

Bank Crozier Preliminary Report

INTRODUCTION

1. I am Chief Executive Officer of Louison Consulting. On 24th July 2003 I was appointed by the court to be the Liquidator of Bank Crozier Limited (Bank)

2. This is my Preliminary Report

3. The objectives of my appointment are to

- Develop a complete understanding of the circumstances surrounding the set up and operation of the bank from its inception to its current Liquidation status;
- Compile and verify the complete list of depositors and creditors of the Bank and to assess the extent of obligation due to them;
- Gather in and control all assets of the Bank
- Determine the value of those assets; and
- Assess the likelihood of a distribution and to assess its manner and the quantum.

PREAMBLE

4. I was appointed liquidator of the bank on 24th July 2003 by the order of the court ([see Appendix 1](#))

5. The Bank is an offshore Bank granted a license by the ministry of finance under the Offshore Banking Act No.39 of 1996. On 31 July 2002 the minister of finance exercise the powers conferred upon him by section 20 (1) of the Offshore Banking Act to appoint Daryl Sands of Pricewaterhousecoopers (PWC) as the controller of the affairs of the Bank for a period of (60) days effective 31 July 2002. This appointment was further extended for a period of 90 days and a further period of 180 days to 28 June 2003.

6. Pursuant to my appointment I met with Mr.Marcus Wilde and David Halukoff (PWC, agents of Daryl Sands) in the presence of Ms. Cora Felix (Vice President of Bank). I requested of the PWC representative the Following.

- Any matters that would have come to their attention during their period as controllers that needed to be brought to my attention

- Any report to the ministry of Finance and the Grenada International Financial Services Authority (GIFSA) and any other documents compiled during the period of their control that may be of assistance or relevance to as Liquidator; and

- Any physical items in their possession that may legitimately belong to the Bank

7. The PWC representative answered all these matters in the negative. At this point Ms.Cora Felix reminded them that they were holding the keys to the office. Mr. Halukoff left the meeting and returned with the keys. Ms Felix then reminded him that he was also holding the Swift Card, which he also produced.

8. I declared meeting over since it would appear that after one year, almost to the day, of controllership PWC were unwilling or unable to provide any assistance to the Liquidator.

9. The PWC asked Ms. Felix to leave the room since they wanted to inform me about an assets of the Bank, which they did not want Ms. Felix to be aware of, Ms. Felix duly left the meeting.

10. Mr. Marcus Wilde then informed me of two lawsuits involving MR. Daryl Sands of PWC namely:

- Bank Crozier International Limited (BCIL); and
- Carla Balla

11. His request was I sign an indemnity for Mr. Daryl sands in these lawsuits and that as Liquidator I will set aside Funds for Mr. Sand's defense. Mr. Marcus Wilde further inform me that if I were to fail to accede to these demands PWC will hold on to the cash in the Bank at that time held in the name of Daryl Sands as Controller Of bank Crozier Limited.

12. My own reaction was that since theses issues were before the court only a ruling by the court could effectively discharge these matters. As for the cash I told them that I could not see a legal way by which they could hang on to depositors' funds

13. I told the PWC Representatives that the legal advice I had, and I verily believed, stated that at the appointment of a Liquidator the appointment of the Controller under section 20 (1) by the minister cease. And in any event the only document we had on file at the bank stated that the Controller's appointment was until 28th June 2003.

14. The PWC Representatives duly left repeating their intention to hang on to the depositors' funds.

15. Towards the end of July 2003 I received a letter dated 28th July 2003 from the PWC (see [Appendix 2](#)). In what appears to be dramatic change of heart PWC wrote to me again on 14th August 2003 offering to be helpful as they can ([Appendix 3](#)).

The period prior to the appointment of the Liquidator.

16. The ACCA Rulebook provides guidance in that period. It would appear that the Administrative Receiver (Controller under section 20) should establish appropriate accounting records as from the date of his appointment RE: Smith Limited V Middleton (1979) 2 ALL ER 842.

