

MINISTRY PAPER No. 391

FINSAC

The Financial Sector Adjustment Company (FINSAC) is a limited liability company registered under the Companies Act on January 29, 1997.

The directors of the company are:

Dr. the Hon. Kenneth Rattray, O.J., QC	-	Chairman
Hon. Shirley Tyndall O.J.,	-	Vice Chairman
Mr. Patrick Hylton	-	Managing Director
Hon. David Coore, O.J., QC		
Dr. Gladstone Bonnick C.D.		
Mrs. Hope Markes		
Mrs. Kemorine Miller		
Mr. Dennis Boothe		
Mr. Wilberne Persaud		
Mr. David Wan		
Mr. Las Perry		

As a company formed by the Government of Jamaica, FINSAC operates under the regulations contained in the Financial Administration Audit Act. FINSAC has not filed the required Returns to the Registrar of Companies and has not submitted its annual report to Parliament because the audited financial statements have not yet been completed. It is anticipated that the audited financial statements will be ready by the end of November, at which time the audited report will be laid in the House. In the interim an update of FINSAC's operations since its inception is presented in this paper.

The Level of Expenditure as at September 1998

The level of expenditure and/or investment that FINSAC has made since its inception now stands at Ja \$78,906,003.

	AMOUNT (Ja) \$'000
Loans and Investments	67,085,035
Interest Cost	11,382,458
Capital Expenditure	12,610
Operating Expenditure	425,900
TOTAL	<u>78,906,003</u>

The institutions in which FINSAC has intervened are as follows :

	\$J'000	Total J'000
1. Billy Craig Merchant		
Preference Shares	55,000	
Ordinary Shares	<u>29,400</u>	84,400
FINSAC has the right to appoint four directors		
2. Buck Merchant Bank		
Depositors payout	<u>38,605</u>	38,605
NCB will assume depositors liability and FINSAC issues notes for the assumption of these liabilities		
3. Caribbean Trust & Merchant Bank		
Depositors Payout	<u>23,675</u>	23,675
NCB will assume depositors liability and FINSAC issues notes for the assumption of these liabilities		
4. Caldon Merchant Bank Ltd		
Depositors Payout	<u>121,739</u>	121,739
FINSAC facilitated the assignment of funds of depositor balances to FINSAC and the establishment of matching accounts at Citizens Bank Limited. The Trustee in Bankruptcy has been appointed as the provisional liquidator.		

5. **Citizens Bank**

Preference Shares	1,000,000	
Bad Loans	<u>1,700,000</u>	2,700,000

FINSAC controls Citizens Bank Limited, by virtue of its 85% equity interest.

6. **Horizon Merchant Bank Limited**

Bad Loans	3,683,477	
Preference Shares	<u>1,400,000</u>	5,083,477

Purchase for nominal price. Transfer of shares to Citizens Bank Limited.

7. **Island Life Insurance Company**

Ordinary Shares	77,878	
Preference Shares	<u>222,122</u>	300,000

Right to appoint two directors

8. **Jamaica Mutual Life Assurance**
(shares in NCB Group)

Ordinary Shares (in NCB Group Limited)	947,802	
Liquidity Support	500,000	
Loan	<u>9,000,000</u>	10,447,802

Right to appoint 7 to 15 directors. Executive Chairman and CEO must be acceptable to FINSAC.

9. **Life of Jamaica**
(shares in CIBC Ja. Ltd)

Citizens Bank	258,681
CIBC Jamaica Limited	519,832
LOJ	143,316

(Shares in Citizens)

Preference Shares	<u>1,056,684</u>	1,978,513
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FINSAC has the right to appoint two directors

10. **NCB Jamaica Limited**

Preference Shares	4,840,000	
Ordinary Shares	1,167,000	
Bad Loans	<u>13,500,000</u>	19,507,000

11. **Eagle Group**

Loan	15,753,164	
Liquidity Support	<u>590,000</u>	16,343,164

Purchase for nominal price. Loans for liquidity and solvency support.

- Eagle Commercial Bank
- Eagle Merchant Bank
- Eagle Permanent Building Society

12. **Dyoll Group/Dyoll Life**

Ordinary Shares	37,132	
Preference Shares	<u>162,868</u>	200,000

FINSAC has the right to appoint two directors

13. **Workers Savings and Loan Bank**

Loan	<u>8,522,441</u>	8,522,441
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FINSAC has provided \$8.5B of overdraft payout support to WSLB.

14. **Victoria Mutual Building Society** 813,000

Right to appoint two directors.
Purchase of its non-performing loans.
Purchase and lease back of its building on Knutsford Boulevard.

15. **Island Victoria Bank** 805,000

Purchase for nominal price.

Transfer of shares to Eagle Commercial Bank Limited.

16. **Fidelity Merchant Bank**

Depositors Payout	<u>96,500</u>	96,500
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FINSAC facilitated the assignment of funds of private deposits to FINSAC and the establishment of matching accounts at Citizens Bank Limited.

FINSAC facilitated the payout of \$59M of government deposits.

