

October 6, 2004

Dear Sir/Madam,

Re: Bank Crozier Ltd (In Liquidation) – The Hurricane & its Passage

I reopened the office on Monday 4th, October 2004 after being closed since Tuesday 7th, September 2004 due to the passage of Hurricane Ivan.

On the 7th, September 2004 at 1.00 p.m the eye of the storm was approximately 35 miles to the East South East (ESE) of Grenada. Winds measured at the airport were gusting to 40 mph, while the maximum sustained wind speeds recorded by the national Hurricane Center were 120 mph. Conditions in Grenada depreciated rapidly after this, with measured central pressures dropping from 998 mb at 1.00pm down to 955 mb at 4.30 p.m. Concurrently, wind speeds increased to over 120 mph with gusts of over 145 mph occurring between 4.05 pm and 4.10 pm. By midnight of the 7th, recorded atmospheric pressures had risen to 1000mb and winds had dropped to between 40 and 60 mph.¹

The State of Grenada, which includes Carriacou and Petit Martinique, is located in the Caribbean Sea between latitudes 11° 59' and 12°20' North and longitudes 61° 36'and 61° 48' West. Grenada is the largest and main island being 18 km (11 miles) wide, 34 km (21m) long, and with a coastline of about 121 km (75miles). It has an area of 312 km (121 sq. miles).²

Hurricane Ivan destroyed almost everything it came into contact with. Rooftops of buildings were blown off; wooden houses fell to the ground. Some concrete houses crumbled. Trees, vegetation and agricultural plants were uprooted. Telephone and electricity poles were broken, and their lines fell destroying the entire communication and power supply system. The water supply to several homes was cut off and in other cases contaminated.

About 28,000 houses or 89% of the country's housing stock of 31,122 houses have been damaged by hurricane Ivan. Near 10,000 houses, or 30%, have been so badly damaged

that they require complete replacement. Approximately 22,000 or 70% require repair. The cost of the damage to the Housing sector has been estimated at \$EC 1,380 million dollars. Of that, 36% represents costs of repair and 64% reconstruction costs. The damaged buildings include the Prime Minister's Official residence, personal house and the official house of the Governor General residence although 100 years old were extensively damaged.³

Grenada's historical buildings are known for their unique fish scale roof, Georgian Architecture and system of fortification. The damage to historical sites in the city is estimated at approximately EC \$8m. The Sites include Government House –Governor General's residence, The Roman Catholic Cathedral & Presbytery, the Presbyterian Kirk and a number of historical forts and the Shopping Center on the Carenage. This estimate does not include cost of materials and training, which would be necessary to enable skilled workers to undertake the repair and refurbishment.⁴

The island of Grenada was declared a disaster area and a state of emergency was put in effect. There was a breakdown in law and order. There was widespread looting of supermarkets, shops and appliance stores. Several other businesses were confronted with armed robbery. Queues were formed at several business houses as the population attempted to obtain goods and services. Special Security Units including soldiers from different islands of the Caribbean are still working in Grenada in an attempt to restore stability. At this point a curfew remains in effect from 9 p.m to 6 a.m in parishes of St.George and St.Andrew the two main towns.

The Tourism Sector suffered both direct and indirect damages. The majority of the tourist accommodations have sustained significant direct damages.

Within St. George's the damage is concentrated in the area of Grand Anse (The Hotel Belt). Damages were also reported in the area of the Carenage. Damages were done to roofs and ceilings, electrical wiring and installations, room accommodation and equipment. The extent of the damage ranged from EC\$650,000 to EC\$40,000,000. Direct losses borne by tourist establishments to their buildings and infrastructure

amounted to \$167m. The hurricane affected close to 90% of the tourist accommodations. Accommodations that bore less than 30 rooms averaged EC\$300,000 per establishment. Losses to restaurant and gift shops were estimated at EC\$30,000,000.

Indirect damages incurred include higher rates of utility costs as a result of the interruption of electricity, drinking water and higher transportation costs.⁵

There is widespread unemployment. If the direct and indirect components are taken into account the number of jobs lost can be at least 8000.⁶ Most major hotels have been forced to close; other organizations have laid off workers; some salaries have been late while other salaries have been slashed.

