

Second Report of The Official Liquidator of

Clico (Bahamas) Limited
(In Liquidation)

For the period from July 8, 2009 to October 7, 2009

CLICO (BAHAMAS) LIMITED

(In Liquidation)

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INTRODUCTION

The Second Report of the Official Liquidator of Clico (Bahamas) Limited ("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 Official Liquidator during the period from July 8, 2009 to October 7, 2009.

BACKGROUND AND BASIS OF APPOINTMENT

Clico (Bahamas) Limited is a Bahamian Company, incorporated under the Companies Act, 1992, on May 10, 1960, as British Fidelity Assurance Company Limited. The Company's name was changed to Clico (Bahamas) Limited on April 7, 2005. Clico (Bahamas) Limited operates branches in The Bahamas, Belize and the Turks & Caicos Islands. Clico's parent company is Clico Holdings (Barbados) Limited. Clico's ultimate parent company is CL Financial Limited, incorporated in the Republic of Trinidad & Tobago. The Company is registered to do insurance business within the Bahamas pursuant to Section 5(1) of the Insurance Act, Chapter 347.

Several months prior to the liquidation the Company experienced cash flow concerns as evidenced by its inability to pay US\$2.6M claims in the Turks and Caicos Islands. The Company had no immediate plan or means to pay policy surrenders prior to the liquidation date.

Prior to the aforementioned claims and since 2003, the Company had advanced funds to CLICO Enterprises Limited ("CEL"). These advances were made by the Company apparently for the purpose of paying the on-going expenses for CEL's investment properties. As at December 31, 2008 approximately US\$73M had been advanced to CEL (December 31, 2007 audited amount was \$57,010,248), and it is unlikely that this loan can be recovered at full value as CEL's December 31, 2008 unaudited financial statements reflected assets of US\$108M and its liabilities are US\$129M, leaving a deficit of US\$21M.

Included in CEL's financials as at December 31, 2008 there appears as an asset, a loan due from Wellington Preserve Limited ("WPL") a wholly-owned subsidiary of CEL for US\$70M.

The December 31, 2008 unaudited financial statements of WPL includes investment property "in Florida described below" which was valued at US\$127M in January 2009. However, the same real estate valued on an "as is" basis today is worth approximately US\$62M.

Beside the loan to WPL, CEL also made a direct investment in WPL for US\$13M.

The WPL real estate project in Palm Beach, Florida, consists principally of 80 residential lots and various equestrian amenities and commercial sites intended to be laid out in a 523-acre tract.

BACKGROUND AND BASIS OF APPOINTMENT (continued)

The WPL Development was designed to be a high-end residential subdivision with an equestrian/polo theme. Most of the residential lots are to be connected to or contain polo pitches and horse stables. It was previously estimated that the project required a substantial cash injection of a minimum of US\$42M to fund the development before it could be reasonably presented for sale. This financing is not yet in place and in my opinion would not be an option.

Among the many concerns arising out of the transfer of the funds to related parties (inclusive of CEL and WPL) was whether or not the Company, or 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 without the approval of the Central Bank of The Bahamas.
- Transfer funds from CBL and/or CEL to persons outside The Bahamas.

As a result of the various inter-company loans from the Company to its subsidiaries, the Company faced liquidity problems and was challenged to service its daily operations. As a result of on-going regulatory matters and concerns, in particular the inter-company loan extended to CEL, on February 24, 2009, the Company was placed into provisional liquidation.

On February 24, 2009, I appeared with General Counsel, The Registrar of Insurance and Counsel from the Attorney General's Office before the Supreme Court of The Bahamas. The petition for the winding-up of Clico was presented to the Court and an Order was granted by Her Ladyship the Honourable Justice Mrs. Cheryl Albury, appointing me as Provisional Liquidator and that I, Craig A. (Tony) Gomez be court supervised. Further, it was ordered that the Liquidator be assisted by Callenders & Co. as General Counsel and that an insurance specialist be appointed to assist in the liquidation.

It was also Ordered that a Notice of the Petition be published in the local gazette and a further hearing was scheduled for March 18, 2009, at which the hearing of the Petition for a winding-up order of the Company would be heard.

