaulted on its obligation to repay funds to CBL.

We have seen the interest agreement related to these advances which indicates that the loan attracted an interest rate of 12% per annum.

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## CONCERNS

### Update since the Eighteenth Report of the Official Liquidator

- As at the date of this report, this matter remains outstanding with General Counsel instructed to advise how best I am to proceed to bring this matter to resolution.
- **Promissory Note between CEL and Colonial Life Insurance Company (Trinidad) Limited**

On September 11, 2009, I received a claim against CEL in the amount of US\$64,705,189 from Clico Trinidad.

On April 8, 2008, CL Financial Limited issued a guarantee to Clico Trinidad to ensure prompt repayment of loans issued by Clico Trinidad to CEL.

On September 19, 2012, I received an Affidavit of Proof of Debt in the amount of US\$64,677,024.59, from Higgs & Johnson, who is representing Clico Trinidad, the particulars, of which are as follows:

<b>Proof of Debt</b>	<b>Amount</b>
Promissory note	US\$ 52,544,006.28
Inter-company balance	12,133,018.31
<b>Total</b>	<b>US\$ 64,677,024.59</b>

On September 5, 2014, General Counsel received a letter from Clico Trinidad's Bahamian Counsel, Higgs & Johnson, with regard to the former General Counsel's letter received by them dated November 14, 2012, requesting further information on Clico Trinidad's claim.

Higgs & Johnson is claiming that their client cannot produce the requested information because Clico Trinidad's files were seized by the Attorney General's office of Trinidad in May 2013. This matter remains outstanding and no further action has been taken by Higgs & Johnson to move this matter forward.

### Update since the Eighteenth Report of the Official Liquidator

During this report period Clico Trinidad's Bahamian Counsel, Higgs & Johnson had not yet produced the aforementioned documents requested from its client.

I am addressing this matter with General Counsel to determine how best to proceed.

- **Wellington Preserve Corporation**

Articles of Dissolution for WPC were officially filed on December 15, 2015. The company is now dissolved.

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## CONCERNS

- **Wellington Preserve Corporation**

Articles of Dissolution for WPC were officially filed on December 15, 2015. The company is now dissolved.

- **Statement of Affairs**

See Appendix 1 for the unaudited statement showing assets at estimated realizable values and liabilities as at December 31, 2016.

- **Cash Receipts and Disbursements**

See Appendix 2 for cash receipts and disbursements for the period from July 1, 2016 to December 31, 2016.

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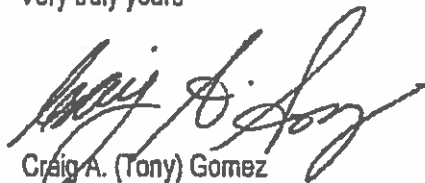
## CONCLUSION

From an operational perspective, I continue to move the liquidation forward, primarily to realize the fair values on the sale of real estate and other properties for the benefit of creditors of which CBL is the majority creditor.

The primary issues remaining in the liquidation are:

1. Obtaining the Validating Permits from BIA for the Grand Bahama properties;
2. Finding a buyer for all the CEL properties in Grand Bahama;
3. Finding a buyer for the Westridge property in New Providence;
4. Settling through litigation or otherwise the \$73.8M due to Clico (Bahamas) Limited;
5. Addressing the claim received from Clico Trinidad.

Very truly yours



Craig A. (Tony) Gomez  
Official Liquidator  
CLICO Enterprises Limited  
(In Liquidation)  
Nassau, Bahamas  
December 31, 2016

**CLICO Enterprises Limited**  
**(In Liquidation)**  
 Statement of Assets at Estimated Realizable Values  
 And Liabilities As Expected to Rank

As at December 31, 2016  
 (Expressed in Bahamian Dollars)

<b>ASSETS:</b>	<b>Notes</b>	
Time Deposit - Bank of The Bahamas		\$ 16,111,244
Due from Subsidiary ( Wellington Preserve Corporation)	(1)	14,262,451
Investment properties	(2)	7,089,473
Cash at Bank - Royal Bank of Canada		2,609,329
Funds due from GBM		21,524
<b>Total assets</b>		<b>40,094,021</b>
<b>LIABILITIES:</b>		
Loan due to Clico (Bahamas) Limited (advances)		73,801,867
Loan due to Clico Trinidad Ltd. (Promissory Note)		52,572,729
Loan due to Clico Trinidad Ltd.- (Intercompany balance)		12,132,459
Accounts payable - (Shabisco) Haiti		90,567
Due to Clico (Bahamas) Limited (In Liquidation)		2,000
<b>Total liabilities</b>		<b>138,599,622</b>
<b>ESTIMATED DEFICIT AS REGARDS MEMBERS</b>		<b>\$(98,505,601)</b>

**Notes**

1. This amount represents cash held by WPC arising from the sale of WPC real estate.
2. This includes real estate in both New Providence and Grand Bahama which includes the GB Millwork and GB Express properties.

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**CLICO Enterprises Limited**  
**(In Liquidation)**  
Statement of Cash Receipts & Disbursements

For the period from July 1, 2016 to December 31, 2016  
(Expressed in Bahamian dollars)

**OPENING CASH POSITION** **B\$2,617,759**

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**Receipts:**

Interest on Time Deposit 346,193

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**Disbursements:**

Interest earned on T/D transferred to time deposits 346,193

Legal fees 8,347

Bank charges 83

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354,623

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**CLOSING BALANCE** **B\$2,609,329**

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