

Thirteenth Report of The Official Liquidator of

**CLICO Enterprises Limited**

**(In Liquidation)**

For the period from July 1, 2013 to December 31, 2013

# **CLICO Enterprises Limited**

*(In Liquidation)*

*Thirteenth Report of the Official Liquidator (From July 1, 2013 to December 31, 2013)*

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## **INTRODUCTION**

The Thirteenth Report of the Official Liquidator of CLICO Enterprises Limited ("the Company") ("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 1, 2013 to December 31, 2013.

## **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. The Company changed its name to BF Enterprises Limited on August 24, 2001. The Company's name was further changed to CLICO Enterprises Limited on April 7, 2005. My review of CLICO Enterprises Limited's activities, led me to believe that the Company operated as a holding company for Clico (Bahamas) Limited's non-insurance assets, locally and internationally.

As at December 31, 2008, CLICO Enterprises Limited received advances from Clico (Bahamas) Limited ("CBL") of approximately US\$73.8M. These advances were received by the Company apparently for the purpose of paying for the acquisition and on-going expenses of the Company's investment properties. It is unlikely that this loan can be repaid in full by the Company as the Company's single largest asset, held by the Company'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.

Included in the Company's financial statements as at December 31, 2008, is a loan due from WPC in the amount US\$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.

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

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 as Official Liquidator to protect the assets of CEL.

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 Company, 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.

"The Company" means CLICO Enterprises Limited (In Liquidation).

"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.

"US Counsel" means Fowler White Burnett P. A. and/or Boyd & Jenerette, PA.

"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.

### **STEPS TAKEN BY THE OFFICIAL LIQUIDATOR (for the period from July 1, 2013 to December 31, 2013)**

1. I attended Court with General Counsel on the application to sell 3.11 acres of land in Wellington Preserve Corporation. The Order was granted.
2. I met with General Counsel on the GBM and Golfview Apartments matters.
3. I met with General Counsel on the CEL shareholding matter.
4. I met with General Counsel on the claim received from Clico Trinidad.
5. I met with General Counsel on the Deposition of CEL's Officers and Directors.
6. I met with General Counsel on CEL's Forensic Report.
7. I met with General Counsel on matters pertaining to the Official Liquidator's Report.
8. Colonial Realty Ltd., the New Providence based realtor and I, viewed the Westridge property with an interested buyer.

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## CONCERNS

- **Court Matters  
(Bahamas)**

December 23, 2013

At this hearing the Court heard the following matter:

The Summons and the 36<sup>th</sup> Affidavit regarding a request to sanction the sale of 3.11 acres of land owned by Wellington Preserve Corporation of which the Official Liquidator is the President. The Order was granted.

- **General Counsel**

On September 10, 2013, I met with General Counsel and the following matters were discussed:

- The Shareholding of CEL.
- CL Financial Guarantee.
- Claim received from Clico Trinidad.
- Deposition of CEL's Officers and Directors.

Generally I and/or a member of my staff communicated with General Counsel on a regular basis regarding the various outstanding CEL matters.

- **CLICO Enterprises Limited - Corporate Records**

It is apparent from my review of the records made available to me that CLICO Enterprises Limited was incorporated to hold assets for Clico (Bahamas) Limited that were not related to Clico's insurance business.

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

I have requested an approval from the Central Bank of The Bahamas for myself and General Counsel to perform a search of CEL's records held by them. I am still awaiting a formal response from the Central Bank.

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## CONCERNS

- **Assets**

- 1. Real Estate - West Ridge Lots**

From my review of the Company's records, I discovered that the Company owns 12.472 acres of land, which is divided into 12 lots, situated in Lake Point, Westridge Estates.

I have advertised the property in the local gazettes and have also contracted Colonial Realty Ltd. to assist in the marketing process of the property.

On September 13, 2013, I accompanied the realtor with an interested party to view the property, however, an acceptable offer was not received from the interested party.

The offers currently being received on the property is falling below the minimum threshold of my 80% of the appraised value in all sales of CEL's real estate.

