

COACECSS WILL FINALIZE PAYOUT AT THE END OF JUNE

Interview with Roderick Gutierrez, president of the Commission of Liquidation of the Cooperative of Savings and Loan of the Employees of the Social Security Department (Coacecss), Panama.

[NOTE: INTERVIEW IS A PARAPHRASED TRANSLATION FOR A MORE ACCURATE MEANING IN ENGLISH. IT IS NOT A WORD FOR WORD TRANSCRIPTION.]

Alvaro Alvarado (“AA”): (Reading.) In the four years of the continuing process of the liquidation of the Cooperative of Savings and Loan for the employees of the Social Security Department (COACECSS) close to 1.5 million of savers have received nearly \$70 million dollars. Yesterday there was a press conference organized by Roderick Gutierrez, who precisely, is the president of commission who is performing the liquidation of COACECSS and who announced that they have paid 73.3% of the total amount promised credit of the liquidation of COACECSS as of the 20 of March 2013...it was \$95 million.

It was among one of the most important stories of yesterday, Mr. Gutierrez, welcome.

RG: Thank you very much for the invitation. Yes, there was a press conference yesterday that we wanted to declare to the shareholders and savings investors for the sole purpose of communication.

We wanted to make the announcement with enough time, some shareholders, regretfully, insisted that they attend, but we wanted only to inform you, [the press]...

AA: It was a meeting for the press.

RG: Yes, it was a meeting for the press, exactly. Yesterday, the principal reason was mostly 1) to communicate the current state of cooperative in regards to the liquidation and make a public announcement about the irregularities of the past that we will present on 15th to the public ministry.

Mostly, we wanted to make an announcement to the public about the irregularities of liquidation that happened strictly during the period of 2012 to 2013.

AA: Before you came into the picture...

RG: Before I came into the picture.

AA: There have been 2 groups of commissioners.

RG: Exactly. We are the second group of commissioners in the liquidation process. All this happened before us, unfortunately. But most of all, who is going to pay for the [new] audit and how much its going to cost them.

It was something that had to be done.

So, why was it necessary to do it? You may ask. It was necessary because there were a lot ...as in good Panamanian dialect they say... ‘Rumors of scandals along the way’ meaning that it was common knowledge that things were happening but that we didn’t have any proof of it.

And I would like to have proof of any wrongdoing before we present it.

For that reason in those 2 years before we took the reins, we didn't want to answer to "hearsay." We wanted to address the accusations with concrete proof. For that reason we wanted to address---which are by law, by obligation, and by right-- the irregularities that we discovered and were required to present to ministry [government agency].

AA: And what proof came out?

RG: OK. We found out that the liquidation went ahead and continued during the investigation. But what needed to happen was that the investigation had to first finish, in order to understand what had happened, so that we could continue the liquidation.

AA: During the investigation of the first administration; during in the beginning of the liquidation???

RG: Ok. I have to clarify something. The law is very clear in regards to government intervention in a cooperative. An agency like IPACOOOP as a regulator can intervene.

AA: That is to say, that doesn't mean that they have to liquidate during intervention?

AA: Right, that is to say, that when there is intervention, when an expert with his group comes in and needs to fix what they need to fix, and then must return to the cooperative as their client. This you can't avoid.

AA: So they didn't do that.

RG: No, they didn't do that.

AA: What they did then, was to continue with the process of the liquidation?

RG: Exactly, they continued with the process of the liquidation during that first audit. So then, and I have to make clear this point too, the law doesn't permit to use the original audit. It has to be performed again.

AA: (Affirming.)

RG: And that's something else that I want to clear up. When liquidating, the law specifically says that you have to finished and complete the audit before you can continue with any liquidation.

[But] What I want to say is that we found some things very strange happening during the first administration and that's why we requested a completely new audit to clear all these things up.

The process they presented on how to carrying out the liquidation or bankruptcy was very confusing and difficult to understand. There wasn't very much information in the audit on how to complete the liquidation and the process to get there.

And what's more, neither, nothing is presented formally.

That's exactly what we're doing ourselves now. We don't want to be accomplices to what the previous administration did. It's the job we have to do.