I appeared with General Counsel before the Supreme Court of The Bahamas on March 27, 2009, on the application to place the Company into liquidation. The hearing was adjourned to April 7, 2009.

I appeared with General Counsel before the Supreme Court of The Bahamas on April 7, 2009, and an Order was granted by Her Ladyship the Honourable Justice Mrs. Cheryl Albury for the liquidation to be Court supervised, and that I, Craig A. (Tony) Gomez be appointed Official Liquidator of Clico (Bahamas) Limited, and authorized to appoint Callenders & Co. as General Counsel to assist me in the performance of my duties. On April 26, 2009, notices were published in the local newspapers in The Bahamas, to advertise the granting of the Order for the liquidation of the Company subject to the supervision of the Court.

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 team.

"The Company" means Clico (Bahamas) Limited.

"CBL" means Clico (Bahamas) Limited.

"Counsel" means Callenders & Co., the Liquidator's General Counsel.

"United States ("US") Counsel" means FowlerWhite Burnett.

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

STEPS TAKEN BY THE LIQUIDATOR (for the period from July 8, 2009 to October 7, 2009)

1. Attended Court with General Counsel to apply for and obtained the Order to approve the first Official Liquidator's Report.
2. Attended Court with General Counsel and provided a liquidation progress report to the Court.
3. Visited the United States Counsel's office in Florida with General Counsel and met with US Counsel for Wellington Preserve Limited ("WPL"), the Real Estate Broker and the developers.
4. Met with the original broker for Wellington Preserve Property to discuss an out-of-court settlement agreement with Mr. Lawrence Duprey.
5. Attended Court with General Counsel to apply for and obtained an Order to place CEL into liquidation.
6. Defended protective Order received from Mr. Lawrence Duprey and Sylvia Baldini in the Florida Court.
7. Attended Court with General Counsel to apply for and obtained the Order to pay Jadov Levy Investment to settle foreclosure summons against WPL in the Florida Court.
8. Continued the payment of medical and death claims in conjunction with the Order of the Supreme Court.
9. Continued to update backlog in accounting records.
10. Continued addressing matters relating to the asset in Haiti.
11. Reviewed and investigated matters relating to the Registrar and Transfer Agent for bonds held.

STEPS TAKEN BY THE LIQUIDATOR (for the period from July 8, 2009 to October 7, 2009)
(continued)

12. Continued to address matters with the proposed buyer in relation to the transfer of the life, health and pension policies for the Bahamas.
13. Continued to address matters in relation to the transfer of the Turks & Caicos policies.
14. Continued to address matters with the proposed buyer in relation to the transfer of the life, health and pension policies for Belize.
15. Continued to address claims of health policyholders who are not apart of the reinsurance coverage.

CONCERNS

- **Accounting and On-going Operations**

From the date of the last report we were able to identify all issues affecting the completeness of the reconciliation of the Company's bank accounts. The on-going work involves the updating and the correction of issues identified, as follows:

1. Different general ledger accounts being affected based on the mode of payment for group premiums.
2. Group premium payments not posted on the date of receipt of funds.
3. Clearing of amounts booked to the premium suspense account.
4. Voiding of spoilt check.
5. Voiding of stale-dated checks.
6. Bringing current all group premiums received.

At the date of this report, completeness of the accounting and policy management records is current up to July 31, 2009.

We expect to be fully current with the accounting process as at October 31, 2009.

I am continuing with the operation of the Company until a buyer is confirmed, ensuring that:

1. Premium payments are posted as received.
2. Claims are adjudicated and paid in accordance with court approval and stated policy benefits.
3. Essential operating expenses are paid in accordance with court approval.
4. Policyholder requests are acted upon in compliance with contracts and according to established Company policies and practices.
5. Continued to call policyholders to pick up original contracts that were returned to the Company for changes to contracts.
6. Obtaining opinion from General Counsel to refund premiums received in advance for pending policies that failed due diligence tests.

CONCERNS

- **Court Matters**

Bahamas

I attended Court on August 12, 2009 with General Counsel, following the filing of a Petition to Wind-Up CLICO Enterprises Limited on grounds that the Company was a significant debtor of Clico (Bahamas) Limited. On an ex-parte Summons of the same day, I was appointed Provisional Liquidator.