FINSAC nominated liquidator has been appointed to liquidate the Bank and distribute the proceeds to Creditors.

17.	Partner Merchant Bank	<u>19,719</u>	19,719
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Facilitated the assignment of deposits and the establishment of matching accounts of NCB. Partner is in liquidation.

GRAND TOTAL COMMITMENTS	67,085,035
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FINSAC's has acquired the following entities and assets as a result of its interventions:

Island Victoria Bank - FINSAC percentage holding - 100%

Island Merchant Bank - FINSAC percentage holding - 100%

Life of Jamaica - FINSAC percentage holding - 26.5%

The Jamaica Mutual Life Assurance Society

NCB Group/ National Commercial Bank Jamaica Ltd.

- FINSAC percentage holding NCB Group - 67%

- FINSAC percentage holding NCB Bank - 40%

Billy Craig Finance Merchant Bank - FINSAC percentage holding - 49%

Citizens Bank Limited - FINSAC percentage holding - 85%

Citizens Building Society - FINSAC percentage holding - 85%

Island Life Insurance Company - FINSAC percentage holding - 26.5%

CIBC Ja. Ltd - FINSAC percentage holding - 25%

Dyoll Life Group Limited/ Dyoll Life Insurance Company - FINSAC percentage holding - 26.5%

Institutions Purchased at a Nominal Price

EAGLE GROUP

Crown Eagle Life Insurance Company - FINSAC percentage holding - 99%

Eagle Commercial Bank - FINSAC percentage holding - 100%

Eagle Merchant Bank - FINSAC percentage holding - 100%

Eagle Permanent Building Society - FINSAC percentage holding - 100%

HORIZON GROUP

- FINSAC percentage holding - 100%. This includes:

Horizon Building Society

Horizon Merchant Bank

Horizon Securities Limited

Horizon Life Insurance Company

It must be noted that FINSAC has retained an interest in the institutions in which it has intervened through the provision of financial assistance.

The following institutions have been placed under Temporary Management:

- Caldon Finance Merchant Bank
- Workers Savings & Loan Bank
- Corporate Merchant Bank
- Capital Assurance Building Society

In addition to having an interest in the financial institutions noted above and their subsidiary companies, FINSAC has direct and indirect interests in a number of properties and investment assets of these institutions. The majority of the collateral is real estate

including shares in a number of hotels.

They are:

A: CROWN EAGLE LIFE INSURANCE HOTELS

- * Ciboney Ocho Rios
- * Crowne Plaza Hotel, Kingston
- * Holiday Inn Sunspree, Montego Bay
- * Sandals Ocho Rios

B: THE JAMAICA MUTUAL LIFE ASSURANCE SOCIETY HOTELS

- * Boscobel Beach Hotel
- * Hedonism II Hotel
- * Grand Lido
- * Terra Nova Hotel
- * Trelawny Beach Hotel

C: NCB GROUP LIMITED HOTELS

- * Club Jamaica Hotel
- * Sandals Ocho Rios

D. FRIENDS GROUP HOTELS

- * Plantation Inn
- * Negril Gardens

Other sectors represented by these interests also include:

- * agriculture
- * construction
- * distribution
- * entertainment
- * manufacturing
- * transport
- * service
- * real estate
- * the fine arts - in the form of art collections

FINSAC is currently working with its consultants to determine the value of these entities and assets. Owing to the financial distress experienced by these entities and in many cases their insolvency, efforts are being made to ensure that the value to be realized will be dependent on the value created through FINSAC's rehabilitation efforts.

Initially FINSAC received approximately \$2.3 billion in cash to start the process. Thereafter all other financing has been made through FINSAC Notes guaranteed by the Government of Jamaica.

The state of the divestment process of the assets now held by FINSAC:

- * Eagle Unit Trust Management Co. Ltd. - will be sold to PanSep, which was the highest bidder at \$121.3 million.
- * First Equity Corporation, a small brokerage firm in Florida, which was a subsidiary of Eagle Merchant Bank, has been sold for US\$1 million.
- * Shares in Blue Cross of Jamaica previously held by CNB - these were sold to Independence Holdings Inc., a subsidiary of Independence Blue Cross ("IBC") headquartered in Philadelphia, Pennsylvania at a purchase price of US\$3 million.

This price was far in excess of a valuation which FIS had obtained from Price Waterhouse.

- * In addition, a number of sales have taken place through the institutions in which FINSAC has interests. For example, NCB has sold the Wyndham and Mutual Life has sold the Old Courtleigh Hotel.
- * Negotiations are advanced for the sale of Citizens Bank shares in its Guyana subsidiary and also for the divestment of Crown Eagle's 20% holdings in the Caribbean Cement Company.
- * Eleven hotel properties have been valued by Deloitte and Touche, recognized experts in resort property valuation, under a project jointly funded by FINSAC and the Inter-American Development Bank. Property profiles are being distributed to hotel brokers and resort property owners.
- * FINSAC is currently developing transparent divestment criteria and procedures. It will be an aggressive and highly structured programme for the hotel and other assets.

Omar Davies, M.P.
Minister of Finance and Planning
1998 October 27