

Twelfth Report of The Official Liquidator of

**LEADENHALL BANK & TRUST COMPANY
LIMITED**
(In Liquidation)

For the period from June 1, 2013 to May 31, 2014

Leadenhall Bank and Trust Company Limited

(In Liquidation)

Twelfth Report of the Official Liquidator (From June 1, 2013 to May 31, 2014)

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INTRODUCTION

The Twelfth Report of the Official Liquidator of Leadenhall Bank & Trust Company Limited (“the Bank”) 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 June 1, 2013 to May 31, 2014.

The Liquidator had previously acted as the Receiver of the Bank for the period from July 18, 2005 to October 3, 2005. On October 3, 2005 the Bank was placed into voluntary liquidation.

BACKGROUND AND BASIS OF APPOINTMENT

Leadenhall Bank & Trust Company Limited is a Bahamian incorporated Company that was licensed under the provisions of the Banks and Trust Companies Regulation Act, 1965, as amended.

In 2000 Leadenhall was granted a license to provide services in Bahamian dollars. This license gave the Bank the authority to service the domestic market. However, that service never materialized.

The Bank’s revenue was generated primarily from the following:

- Trust services
- Managed companies (e.g. IBC, property management, etc.)
- Banking and investment services

Until July 29, 2003, the Bank also generated revenue from its MasterCard (credit card) franchise, which was operated by Axxess International Bahamas Limited. MasterCard suspended the license issued to the Bank and was claiming a termination fee of \$1.7 million.

The Bank in recent years experienced recurring losses from its operations as a result of the loss of its credit card business and the ongoing litigation with respect to the same, along with litigation involving the Cash 4 Titles class action suit and shareholder fallout.

I was appointed Receiver of the Bank with effect from July 18, 2005. The Bank’s licence was suspended for the period from July 18, 2005 to October 3, 2005. My appointment was made pursuant to Section 18 (1) (f) of the Banks and Trust Companies Regulation Act 2000.

On October 3, 2005, by a resolution of the shareholders, the Bank was placed into voluntary liquidation and I was appointed the Liquidator.

Further, it was ordered that the Liquidator be assisted by Callenders & Co. as General Counsel.

A Notice of said Resolution was subsequently published in the Nassau Guardian on October 12, 2005.

Simultaneously, with the members’ resolution to voluntarily wind up the Bank, The Central Bank of The Bahamas revoked the Bank’s licence on October 12, 2005.

BACKGROUND AND BASIS OF APPOINTMENT (continued)

On November 11, 2005 an Order was granted by the Supreme Court, granting leave for a further application to be made for an Order that the liquidation be Court supervised.

The Supreme Court on November 25, 2005, granted an Order for the liquidation to be Court supervised.

Evans & Co. was appointed as General Counsel to the Official Liquidator in place of Callenders & Co. on February 19, 2010.

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

“The Bank” means Leadenhall Bank & Trust Company Limited (In Liquidation).

“General Counsel” means Callenders & Co., the Liquidator’s General Counsel up to February 18, 2010 and Evans & Co. from February 19, 2010.

“Court” means the Supreme Court of the Commonwealth of The Bahamas.

“Receiver” means Craig A. (Tony) Gomez acting as Receiver of the Bank during the period from July 18, 2005 to October 3, 2005.

“MBH” means McKinney Bancroft & Hughes, the Liquidator’s Counsel in the Axxess International litigation with First Financial Caribbean Trust Company Limited.

STEPS TAKEN BY THE LIQUIDATOR (for the period from June 1, 2013 to May 31, 2014)

1. Attended court with General Counsel for the granting of the Order to approve the Eleventh Report of the Official Liquidator. The Order was granted.
2. Placed the Eleventh Report of the Official Liquidator on the Bank’s website.
3. Met with several clients of the Bank and provided updates on the liquidation.
4. Met with the South African Police Department to answer questions with regard to the Bank’s involvement with a Company named Trend Management Limited.
5. Continued to receive calls from cardholders of Axxess International Limited, and they are directed by me to the Liquidator of First Financial Caribbean Trust Company for assistance.
6. Communicated with the Official Liquidator of Caledonia to recover the shares held in custody by Caledonia on behalf of Leadenhall.
7. Communicated with the custodian of the shares held on behalf of Leadenhall by Caledonia.
8. Received proceed from the sale of shares held in custody by Caledonia.
9. Continued the payment of the 1st dividend distribution Order.

