

**Report on Independent Evaluation of Restructuring Proposals  
To CHYS (In Liquidation) & CPN (In Liquidation)**

**Presented to: Creditors Restructuring Committee (CRC)  
Cytonn Integrated Projects**

PIN No.: P051706247L

22 October 2024

Our Ref: CRC/01/10/24

Your Ref: TBA

The Chairman CRC  
C/O  
Cytton Investment Management LLP  
P.O. BOX 20695,  
City Square  
Nairobi, Kenya

Dear Sir/Madam

**REF: EVALUATION REPORT ON DSP**

We acknowledge the appointment of Nairobi Forensics LLP, being the consultants in Business Rescue Insolvency and Restructuring to undertake the independent evaluation of the DSP as set by CRC and CIM.

We submit our report with reference to the TOR on the appointment.  
Should you have questions from the report please do not hesitate to contact Job Ochich of Nairobi Forensics LLP

Faithfully,



Tom Mungai  
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*Business Rescue Insolvency, and Restructuring*

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# GLOSSARY

Abbreviation/Term	Meaning/Definition
Independent Insolvency Practitioner	Independent Insolvency Practitioner Tom Ouma Mungai, engaged by the creditors restructuring committee on 23 September 2024
Appointment date	23 September 2024
Asset-Backed Notes “ABN” or “ABNs”	Asset-backed notes) are bonds or notes backed by financial instruments?
CHYF	Cytonn High Yield Fund LLP - a regulated fund under Cytonn Investments Management PLC
CHYS	Cytonn High Yield Solutions LLP
CIM or CIM PLC	Cytonn Investments Management PLC
CINP	Cytonn Integrated Project LLP or "The Alma"
CIP	Cytonn Investments Partners LLP
CIP5	Cytonn Investments Partners Five LLP or “Riverrun” in Ruiru
CIP10	Cytonn Investments Partners Ten LLP or "Taraji" in Ruaka
CIP11	Cytonn Investments Partners Eleven LLP or “The Ridge” in Ridgeways
CRC	Creditors Restructuring Committee
CPN or "the Partnership"	Cytonn Real Estate Project Notes LLP
CRE or CRE LLP	Cytonn Real Estates LLP
Financial Instrument	Financial instruments are assets that can be traded. These assets can be cash, a contractual right to deliver or receive cash another type of financial instrument, or evidence of one's ownership of an entity.
FYE/FY	Financial Year End
High Net Worth Individual “HNWI” or HNW	A High-Net-Worth Individual means the persons to whom the Partnership may make an offering who must be persons capable of producing an Initial Capital Contribution of not less than Ksh 1M and who shall meet such other criteria as the Board shall dictate including requirements as to net worth, asset holding, business experience and educational qualifications.
Insol Act	Insolvency Act 2015, Laws of Kenya
Investment Partner	A HNWI or institutional investor who has signed the Investment Agreement and contributed the minimum capital contribution has Partnership interests in his/her favor, registered on the books which the Statutory Manager has caused to be kept as of a particular time on such day.
IM	Investment Manager
JV, JV's or JVA	Joint Venture Agreement
Underlying Assets/Entities	This is the entity or asset upon which the value of a financial instrument is derived.

Unsecured Creditor/Lender	An unsecured creditor is an individual or institution that lends money without obtaining specified assets as collateral.
Unsecured Loan Note	An unsecured note is a debt instrument that is not secured or covered by collateral.
Loan Notes	A loan note is an extended form of a generic 'I Owe You' document from one party to another. It enables a borrower to receive payments from a lender, possibly with an interest rate attached, over a set period, to which the outstanding amounts should be repaid.
Medium Term Note or "MTN"	A medium-term note (MTN) is a debt note that usually matures (is paid back) in 5-10 years. They can be issued on a fixed or floating coupon basis.
Partnership Interest	Partnership Interest means a partner's share of the profits and losses of a limited partnership and the right to receive distributions of partnership assets.
Principal Partner	CIM is the Principal Partner of CPN and exercises operational control over the Partnership (before Administration)
RSVP	Real Estate Special Purpose Vehicle
SBM	State Bank of Mauritius Kenya
Senior Creditor/Lender	These are creditors and lenders that rank higher than CPN
SOA	Scheme of Arrangements
"SPV" or "SPVs"	Special Purpose Vehicle
Statutory Manager	Means the person or persons appointed under Section 27 of the Act
TTA	Taaleritehdas Private Equity Funds or "Taaleri"

# EXECUTIVE SUMMARY

This executive summary provides an overview of the evaluation of the Debt Settlement Proposal (DSP) developed by Cytonn Investments Management Ltd (CIM) and presented to creditors in the context of the liquidation of Cytonn High Yield Solutions LLP (CHYS LLP) and Cytonn Real Estate Project Notes LLP (CPN LLP).

