



Taylor Industries, Limited (In Official Liquidation)

Third Interim Report of the Official Liquidator

As at December 18th, 2020

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Glossary of Terms

- “Act” – The Companies Act of The Bahamas, 1992
- “B\$” – Bahamian dollars
- “Court” – Supreme Court of The Bahamas
- “Custom Computers” – Custom Computers Limited
- “BT” – Bryan Taylor, Director
- “CIBC” – CIBC First Caribbean
- “IMB” – Insurance Management (Bahamas) Limited
- “Insolvency Act” – The Bahamas Companies (Winding Up Amendment) Act, 2011
- “Liquidator” – Andrew Davies, Official Liquidator
- “TIL or “the Company” – Taylor Industries, Limited

List of Appendices

1. Notice for sale of electrical contracting tools
2. Receipts and Disbursements for the period January 9, 2019 to December 11, 2020

1. Introduction

Basis of Report

- 1.1 This Third Interim Report covers all the activities of the Liquidator from the date of the Second Interim Report, December 13, 2019, through to December 18, 2020.
- 1.2 The Liquidator has been guided by advice received from his legal counsel, Lennox Paton.
- 1.3 Unless otherwise stated all financial data in this report is in Bahamian Dollars (“B\$”)

Restrictions and Qualifications of the Report

- 1.4 This Third Interim Report is prepared and submitted by the Liquidator to the stakeholders of the Company for the purpose of providing information regarding the work undertaken by the Liquidator since the date of the Second Interim Report.
- 1.5 Neither the Liquidator nor Crowe Bahamas will be responsible for any losses, damages, liabilities or claims arising from the use and/or reliance on this report.
- 1.6 In performing the work, the Liquidator has relied on the integrity and accuracy of the information and documents supplied and available. Although the Liquidator has attempted to corroborate the information they have obtained from difference sources, they have not independently verified all of the information and documentation upon which they have relied in preparing this report. In addition, the Liquidator has not performed an audit or review in accordance with General or International Auditing Standards, and consequently, no assurance is expressed in this regard.
- 1.7 This report shall not be copied, reproduced, quoted or distributed without the prior written permission of the Liquidator.

Sources of Financial Data and Information

- 1.8 The Liquidator has in the course of his duties drawn upon documentation obtained from the Company’s books and records and information and documentation obtained from the following service providers to the Company;
 - Accountants: Financial Statement review services provided by Deloitte & Touche Chartered Accountants, Bahamas (“Deloitte”)
 - Banks CIBC FirstCaribbean (“CIBC”)

- Financial Consultant Adderley & Co

1.9 The Liquidator has also obtained information from the following parties;

- Directors and Member – Bryan Taylor (“BT”)
- Former staff of the Company
- Custom Computers Limited as IT service provider to the Company

2. Executive Summary

2.1 Since the issuing of the Second Interim Report the Liquidator has been focused on identifying and realizing the identifiable assets of the Company.

2.2 The challenge the Liquidator has been faced with continued to be the relatively low value and marketability of certain assets of the Company and the conversely high time and costs involved in converting these assets into cash through the limited realization processes available.

2.3 Wherever possible, and without compromising the integrity of the sales or collection process, the Liquidator has taken all practical measures available to minimize costs and maximise returns for creditors from the various asset classes available.

2.4 The Liquidator has utilized former staff of TIL to assist in certain areas of the liquidation where practical rather than use staff charged out at professional rates. The Liquidator estimates this has saved c.\$25,000 in professional fees to the benefit of the liquidation estate.

2.5 Since the date of the Second Interim Report report the Liquidator has completed the sale and/or received additional receipts relating to the following assets identified in the First and Second Interim Reports:

- Petty Cash
- Tools
- Fixtures, Fittings and Furniture
- Accounts Receivable
- Rolyat Limited dividend

2.6 The Liquidator still has the following assets remaining to be sold or realized that were identified in the First and Second Interim Reports:

- Electrical contracting tools
- Shares in Rolyat Limited

2.7 This report will provide detail on the completed realization process for each of the above assets and direction for creditors on the Liquidator's plans for the remaining assets that are still in the Liquidators possession as at the date of this report.