On September 8, 2009, Justice Albury made an Order to Wind-Up CLICO Enterprises Limited and to confirm my appointment as Official Liquidator.

I attended Court on September 18, 2009 with General Counsel, for an Order to pay US\$1M to pay JADOV/Levy Investment's foreclosure claim on the Wellington Preserve.

- **United States**

The United States Counsel filed a Chapter 15 bankruptcy proceeding in the Florida Court and a Petition. He had filed a Petition for recognition of the Bahamian liquidation of Clico (Bahamas) Limited in the United States; the Petition also sought recognition of my position as the Liquidator of the Company. The purpose of this legal action was to give the Liquidator standing in the United States to pursue assets of the Company, collect them, and repatriate them back to The Bahamas. This is necessary in order to address Creditors of the Company in an organized fashion, in a single proceeding.

The Bankruptcy Court entered an Order recognizing the liquidation as the "foreign main proceeding" and recognizing the Liquidator as the "foreign representative."

Subpoenas were issued to Greenberg Traurig, P.A. ("Greenberg") the former counsel of Wellington Preserve Corp., a wholly-owned subsidiary of Clico Enterprises Limited whom I believe were also former counsel or present counsel to a host of other entities affiliated in one fashion or another with Clico, Lawrence Duprey, and/or CL Financial Limited. A total of over 65 entities were identified, and records of financial transactions were requested. The present deadline to respond to these inquiries was August 25, 2009.

A similar subpoena was issued to Hunt & Gross, the law firm which currently represents Wellington Preserve Corporation with its zoning, planning, permit approvals and development activities. Again, I have identified over 65 entities who I believe to be affiliated with WPL in some fashion. The subpoena has not yet been served on Hunt & Gross. In the meantime, however, I have received a significant measure of informal cooperation from Hunt & Gross, particularly in respect of a project called "DYL Merrick Park Development, LLC", wherein it appears that a building in Coral Gables, Florida, was purchased, in part with funding that may have passed through CLICO Enterprises Limited, from the Company.

CONCERNS

- **Court Matters** (continued)
- **United States** (continued)

As other potential targets are identified, I will pursue further discovery. Meanwhile my primary focus has been the negotiations with the Hines Group with a view to obtaining a sale of the Wellington Preserve property.

In the interim, I have continued the engagement of the firm of Hunt & Gross for the pursuit of zoning, planning, permitting and development activities, as they are thoroughly familiar with the matter and have been in contact with the necessary local officials.

Broker law suit

During my visit along with General Counsel to the United States Counsel's office in Florida, full disclosure of a law suit was reported to me, which resulted in an out-of-court settlement. The nature of the law suit was for brokerage commission which emanated when the original broker (William B. Walker) for the purchase of the Wellington Preserve property was excluded from the final purchase of the property which I'm now trying to sell. Mr. Walker and his company sued Mr. Duprey and another entity with whom he had an agreement concerning the brokerage on the purchase of the property.

The dispute centered around the payment of the brokerage fee to the original broker and the title of the property. This dispute ended in settlement for US\$2M, to be paid by annual installments in the amount of US\$200K. As at the date of this report, US\$1.6M is still owing. The last installment payment was due June 1, 2009 but was not paid due to liquidity challenges. Mr. Walker has moved for the entry of a judgment for the balance of the funds, but has withheld seeking a Court hearing, while we negotiate a resolution.

General Counsel, United States Counsel and I met with Mr. Walker during my visit to Florida, and it was stated by Mr. Walker that any negotiation would require a minimum payment of US\$200K at a rate of 8% and approximately US\$2,500.00 for his attorney fees.

Mr. Walker's attorney has filed a Lis Pendens against the property to ensure that we cannot sell without paying him. We have withheld any action against this filing.

Lawrence Duprey and Sylvia Baldini Protective Order

On August 19, 2009 Mr. Duprey and Ms. Baldini filed a Motion for protective Order against Clico (Bahamas) Limited, to relieve Greenberg Traurig, P.A. of any obligation to produce:

1. Documents showing transfers to and from and/or on behalf of or for the benefit of Duprey or Baldini to the extent that the funds belong to Clico.