The education sector was severely damaged. The estimated cost to the education sector is \$EC196 m to \$EC 215 m. Some 30,481 students have been affected. The main tertiary institution in the country the T.A. Marrayshow Community College has been severely damaged and requires repair costs of \$EC 4.5 million. The Grenada Boys Secondary School (G.B.S.S), requires \$EC 2.6 million. In St. George's 18 pre-primary schools require \$EC1, 806,984 for repairs and \$EC 84,150 for reconstruction. Nineteen primary schools are estimated to cost EC\$11,568,850 for repairs and EC\$2,772,350 for reconstruction. Seven secondary schools require EC\$8,429,250 for repairs and EC\$2,662,400 for reconstruction.⁷ The major government run public schools are closed. Some fourth and fifth form students have been relocated to other Caribbean islands including Trinidad, St. Vincent and St. Lucia.

In the region the deadly hurricane Ivan that destroyed Grenada continued its destruction across the region; in particular Jamaica and the Cayman islands were subjected to huge waves and strong winds. Generally the hurricane season commences in July and is expected to last until November 30th.

Like 90% of the buildings in Grenada my office suffered severe damage. Parts of the galvanize roofing were blown off and several of the glass windows and doors were shattered. There were major damages to our appliances and equipment such as computers and air – conditioning units and other fixtures and fittings.

Electrical power was restored to the office on Sunday 3rd October. Prior to that date I spent two weeks cleaning and repairing the office. We are now operating with a periodic supply of running water, electrical power and one telephone line. Our internet services are not yet operational and several other auxiliary services in the country are not available.

The operations of the High Court were severely affected. The building housing the Parliament and the Court suffered structural damage. This will affect the progress of the liquidation, since there is expected delay in the hearing of most matters before the court. At this time we are unable to forecast when the court would resume operation, or whether alternative arrangements will be made to host the Court. Along with the court house, many of our postal offices were damaged. This has interrupted the smooth flow of information. In the parish of St. George's only two postal offices are in full operation. It is projected that by the ending of October most of the postal services would be restored so that regular contact could be made with all creditors. In addition the lack of telephone and internet facilities have crippled communications and my ability to update the website. The telephone company is working feverishly to have these restored.

My next major effort will be to secure and salvage documents and restore the filing system.

Overall things are improving in the country. Electrical power has been restored to most of the industrial and service areas as a matter of priority. All major roads are now passable. Telephones and television services are expected to be restored within the next three (3) months. However the court and some legal offices remain closed making it difficult to do business in the normal way.

The devastating consequences of Hurricane Ivan in Grenada calls for the adoption of rehabilitation and reconstruction approaches. Eighty percent (80%) of the population was affected; the cost of the damages was estimated to be close to twice the annual national GDP.⁸

Two broad areas are suggested for action: rehabilitation and reconstruction.

- Reinvigorating the economy;
- Generating employment; and
- Reducing social vulnerability.

The provision of food, water, control and prevention of diseases, housing repair and reconstruction. Supply of seeds and basic inputs.

The reconstruction phase calls for the implementation of specific projects, replacing lost infrastructure (buildings, roads, sea walls, sewerage systems, and electricity, transportation and communication networks. Re-establishing agricultural activities, generating productive jobs, strengthening national emergency committees and reducing social vulnerability of the affected population. The OECS policy makers have outlined a number of projects.

I endeavor to keep you informed and updated as matters progress towards some form of normalcy.

Yours Truly,

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Garvey Louison, FCCA

Liquidator for Diak Bank Limited.

¹ OECS: estimates based on official sources and officials at Point Salines Airport.

² OECS: Macro - socio-economic assessment of the damages caused by Hurricane Ivan, September 2004.

³ Source: OECS estimates based on official sources with government officials.

⁴ Source: OECS estimates based on official sources with government officials.

⁵ OECS Estimates based on official sources with government officials.

⁶ OECS Estimates based on official sources with government officials.

⁷ OECS Estimates based on official sources with government officials.

⁸ OECS – Grenada: Macro-socio-economic assessment of damages caused by hurricane Ivan