Colonial Realty Ltd. and I are continuing our efforts to secure a buyer with an acceptable offer for this property.

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

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

General Counsel and the liquidation team were able to obtain pertinent documents from the Central Bank of The Bahamas and from files held at Clico's main office, respectively, 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.

General Counsel and I are in communication with Dupuch & Turnquest in Freeport, Grand Bahama, who formerly represented GBM, with regard to the Voting Trust mentioned in the Management Agreement. I am seeking further information on the Voting Trust mentioned in the Management Agreement to determine the powers invested in CEL by the Management Agreement.

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## CONCERNS

- **Assets (continued)**

### **2. Grand Bahama Millwork and Building Supplies Limited (continued)**

During the period from May 3, 2012 to May 4, 2012, I along with General Counsel, an Independent Counsel and Baker Tilly Gomez's Back Office Support Team visited GBM to serve the Search Order on GBM and searched the premises. During that time, the Injunction Order was also served on GBM and relevant commercial banks. I requested, received and reviewed and copied pertinent documents.

These documents were further reviewed by the Liquidation Team and General Counsel to assist in determining the status of GBM's accounts, the state of its business and the beneficial ownership of GBM.

In accordance with the Injunction Order, I am continuing my approval and authorization to pay all expenses of GBM.

GBM is currently experiencing liquidity issues and the creditors of GBM are now threatening legal action. I am currently reviewing the matter with a view to temporarily suspending the Company's operations.

### **3. 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.

General Counsel and I are in communication with Serville & Co. and Dupuch & Turnquest to determine if the apartments have good and marketable titles.

It was discovered in the preliminary search that:

- All of the apartment units were void of a permit from the Bahamas Investment Authority Board ("BIAB").
- FirstCaribbean International Bank Limited has a lien on the seven (7) apartment units by way of a Debenture.

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## CONCERNS

- **Assets (continued)**

- 3. **Golf View Apartments (continued)**

As at the date of this report, the permits have not being located and General Counsel have requested certified copies of the permits from the BIAB. This will allow the conveyances for the apartment units to be lodged for record and a fee will be required for the same. In accordance with the International Persons Landholding Act, the conveyances are void without a permit. Secondly, the lien on the apartment units is being addressed by General Counsel to allow for the sale of the apartment units.

- 4. **Shabisco (Haiti)**

CEL owns a building in Haiti called Shabisco, which was used to operate a bakery in Clercine, Cazeau, Rue, Haiti. 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.

I appeared in Court with General Counsel on September 8, 2009 and obtained an Order to retain an attorney in Haiti. The law Firm, Theard & Associes ("Theard") was retained to assist me with matters in Haiti.

Unfortunately after the 2010 earthquake in Haiti, I was only able to communicate with my Haitian counsel once and afterwards communication was discontinued.

I am still carry out my investigation to see if this is an asset I should pursue based on the circumstances.

- **Loan Agreement**

On December 31, 2005, a loan agreement was executed between Clico (Bahamas) Limited and CLICO Enterprises Limited at an interest rate of 12% per annum.

The loans (advances) made by CBL to CEL's various subsidiary companies were guaranteed by CL Financial in the amount of US\$58M.

It was necessary for me to replace the former Trinidadian Counsel due to the lack of action to progress this matter and a new Trinidadian Counsel has been contracted to actively pursue the enforceability of the CL Financial's Guarantee to CBL.

- **Promissory Note between CEL and Colonial Life Insurance Company (Trinidad) Limited**

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

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## CONCERNS

- **Promissory Note between CEL and Colonial Life Insurance Company (Trinidad) Limited (continued)**

Below are the details of the claim:

<b>Claim details</b>	<b>Amount</b>
Promissory note	US\$ 43,682,950
Interest on promissory note	8,889,779
Inter-company balance	12,132,460
<b>Total</b>	<b>US\$ 64,705,189</b>

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>

General Counsel is addressing the particulars of Clico Trinidad's claim with Clico's Trinidad's Bahamian Counsel, Higgs & Johnson.