CONCERNS

- **Court Matters** (continued)

- **Lawrence Duprey and Sylvia Baldini Protective Order** (continued)

- 2. Copies of corporate records reflecting ownership of any entity except if owned by Clico.

- Mr. Duprey is claiming that the disclosure is overly broad and purports to request documents of a privileged, confidential and proprietary nature. He also claimed that these documents have no relationship to Clico's liabilities or financial condition.

- See Appendix 6 for full details of the Protective Order filed.

- United States Counsel attended Court on September 3, 2009, on the hearing of the Protective Order Motion filed by Mr. Duprey and Ms. Baldini. The Complainants argued that the request for documents is in violation of their attorney-client privilege and is invading their privacy. They further went on to say that we should look for alternative means to track the trail of monies being passed out of Clico.

- The Protective Order Motion filed by Mr. Duprey and Ms. Baldini was granted in part and denied in part, as follows:

- The Court will not restrict Clico in the scope of the discovery, but will impose certain conditions upon Clico, Mr. Duprey, Ms. Baldini and Greenberg Traurig, P.A. (the dependant), as follows:

- (i) If Greenberg Traurig, P.A. chooses to withhold materials on the grounds of attorney-client privilege, then they must prepare a "privilege log" with adequate details to give;
 - (ii) Clico's Liquidator an opportunity to object to their claim for withholding documents. The material obtained by Clico must only be used in Court proceedings in The Bahamas and in the United States pending or in the future. The material must not be disseminated to anyone else.

- See Appendix 7 for full details of the Judgment.

- **Wellington Preserve Corporation**

- On September 16, 2009, Wellington Preserve Corporation was served with a Foreclosure Complaint and Notice of Lis Pendens by Jadov Levy Investments, LLC, a Florida company. Also included in the suit were; Brennan Financial Inc., a Florida corporation, and Wellington Training Club Property Owners' Association, Inc. formerly, Wellington Preserve Master Homeowner's Association, Inc., a Florida non-profit corporation.

CONCERNS

- **Court Matters** (continued)
- **Wellington Preserve Corporation** (continued)

The Foreclosure suit was for the balance owing in the amount of US\$1M on the Wellington Preserve property under a mortgage made in Palm Beach, Florida dated July 1, 2004 for US\$35M., which was due on July 1, 2008.

Jadov Levy Investments, LLC, the Plaintiff has given WPC 20 days to respond and failing same, a default judgment will have been entered against WPC. See Appendix 9 for details of the foreclosure law suit filed.

I attended Court with General Counsel on September 18, 2009 to appraise Her Ladyship the Honourable Justice Mrs. Cheryl Albury of the Foreclosure notice and request her approval to settle this debt, as this asset represents approximately 63% of the assets of Clico.

The Order was granted that the debt be settled.

- **Policyholders**

The Liquidator has continued to urge policyholders to continue making premium payments on their respective policies. Only policies currently in force will be assumed by a new insurance provider.

- **Selection of Substitute Insurer**

1. The selection of a new insurance provider has been made and the due diligence procedures are being performed and at the time of this report the selection is being reviewed by the Registrar of Insurance and will then be forwarded for approval by the Supreme Court of The Bahamas.
2. The selection of a substitute insurer in Belize has also been completed.
3. The selection of the substitute insurer for the Turks & Caicos is currently being sought.

- **Payment of claims**

1. Policyholders are continuing to make their premium payments to keep their policies in force. Their confidence was shown after Court approval was received to pay medical expenses up to \$5,000.00 and death benefits up to \$10,000.00.
2. Medical service providers continue to accept Clico's medical cards. Once again this renewed confidence in Clico was as a result of settling claims submitted by these medical service providers in conjunction with the Court Order received. I continue to discuss with service providers the need to accept the Clico's medical cards.

CONCERNS

- **Payment of claims** (continued)

3. A meeting was held with Doctor's Hospital on October 9, 2009 concerning the provision of medical services to Clico's policyholders based on the strength of the Courts approval that the patients policies are still in force in conjunction with the Court Order received.

- **Other**

Policyholders are being encouraged to read all public notices issued by the Liquidator to keep current on liquidation events.