3. Steps taken by the Liquidator since the Second Interim Report

3.1 The Taylor/Mabon family had allowed the Liquidator to continue to store the inventory and other Company assets at the Shirley Street location at no charge. On December 3, 2019 the Liquidator was given notice that an agreement for sale of the building had been finalised and the Liquidator would need to vacate the premises by January 15, 2020.

3.2 This created significant time pressure on the liquidation as at this stage the Liquidator had still only received the initial deposit for the purchase of the inventory.

3.3 The Liquidator was able to finalise the receipt of the balance of the purchase price for the inventory in early December 2019 and begin the process of working with the buyer to remove the inventory.

3.4 The most time consuming aspect of the liquidation was overseeing the removal of the inventory. It took in excess of two weeks to empty the main building and warehouse and 80+ chargeable hours to oversee the process to ensure it was done safely and securely.

3.5 The Liquidator was able to find two different buyer for the merchandise display shelving, cabinets and the majority of office furniture and filing cabinets. The retail industry is experiencing challenging economic conditions and with a small market for potential buyers the Liquidator was satisfied he was able to obtain the best price possible for these assets.

3.6 The Liquidator was able to find a buyer for some of the tools and two of the four 20-foot shipping containers located in the car park at the back of the Shirley Street property. The Liquidator left two containers on property that were in sufficiently poor condition they had little commercial value in the liquidation going forward given the likely expected receipts from a sale and the cost of the time spent managing their removal.

3.7 The Liquidator obtained the opinion of two different IT industry experts as to the possible value of the IT infrastructure owned by TIL. Both consultants determined that given the age and make-up of the IT hardware there was minimal intrinsic value in this particular asset for the benefit of the liquidation estate given the age and rapid obsolescence rate of

these products. The Liquidator accepted this advice which supported his previous experience in attempting to sell used IT equipment of a certain age.

- 3.8 The Liquidator engaged the services of an IT specialist to deconstruct the main data servers for ongoing safe storage by the Liquidator as requested by the Court under an Order dated June 30, 2020
- 3.9 The Liquidator continued to receive outstanding receivable amounts due from government employees still under salary deduction financing arrangements with the Company.
- 3.10 The Liquidator deposited petty cash of \$563 into the main liquidation operating account. These were funds left over from cash floats the Company kept less certain expenses the Liquidator had paid from the initial balance to facilitate the liquidation process. These expenses are included in some of the various expense categories on the Receipts and Disbursement schedule.
- 3.11 On April 8, 2020 the Liquidator received a dividend payment of \$25,455.04 from Rolyat Limited. This was TIL's share of the sale of the Shirley Street premises less closing expenses. These funds were received from the law firm Alexious, Knowles & Co. who were acting as seller's legal counsel for Rolyat Limited.
- 3.12 Following the commencement of the pandemic the Liquidator has been attempting to sell the remaining electrical contractor tools. These are specialist tools for use in commercial electrical contract work with a small number of possible buyers. The Liquidator placed another for sale notice of these tools in the Tribune which ran for 3-days. A copy of the notice is attached as Appendix 1
- 3.13 Following the sale of the business the Liquidator had arranged for these tools to be moved to the former warehouse of TIL located on Dunmore Street. This warehouse is owned by Rolyat Limited and the Taylor/Mabon family agreed to allow the Liquidator to store these tools in this building at no charge.
- 3.14 Following the notice the Liquidator received expressions of interest for these tools from several possible buyers and met with them at the warehouse to view the tools. Offers were made and agreed but regrettably none of the potential buyers were able to produce the funds to complete the transaction.
- 3.15 The Liquidator contacted the buyer of the inventory to ascertain if they were interested in these tools and a provisional price was agreed subject to the buyer viewing the tools. The Liquidator and potential buyer have made several attempts to meet and view the tools but the complexities of operating during a pandemic have made this difficult to achieve.

