

To: All depositors and creditors of Atlantic International Bank Limited (in liquidation)

24th September, 2019

“Settlement between the US Federal Trade Commission and Atlantic International Bank Ltd. Re Sanctuary Belize”

On 10th July, 2019, I had updated that Atlantic International Bank Limited (“AIBL”), now in liquidation, had reached a settlement with the United States Federal Trade Commission (“FTC”), and that full details of the settlement would be provided once the FTC completed their internal approval process. Earlier today, the FTC announced the approval of the settlement and I now share its details.

The settlement pertains to a suit filed in the U.S. District Court for the District of Maryland on October 31, 2018, against several companies and individuals involved with the Sanctuary Belize development. The defendants were accused of violating Section 5(a) of the FTC Act, 15 U.S.C. 45(a), which prohibits “unfair or deceptive acts or practices in or affecting commerce,” and the Telemarketing Sales Rule, 16 C.F.R. Part 310, which prohibits misrepresentations in the course of telemarketing.

The FTC also named Atlantic International Bank Ltd. as a defendant, but not on the same grounds as the other defendants. Rather, the FTC alleged that AIBL had “aided and facilitated” the other defendants’ violations of the Telemarketing Sales Rule and the FTC Act.

The FTC also obtained, ex parte, a Temporary Restraining Order on November 5, 2018, that, among other things, purported to freeze all of AIBL’s assets (or at least those assets in the United States) up to US\$144 million, the purported extent of losses suffered by the alleged victims affected by the violations the defendants were accused of.

AIBL maintained its innocence and in preliminary court activity, defended its position by seeking the removal of the asset freeze and challenging the US court’s jurisdiction in an effort to dismiss the claim. The asset freeze was reduced to US\$10 million of AIBL’s assets based in the US, but the jurisdiction of the US court was upheld.

Shortly after these preliminary rounds of US court activities, AIBL began experiencing liquidity difficulties as a result of unusual and increasing levels of withdrawal requests from customers due, it appeared, to the reputational damage caused by being named in the FTC proceedings. AIBL was also incurring unsustainably high legal fees in its defense of the FTC action, even at those preliminary stages of the case.

On the revocation of AIBL’s banking license and my appointment as Liquidator by the Central Bank of Belize on 12 April, 2019, the FTC moved swiftly and successfully restored its freeze to all of AIBL’s assets which were based in the US.

Shortly after my appointment as Liquidator, my legal team and I proceeded to seek US Chapter 15 bankruptcy protection in the Florida Bankruptcy Court. This Chapter 15 status would have established the recognition of the Belize liquidation process under US law and provide protection of AIBL’s assets in the US as a part of the liquidation estate. The FTC vigorously opposed this recognition, resulting in a separate court case generating additional legal fees for the liquidation estate in addition to the already heavy burden of the FTC Sanctuary Belize suit.

Although there has not been any court judgment or determination against AIBL in the substantive Sanctuary Belize suit, and the bank strongly denies any wrongdoing, a reasonable settlement of the FTC allegations, in my judgment, was in the best interest of AIBL's depositors and creditors and the liquidation process, for several compelling reasons.

First, the ability to effectively dispose of the bank's loan portfolio without hindrance, a portfolio which represents a significant portion of AIBL's assets and is located in Belize, is a material factor for prospective purchasers of those assets. The FTC proceedings against AIBL had impaired loan repayment flows which, without an urgent settlement, would have severely deteriorated the quality of the loan portfolio and negatively impact its value.

Second, the financial, human resource and time costs attendant to an extended legal battle with the FTC in US courts would be an unendurable burden on the liquidation estate. At the point of revocation of its license, AIBL's management had already spent over US\$2 million in legal costs. Since the liquidation process began, these costs continued to rise and have reduced reserves that would otherwise be available to distribute to depositors and creditors.

Third, the liquidation could not be concluded until the FTC proceedings are concluded and AIBL's liability is determined by the US courts. Despite the considerable outlay of time and costs already expended in just the preliminary rounds of court action in the US, the substantive FTC Sanctuary Belize case is not scheduled to begin until late January, 2020 in Maryland. The FTC had expressed its intention to seek half of all the assets of AIBL in damages as partial restitution for the alleged victims of the Sanctuary Bay matter, a split of 50% of assets to the alleged victims and 50% to depositors of AIBL. The uncertainty of the duration, and most importantly, the outcome of the substantive case were therefore plausible risk factors that had to be considered.

The settlement agreed upon will see the ceding to the FTC of US\$23 million of AIBL assets held in the US and currently subject to the restraining order, along with various agreements of cooperation with the FTC. The settlement resolves all allegations against AIBL, ensures the recognition of the liquidation process under US Chapter 15 bankruptcy laws thereby enabling access to the remaining assets in the US, and paves the way for the optimal and most expeditious possible return for depositors and creditors in the liquidation process.

AIBL's assets located in Belize include fixed assets, limited investments, and the loan portfolio which represents close to 70% of the total assets. The majority of the fixed assets have already been disposed of via public auction, and targeted values have been successfully realized. A transparent sales process for the loan portfolio has also commenced. The loan portfolio sale process is at an early stage and there are multiple factors which will likely impact the disposal value of the portfolio, and the final payout to depositors. Nevertheless, my team and I will continue our best endeavors to ensure that maximum values are realized on all assets to safeguard the best outcome for depositors and creditors.

JULIAN MURILLO

Liquidator - Atlantic International Bank Ltd.