STEPS TAKEN BY THE LIQUIDATOR (for the period from June 1, 2013 to May 31, 2014)
(continued)

10. Transferred a trust to a new Trustee.
11. Recovered proceeds from the Bank's HSBC account sent to Caledonia's account in error.
12. Completed the Twelfth Report of the Official Liquidator.
13. Corresponded with Maria Ferere, Liquidator of First Financial Caribbean Trust Company Limited (In Liquidation), about the visit of the South African Police Department.
14. Met with a representative of an account holder with regard to the possible transfer of a Trust account.

CONCERNS

- **1st Dividend Payment**

I continued to make dividend payments to proven Creditors who contact me and provide the required information to make a dividend payment.

I am continuing the effort to contact the remaining proven Creditors of Leadenhall to make dividend payments as per the Court Order.

Below is a break-down of payments made and outstanding as at the date of this report:

Details	Amount
Dividend Payments made	US\$15,045,732
Dividend Payments to be made	588,792
Total payments approved	US\$15,634,524

- **Court Matters**

December 23, 2013

At this hearing the Court heard the following matter:

- Summons, Affidavit and the Supplemental Affidavit for the approval of the Eleventh Report of the Official Liquidator, for the period from April 1, 2011 to May 31, 2013. The Order was granted.
- Summons and Affidavit for the approval of the remuneration for the Official Liquidator and General Counsel. The Order was granted.
- The Order was also granted to pay costs in the amount of \$1,500.00 to C4T Counsel for Summons filed in the December hearing.

- **General Counsel**

Discussed with General Counsel the transfer of a Trust account to a new Trustee.

On December 9, 2013, I met with General Counsel to discuss the scheduled visit of the South African Police Department investigating Leadenhall's involvement in the operation of a company named Trend Management Limited ("Trend"), a former customer of the Bank.

CONCERNS

- **South African Police Department**

On December 3, 2013, I received a meeting request from the South African Police Department for December 10, 2013, which included a list of proposed questions for my response in the scheduled December 10, 2013 meeting.

On December 10, 2013, General Counsel and I met with the South African Police Department to answer questions with regard to the Deposition given by me on Leadenhall's involvement in the operation of Trend Management Limited ("Trend"). Criminal charges were brought against Trend and its Principal in the South African Court.

At the conclusion of the December 10, 2013 meeting with the South African Police Department, a formal response to the questions asked in the meeting was requested.

On December 11, 2013, I met with the South African Police Department to present my final responses with regard to the questions put forth in the December 10, 2013 meeting.

- **Off Balance Sheet Assets held in the name of the Bank**

Certain off-balance sheet assets are being held by Caledonia Corporate Management Limited ("Caledonia") (an entity which went into liquidation on February 20, 2008) on behalf of Leadenhall.

We had commenced communication with the Official Liquidator of Caledonia with regard to assets which were inadvertently transferred from the Bank's HSBC portfolio to one of Leadenhall's client's accounts and the shares held in custody by Caledonia on behalf of Leadenhall. A Proof of Debt was sent to the Official Liquidator for Caledonia in February 2012. Upon request from the Official Liquidator of Caledonia a letter was sent detailing the amounts owed by Caledonia to Leadenhall.

On July 2, 2013, I communicated with the Official Liquidator of Caledonia regarding the transfer of the share certificates held on behalf of Leadenhall to me as Official Liquidator of Leadenhall.

However, on July 12, 2013, I was advised by Caledonia's Official Liquidator that I would have to set-up a securities account to affect the transfer of the shares.

On July 15, 2013, I sent a letter to Caledonia's Official Liquidator confirming my instructions to send the certificate to the office of the Official Liquidator of Leadenhall.

CONCERNS

- **Off Balance Sheet Assets held in the name of the Bank** (continued)

On August 2, 2013, I communicated with the custodian of the share certificate to discuss alternative methods for me to regain control of the share certificates such as, by a change in name on the custodian account. However, the suggestion was not accepted. It was finally determined that the shares will be sold.

