

IN LIQUIDATION

Cooperative Savings and Loan Employees

Fund Social Security, RL

(COACECSS, RL)

Commissioners:

Francesca Ameglio - President

Dolores Zarzavilla - Secretary

Jose Angel Hidrogo - Treasurer

Panama, August 8, 2013

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Project liquidation - COACECSS

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Introduction

the credit union Employees Social Security Fund, RL (COACECSS, RL), in liquidation, started operations a March 30, 1967, when about 20 employees of the institution took the initiative to promote savings and credit meet your need that was not being offered by banks. With this idea, they split the sum of fifty hundredths (B / .0.50) per member, of the then Association of Employees of the Social Security Fund, formally constituted cooperative organization. During its 46 years of existence, COACECSS, RL contributed welfare social and economic of its members. However, a number of irregularities, administrative and financial including the supply of well above interest, market level and high delinquencies on loans granted affected significantly the operations of the cooperative, causing their intervention, and as final result, nine months after the Board of IPACOOOP, by unanimous vote, the decision to liquidate the cooperative. Given the background that led the liquidation of COACECSS, RL and seeking the benefit of depositors, creditors and members of the Cooperative, this project was designed with the aim of developing a consistent and prudent strategy that maximizes the economic value of assets, to ensure greater and faster return of deposits from the public, the payment of debts with third parties and contributions, as indicated the law 17 of 1997.

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Background

- by Board Resolution JD / 11/2012 to the was authorized Executive Director of the Panamanian Autonomous Cooperative Institute (IPACOOOP)to begin the process of intervention of the Cooperative Savings Credit Employees Social Security Fund, RL (COACECSS, RL)
-. in liquidation, hereinafter COACECSS
- by order of / 67/2012 on June 28, 2012, the Directorate Executive Orders the intervention IPACOOOP COACECSS.
- by Resolution JD / 03/2013 of 21 March 2013, the Board Of IPACOOOP orders the liquidation and dissolution of COACECSS.
- by Resolution No. DRC / CL No 8-2013 of May 2, 2013, the Executive Directorate IPACOOOP was the Settlement Commission COACECSS, composed of argelis FRANCESCA AMEGLIO ORTEGA JOSE ANGEL Hidrogo BALD appointed by the IPACOOOP, and DOLORES Zarzavilla ESPINO, by the agency of integration the Union of credit union Educators Panameños
.,RL (UCACEP, RL)
- a dated May 3, 2013, the designated Commission Formally Liquidating Installed,and by consensus of all its Commissioners designating positions remembers: argelis FRANCESCA AMEGLIO ORTEGA, President, JOSE ANGEL Hidrogo CALVO, Treasurer, DOLORES Zarzavilla ESPINO, Secretary-.

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Previous Considerations

As well as Article 90 of law 17 of 1997, the basic function of the Liquidating Commission's Realize the asset and settle the liability . In the case of COACECSS be taken into consideration:

1. The main asset is the loan portfolio. Based on figures preliminary for 2012, this equivalent to 71% of the value of assets.
2. The average maturity of the portfolio (duration) is vastly superior to those of the deposits, taking as source databases Cooperative is found that the average duration of the loan portfolio than 10 years.

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Investments

21%

Fixed

3%

portfolio

71%

Other

1%

Cash

4%

5

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the two above circumstances, compel conclusion that necessarily the realization of the assets of the cooperative requires the liquidation of the portfolio before contractual maturity and therefore it will require the sale of the same, as it would make no sense keep the settlement for as long period of time whenever the cost of doing so destroys their value economic-.

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- General Strategy:

based on audited financial statements prepared under standards international accounting (specifically IAS 10), on the basis of settlement, which must consider the assets based on their value realizable in cash, the full liabilities without expectations writeoffs and provision of expenditures during the settlement period, will identify specific actions to maximize the value of assets by way of, on one hand, optimize performance, and other advanced processes sanitation, identification and updating of information on borrowers to optimize the economic value of the portfolio.

in essence be sought within absolutely reasonable and necessary time to advance other activities required for settlement, manage assets looking to their realizable value is the highest possible and guarantee, under the circumstances, preserve the best benefit / cost.

the objective of the settlement with the above strategy is aimed at achieving the cancellation of all deposits and return the largest share of the contributions to surplus they can be presented. This be achieved under the following assumptions:

Estimated ▪ Term of settlement: 30 months

- estimated payment of deposits Percentage: 90% - 100%
- estimated recovery of portfolio capital Percentage: 77%
- average monthly operating budget : US \$ 90,000.00, which decrease proportionately as result of cost savings value).
- recoverable value of property and improvements (book B / . 3,800,000.00

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- Recoverable value equipment and other fixed assets (personal property) is not assigned value for purposes of the cases presented here because it represents a significant figure, also after the valuation may be affected . depreciation or disposal

Any improvement in the above assumptions lead or recovery of contributions and / or a shorter period for cancellation of liabilities-.

