

Stocks and Securities Limited (In Court-Supervised Winding-Up & In Bankruptcy)

First Meeting of Creditors and
Claimants of the Bankruptcy
Estate 25 October 2024

The Summit 16 Chelsea Avenue
Kingston 5, Jamaica, W.I.

&

<https://iteneri.com/ssl>



AGENDA

- Call to Order
- Prayer
- Welcome and Introductions
- Trustee's Preliminary Report
- Preliminary Statement of Affairs and Estimated Final Outcome (EFO)
- Discussion on Preliminary Report, EFO & Trustee's Fees
- Confirmation or Substitution of Trustee
- Vote on Trustee's Fees
- Committee of Inspection – Nomination & Election
- Discussion and voting on 7.5% quasi-management fees
- Discussion and voting on classification of FSC claim
- Any Other Business
- Adjournment



*Lord,
Hear Our
Prayer*

1 Corinthians 4:2 NIV

Now it is required that those who have been given a trust must prove faithful.

Introductions / Recognitions

- PRAISE Team
 - Caydion Campbell
 - Lance Thomas
 - Georgia Lewis
- Supervisor of Insolvency
 - Fayola Evans Roberts and Other OSI Team Members
- Caroline P. Hay Attorneys-at-Law – Counsel for SSL
 - Caroline Hay, Kimberley McDowell, Tereece Campbell-Wong & Zurie Johnson
- Financial Services Commission
- Jamaica Stock Exchange / JCSC Trustee Services Limited

THANK YOU!

SSL Service Team

- Adrian C.
- Alexis Z.
- Amanda K.
- Chante L.
- Dahlia F.
- Duval W.
- Jodie-Ann E.
- Miguel L.
- Oneika R.
- Stefan S.
- Theodore M



CERTIFICATE OF ASSIGNMENT

(Voluntary Application)

[Pursuant to sections 83(5) of the Insolvency Act, 2015]

The Trustee, CAYDION CAMPBELL, has made an application for assignment for the debtor, STOCKS AND SECURITIES LIMITED, on the 4th day of JUNE 2024 pursuant to Order in Claim No. SU2023CD00036 and having approved the application, the undersigned is required to issue a Certificate of Assignment.

The debtor is declared to be bankrupt and CAYDION CAMPBELL is hereby appointed as trustee of the debtor's bankruptcy estate.

Dated the 27th day of JUNE, 2024

Fayola Evans Roberts (Mrs.) J.P.
Supervisor of Insolvency (Actg.)



**First Meeting of Creditors of the Bankruptcy Estate of
Stocks and Securities Limited (In Court-Supervised Winding-Up and In Bankruptcy)
("SSL" or "the Bankrupt" or "the Company")**

Purpose of Meeting

- For creditors and claimants to receive the Bankruptcy Trustee's Preliminary Report and Estimated Final Outcome and to discuss accordingly.

Matters to be voted on and appointments to be made

- Confirmation of Trustee.
- Confirmation of Trustee's Fees.
- Appointment of Committee of Inspection (COI).
- Vote on 7.5% Quasi-Management Fees,
- Vote on Classification of FSC Claim.
- Special Resolution re meetings.

Stay of Proceedings upon Bankruptcy

Section 6 of the Insolvency Act

Subject to subsections (2) and (3) and section 7, on the bankruptcy of any debtor, no creditor shall have any remedy against the bankrupt or the bankrupt's property, or shall commence or continue any action, execution or other proceedings, for the recovery of a claim provable in bankruptcy, until the trustee in respect of the bankrupt is discharged.

- Litigation decreases the numerator (funds available for distribution) as it puts expenses associated with such litigation ahead of the claims and creditors.
- The Trustee pursue litigation for recovery purposes after necessary cost benefit analysis and discussion with the COI or the general body of creditors.

Composition of the SSL Estates

There are three (3) distinct estates to be wound-up to facilitate the overall winding-up and eventual dissolution of SSL; they are as follows:

a. Proprietary On-Balance Sheet Creditors - 3.5%

b. Unaffected Trust Claimants - Off-Balance Sheet Portfolio – 87.5%

c. Affected Trust Claimants - Off-Balance Sheet Clients with Contingent Claim – 9.0%

Percentages based on the total liabilities (on and off-balance and contingent liabilities) of **JMD33.4 billion** as at 31 January 2023.