- **Wellington Preserve Corporation**

US Counsel and Jenkins Realty are aggressively moving towards a conclusion to sell the remaining 135.85 acres of WPC land, which represents the balance of the 523 acres of WPC land at the commencement of the liquidation.

See Appendix 3 for the Report of the President of Wellington Preserve Corporation ("WPC") for matters related to WPC.

- **Forensic Accountant**

During my engagement discussion with the Forensic Accountant, I provided the scope of the engagement which primary focus was to identify the receipts and disbursements of funds related to CEL in particular cash transactions without the approval of the Central Bank of The Bahamas.

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## CONCERNS

- **Forensic Accountant (continued)**

On January 8, 2013, I met with Mr. John S. Bain, the Forensic Accountant, to discuss the documents in my possession that were subpoenaed from the Company's Ocean Bank account in Florida, and certain records of Mr. Lawrence Duprey, received from his attorneys in the USA.

On January 25, 2013, I received the first draft of the forensic report from the Forensic Accountant. I reviewed the report and subsequently met with the Forensic Accountant and provided further documents received from US Counsel.

On March 19, 2013, I communicated with the Forensic Accountant on matters relating to the contents of his report which required further review.

On July 1, 2013, I send a copy of the draft forensic report to General Counsel for their review and comments.

On November 4, 2013, I met with General Counsel to discuss information in the Forensic Accountant's report and the details of the discussion were communicated to the Forensic Accountant for his independent review.

As at the date of this report I am still in communication with the Forensic Accountant to conclude the review and issue his final report

- **Statement of affairs**

See Appendix 1 for the unaudited statement showing assets at estimated realizable values, and liabilities as at December 31, 2013.

- **Cash Receipts and Disbursements**

See Appendix 2 for cash receipts and disbursements for the period.

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## CONCERNS

- **Cash in Bank**

The accumulation of un-invested cash in the bank account is due to the unwillingness of banking institutions to accept deposits at this time. I am continuing my efforts to find a solution to placing the available cash in an interest-bearing account.

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## CONCLUSION

From an operational perspective, I will 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 challenges facing the liquidation are:

- (1) Ascertaining the shareholders and beneficial ownership of CEL.
- (2) Continuing the operations of GBM.
- (3) Realizing a fair value from the sale of the 12.427 acres of land in West Ridge, New Providence, The Bahamas.
- (4) Ascertaining the state of the property in Haiti.
- (5) The settlement of the \$73.8M loan from Clico (Bahamas) Limited.
- (6) Addressing the claim received from Clico Trinidad.
- (7) Selling the remaining 135.85 acres of real estate in the Company's wholly-owned subsidiary, WPC in Florida.

Very truly yours

Craig A. (Tony) Gomez  
Official Liquidator  
CLICO Enterprises Limited  
(In Liquidation)  
Nassau, Bahamas  
December 31, 2013

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

As at December 31, 2013  
(Expressed in Bahamian Dollars)

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**ASSETS:**

Investment in Subsidiary (Wellington Preserve Corporation)	\$18,386,112
Cash at Bank - Royal Bank of Canada	9,529,780
Time Deposit - Bank of Bahamas	8,799,274
Investment properties	6,801,754
<b>Total assets</b>	<b>43,516,920</b>

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**LIABILITIES:**

Loan due to Clico (Bahamas) Limited (advances)	73,801,867
Loan due to Clico Trinidad Ltd.	52,572,729
Inter-company balance	12,132,460
Loan due to Sogebank (Shabisco) - Haiti	464,819
Accounts payable - (Shabisco) Haiti	90,567
Due to Clico (Bahamas) Limited (In Liquidation)	2,000
<b>Total liabilities</b>	<b>139,064,442</b>

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**ESTIMATED DEFICIT AS REGARDS MEMBERS** **\$(95,547,522)**

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

For the period from July 1, 2013 to December 31, 2013  
(Expressed in Bahamian dollars)