AA: Here is something in the daily paper that we would like for you to clear up as well. Speaking of the current irregularities of the cooperative and mishandling of the intervention of IPACOOOP in 28 of June of 2012 and your liquidation on the 20th of March in 2013.

In this, then, the president of the board of the cooperative was James Stewart, accompanied by Carl Mitchell and Ruben Viquez and Manuel Jimenez.

They presented a plan of liquidation, and you, were the first who said, Gutierrez, promised [investors] 40% of their savings invested.

I was in that press conference yesterday. And evidently you were very clear that you weren't going to name names.

RG: Exactly.

AA: That you weren't going to name names to hinder the process. I supposed there were two processes. One already in progress, the previous administration of the cooperative who brought the cooperative to this point, and the other process that you announced Monday, against the audit and continuation of the liquidation of the cooperative, [carried out by the administration] before you.

RG: Exactly.

AA: At no moment did I hear you mention any names.

RG: Exactly. At no moment did we mention any names at any time.

We do not want to hinder the process, one, and two, we have to distinguish the two processes as being completely different.

The first, to find out the mishandling of the first bad administration and the investigation of the liquidation and the second, as we announced Monday, what we need to do from this point forward, finish the liquidation [of the cooperative].

AA: That is to say, pledge to pay 100% of the debts.

RG: Exactly. That is something that some shareholders don't understand. If we continue with the initial plan that was presented by the previous administration, we would have been closed down by February of the previous year.

We would have had to request more than 40% loss of their savings from the saving accounts, and a 100% loss of the shares of the shareholders.

The law is very clear, in Article 93 it states: you have to pay the savings investors before you shareholders.

We can't pay even 1% of the shares before we 1% to the savings holders. The saving holders are the principal owners of the cooperative.

AA: Everybody needs to pay.

RG: Exactly.

AA: So then what is the solution to this problem?

RG: Well, this the solution:

First of all, time, which we don't have. So we'll continue with the original liquidation plan.

That is the reason we presented a new, extended plan. The second is that the "money is in the street" [continue forward, barrel ahead, find opportunities.]

A lot of associates, for the terrible information has been released, thinks that we're completely busted. They think their debts are forgiven and have somehow just vanished away. These debts have not vanished.

When this happens, if we sell the business, we sell the loans too. And that they will have to continue paying the loans that they took out, somebody will have to pay.

Maybe in the future we can arrive at an agreement to settle their debts, and maybe we can help them with their payments; but as it stands, when we sell the cooperative, when it is finally sold, the new owners are going to charge them all that they owe, and more, all the interest accrued on not making those payments.

AA: Wow!

RG: Right. Now the debtors believe the interests are very high, but actually they're in line with any other bank's interest on such loans.

When you take out a loan, maybe you sign with two friends or two family members who will be your guarantors. But if you don't pay your loan, that responsibility naturally is going fall in the lap of your guarantors who signed the application with you.

There's a lot of misconceptions. They say, "this cooperative is completely broke, so to hell with it, I'm not going to pay."

Let me ask you this, 'how are we going to make payouts if there's no money coming in?'

Maybe people have three or five loans at other banks, and they decide they aren't going to pay off their loan with us. They don't have any intention to pay off their loan with us.

So then, the Secretary of the Commission, with a man who came here to speak with you all, Antonio Aradanas, that we didn't give any information, went to all the provinces and all the health centers armed with exactly this to say,

"People, this is what you owe. Go and take care of your loans."

They say, "But we're not going to pay."

However, those loans are always going to be there. The loan they owe with us will show up at all the other banks and will affect their credit. What they need to do is to make payments to their loan with us. It's the same as with any other bank and a loans you take out. And you can pay at Banco Nacional, Global Banks, Multi-Bank etc. and of course at our office.

One mistake that happened, in my opinion, during the first investigation was to close all the cooperative's agencies. So the people of Las Boca de Toro and the provinces didn't know where they could pay. They didn't tell them that their account was still open.

Yes, in any of the banks you can make a payment. Unfortunately, there is not a reversal of the liquidation of the cooperative.

AA: The next payout is in June?

RG: Yes, the next payout is coming, we don't have the date because we're not privileged to give out that information yet. But yes, before the end of next month we'll have another payout to investors.

**** END ****