The Developments that led to Bankruptcy

The following are the main factors and developments to which the bankruptcy of SSL may be attributed:

- 2022 - going concern issues with SSL which is facing imminent insolvency.
- Late 2022 – Negotiated sale of controlling interest to Spectrum to avert insolvency.
- January 2023 - discovery of fraud, reported to FSC. It would later emerge that SSL potentially had Contingent Liability in the region of **\$3 billion**.
- 12 January 2023 - FSC Issues Directives to SSL.

The Developments that led to Bankruptcy

- 16 January 2023 - appointment of Trustee to facilitate reorganisation during the course of a *MVW* using 30 June 2022 audited financial statement as basis for Declaration of Solvency.
- 17 January 2023 - Appointment of Temporary Manager.
- 25 January 2023 - Injunction against SSL, Trustee and former Directors.

The Developments that led to Bankruptcy (cont'd)

- February 2023 - the Temporary Manager began the process of liquidating the assets of SSL, particularly Investment Securities comprising equities listed on the Jamaica Stock Exchange.
- 23 February 2023 - JSE terminated SSL Member Dealer Agreement for lack of renewal of insurance.
- SSL ceases brokerage activities.

The Developments that led to Bankruptcy (cont'd)

- March 2023 - Spectrum was reimbursed funds that were being held in Escrow pursuant to the Share Purchase Agreement.
- March 2023 – based on instruction from the Temporary Manager, the Spectrum transaction was reversed. This led to the reclassification of the new equity injection to a debt now due to the Equity Claimant.
- The Proforma 31 January 2023 accounts now shows a negative shareholders equity as of that date versus a surplus based on the DOS and the 31 December 2022 accounts.

The Developments that led to Bankruptcy (cont'd)

- Spectrum continued to show interest in acquiring the licence of SSL and assuming the off-balance sheet portfolio up to April 2023, but no agreement could be reached.
- In September 2023, the Temporary Manager began the reimbursements of clients' cash and investment.
- This temporary management and operating activities to facilitate this was primarily funded the **USD1 million** insurance proceeds received in relation to the fraud claim.
- Between March and May 2024, the Temporary Manager liquidated the international equities portfolio of the SSL clients.

The Developments that led to Bankruptcy (cont'd)

- During this period the Temporary Manager also liquidated the remaining Investment Securities and the Investment Properties of SSL to fund the activities to facilitate the continued reimbursements to the *Unaffected Off-Balance Sheet Clients*.
- On 31 May 2024 the Supreme Court lifted the injunction on the winding-up and the Temporary Management terminated. The formal winding-up of SSL recommenced under the Supervision of the Court.
- June 2024, SSL declared Bankrupt following Application for Assignment by Trustee in accordance with Court Order.
- The company has formally ceased operations and is in process of being wound-up inclusive of the off-balance sheet portfolio.

Classes/Categories of Creditors and Claimants

- Category 1 Priority Creditors
 - Temporary Management Creditors?
- Unsecured Creditors (On-Balance Sheet Liability) including:
 - Class 2 Preferred Creditors with a priority under Section 202 of the Insolvency Act.
 - Class 4 Unsecured Creditors with no right to priority.
- Equity Claimant
- Unaffected Trust Claimants
- Affected Trust Claimants (Additional Contingent Claims)

Creditors' Claims - Category 1 (Priority)

As at 1 June 2024, SSL had potential ***Category 1 Liabilities*** arising from activities during the period 16 January 2023 and 31 May 2024 of approximately **\$196.3 million**, comprising:

- Trustee's Fees and Legal Expenses of **\$73 million** – this figure is likely to be reduced, and recovery is to be pursued from the FSC arising out of the Court Orders of 31 May 2024.
- Temporary Management Expenses - **\$123.3 million** (claim from FSC).