17. When a Liquidator is appointed Engel v South Metropolitan Browing & Bottling Co. (1892) ch.442 seems to apply so that the Liquidator becomes entitled to possession of records. **18.** Indeed in his instrument of appointment of the Controller under section 20 (1) the Minister of Finance instructs the license (Bank) to pay all costs, fees, charges, and expenses incurred by the appointee, it would be duplication to insist that the Liquidator must also be paid to re-perform routines done and finalized during the period of control.

The appointment of a Liquidator

19. On the commencement of the appointment of a Liquidator the Controller (Administrative Receiver) loses his status as agents of the company although his obligation to render a full account of his receipts and payments remain in force.

HISTORICAL BACKGROUND

20. Bank Crozier Limited was incorporated as an International Business Corporation (IBC) on 2nd October 1997. The Bank was granted class (I) Banking license on 6th October 1997, and commence operation in November of 1998.

21. The Bank is wholly owned by Mr. Peter Johansson. Mr. Johansson purchase the remaining 50% of shares in the Bank from the other shareholders Olof Hofstrom

22. Mr. Peter Johansson also appears to be the sole member of the Board Of Directors.

23. On 31 July 2002 the minister of Finance appointed a controller of the Bank since he was of the opinion that the carrying on:

- Business in a manner detrimental to the public interest or the interest of its depositors or of the beneficiaries of ant trust or its creditors; and
- Offshore banking in such manner which will affect Grenada adversely as an Offshore banking centre

24. On 25 April 2000 the Minister of Finance issued his intention to revoke the license of the Bank since he was of the opinion that the Bank:

- is carrying on business in a manner detrimental to the public interest or the interest of its depositors or beneficiaries of any trust or its creditors;
- has contravene provision of the Act specifically sections 16 and 26; and
- is carrying on Offshore banking business in such manner which will affect Grenada adversely as an Offshore banking centre.

25. on 7th August 2003 the Minister of Finance exercised his powers under section 20 (10) (b) of the Offshore Banking Act 1996 and revoke the license of the Bank.

SCOPE OF WORK

26. I have performed the following task at this point:

Correspondence

27. Letters were issued to all depositors and creditors of the Bank. A letter was also sent to the single shareholder and member of the Board of Directors Mr. Peter Johansson ([see Appendix 4](#)). In addition I have several email messages sent to me by various creditors. My website, bankcroziergd.com will be operational by 3rd September 2003.

28. I have also performed an extensive review of the bank in an effort to develop an understanding of its set-up, operations and ultimate liquidation status (see [Appendix 5](#)) This review is ongoing.

Bank Crozier Staff

29. I performed an interview of Ms.Cora Felix, Vice-President of the Bank and the only management employee available for discussion to this day. Ms. Felix was as co-operative and informative as possible and the full record of that interview is provided in appended (see [Appendix 6](#))

30. I also interviewed the entire staff of the Bank with a view to:

- Obtain relevant information based on their knowledge of the activities of the Bank; and

- Verify their ability and suitability to provide assistance to the Liquidator in carrying out his function.

31. At the end of July 2003 all staff were severed and paid their relevant severance packages in accordance with the laws of Grenada. Four staff reassigned to the Liquidation process and provided with new terms and conditions of work.

Name	Job Title	Comments
Ms. Cora Felix	Vice President/Manager	
Ms. Heather Scotland	Senior Clerk	
Mr. Raphael Hamilton	IT Administrator	
Mrs. Leah Orgias	Customer Service Clerk	Reassigned
Ms. Bernadette Clark	General Assistant	Reassigned
Ms Dottie Coutain	Debit Card Admin	Reassigned
Mrs. Silvie Williams	Customer Service Admin	
Mrs. Ann DuBissette	Accounts Admin	Reassigned

Assets

32. As far as I have been able to determine at this point the Bank's assets seems to consist of the following:

Cash At Bank

33. The cash at Bank Grenada is a Sum of US \$5,304,629.85 at RBTT Bank Grenada Ltd. of which the high court has frozen US \$5 million pending the outcome of two court actions (namely BCIL & Bella), and US\$ 81,305.13 at the Grenada Co-operative Bank Ltd (see [Appendix 7](#)).