3.16 The Liquidator has a plan to manage the disposal of these tools that will be covered in detail under Section 7 of this report.

4. Creditor Claims Update

4.1 As confirmed in the Second Interim Report, the Liquidator advertised the notice of both the Voluntary Liquidator appointment and the Official Liquidator appointment inviting creditors to file a claim in the liquidation

4.2 In order to reduce time and costs involved in holding formal creditor meetings and communications with creditors the Court granted the Liquidator approval to post all creditor notices and information relating to the liquidation on the Company website at www.taylor-industries.com. The Liquidator continues to do this.

4.3 The Liquidator continues to respond to enquiries received from former employees and creditors of the Company.

4.4 As at the date of this report the Liquidator has approved creditor claims for the following amounts from the following Creditor groups:

4.4.1 **Preferential Creditors** as defined under s.237 of the Companies (Winding Up Amendment) Act, 2011

A) The Department of Inland Revenue for unpaid VAT due from the Company's December 2018 quarter end VAT filing. This claim was accepted in the amount of \$18,326.80;

B) Former employees of TIL accepted in the total amount of \$687,886.49. The Liquidator is still finalizing the claims status of four employees with the assistance of legal counsel so this approved amount is subject to change.

4.4.2 **Unsecured Creditor** Claims have been approved as follows:

A) Kelly's Home Centre Ltd. in the amount of \$11,895.05.

B) Peninsular Electric Distribution Inc. (Florida) in the amount of \$134,749.67.

The financial status of the Unsecured Creditors in the liquidation remains the same which is there will be insufficient funds for them to receive a dividend.

- 4.5 The Liquidator continues to maintain a current contact list of the former employees of the Company so these individuals may be contacted if at any stage of the Liquidation the Liquidator is in a position to pay a dividend to the Preferential Creditors.

5. Asset Realisations since Second Interim Report

The Liquidator has realized the following amounts from the respective asset classes since the date of Second Interim Report:

5.1 Accounts Receivable

5.1.1 The Liquidator continued to receive payments from government employees who had entered into salary deduction arrangements with TIL prior to the commencement of liquidation. The Liquidator monitored these payments and was required to send cancellation notices to the respective government payroll departments when these debts were paid in full. In total, the Liquidator issued ten (10) cancellation notices to the Public Hospitals Authority payroll department and fourteen (14) cancellation notices to the Public Treasury department payroll department. As of the date of this report there are no remaining payment obligations from these salary deductions. The Liquidator has had to spend additional time dealing with these salary deductions whereby a government payroll department did not stop the payments after being sent the instruction to do so. The Liquidator then had to refund these incorrectly received amounts.

5.1.2 The Liquidator reviewed other Accounts Receivable balances and made the determination that, based on the relatively small size of the balances due, that the time and costs associated with collecting them would not be of benefit to the liquidation estate

5.1.3 Total Accounts Receivable collections since the Second Interim Report amount to \$750

5.1.4 The Liquidator does not expect to recover any more balances from the Accounts Receivable asset class.

5.2 Furniture, Fixtures and Fittings

5.2.1 The Liquidator had previously collated information on the various fixtures and fittings on property in both the Shirley Street and Dunmore Lane locations. All of the furniture and fixtures identified were old and specialist in nature

with a value that was difficult to determine given the relatively small size of the market for buyers who may be interested in these particular assets.

- 5.2.2 The Liquidator had determined it would not be cost effective to attempt to sell these items individually so was hoping to find a wholesale buyer. The Liquidator was able to find two buyers who between them offered a total of \$15,800 for all of the assets that the buyers were interested in
- 5.2.3 The Liquidator was satisfied this was the best offer he was likely to receive and accepted the proposals.
- 5.2.4 There was several items that these buyers did not want as a result of their age and/or condition. The Liquidator left these items in the building on Shirley Street when it was sold as they were deemed to have no value to the liquidation estate.