Creditors' Claims – Category 2 (Preferred)

- The company has potential **Class 2 (Preferred) Claims** of approximately **\$37.893M** due to:
 - National Insurance Scheme (NIS) – approx. **\$1.725M**
 - National Housing Trust (NHT) - approximately **\$0.401M**
 - HEART Trust NSTA – approximately **\$4.434M**
 - Tax Administration Jamaica (TAJ) - approximately **\$31.333M**
- *These are claims with a priority under Section 202 of the Insolvency Act, subject to the rights of secured creditors. There are no secured creditors in the SSL estate.*

Creditors' Claims – Category 4 Unsecured

- The company has **Class 4 (Unsecured) Claims** of approximately **\$1.058 billion**. These are claims with no right to priority.
- Included in this is **\$153.9 million** in *Contingent Claims* arising out the insurance recovery from the fraud claim.
- Additional *Contingent Liabilities* may have to be brought On-Balance Sheet arising from the claims from *Affected Trust Creditors*.

Equity Claimant

- The company has an *Equity Claimant*, namely **Spectrum Capital Partners Limited** to which it is liable for approximately **US\$1.116 million**.
- *This arose from monetary loss resulting from the ownership purchase or sale of an equity interest or from the rescission of a purchase or sale of an equity interest.*
- Specifically, the frustration of the Share Purchase Agreement Spectrum had with SSL Growth Equity Limited and Mr. George Chai to acquire a majority stake in SSL.
- This claim is in sub-ordination to the *Category 4 Unsecured Creditors*.

Unaffected Trust Claimants

- As at 31 May 2024, SSL had **Unaffected Trust Claims** of approximately **\$13.7 billion** due to clients, comprising:
 - Cash – approximately **\$4.59 billion**
 - Fixed Income - approximately **\$2.83 billion**
 - Local Equities – approximately **\$6.28 million**
- *These are claims to cash and other investments being held in trust for clients which are maintained Off-Balance-Sheet.*
- It should be noted that approximately **\$3.5 billion** of the cash (approximately 76%) have already been returned to clients.

Affected Trust Claimants

- As at 31 May 2024 SSL had potential **Affected Trust Claimants of in excess of \$3 billion.**
- *These are claims from clients, whose holdings were part of the Off-Balance Sheet Portfolio, who are apparently victims of the alleged fraud and dishonest acts of former employees, Jean-Ann Panton who is now before the Court facing criminal charges.*
- As at 31 May 2024, **\$153.9 million** of this amount was recognized On-Balance Sheet arising from the insurance proceed pursuant to the employee dishonesty claim.

*Admission and Disallowance of Proofs
of Claim and Proofs of Security*

201.—(1) The trustee shall examine every proof of claim or proof of security and the grounds for the proof, and may require further evidence in support of the claim or security.

(2) The trustee shall determine whether any contingent claim or unliquidated claim is a provable claim and, if it is a provable claim, the trustee shall value it, and the claim is, subject to this section, deemed a proved claim to the amount of its valuation.

(3) The trustee may disallow, in whole or in part—

(a) any claim;

Affected Trust Claimants – Provable Amount

- The preliminary proved amount, except where there is documentation to the contrary, is fifty percent (**50%**) of Ms. Panton's estimate of what the portfolio balances would have been if no funds were taken out.
- The preliminary proved amount is approximately \$1.5 billion and may have to be brought on balance sheet.
- This is a matter to be discussed further with the COI.

Claims Received

Category	# of Claimants	% of Claimants	Value of Claim	% of Claim
Unaffected*	780	92.1%	7,148,965,774	67.1%
Affected	59	7.0%	3,033,843,235	28.5%
Preferred Creditors (On-Balance Sheet)	4	0.5%	37,893,000	0.4
Unsecured Creditors (On-Balance sheet)	4	0.5%	404,227,435	4.0
TOTAL	847	100.0%	10,649,731,060	100.0

- *(Included in the Unaffected Claims and some clients who hold SSL Promissory Note that will be reclassified to Unsecured Creditors after their cash, equities and other fixed income investments have been returned to them.*
- **The above does not include the Equity Claimant.**

Proof of Claims Adjudication

	Quantity	Amount (JMD)
Total Proof of Claims Received as of 18 October 2024 (All)	847	10,649,731,060
Total Accounts Submitted to FSC for Review ¹ (For client cash accounts only)	660	4,267,071,143
Total Proof of Claims Reviewed and Agreed by FSC ² (For client cash accounts only)	617	4,147,246,137
Payments made to clients relating to their cash accounts: ³	420	3,483,449,294

The totals above include amounts denominated in USD and translated to JMD at a rate of 158:1.