**OPENING CASH POSITION in Current account** **B\$5,689,639**

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**Receipts:**

Funds received from sale of WPC land	3,899,818
Interest on Time Deposit	151,746
	<hr/>
	4,051,564

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**Disbursements:**

Interest earned and transferred to time deposits	151,746
Professional fees	38,675
Bank charges	19,627
Legal fees	1,375
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	211,423

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**CLOSING BALANCE in Current account** **B\$9,529,780**

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Report of The President of

**Wellington Preserve Corporation**

For the period from July 1, 2013 to December 31, 2013

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**Wellington Preserve Corporation**

***Report of the President (July 1, 2013 to December 31, 2013)***

**C O N T E N T S**

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## **INTRODUCTION**

The Report of the President of Wellington Preserve Corporation ("the Company") is intended for use by the Supreme Court of the Commonwealth of The Bahamas. This report sets out the steps taken by the President during the period from July 1, 2013 to December 31, 2013.

## **DEFINITIONS**

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

"Debtor In Possession" means Wellington Preserve Corporation.

"DIP" means Debtor In Possession.

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

"President" means Craig A. (Tony) Gomez.

"The Company" means Wellington Preserve Corporation.

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

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

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

"US Counsel" means Fowler White Burnett P. A. and/or Boyd & Jenerette, PA.

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

"United States ("US") Court" means the Southern District Court of Florida.

"WPC" means Wellington Preserve Corporation.

"IRS" means United States Internal Revenue Service.

"US Realtor" means Mrs. Diane Jenkins of Jenkins Realty.

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## **BACKGROUND AND BASIS OF APPOINTMENT**

The Wellington Preserve Corporation is a company incorporated in Florida and is a wholly-owned subsidiary of Clico Enterprises Limited, a company incorporated in the Bahamas under the Companies Act 1992.

The Wellington property originally consisted of approximately 640 acres of land situated in the Village of Wellington, Palm Beach County, Florida (the "Wellington Property"). The Wellington Property was purchased from Jadov/Levy Investment, LLC, a Florida limited liability company ("Jadov/Levy") on July 1, 2004, for a purchase price of US\$55 Million. The purchase price was funded by cash in the amount of US\$20 Million and a purchase money mortgage from the seller, Jadov/Levy, in the amount of US\$35 Million. As of April 27, 2010, the purchase money mortgage had been paid in full, through a combination of partial payments to Jadov/Levy prior to April 2009 by the Company, with the balance of approximately US\$700K being paid by the Company from the proceeds of a loan from CLICO (Bahamas) Limited (in Liquidation).

The Wellington Property was designed to be an equestrian themed high-end residential subdivision. The property was subdivided into parcels of land for sale to equestrian-oriented buyers. So far 117 acres have been sold and 523 acres remain. The remainder consists of improved parcels which are ready for sale.

As of December 31, 2010, the development remained unfinished and, since it is unlikely that WPC can secure the financing necessary to complete the development, I decided that it was in the best interest of Wellington Preserve and the creditors of CEL, that the property be sold as is.

I first procured copies of two existing independent US based appraisals of the property; the first from Anderson & Carr, Inc. of 521 South Olive Avenue, West Palm Beach ("Anderson valuation"). The Anderson valuation, as at January 20, 2009, based on the market value of a completed development, concluded the estimated market value of the Wellington property at a retail price US\$127,310,000.

Another valuation was received from Parrish & Edwards, Inc. as at December 31, 2008. The Parrish valuation, based on the market value, concluded the estimated market value of the Wellington property at a wholesale price of US\$66,000,000.

Despite the necessity of the "as is" sale, I felt it was in the best interests of the debtor and its creditors to continue to safeguard the Wellington Property until a sale is completed.