- **Re-insurers**

- 1) **Bupa (formerly Amedex)** (health)

Amedex Insurance Company ("Amedex") based in Miami, Florida, provided reinsurance coverage for some of Clico's health policyholders from February 1, 2004. Amedex was acquired in 2005 by British United Provident Association Limited ("Bupa") a company founded in Great Britain in 1947. Bupa is considered as one of the leading health insurance companies in Great Britain. Bupa also operates its own hospital, clinics and nursing homes. The existing reinsurance agreement with Amedex was not changed after the acquisition of Amedex by Bupa and is still in force as at the date of this report.

Bupa assumes 100% of the risk of all MedExec policies which fall under the reinsurance agreement. As policyholders enter into a MedExec insurance contract with Clico a copy of the contract is forwarded to Bupa for inclusion on their list of persons that fall under the reinsurance agreement. Claims under the reinsurance agreement are paid based on the terms of the policyholder's contract.

I was advised that at the time when the reinsurance agreement was signed between Clico and Amedex, it was not made mandatory by Clico for all policyholders to upgrade their health policies to the reinsurer. We are currently conducting an exercise to determine the amount of policyholders not covered by reinsurance.

Clico's reinsurance premium payments are now current with Bupa and Bupa is now forwarding funds to Clico to settle claims which covers medical service providers and policyholders.

Policyholders who are insured with Bupa are having their claims settled in full.

CONCERNS

- **Re-insurers** (continued)

- 2) **Swiss Re** (life)

- Swiss Re Life & Health Canada ("Swiss Re") has provided Clico with life reinsurance coverage from January 23, 2002.

- Clico's reinsurance premium payments are now current with Swiss Re.

- **Actuary**

- I have received current information up to July 31, 2009 needed from the Company's Actuary to assist in the sale of the portfolio and to move the liquidation forward. See Appendix 5 for full details of the Actuary's report.

- **Staff**

- I received a letter from an attorney in reference to two (2) staff members, requesting payment of severance pay and threatening litigation in default of payment. The matter has been addressed in accordance with the liquidation rules.

- Former staff members of the Company continue to call me on a regular basis inquiring as to when they would receive their severance packages. Some staff members also met with me on the same matter.

- **First Caribbean International Bank (Bahamas) Limited**

- I was served with a demand letter in the amount of B\$360,786, representing the balance for loans that the Company had with First Caribbean International Bank (Bahamas) Limited ("FCIB"). The Liquidator has since placed this claim on the list of creditors in the liquidation in the order of its ranking.

- FCIB has also expressed concern about their mortgages which are secured by the Company's life insurance policies. FCIB has indicated that there is approximately B\$35M in mortgages that are secured by the Company's policies.

- I continue to confirm with financial institutions, where requested, that individuals who have insurance policies with Clico, that they are covered and their policies are in good standing.

- **Real Estate**

- I have received offers from persons interested in acquiring Clico's real estates. These offers are being reviewed at this time, and will be considered further when I commence advertising assets for sale.

CONCERNS

- **Real Estate** (continued)

I have not proceeded with the sale of any of the real estate assets of Clico as at the date of this report.

- **Annuities with Clico Guyana and Clico Surinam**

I have received documents from Clico Guyana ("Guyana") and Clico Surinam ("Surinam") documents representing claims amounting to US\$34M and US\$15.5M respectively.

My preliminary review of the documentation suggests that the policies were not issued by the Company. Moreover, the premiums received by Guyana and Surinam were never paid to the Company. It appears that the funds were remitted directly to bank accounts in the United States and Trinidad. .

U.S. Counsel has subpoenaed records from the United States bank that was the recipient of the funds transferred from Guyana and Surinam. A similar process will be carried out in Trinidad.

Once the bank's records are received we will continue with the view of determining how the funds were utilized.

- **Clico Enterprises Limited**

Clico Enterprises Limited ("CEL") is reported to be a wholly-owned subsidiary of Clico (Bahamas) Limited. It is apparent that CEL was incorporated to hold assets for CBL that were not related to the insurance business.