Notes:

¹This relates to listing submitted to FSC with clients who have submitted a proof of claim and outlining their cash account balances. These numbers include batch 6, which was submitted to FSC on October 18, 2024 and is currently being reviewed.

²This relates to client accounts for which the Trustee has received a no-objection response from the FSC regarding paying out balances on their cash accounts.

³These payment statistics include payments made up to October 15, 2024.

Clients Cash Account Disbursement Summary

	Reviewed & Agreed with FSC	Paid 95% of balance	Paid 90% of balance	Not Yet Paid*
Batch #1	47	22	23	2
Batch #2	37	1	35	1
Batch #3	327	251	23	53
Batch #4	138	34	13	91
Batch #5	<u>68</u>	<u>25</u>	<u>43</u>	<u>42</u>
Total	<u>617</u>	<u>333</u>	<u>137</u>	<u>189</u>

*Accounts not yet paid are due to missing or incomplete client instructions

BATCH 4 – Not paid includes 40 accounts with PBL coupons.

Portland (Barbados) Limited

- This instrument matured on 1 October 2024 and not 31 August 2024 as would be shown on the SSL statements.
- Interest up to 1 October 2024 has been received.
- The PBL Notes are in default and the cure period expired yesterday.
- Awaiting update from JCSD Trustee Services Limited.
- We will process the payment during the week of 4 November 2024.

Inter Member Movements of Local Equities

- We are now in the process of facilitating the transfer of clients' portfolio comprising equities listed on the Jamaica Stock Exchange.
- We are still awaiting instructions from some clients.
- Some clients are also required to open new accounts in the exact names as is currently designated in the system by SSL and the JSE/JCSD.

Facilitation Fees for transferring local equities

Value of Equity(ies) to be transferred		
Lower Limit \$	Upper Limit \$	Fees \$
-	10,000.00	-
10,000.01	50,000.00	2,500.00
50,000.01	100,000.00	5,000.00
100,000.01	200,000.00	10,000.00
200,000.01	300,000.00	15,000.00
300,000.01	400,000.00	20,000.00
400,000.01	500,000.00	25,000.00
500,000.01	600,000.00	30,000.00
600,000.01	1,000,000.00	35,000.00
1,000,000.01	10,000,000.00	40,000.00
10,000,000.01	50,000,000.00	45,000.00
50,000,000.01	100,000,000.00	50,000.00
100,000,000.01	250,000,000.00	75,000.00
250,000,000.01	500,000,000.00	100,000.00
500,000,000.01	1,000,000,000.00	150,000.00
1,000,000,000.01	and above	250,000.00

Quasi-Management Fees

- A proposed **7.5% *quasi-management fee*** would be charge on the administration of SSL's off-balance sheet portfolio which would enure to the benefit of all stakeholders of SSL, including its clients, claimants and creditors.
- Settlement offers have been made to clients with cash balances as of 31 May 2024 of **95%** of their balance in full and final settlement of their then cash claim. Over **300** have already accepted this proposal.

Victims' Compensation Fund

- It is proposed that a ***Victims Compensation Funds*** be established to in the 1st instance to recover the **\$153.5 million** in insurance proceeds that were used to cover temporary management expenses.
- This would facilitate a distribution of between **7.5%** and **10%** of the estimated **\$1.5 billion** in Contingent Liability that is deemed provable.

Related Party Receivables

- Discussing will be held with the COI on the most practical and cost- effective approach to pursuing these recoveries which now remaining the most significant component of SSL's assets.
- These assets have a book value of approximately **\$670 million** but are significantly impaired and the realisation period may be extensive.
- Civil litigation actions in pursuit of recovery will be undertaken where practical.

Statement of Affairs & Estimated Final Outcome – Proprietary (On-Balance Sheet)

- The Statement of Affairs of the Bankrupt as at **31 May 2024**, based on the Proforma Balance Sheet that was provided by the former Temporary Manager shows that the company is Balance Sheet insolvent with a shareholders' deficit of approximately **\$465 million** representing the net liabilities of the Bankrupt.
- The Company has assets with a book value of approximately **\$770 million** with estimated realizable value in the range of **\$107 million** to **\$254 million**. The remaining assets on the books of SSL are not high quality.