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

1. In an effort to safeguard the property and prepare it for sale in 2010, there was an ongoing effort to complete a re-platting of the Wellington Property. The planned re-platting would allow for a 60-acre reservation at the center of the Wellington Property in which various equestrian amenities were planned to be constructed for the purchasers of units therein. Preparations required much engineering work including the installation of drainage, having utilities installed, and the like. It is believed that the re-platting and engineering work substantially enhanced the stability and marketability of the property.
2. These works were primarily financed via the refund of various deposits which have been placed in escrow at the request of the South Florida Water Management and the Village of Wellington. As improvements were completed, the escrows were released.
3. The safety of this asset was threatened by various creditors, as follows:

- **Brennan Financial, Inc.**

This issue involved an unsatisfied judgment resulting from an out-of-court settlement with respect to a claim for unpaid real estate brokers' commissions made between the broker, Brennan Financial, Inc. ("Brennan"), and Mr. Duprey, principal at the time of the CL Financial conglomerate. The unsatisfied judgment was payable in installments, which WPC defaulted on.

More specifically, Brennan had commenced litigation against Dalco Properties, Inc. ("Dalco"), (a company owned by Mr. Duprey), and Mr. Duprey. Dalco and Mr. Duprey had initially used the services of Brennan's agent, William B. Walker, to negotiate the purchase of the Wellington Property. At some point during the transaction, there was a renegotiation between the parties, from which Brennan was excluded, which resulted in title to the property being ultimately taken by WPC. Brennan then sued for his unpaid real estate brokers' fees.

The dispute was settled out of court and for approximately US\$2 Million which was to be paid in annual installments of US\$200,000. The substance of the settlement was that Dalco and Mr. Duprey would be released from the liability and the case against them dismissed, while CEL and WPC would be liable for the payment of the annual installments. WPC and CEL (with Mr. Duprey as their control person) agreed to become parties to the settlement and an Order was entered in the US Courts making WPC and CEL parties to the action for the purpose of enforcing the settlement.

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

- **Brennan Financial, Inc. (continued)**

However, the settlement amount had not been fully repaid at the time I was appointed liquidator of CEL. On January 27, 2010 a Final Judgment in the Brennan litigation, in the amount of US\$1,445,490 plus interest was entered against WPC.

On February 11, 2010 a Motion for Stay of Execution of the Brennan Final Judgment was lodged with the US Courts by my US Counsel on behalf of WPC. This application came on for hearing on March 1, 2010 and was denied.

As of December 31, 2010, the Brennan financial judgment in the amount of US\$1.445M, plus interest and attorneys fees, remained unpaid.

- **Operating Expenses**

Bills were generated for the continued upkeep of the Wellington Preserve property including manager expenses, insurance, ongoing accrual of real estate taxes at the rate of approximately US\$1.5M per year; lawn services and the periodic mandatory testing of water runoff.

- **Taxes Due**

WPC also failed to file US tax returns for 2006 through 2009. Due to the lack of corporate records, US Counsel needed to obtain records from third parties to compile sufficient information needed for the filing of the returns.

The compendium of the above had led to the financial state of WPC as of April 2010, in short, WPC had virtually no cash; a judgment recorded against it; amounts owing in real property and other taxes and a miscellany of other financial obligations. In addition to this, it owed approximately US\$73,801,867 to its parent company, CEL.

Due to the aforementioned, I believed that the Wellington property was vulnerable to being foreclosed upon or sold by way of execution. In order to safeguard this asset, I further believed that it was in the best interests of Wellington Preserve and its creditors, including CEL, that WPC be placed into Chapter 11 Bankruptcy in the United States.

I was advised by my US Counsel that filing a Chapter 11 proceeding is among the alternatives available to prevent the forfeiture of the Wellington Property by virtue of an execution sale on behalf of the Judgment Creditor, Brennan.

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

The costs associated with the filing were not prohibitive and principally included:

- (i) Filing fees in the amount of US\$1,039 to be paid to the Clerk of the Court.
- (ii) Monitoring fees to be paid every quarter to the US Trustees' Office.
- (iii) Quarterly payments in respect of the turnover of the business operation; the minimum amount being US\$375 and the maximum amount US\$3,500.