34. The following amounts have been expended to date:

Table No: 2 Expenditure to date:

Description	Expenditure US\$	Income US\$
Sale of Motor Vehicle		4,416.80
Personnel	23,889.16	

Severance Benefits	25,555.14	
National Insurance	465.60	
Legal & Accounting Fees	20,000.00	
Electricity	3,349.95	
telephone	13,213.99	
Office Supplies	86.27	
other Expenses	256.36	
Total	86,807.47	4,416.80

Master Card Deposit

35. My contact with MasterCard suggests that this represents a returnable deposit of US\$600,000 subject to some small deductions. However it would appear that these funds would not be returned to the Bank immediately, the time period appears to be between three to six months of formal notification of closure. I have issued MasterCard with such notifications.

Stourbridge Ltd

36. Stourbridge Ltd is a 100% owned subsidiary of the Bank whose only asset is an investment in Exchange Bank and Trust (EBT). It would appear that EBT is in Liquidation by KPMG appointed by the Vancouver Court. I am Unable at this time to assess the Value of any realization from the liquidation and as such the possible benefit to the creditors of the Bank.

Investment

37. The bank holds essentially three positions with Bear, Stearns & Co Inc.

Table No3 Summary Bank Crozier Accounts at Bear, Stearns & Co Inc:

Account Held		US \$
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Account 1	Balance	0.00
Account 2	Net Equity	119.00
Account 3	Total Value of Securities	3,360.00

38. This does not include an additional investment that the Bank made at Bear Stearns in January 2000. The Bank committed to invest US\$ 1,000,000 to the Bear Stearns Venture Partners, LP (BSVP) BSVP is a Fund of FUND which invests its assets in private equity funds in the technology and healthcare sectors.

39. To date the bank has funded US\$ 600,000 to the BSVP and has an outstanding unfounded commitment of \$400,000, which is due within the next two years. My detailed discussions with Bear Stearns revealed that there are several options open to a participant who want to opt out of the fund including the following:

- Invest the additional US\$ 400,000 and await a cashing out opportunity;
- Sell the existing US\$600,000 position as is;
- Find a joint venture partner to invest the additional US\$ 400,00; or
- Find several small partners who are willing to team up to build up US\$1,000,000;

40. The legal opinion suggests that the Bank must terminate it's relationship with Bear Stearns & Co. at this time. All existing accounts are to be closed and no new orders or instruction are to be taken except as necessary to deliver all eligible assets out of the accounts. It would also appear that the market is now extremely depressed and one can only expect marginal repayments of the sum invested so far.

Loans And Overdrafts

41. The Bank holds over US\$5 million in loans and overdrafts of which over US\$3 million is in the hands of related parties (companies and friends of MR. Peter Johansson). At this point I am unable to comment on the collectability of these amounts.

Blue Ocean Properties

42. The main assets of the company consist of a house and land in Grenada i have not yet obtained independent valuations of those. These assets can be sold to realize funds to be made available to the creditors of the Bank.

Fixed Assets

43. The fixed Assets consist of two motor vehicles, fixtures and fittings and furniture and computer equipment. I have sold one vehicle and I am in position to dispose of the other.

44. There are good prospects for disposal of the remaining fixed assets based on enquires received to date:

Table No.4 Motor vehicles

Motor Vehicle Registration	Year Of Manufacture	Description	Book Value	Realized Value
PL597	1994	Toyota Corolla	NIL	4,500
p3720	1997	Ford Explorer	-----	-----

Conclusion

45. Apart from the observation stated above and given the preliminary status of my enquires I do not consider it appropriate to state any further conclusion regarding the likelihood of recovery of assets and the extend to which the claims of depositors, creditors and investors in the bank are likely to be met at this stage.

Garvey Louison
Liquidator For bank Crozier