I conducted a search of CEL's corporate records at the Companies Registry and discovered that the Annual Returns dated September, 2007, filed with the Companies Registry listed the shareholders of CEL to be Mayco Holdings Ltd. and Nardco Holdings Ltd., each holding 1 share. A further search of the corporate records of Mayco Holdings Ltd. and Nardco Holdings Ltd. reflected that the shareholders are Ellen T. Serville, Vanria Greene and Nadia Richardson, employees of CEL's registered office, Messrs. Serville & Co. My review has led me to conclude that CEL's shareholders are nominees.

As CBL is the largest creditor of CEL, I advised General Counsel to apply to the Supreme Court for an Order to place CEL into liquidation and that I be appointed Liquidator in the best interest of the creditor's of CBL.

CONCERNS

- **Clico Enterprises Limited** (continued)

The Winding-Up Petition of Clico Enterprises Limited was heard on the September 8, 2009 by Justice Cheryl Albury and an Order placing Clico Enterprises Limited into liquidation and appointing me as Official Liquidator was made. See Appendix 8 for details of the Order.

- **Wellington Preserve Limited ("WPL")**

On August 8, 2009, I visited Florida with General Counsel and met with United States Counsel from the Firm of FowlerWhite Burnett, the law Firm, Hunt & Gross and the developers of the Wellington property.

The meeting was to discuss matters relative to the township of Wellington, pertaining to agreements requiring completion which if left incomplete would cause an encumbrance with regard to the sale of Wellington property, as follows:

- i) The execution of the return under the Escrow Agreement which expires November 2009.
- ii) To obtain consent from other property owners.
- iii) Adherence to all demands from the Village of Wellington.
- iv) The replanting of property and surrounding roads.
- v) Agreement with original home-owners who do not want to pay for the replat.
- vi) Rebuilding of the traffic circle (roundabout).

Discussions are on-going with the prospective buyer and I hope to obtain an Order from the Court to proceed with the closing of the sale for the Wellington property before the end of November 2009.

- **Shabisco (Haiti)**

Shabisco is a bakery in Clercine, Cazeau, Rue, Haiti. The bakery has been closed and inoperable for the past two (2) years. The property has an appraised value of US\$1,450,000.00 as at the date of the last appraisal completed in January 2008.

I appeared in Court with General Counsel on September 8, 2009 and obtained an Order to retain, the law Firm, of Theard & Associates, Haiti as my Counsel to assist me with matters in Haiti.

I advised General Counsel that we need to fully assess the matter of debts associated with the building compared to a sale of the building in the current real estate market, to determine if a sale would be beneficial to the creditors.

CONCERNS

- **Shabisco (Haiti)** (continued)

My attorneys in Haiti have communicated with me on many occasions from the date of my last report and have advised of a number of outstanding bills that need to be settled.

I have received from my Attorneys the following, current list of bills due for payment in Haiti:

Ref	Details of bill	Haitian Gourdes (.02481/US\$1)	Amount in USD
1.	Loan (Sogebank)		US\$464,819.54
2.	Taxes (estimate)	2,000,000.00	49,620.00
3.	Salaries - Watchmen 11 mths.	506,000.00	12,553.86
4.	Attorney's fees		12,198.00
5.	Water bill	286,442.70	7,106.64
6.	Legal fees - Retainer		5,500.00
7.	Electricity bill	139,656.00	3,464.87
8.	Translation fees		123.00
Total			US\$555,385.91

Theard & Associates have advised me that the real estate activity is increasing and that the building is close to the airport in Haiti and could possibly be sold for US\$1,000,000.00.

Unfortunately these discussions were held prior to the recent devastating earthquake which destroyed substantial portions of the City.

I contacted Theard & Associates after the earthquake and was advised that the building was not damaged.

This matter is being reviewed with General Counsel as the aforementioned debts could show further increases coupled with legal and other expenses associated with the sale of the property.

- **Bonds**

I sent a letter of inquiry on April 27, 2009 to SG Hambros, the purported Registrar and Transfer Agent ("RTA") appearing on Clico's records in relation to the Company's bonds, which have a book value of B\$4.5M.

I received a formal response from SG Hambros on August 25, 2009 advising that they are not the RTA for the B.E.C. or the Bahamas Government bonds ("BGRS"). I was referred to other institutions to trace the RTA of those particular bonds.