5.3 Tools, Scaffolding and Containers

- 5.3.1 The Liquidator receive several expressions of interest for the specialist electrical contracting tools following the first notice placed in the newspaper in May 10, 2019. The Liquidator met with several of these prospective buyers. Various offers were made for the tools and verbal agreements made by the Liquidator to sell at agreed prices but none of the potential buyers were able to produce the required funds. The Liquidator found this a time consuming and ultimately unproductive process.
- 5.3.2 The Liquidator took the additional steps of contacting by telephone all of the major electrical contracting vendors in Nassau to ascertain if they were interested in the tools. All the electrical contractors the Liquidator contacted either already had these tools or did not have the necessary funding available to buy them.
- 5.3.3 The Liquidator also contacted some of the major construction companies in Nassau to ascertain if they were interested in the tools. None of the companies contacted expressed an interest in buying the tools.
- 5.3.4 The Liquidator was able to sell some of the more basic tools, scaffolding and two of the shipping containers located behind the Shirley Street building for a total of \$4,592.86. There were two remaining containers the Liquidators were not able to sell, these containers were found to be in a poor condition.
- 5.3.5 On the sale of the Shirley Street building the Liquidator arranged to move the electrical contracting tools to a warehouse on Dunmore Street owned by Rolyat

Limited. The Taylor/Mabon family agreed to allow the Liquidator to store the tools at this location at no cost. The Liquidator has maintained insurance coverage over these tools based on their estimated value of \$5,000 to \$10,000.

- 5.3.6 The Liquidator continues to maintain the alarm system at the Dunmore Lane warehouse to protect these tools.
- 5.3.7 The Liquidator placed another sales notice in the newspaper for the electrical contracting tools from February 18-21, 2020, see attached Appendix 1.
- 5.3.8 The Liquidator received an expression of interest from the buyer of the inventory and made several attempts to meet them at the warehouse to view the tools. However, the complexities of the Covid pandemic made arranging this meeting extremely difficult to coordinate with multiple postponements.
- 5.3.9 As of the date of this report the Liquidator has been unable to finalise a sale of the electrical contracting tools. The Liquidator is aware this asset is one of only two left that need to be realized in order to allow the Liquidator to advance the liquidation process. As such the Liquidator plans to make an application to the court seeking their approval to dispose of this asset through an alternative process. Details of this proposal are included in Section 7 of this report.

5.4 Rolyat Limited dividend

- 5.4.1 As previously confirmed in prior interim reports the Liquidator confirmed TIL owned 1.09% of the issued share capital (37 of 3,400 shares) of a Bahamian domestic company called Rolyat Limited. Rolyat owned two properties, a building on Shirley Street which was the former premises from which TIL operated and a warehouse on Dunmore Lane.
- 5.4.2 The Liquidator received notification an agreement for sale was reached for the building on Shirley Street. The sale of the building was delayed until the end of February 2020 by which time the Liquidator had vacated the premises.
- 5.4.3 On April 8, 2020 the Liquidator received a dividend payment of \$25,455.04 which represented their share of the sale of the property less closing expenses.
- 5.4.4 Rolyat still owns the warehouse on Dunmore Lane valued at approximately \$200,000. Therefore, the estimated value of TILs shareholding in Rolyat would be approximately \$2,180.
- 5.4.5 The Dunmore Lane warehouse has been listed for sale with a local realtor. In the current economic conditions the sale of this property could take significant

time to complete which the Liquidator notes would delay the completion of the liquidation.

- 5.4.6 As such the Liquidator plans to make an application to the court seeking their approval to dispose of this asset through an alternative process. Details of this proposal are included in Section 7 of this report.