STOCKS & SECURITIES LIMITED (IN COURT SUPERVISED WINDING-UP & IN BANKRUPTCY)

STATEMENT OF AFFAIRS & ESTIMATED FINAL OUTCOME AS AT ...

	31 May 2024 TM Proforma Balance Sheet \$	Estimated Realisable Value \$ Worst Case	Estimated Realisable Value as at \$ Base Case	Estimated Realisable Value as at \$ Optimistic	Estimated Realisable Value as at \$ Proforma BS
ASSETS:					
Cash & Cash Equivalent	17,630,612	17,630,612	17,630,612	17,630,612	17,630,612
Loans Receivables	19,451,780	4,862,945	9,725,890	15,561,424	19,451,780
Income Tax Recoverable	17,346,041	-	-	-	-
Other Receivables	17,442,389	15,698,150	17,442,389	17,442,389	17,442,389
Due From Related Parties	670,118,561	67,011,856	134,023,712	201,035,568	670,118,561
Property Plant and Equipment	4,311,626	1,724,650	2,155,813	2,586,976	4,311,626
Deferred Tax	24,148,331	-	-	-	-
TOTAL ASSETS / ESTIMATED GROSS REALISATION	770,449,340	106,928,214	180,978,416	254,256,969	728,954,968
Percentage of Profoma Balance		14%	23%	33%	95%

ASSETS:		Worst Case	Base Case	Optimistic	Proforma BS
TOTAL ASSETS / ESTIMATED GROSS REALISATION	<u>770,449,340</u>	<u>106,928,214</u>	<u>180,978,416</u>	<u>254,256,969</u>	<u>728,954,968</u>
Percentage of Profoma Balance		14%	23%	33%	95%

LESS LIABILITIES:

Class 1 Creditors

Realisation, Transaction Costs & Winding Up Expenses		21,385,643	36,195,683	50,851,394	145,790,994
Trustee's Fees & Legal Expenses (Jan 2023 to May 2024)		73,000,000	73,000,000	73,000,000	73,000,000
Trustee's Fees & Expenses (Proprietary from 1 June 2024)		34,439,625	34,439,625	34,439,625	34,439,625
Temporary Management Expenses Paid by SSL					
Temporary Management Expenses - FSC		123,266,865	123,266,865	-	123,266,865
Total Due to Class 1 Creditors	-	252,092,133	266,902,173	158,291,019	376,497,484

Surplus / (Deficit) as regards Class 2 Creditors (Preferred)	770,449,340	(145,163,919)	(85,923,757)	95,965,950	352,457,484
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		Worst Case	Base Case	Optimistic	Proforma BS
Surplus / (Deficit) as regards Class 2 Creditors (Preferred)	770,449,340	(145,163,919)	(85,923,757)	95,965,950	352,457,484

Class 2 Creditors:

Redundancy	-	-	-	-	-
Statutory Obligations (Adjusted to TAJ POC amount)	31,333,497	31,333,497	31,333,497	31,333,497	31,333,497
Total Due to Class 2 Creditors	31,333,497	31,333,497	31,333,497	31,333,497	31,333,497
Surplus / (Deficit) as regards Class 4 Creditors (Unsecured)	739,115,843	(176,497,416)	(117,257,254)	64,632,453	321,123,987

		Worst Case	Base Case	Optimistic	Proforma BS
Surplus / (Deficit) as regards Class 4 Creditors (Unsecured)	739,115,843	(176,497,416)	(117,257,254)	64,632,453	321,123,987

Class 4 Creditors (Unsecured):

Clients Payable (Cash Shortfall)	74,756,569	74,756,569	74,756,569	74,756,569	74,756,569
SSL Promissory Note	750,925,342	750,925,342	750,925,342	750,925,342	750,925,342
Accounts Payable	38,542,733	38,542,733	38,542,733	38,542,733	38,542,733
Other Payable (+additional statutory liabilities)	14,788,255	39,788,255	39,788,255	39,788,255	39,788,255
Contingent Liability	153,901,600	153,901,600	153,901,600	-	153,901,600
Total Due to Class 4 Creditors	1,032,914,499	1,057,914,499	1,057,914,499	904,012,899	1,057,914,499
Surplus / (Deficit) as regards Equity Claimant	(293,798,656)	(1,234,411,915)	(1,175,171,753)	(839,380,446)	(736,790,512)