On August 23, 2013, I had a telephonic conversation with Caledonia's Official Liquidator and the office of the custodian to finalize the discussion on the sale of the shares, which was finalized by my letter of instructions, dated September 17, 2013, to the Official Liquidator of Caledonia to sell the shares held in custody.

I subsequently received the proceeds from the sale of the shares held in custody by Caledonia and recovered the funds that were inadvertently transferred from HSBC to Caledonia.

I met and communicated on numerous occasions with a representative of an off balance sheet creditor and we discussed the transfer of an asset held in the name of Leadenhall at Northstar Financial Services (Bermuda) Limited.

- **Transfer of assets**

We had previously received instructions from a settlor of a trust to transfer his trust to a new Trustee, however, the Settlor had subsequently placed a hold on his instruction. He has since instructed me to proceed with the transfer.

On June 24, 2013, I forwarded the draft Deed of Retirement and Appointment ("the Deed") to General Counsel for review and General Counsel responded to me on July 18, 2013, to proceed with the execution of the Deed.

The Deed was executed and on August 22, 2013, I delivered to the successor trustee the following documents:

- Deed of Release and Indemnity;
- Notice of Retirement of Trustee;
- Notice of Appointment of Trustees;
- Deed of Settlement dated July 2, 2001;
- Accounting files;
- IRS tax files;
- Correspondence files;
- Other Trust files, i.e. in particular the letter of wishes and due diligence information.

CONCERNS

- **Customer Communications**

I continue to receive emails, telephone calls and correspondence from Axxess cardholders, wanting to know the status of their accounts and when can they expect the refund of their credit card security deposits. We have advised them that the Bank is no longer the Trustee of the credit card assets and that FFCTC is the Successor Trustee. Their primary concern appears to be the response to the Court Order issued by His Lordship, the Honourable Mr. Justice Faisool Mohammed on August 25, 2008.

- **Statement of affairs**

See Appendix 1 for the unaudited statement showing assets at estimated realizable values and liabilities as they are expected to rank, as at May 31, 2014.

- **Cash Receipts and disbursements**

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

CONCLUSION

I will continue to have the remaining matters resolved and bring the liquidation to a conclusion in the quickest possible time, as follows:

1. Locating remaining proven Creditors of the Bank and making payments of the first dividend payment;
2. Making the second and final dividend payment to the proven Creditors of the Bank;
3. Disposition of the remaining Trust accounts;
4. Destruction of the Bank's records in accordance with The Bahamas' record retention rules.

Very truly yours

Craig A. (Tony) Gomez
Official Liquidator
Leadenhall Bank & Trust Company Limited
(In Liquidation)
Nassau, Bahamas
May 31, 2014

Appendix 1

LEADENHALL BANK & TRUST COMPANY LIMITED
(In Liquidation)

Statement of Assets at Estimated Realizable Values
And Liabilities As Expected to Rank

As at May 31, 2014
(Expressed in Bahamian dollars)

ASSETS

Cash on hand in Bank	\$4,974,077
Utility deposit	9,556
	<hr/> 4,983,633

LIABILITIES

Amount due to Creditors	341,364,747
Reserve for first dividend payment	588,792
	<hr/> 341,953,539

ESTIMATED LOSS AS REGARDS MEMBERS **\$(336,969,906)**

Appendix 2

**Leadenhall Bank & Trust Company Limited
(In Liquidation)**

Statement of Cash Receipts & Disbursements

For the period from June 1, 2013 to May 31, 2014
(Expressed in Bahamian dollars)

OPENING CASH POSITION **\$6,443,077**

Receipts

Funds received from sale of shares held in Custody	342,352
Funds received from HSBC	159,172
	<hr/> 501,524

Disbursements

Time Deposit held in Escrow (off-balance sheet)	1,536,294
Dividend payments	243,586
Liquidator's fees	86,146
Legal fees	30,285
Rent (storage)	3,455
Bank charges	890
Sundry	305
Courier	48
	<hr/> 1,901,009

Add mark to market unrealized forex difference on CAD\$ and GBP **(69,515)**

CLOSING CASH POSITION **\$4,974,077**