6. Total Asset Realisations to Date

- 6.1 A comparison of actual realisations for assets set against budgeted realisations as detailed in the First Interim Report are set out below:

Asset class	Budgeted Realisations per First Interim Report	Actual Realisations To date	Variance
Cash at bank/petty cash	\$38,189	\$38,752	\$563
Vehicles	\$40,000	\$43,600	+\$3,600
Inventory	\$100,000 to \$125,000	\$125,000	N/A
Staff Pension Fund	\$30,000	\$38,123	+\$8,123
Accounts Receivable	\$75,000	\$77,917	+\$2,917
Furniture & Fixtures	\$5,000	\$15,800	+\$10,800
Shares in Rolyat Limited	N/A	\$25,455	N/A
Tools & Scaffolding	N/A	\$4,593	N/A
IT Infrastructure	N/A	\$0	N/A
Total Realisations		\$369,240	

- 6.2 A detailed breakdown of the Receipts and Disbursements incurred from January 8, 2019 to December 11, 2020 is attached as Appendix 2. The Liquidator has itemized certain receipt and disbursement categories in order to assist with the readers understanding of the financial performance of the liquidation thus far.
- 6.3 The Liquidator has not identified any additional assets of the company other than those listed in Section 5 and 6.

7. Liquidator's plans for Remaining Assets

- 7.1 The Liquidator has the following two assets remaining to realise for the benefit of the liquidation estate:

- 1) Shares in Rolyat Limited (estimated value \$2,180); and
- 2) Electrical Contracting tools (estimated value \$5,000 to \$10,000).

- 7.2 The Liquidator has received notice that the Taylor/Mabon families would like to make a personal contribution of \$150,000 to the TIL liquidation estate from their share of the proceeds of the sale of the Shirley Street property.
- 7.3 The \$150,000 is currently held in a client trust account of a Bahamian law firm.
- 7.4 The Liquidator's plan is that in exchange for accepting this \$150,000 contribution, the Liquidator will transfer TILs shares in Rolyat Limited (estimated value \$2,180) and the electrical contracting tools (estimated value \$5000 to \$10,000) to the ownership of Rolyat Limited. The Taylor/Mabon family have not requested this exchange, it is the Liquidator's proposal. The rationale behind this proposal is it will divest the liquidation estate of ownership of these two assets so the liquidation can advance to the next stage of the liquidation process which is the payment of a dividend to creditors without further extended delays in attempting to find buyers for these assets.
- 7.5 Under the Bahamian Insolvency Act the sanction of the court is required to transfer assets of an insolvent company to a person who is or was related to the company. On that basis as the Taylor/Mabon family are related to the company, the Liquidator, through his legal counsel, will apply to the court for their approval to complete this transaction as proposed.

8. Conclusion

- 8.1 The Liquidator is satisfied at the progress of the liquidation given the nature of the assets the company owned and the challenges of finding qualifying buyers in a small market with current economic conditions being unfavourable for the retail industry.
- 8.2 The Liquidator has found the last calendar year with the pandemic conditions particularly difficult with respect to finding a buyer for the electrical contracting tools and is hopeful the court will be agreeable to the proposal to transfer ownership of this asset to Rolyat Limited in exchange for the \$150,000 contribution from the Taylor/Mabon family.
- 8.3 The Liquidator recognizes the creditors of the company would like to see the liquidation completed on a timely basis without any further delay dealing with the comparatively low value remaining assets.
- 8.4 A liquidation of this nature involving the assets available for sale and the limited local market to find a buyer is difficult to conduct efficiently while maintaining the necessary levels of independence to ensure asset sales are widely advertised and all realizations are conducted on an arms-length basis with the necessary level of transparency the creditors and court reasonably expects.

- 8.5 Consequently, to minimize professional fees in order to maximize returns for creditors, the Liquidator utilized former staff of TIL wherever practical.
- 8.6 Because of its small size and relatively limited business environment The Bahamas lacks various commercial options that may have assisted the Liquidator in carrying out his duties. The main one being a formal auction house where the assets the liquidator had available to sell could have been disposed of with possibly greater efficiencies and reduced overall costs to the liquidation estate.
- 8.7 The Liquidator would like to highlight that while some of the assets owned by TIL had value when the company was operational, these assets ceased to have value in a liquidation scenario given the time and associated costs in attempting to sell them. An example of this would be many of the low value chattels the Liquidator had identified at the outset of the liquidation.

Appendix 1

Appendix 2