		Worst Case	Base Case	Optimistic
Surplus / (Deficit) as regards Equity Claimant	(293,798,656)	(1,234,411,915)	(1,175,171,753)	(839,380,446)

Equity Claimant:

Equity Claim Spectrum Capital Partners	171,169,953	171,169,953	171,169,953	171,169,953
Total Due to Equity Claimant	171,169,953	171,169,953	171,169,953	171,169,953
Surplus / Deficit as regards Members (Shareholders)	<u>(464,968,609)</u>	<u>(1,405,581,868)</u>	<u>(1,346,341,706)</u>	<u>(1,010,550,399)</u>

	Worst Case	Base Case	Optimistic	Proforma BS
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Distribution Schedule:

Class 1 Creditors (Super Priority)	42.42%	67.81%	100.00%	100.00%
Class 2 Creditors (Preferred)	0.00%	0.00%	100.00%	100.00%
Class 3 Creditors (Secured) none	N/A	N/A	N/A	N/A
Class 4 Creditors (Unsecured & Contingent Claims)	0.00%	0.00%	7.15%	30.35%
Equity Claimant (Spectrum Capital Partners Limited)	0.00%	0.00%	0.00%	0.00%
Shareholders (NB. No Equity)	N/A	N/A	N/A	N/A

ESTIMATED FINAL OUTCOME – Proprietary Estate

- The EFO indicates that there may no funds available for distribution to either the *Category 2 (Preferred) Creditors* or the *Category 4 (Unsecured) Creditors*.
- Best efforts will have to be made in a commercially reasonable manner to see how the realisation of the balance sheet assets can be maximized and some liabilities reduced.

Discussion
on Trustee's
Report and
EFO



Trustee's Fees

- The Trustee's fees payable is **USD167,000** for the period 16 January 2023 and 31 May 2024 (based on original contract) and **USD300,000** for the period 1 June 2024 to 31 October 2024. These are Class 1 liabilities payable in priority to creditors' claims.
- The standard rates of the PRAISE Team members are between **USD100** and **USD300** per hour as would have been contracted in the original engagement letter of 16 January 2023. However, a significant discount has been offered and services might be billed at a composite rate of **USD150** per hour plus General Consumption Tax (GCT), if they are approved by the creditors.

Trustee's Fee Cap

- Furthermore, the fees will be capped at **USD60,000** per month for a minimum of **400 hours** by the PRAISE Team.
- It should be noted that if the Trustee charged all of his time, which now exceeds 200 hours per month, at his standard rate of **USD300** per hour, the billable amount for this time alone would be in excess of **USD60,000**.

Trustee's Fee Cap

- If the total number of hours is less than 400 hours in any month, the total hours will be billed at the blended rate of **USD150** per hour plus GCT.
- For comparative purposes, the team would have expended in excess 400 hours in each of the 3 months between June and August 2024. If capped at 400 hours and charged at the standard rate for team members, the applicable billing would have been approximately **USD97,500** for each of these months.

Projected Fees June 2024 to May 2024

Period / Months	Projected Average Fees Per Month USD	Projected Fees for Period USD
1-5 (June to October 2024)	60,000	300,000
6-9 (November 2024 to February 2025)	40,000	160,000
10-12 (March to May 2025)	<u>30,000</u>	<u>90,000</u>
TOTAL (June 2024 to May 2025)	<u>45,833</u>	<u>550.000</u>

Projected fees over a 12-month period is USD550,000 . Including GCT this would be USD632,250 (approximately JMD95 million)

Discussion on Trustee's Fees





Confirmation of Trustee

“Be it resolved that Caydion Campbell is confirmed as the Trustee of Stocks and Securities Limited (In Court-Supervised Winding-Up and In Bankruptcy)”.

Trustee's Fees 1 June 2024 to 31 October 2024

“Be it resolved that the discounted Trustee Fee of USD300,000.00 payable to PRAISE Trustee Limited for the period 1 June 2024 to 31 October 2024 is hereby approved.”