I was further advised that the filing of the Chapter 11 would impose an automatic stay of most of the litigation affecting WPC until such time as the matter could be resolved in the Bankruptcy Court. The automatic stay prevented the Judgment Creditor from attempting to seize the property of the DIP, or to collect money from it. It would absolutely prevent the Judgment Creditor from pursuing execution and would likewise prevent Palm Beach County from attempting to foreclose upon unpaid ad valorem real estate tax.

Another benefit of the filing is that a sale of the property under a confirmed Chapter 11 Plan of Liquidation is free of documentary stamp taxes. This may result, based on the current valuation of the property, in a savings in excess of US\$350,000 on the sale.

Further, I was advised that a Chapter 11 filing before April 27, 2010, would render the Judgment Lien or charge obtained by Brennan over the Wellington Property, a preferential transfer voidable by the DIP. We believed this would allow the DIP to negotiate a sale of the Wellington Property at market value, or as close thereto as possible, and thereafter enable retirement of the debts of WPC.

The combined effect of the Chapter 11 filing would be that any sale of the Wellington Property would result in a substantial recapture by CEL of the net proceeds, prorated with other unsecured creditors.

On April 27, 2010, I attended Court in the Bahamas with General Counsel seeking an Order to proceed with the Chapter 11 Bankruptcy filing in the United States. The Order was granted.

Thereafter, also on April 27, 2010, U.S. Counsel filed a Voluntary Chapter 11 Bankruptcy Petition on behalf of Wellington Preserve in the U.S. Court.

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**STEPS TAKEN BY THE PRESIDENT OF WPC (for the period from July 1, 2013 to December 31, 2013)**

1. I attended Court with CEL's General Counsel to obtain an Order to sell 3.11 acres of WPC land to Joseph Meyer. The Order was granted.
2. I communicated with US Counsel on the Joseph Meyer sale.
3. I communicated with US Counsel on the Wellington Equestrian sale.
4. I held various teleconferences with US Counsel and Realtor on prospective sales for WPC land.
5. I communicated with the contracted Wellington representative on the maintenance and upgrade of the Wellington property.
6. I communicated with the US Counsel on Wellington tax matters.
7. US Counsel closed the sale for 16.45 acres of WPC land to Wellington Equestrian LLC.

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## CONCERNS

- **Court Matters  
(Bahamas)**

December 23, 2013

I appeared in Court with General Counsel for CEL and at this hearing the Court heard the following matter:

- The Summons and the 36<sup>th</sup> Affidavit, requesting the approval of the sale of 3.11 acres of WPC land to Joseph Meyer. The Order was granted.

- **Wellington Property sales**

Joseph P. Meyer

On November 27, 2013, I received, executed and notarized the closing documents for the Meyer sale and the same was forwarded to US Counsel.

On December 12, 2013, I prepared the 36<sup>th</sup> Affidavit, requesting the approval of the sale of 3.11 acres of WPC land to Joseph Meyer, and I appeared in Court with CEL's General Counsel on December 23, 2013 for the approval of the sale. The Order was granted.

Wellington Equestrian, LLC

On May 28, 2013, I had a teleconference call with US Counsel and Realtor, on matters pertaining to the sale of the vacant land to Wellington Equestrian.

On June 10, 2013, I prepared the 34<sup>th</sup> Affidavit, requesting the approval of the sale of 16.45 acres of WPC land to Wellington Equestrian, LLC and I appeared in Court with CEL's General Counsel on June 12, 2013. The Order was granted.

On June 13, 2013, I received a letter from US Counsel advising that the buyer was requesting an extension from June 18, 2013 to June 25, 2013 for the feasibility study period. This would extend the sales closing date from June 20, 2013 to June 28, 2013. The request was granted.

On June 18, 2013, I received the first amendment to the vacant land contract and the same was reviewed and executed by me and forwarded to US Counsel.

On June 21, 2013, I received the second amendment to the vacant land contract, and the same was reviewed and executed by me and forwarded to US Counsel.