- Activities Precedents:

Determine the necessary organizational structure for settlement in accordance with the needs of the stages of

- charges and management structure and are determined support necessary for the proper conduct of the liquidation, based on a light structure that ensures the liquidation.functionality, internal control and checks and balances

- Set the budget settlement:

- is established based on the above and recognizes two types of expenses, the administration to consider current spending and decline, and the settlement itself settlement.

- Determine the criteria of good governance of the especially the delegations of authority, weights and balances and internal control:

- the structure of decision-making and internal control is defined and audit plan of liquidation-.

- Call to creditors for recognition of their

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credits:

- in compliance with the law by decree published in national newspapers it was communicated to all concerned that available 30 calendar days to enforce their rights under the cooperative period that took from May 18 to June 18, 2013.

step 1: Inventory Verification of Assets and recognition:

Liabilities

- Receipt and analysis of the audited financial statements to December 31, 2012:

- While these financial statements corresponded to the stage of the intervention, by supervening events have to recognize the current situation settlement accordance with standards international accounting basis.

- Develop procedures audit of the financial statements interim to March 21, 2013, to verify the reasonableness of accounting settlement

- This activity is central as it defined the adoption of the criteria for asset management and provide reliable for basis management and for the expectations of the results of liquidation process cooperative.:

- Verification of the adequacy of the documentation that certifies or endorses the assets of the

- Much of the value of an asset responds to the quality of its documentation. These activities are critical because they are the basis for improvement strategies value

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economic against.

- Establish the inventory of legal contingencies both for
and

▪ addition the inventory mechanisms be developed
monitoring, control and judicial audit

▪ determine the reserves as appropriate for contingencies
legal-..

Define and implement channels and communication spaces and
systems of care for partners and all third party
creditors.

- Set the amount of certain liabilities unclaimed.

- establish the budget of the rights of creditors,
third parties and partners as well as graduation and classification
according to the law sale.

Step 2: valuation of Assets and Strategy

- mechanism Design call for experts and consultants in
valuation property, furniture and portfolio:

▪ broadly be convened experts in these matters

and will be contracted in accordance with good practice. This work
will be required in two phases, one to determine the basis of
asset value, for purposes of preparing the
financial statements based on liquidation, and another to
determine recovery processes and value
strategies encashment .

- Definition of valuation processes:

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- based on generally accepted practices of determination and discount future cash flows under conditions of uncertainty, documentation of experiences relevant in the square and the recommendations of the experts and consultants hired will be documented and formally approve the models and methodologies for valuation.

- Set minimum reference values for the process.

sales

- Management processes to maximize the value of assets

liquid and the portfolio

- Define the mechanism sale of assets based on the framework

legal and best

Assessment: implementation and execution of the strategy of selling assets -

- Call and attention to participants

- Receipt of proposals practices....

- and award

- evaluation and approval alternative solutions in case of

..failure the process

Step 3: Payments to Creditors (third and associates)

- Definition of rankings and ratings of credits

- Determination of the corresponding amounts for payment of the debts..

- Designing payment plan and control procedures

Stage 4: Closing Activities

- Returning to the associated value of their contributions or part

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proportional appropriate in the event remaining

- Settlement of existing staff and...
- Liquidation severance tax, social security, among others.
- Identify and dispose the remaining assets
- ..Ensure documentary archive

Criteria for Liquidate assets

As already indicated, the fate of liquidation process will be the same as the recovery process and sale of the portfolio, and to maximize the value of this the following criteria are

- Call and selection of collection firms (administrative and defined.judicial) portfolio
- better management will be made to build the data room wider and transparent possible, as the price depends on the quality of the information provided.
- be verified, based on audit procedures, the existence and quality of documents duty and accessories.
- they define the management processes the necessary portfolio to improve levels of documentation and identification, and manage recovery programs, negotiation and restructuring to ensure maximize the value of the asset for sale.
- portfolio by heights of default and quality is segmented documentary for purposes of making an assessment that allow setting the economic value, in order to objectively determine a price
.,minimum
- a methodology for sale that consider all will be established

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package (to avoid selling it better and retain worst).