Trustee's Fees 1 November 2024 onwards

Be it resolved that a discounted composite rate of USD150.00 per hour is fixed from 1 November 2024 and that the fees payable to PRAISE Trustee Limited be capped at USD60,000.00 per month:

COMMITTEE OF INSPECTION - Appointment

PART X (10) – *INSPECTORS*

- *SECTION 175 (1) Appointment of Inspectors*
- At the first or a subsequent meeting of creditors, **the creditors shall appoint one or more**, but not exceeding **five persons** as inspectors of the estate of the bankrupt for the purpose of overseeing the administration of the estate of the bankrupt.

COMMITTEE OF INSPECTION - Eligibility

PART X (10) – *INSPECTORS*

- *SECTION 175 (2)* A person shall not be eligible to be appointed as an inspector unless the person-
 - a) Satisfies the criteria prescribed; and
 - b) Is not a party to any contested action or proceedings by or against the estate of the bankrupt.

COMMITTEE OF INSPECTION - Role

PART X (10) – INSPECTORS

- ROLE OF COMMITTEE OF INSPECTION
- *SECTION 183 (1)* The inspectors shall-
 - (a) From time to time verify the bank balance of the estate;
 - (b) Examine the trustee's account and inquire into the adequacy of the security filed by the trustee;
 - (c) Subject to subsection (2), approve the trustee's final statement of receipts and disbursements, dividend sheet and disposition of unrealized property

COMMITTEE OF INSPECTION – Role (cont'd)

SECTION 183 (2)

Before approving the final statement of receipts and disbursements of the trustee, the inspectors shall –

- (a) Satisfy themselves that all the property has been accounted for;*
- (b) Satisfy themselves that the administration of the estate has been completed as far as can reasonably be done; and*
- (c) Determine whether or not the –*
 - I. Disbursements and expenses incurred are proper and have been duly authorized; and*
 - II. Fees and remuneration are just and reasonable in the circumstances*

Summary of duties and functions of the committee of inspection

- Its main functions and duties are to:
 - carry out a general oversight of the bankruptcy and approve the Trustee's fees and expenses that may not otherwise have been approved;
 - convene meetings of the committee of inspection to discuss matters of concern in the bankruptcy; and
 - assist the Trustee in carrying out their duties such as approving payments to certain type of creditors and/or agreeing a compromise arrangement with creditors.

Committee of Inspection*

- **Tim Prudhoe** – Representative of Suzanne Beaubrun & Laura Banks (Affected Trust Claimants)
- **Jean Elizabeth Forde** (Affected Trust Claimant)
- **Frater, Ennis & Gordon** - Representative of Welljen Limited (Affected Trust Claimant)
- **Joan Willoughby** (Affected Trust Claimant)
- **Patrick Topping** (Unaffected Trust Claimant)

**Only 5 candidates were nominated and as such they were all unanimously selected to form then COI.*

Discussion on Quasi- Management Fees

Rationale for the 7.5% Quasi-Management Fees

An application has been made to the Court for approval for a quasi-management fee of **7.5%** to be levied on clients' accounts. The following are the factors that guide this recommendation:

- i. There is a Client Payable (Shortfall) -
- ii. No Management Fees were charged during the TM.
- iii. Insurance proceeds were not used to compensate victims with Contingent Claims – this might be recoverable to create an ***SSL Victims' Compensation Fund***;
- iv. Principle of fair allocation of the costs in insolvency; and
- v. What would the Office of the Government Trustee would charge to administer the SSL Off-Balance Sheet Portfolio if it was assigned to them to be administered.

	\$M	% of Total	7.5% Split	Comments
Clients Payable AUM funding deficit	74.76	21.67%	1.63%	Facilitating availability of cash to meet all claims.
SSL Victims' Compensation Fund	153.50	44.49%	3.34%	Recovery of insurance proceeds used during Temporary Management
Proprietary Estate recovery.	116.74	33.84%	2.53%	Comparable to 2% brokerage fee on liquidation of international equities and 1% per annum custodian fee. NB. As no management fees were being charged, funding for the Temporary Management included the \$141.25 million that was realised by the TM from the sale of SSL's Investment Securities and Investment Properties.
Total	345.00	100.00%	7.5%	

Quasi-Management Fees

“Be it resolved that the quasi-management fees of 7.5% on clients’ cash balance as at 31 May 2024 is hereby approved.”