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## CONCERNS

- **Wellington Property sale** (continued)

Wellington Equestrian, LLC (continued)

On July 25, 2013, the sale closed and the proceeds from the sale was wired to WPC escrow account at Gordon & Rees LLP, managed by US Counsel.

- **Statement of Affairs**

See Appendix 3.1 for the unaudited statement showing assets at estimated realizable values and liabilities as at December 31, 2013.

- **Cash Receipts and Disbursements**

See report at Appendix 3.2 for cash receipts and disbursements for the period.

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## CONCLUSION

From an operational perspective, I will continue to move WPC matters forward, primarily to realize the fair value from the sale of real estate in Wellington for the benefit of creditors, of which CBL is the majority creditor.

The primary challenges facing the liquidation are:

- (1) Realizing a fair value from the sale of the remaining 135.85 acres of the Wellington Property.

Very truly yours

Craig A. (Tony) Gomez  
President  
Wellington Preserve Corporation  
United States of America  
December 31, 2013

**Wellington Preserve Corporation**  
Statement of Assets at Estimated Realizable Values  
And Liabilities As Expected to Rank

As at December 31, 2013  
(Expressed in United States Dollars)

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**ASSETS:**

Investment property (Wellington)	\$16,981,250
Escrow cash - held by Gordon & Rees LLP	1,404,862
<b>Total assets</b>	<b>18,386,112</b>

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**LIABILITIES:**

Due to Clico Enterprises Limited	18,396,112
<b>Total liabilities</b>	<b>18,386,112</b>

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**ESTIMATED SURPLUS AS REGARDS MEMBERS** **US\$0**

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APPENDIX 3.2

		O.K. BALANCE ENDING 2012 - STARTING 2013				\$2,214,340.51
1/21/2013	1019	Wellington Preserve Homeowners			\$20,000.00	
1/30/2013	1020	Fl. Dpt. Of Revenue (Warrant payment)			\$300.00	
2/19/13	1021	Chicago Title Ins. (Gamber sale)			\$250.00	
2/19/13	1022	Florida Property Search			\$3,807.00	
2/19/13	1023	Spare Hands HOA		\$997.60	\$20,000.00	
2/19/13		Fowler White				
2/19/13	1024	Alan Gerwin & Ass. (entrance)			\$3,495.00	
2/19/13	1001	Spare Hands			\$3,184.00	
3/20/13		Wire transfer J-5 Sale		\$1,034,779.19		
3/27/13		Wire transfer to CLICO			\$2,200,000.00	
3/28/13	1002	Wellington Preserve HOA			\$20,000.00	
4/2/13	1003	Parrish & Edwards			\$2,200.00	
4/3/13	1004	Cherry Beckaert # 63799,69786, 682174			\$13,794.10	
	1005-7	Checks voided				
		Bank service for wire transfers			\$38.74	
4/5/13	1008	Sir Speedy (copies of CLICO documents and research per RGN's request)			\$2,220.00	
4/5/13		Transfer N.I. Weil -closing		\$2,471,786.52		\$3,432,634.98
4/9/13		Wire transfer to CLICO			\$2,500,000.00	\$932,634.98
4/12/13	1009	Aegis FinServ Consulting Retainer			\$5,000.00	
4/23/13	1010	Speed Print (copying discs) CLICO			\$200.86	\$927,434.12
4/24/13	1011	Ronald Nelwith (Bahamas trip expense)			\$777.28	
		% of total expense				