- should be made wider call possible because a larger number of concurrent affect a better formation.

price

- allocation procedure, which must will be established ensure that meets or exceeds the price minimum and is based on bid and embosses.

- be invited to body control and interest groups to accompany the process.

Criteria for cancellation of liabilities

the program cancellation of liabilities and debts, will be held on the basis of management of liquid assets and portfolio looking for the protection of all creditors that asset returns minimize possible losses therein and thus their recovery maximized.

accordingly, the settlement work parallel on maximizing the economic value of assets, by way of yields of resources liquid (under the highest standards as properly defined criteria), and the path of recovery and normalization of the portfolio. This though means management over time, also means finding the best choice for protection from creditors consideration.

for settling liabilities will be taken into

- At all times take into account the existing legal framework, especially as that payments must circumscribe in accordance with Article 93

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of law 17 of 1997 (followed by the definition in Article 64 of the
-Act)

- based on the budget of the liquidation, a program will be determined of settlement of liabilities expedite payment maintaining level of reasonable liquidity for the settlement over its own expenses assets.
- Make payments for the value of income in cash (yields liquid assets and recoveries of principal and interest of the portfolio).
- An event will pay when surpluses accrued interest and investment portfolio recovery equal to value of equity.would expect at least a semiannual payment schedule for the cancellation of liabilities.
- Make extra payments with the proceeds from the sale and processes conversion cash assets of the cooperative.
- By concentrating more than 93% of depositors (8,787 depositors of a total of 9,436) savings less than ten thousand US dollars, equivalent to less than 3% of the total amount of deposits,is recommended that these be canceled when start the program cancellation of debt as part of a strategy of administrative efficiency which will save time and money by significantly reducing the needs of the structure, administrative and operational generating a ratio of cost / ratio benefit for other creditors.
- the general criteria for the administration of payment plan must provide regular communication with creditors and partners, so they can be informed about the dates and procedures, payment as well as generally on the progress of liquidation process.

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Retention Program Key Workers

the success of liquidation process It depends largely on the cooperation of human resources, so it is recommended identify key staff and critical and offer a premium equivalent retention few months salary to ensure his stay until the process completed or collaboration not -.

requires,among others, should be considered key positions:

Operations and Technology

- Credit and recovery
- Accounting
- Compliance Officer
- Internal Audit

Internal control mechanisms

within the context of corporate governance IPACCOOP maintains control of guardianship process and remain linking an external auditor and the existence of an audit plan.

the liquidator Commission Pay monthly reports to IPACCOOP, as established by Law 17 of May 1, 1997, and the Rules of Procedure of the liquidating Commissions, adopted by Resolution JD / No.3 / 2007, and submit formal end of each of the steps in reports.

the settlement project Similarly, generate financial statements newspapers to be audited with the required frequency and seek mechanisms of information to creditors and associated-.

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Activity Schedule

Semester 1

Semester 2

Semester 3 Semester 4

Semester 5 Activity

Month

month

month month

month

Note: times are considered from the formal approval of the proposed settlement August.

proposed settlement - COACECSS presented in the City of Panama,

Republic of Panama, eight (8) days of two thousand and thirteen (2013)-.

Francesca Ameglio Zarza Villa Dolores O. C. Jose Angel Hidrogo

President Secretary Treasurer

Settlement Project COACECSS

1 2 3 4 5 6 1 2 1 2 3 4 5 6 STAGE I Audit of Financial Statements to date Adjustments to Financial Statements asset Inventory Audit documentary analysis portfolio and definitions of legal framework Defining organizational structure Establish reduction program costs Definition criteria of good governance Inventory legal contingencies Verification of claims Determination of certain liabilities unclaimed Set budgets Report to IPACOOOP (at all stages) Notice to public (at all stages)

sSTAGE II expert calls valuers Definition valuation methodologies Definition minimum values referential Management Definition active mechanisms sales Care proponents Delivery purchase proposals evaluation proposals for award award evaluation alternative solutions Approval of alternative plan

STAGE III legal framework graduation liabilities global minimum amount for partial payments payment plan and Implementation procedures Control payment plan Definition

STAGE IV Return of contributions(if applicable) Personal Clearance (at all stages) Settlement of taxes and social security Disposiciónde remaining assets Custody documentary Final Report to IPACOOOP