A photograph of a business meeting with a semi-transparent dark overlay. The text 'Discussion on Classification of FSC Claim' is centered in white. In the background, several people in business attire are gathered around a table. One person is pointing at a tablet displaying a chart with two circular elements. Other people are holding coffee cups and looking at the tablet. The overall scene is professional and collaborative.

Discussion on Classification of FSC Claim

Temporary Management Expenses

- The Temporary Management Expenses have been preliminarily included in Category 1.
- However, a strict reading of Section 202 of the Insolvency Act (IA) may not support such a classification.

Temporary Management Expenses

- Temporary Management Expenses is not a Category 2 Preferred Claim nor a Category 3 Secured Claim
- The only other option would be a Category 4 Unsecured Claim.

Temporary Management Expenses

The IA does not govern Temporary Management or the activities of a Temporary Manager.

Its classification is therefore a grey area in particular, as you would not normally have a Temporary Management commencing after a winding-up resolution has been passed. We have no precedence to guide us.

The assumption of Temporary Management meant that the FSC assumed the role of the officers and directors of the company who would not ordinarily have their claim receiving any priority in bankruptcy.

Resolution of Classification of a Claim

- A Trustee is at liberty to discuss with creditors and or the COI to get their input in the adjudication of a particular claim to determine how such liabilities are to be treated. [This will be discussed and possibly voted on later in meeting]
- If a creditor feels they have been aggrieved by the decision of the Trustee and the COI they may make an Application to the Court for final adjudication.

Insolvency Act Section 202

Scheme of Distribution

Ranking of
claims.

202.—(1) Subject to the other provisions of this section and the rights of secured creditors, the proceeds realized from the property of a debtor which immediately before the commencement of bankruptcy or being placed in a receivership, the debtor was permitted to deal with and dispose of during the ordinary course of the debtor's business shall be applied in priority of payment in descending order in the following four categories—

- (a) Category 1, namely—
 - (i) the reasonable funeral and testamentary expenses incurred by the legal personal representative of a deceased debtor;

Insolvency Act Section 202

The Insolvency Act, 2014

[No.]

125

- (ii) the costs of administration, being—
 - (A) the expenses and fees of any person acting under a direction made under section 240(1);
 - (B) the expenses and fees of the trustee or receiver, as applicable; and
 - (C) legal costs;
- (iii) the prescribed fees payable to the Supervisor;
then

Insolvency Act Section 206

Claim of
officer and
director.

206. Where a corporation becomes bankrupt, no officer or director and director of the corporation is entitled to have his claim preferred as provided by section 202, in respect of wages, salary, commission or compensation for work done or services rendered to that corporation in any capacity.

Classification of FSC Claim (as amended during FMOC)

“Be it resolved that the claim of \$123,266,865 from the Financial Services Commission for Temporary Manager’s and Legal Fees be and is hereby classified as follows:

A. Category 1 (Preferred Creditor ranking in priority to Category 2 and Category 4 creditors)

OR

B. Category 4 (Unsecured Creditor with no claim to priority and ranking pari passu with other Category 4 Creditors)”

OR

C. “Category 5” (To reflect Resolution overleaf)

Resolution on FSC Temporary Management Expenses



RESOLUTION

Proposed Resolution: The FSC's temporary manager expenses of **\$123,266,865** be put into a separate fifth category in the ranking of creditors and that this category be the last item to be considered or paid in any resolution or payment.

ANY
OTHER
BUSINESS

Special Resolution

Be it Resolved THAT:

- Subsequent meetings of the creditors and claimants of Stocks and Securities Limited (In Court-Supervised Winding-Up & In Bankruptcy) are permitted to be held:
 1. at a physical location designated by the Trustee or Supervisor of Insolvency; or
 2. virtually on an appropriate video conferencing platform designated by the Trustee or Supervisor of Insolvency; or
 3. hybrid from a designated physical location and concurrently on an appropriate video conferencing platform as designated by the Trustee or Supervisor of Insolvency.