As at the time of this report, it is now determined that CFAL is the Registrar and Transfer Agent for the B.E.C. Bonds.

CONCERNS

- **Bonds**

Noted below is a list of the Bonds held by Clico:

Name	Coupon rate	Start date	Maturity date	Principal
B.E.C. Bond	6.41%	Dec. 22, 2006	2021	B\$2,005,012.53
B.E.C. Bond	6.43%	Dec. 22, 2006	2016	2,005,012.53
BGRS 2020-2021 64024	6.03%	1999	2020	449,000.00
Student Loan Bond		May 31, 2003	Dec.31, 2015	85,147.87
				B\$4,544,172.93

- **Statement of affairs**

See Appendix 1 for the unaudited statement showing assets at estimated realizable values and liabilities as at October 7, 2009.

- **Cash Receipts and Disbursements**

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

- **CL Financial Guarantee**

Attorneys in Trinidad have successfully resisted an attempt by Mr. Duprey to sell a methanol plant. I have expressed my concerns with General Counsel on the enforceability of CL Financials US\$58M Guarantee. I was advised that a statutory demand had to be first made before a debt recovery action could commence in Trinidad. I have instructed the attorneys in Trinidad to proceed with the statutory demand.

I am presently discussing with General Counsel the next step on how to proceed to enforce the Guarantee.

See Appendix 4 for details of the Guarantee.

- **Colonial Life Insurance Company (Trinidad) Limited Claim**

Within two (2) days after I obtained the Order to place CEL into liquidation, I received a letter from Colonial Life Insurance Company (Trinidad) Limited dated September 11, 2009, claiming, as follows:

CONCERNS

- **Colonial Life Insurance Company (Trinidad) Limited Claim** (continued)

Details	Amount
Promissory Note signed by Ms. Karen Gardier	US\$ 52,572,729.32
Inter-company balance	12,132,459.46
Total	US\$ 64,705,188.78

See Appendix 3 for details of letter received from Colonial Life.

- **Portfolio as at October 7, 2009:**

Plan Type	No. of Policies	Surrender value
Life	13,087	B\$ 11,363,332
Annuity	264	10,435,147
Individual Pension	1,081	6,342,363
BFA Staff Group Pension	75	903,496
Flexible Group Pension	13	97,308
Medical	8,886	36,623
Group Life	38	329
Total	23,444	B\$ 29,178,598

- **Policies cancelled from July 8, 2009 to October 7, 2009:**

Plan Type	No. of Policies	Sum Cancelled
Life	135	15,340,000
Medical	1	2,000,000
Total	136	B\$ 17,340,000

Based on my discussion with many of the policyholders cancelling their policies, the decision to cancel is as a result of the economic conditions that exist and not as a result of Clico's insolvency.

CONCLUSION

From an operational perspective, I will continue to process policyholder claims; perform the accounting and policy administration functions, and address requests and concerns. Also, I will continue to progress the liquidation to a conclusion. In doing so, I am encouraging policyholders to continue to make premium payments so as to ensure the validity of their policies with the Company.

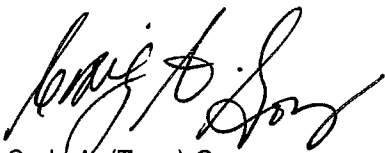
Discussions are continuing with a local insurer for the assumption of the Company's life and health policies and I will identify assets and will continue to realize the said assets for the benefit of creditors.

CONCLUSION (continued)

The primary challenges facing the liquidation are:

- The continuation of the use of the accounting system "SAP" hosted in Trinidad;
- Making current the accounting records;
- Shortfall in cash needed to meet operations;
- The sufficiency of the asset base required to transfer the policy portfolio to a new insurance provider;
- Transfer of policyholder accounts to an established insurance provider;
- Adjudicating and managing on-going claims;
- Payment of claims received prior to February 24, 2009;
- Funding of staff severance pay;
- Sale of the Florida property, Wellington Preserve; and
- Realizing assets to satisfy creditors.

Very truly yours



Craig A. (Tony) Gomez
Official Liquidator
Clico (Bahamas) Limited
(In Liquidation)
Nassau, Bahamas
October 7, 2009