5/1/13		Wire transfer from closing			\$502,283.06		\$1,427,939.90* o.k.
5/13/13	1012	RGN's Ft. parking -Bahamas trip				\$30.00	
	1013-14	Voided checks					
5/13/13	1015	Perry & Taylor through April 2013				\$39,248.30	
5/13/13	1016	Boyd & Jenerette				\$26,654.29	
5/13/13	1017	Cherry Bekaert #700870				\$1,610.00	
	1018	Voided					
5/14/13	1019	Wellington HOA				\$20,000.00	\$1,340,397.31
5/28/13	1020	Aegis FinServ # 2				\$8,635.00	
5/29/13		Wire transfer to CLICO				\$502,283.06	\$829,479.25
5/29/13	1021	Sparehands				\$5,210.00	
6/3/13	1022	Village of Wellington (plan review)				\$1,000.00	
6/3/13	1023	Village of Wellington (inspection fee)				\$8,064.00	
6/3/13	1024	Fla. Dpt of Revenue (unresolved 2011 tax)				\$110.00	
6/3/13	1025-27	Checks voided (water damage)					
6/18/13	1028	Spare Hands. (voided)				\$3,758.00	\$810,045.25
6/18/13	1029	Wellington HOA-add'l mowing expense				\$5,050.00	\$2,780,938.33
6/18/13		Transfer from sale from Kane from FWB			\$1,970,893.08		\$2,780,955.33
		Bank transfer credit			\$17.00		\$2,778,130.33
6/26/13	1031	Pictera Solutions				\$2,825.00	
6/28/13	1032	Wellington HOA				\$20,000.00	
7/2/13	1033	Aegis FinService				\$3,100.00	
7/3/13	1034	Wellington HOA -add'l mowing expense				\$4,555.00	
7/19/13	1035	Wellington HOA				\$20,000.00	

7/25/13			Transfer from FWB sales proceeds	\$1,928,924.83		
8/14/13	1036		Alan Gerwig & Associates		\$3,690.00	
8/19/13	1037		Wellington HOA		\$20,000.00	
8/19/13	1038		Boyd & Jenerette, final payment		\$18,029.71	
8/19/13	1039		Perry & Taylor, P.A. - thru June 2013		\$25,500.05	
8/19/13			Wire Transfer to CLICO Enter.		\$1,928,924.83	
8/19/13			Wire Transfer to CLICO Enter		\$1,970,893.08	
8/28/13	1040		Perry & Taylor July statement		\$17,264.50	\$675,097.99 ***
9/13/13	1041		WELLINGTO HOA		20,000.00	
9/17/13	1042		Perry & Taylor (voided)		7,933.10	
9/18/13	1043		Perry & Taylor August 2013			
9/18/13	1044		Wellington (voided)			
9/23/13	1045		Aegis Financial Service		3,200.00	\$643,964.89 o.k. bal
10/8/13	1046		Cherry Beakert through 9-2013 (Form 2010)		9,165.00	
10/11/13	1047		Perry & Taylor September 2013		11,200.00	
	1048		Voided			
10/14/13	1049		Wellington Preserve HOA		20,000.00	
10/21/13	1050		Wellington Preserve umbrella renewal and liability insurance		6,771.58	
			Bank checks fees		50.44	
10/16/13	1051-52		Voided by RGN -			
10/16/13	1053		Wellington HOA -add'l maint.expenses		10,000.00	\$586,777.87 OK Bal

11/6/13	1054	Wellington Equestrian Development (1 <sup>st</sup> payment)		31,998.46		
11/12/13	1055	Soil and Water Engineering (inv. 11/8/13)		8,694.00		
11/15/13	1056	Perry & Taylor		\$7,061.80		
11/15/13	1057	Wellington HOA		\$20,000.00		
11/20/13	1058	Tax collector (voided) wrong amount				
11/20/13	1059	Tax collector Palm Beach County - 2013		\$273,647.30		
		11/8/2013 Transfer from FW	\$1,000,000.00			\$1,245,244.50 o.k. bal
11/13/13	1060	Perry & Taylor (voided)			\$20,000.00	\$1,225,244.50
11/13/13	1061	Wellington Preserve				
	1062	Fowler White fees (voided)				
11/10/13	1063	Perry & Taylor			\$4,420.00	\$1,220,824.50
		\$2,64000 re J-5 and \$1,780 re Zacara				
12/20/13		Wire Transfer to Fowler White re fees			\$197,531.00	
12/31/13		Transfer credit from FWB sales	\$381,568.43			*\$1,404,861.93 OK Balance with bank end of 2013