The Purpose of the evaluation was to analyze the effectiveness of the DSP and its potential as an alternative to liquidation, providing creditors with a better return on their investment with CIM and the associated Special Purpose Vehicles (SPVs).

The Evaluation involved engaging Nairobi Forensics LLP, a Business Rescue, Insolvency, and Restructuring firm, to undertake an independent analytical assessment of the Restructuring / Debt Settlement Proposal (March 2024) and to prepare a comprehensive report advising the Creditors Restructuring Committee and creditors at large.

The scope of the evaluation included developing an evaluation plan, collecting data, studying the impact of liquidation/restructuring, undertaking data analysis, and reporting. The comparison was made between the DSP and the current procedures (liquidation) in line with the objectives of investors/creditors of CHYS LLP and CPN LLP, CIM, and SPVs around them.

The evaluation approach involved considering surveys, questionnaires, progress notes, and document reviews to gather insights into whether the creditors preferred restructuring over liquidation. A target population consisting of investors from the list of claimants was identified, and 27 responses were received within the provided timeline.

The findings of the evaluation and the comprehensive report prepared by Nairobi Forensics LLP will provide valuable insights for the Creditors Restructuring Committee and creditors in making informed decisions regarding the proposed restructuring as an alternative to liquidation. This executive summary serves as an initial overview of the evaluation process and its outcomes.



# **1.0 INTRODUCTION.**

## **1.1 Background.**

Cytonn High Yield Solutions LLP (In Liquidation) and Cytonn Real Estate Project Notes LLP (In Liquidation) before 31 August 2021 were LLPs through which Cytonn Investments Management Ltd (Cytonn) would raise funds from investors for deployment into real estate projects.

Investors provided funds for tenures of between 1 and 3 years, on the strength of Cytonn's promise to repay the funds with interest at a rate between 18% and 20% per annum.

In the year 2020, the two LLPs (CHYS LLP & CPN LLP) could no longer repay investors as maturities fell due. The defaults triggered debt recovery litigation by investors which in turn forced the CHYS/CPN Board to file two Petitions seeking administration orders in respect of CHYS LLP and CPN LLP.

Under the Petitions, the High Court on 6 October 2021 issued administration orders against CHYS LLP and CPN LLP administration, with Mr. Kereto Marima as administrator.

Before the administrator's two Statements of Proposal could be voted on, the administrator's term lapsed. He applied to the High Court for an extension of his further term. The High Court on 6 January 2023 declined to extend his term and instead terminated the administration of CHYS LLP and CPN LLP, issued a liquidation order, and appointed the Official Receiver as liquidator.

## **1.2 Purpose**

The purpose of the evaluation was to give an analytical view of the effectiveness of the Debt Settlement Proposal (DSP) founded/ developed by CIM and was presented to creditors who reviewed the document and adopted it as the best alternative that would yield a better return on their investment with CIM and CRC for the proposed Restructuring as an alternative to Liquidation.

## **1.3 Activity**

The Creditors Restructuring Committee engaged Nairobi Forensics LLP, the Business Rescue, Insolvency and Restructuring firm through Tom Mungai Ouma, IP, to undertake an independent analytical evaluation of the Restructuring / Debt Settlement Proposal (March 2024) and to prepare a comprehensive report advising the Committee and Creditors.

## **1.4 Scope**

The scope included developing the evaluation plan, and data collection instruments, studying the impact of liquidation/restructuring, and undertaking the data analysis and reporting. Comparing the DSP and the current procedures (liquidation) in line with the objective of investors/creditors of Cytonn High Yield Solutions LLP (In Liquidation) and Cytonn Real Estate Project Notes LLP (In Liquidation), CIM, and SPVs around them.

# **2.1 EVALUATION APPROACH**

## **2.1 Evaluation Design**

We considered the surveys, questionnaires, progress notes, and document reviews to gather whether the Creditors preferred restructuring as opposed to liquidation from the social media, records, petitions, rulings, and administrator statements of proposals.

## **2.2 Target Population and Sample Size**

Investors from the list of claimants were identified and sent a questionnaire for an onward response within two (2) days of the provided timeline. Only 27 responses were received before the close of business. In addition, 965 participants from social media were sampled to get the perceptions of the public about the entities CPN (In liquidation) and CHYS (in liquidation).

## **2.3 Data Collection Instruments**

Audited financial statements, debt settlement proposals, administrator's statement of proposal, valuation reports, CRC minutes& resolutions. In addition, progress notes sought to know the progress from the CRC meeting, resolutions, petitions, and public noise.

## **2.4 Data Analysis**

The study evaluated the effectiveness of the Debt Settlement Proposal (DSP) by investors, receiving only 27 investors. To gather broader insights, 965 participants from social media were sampled. The data cleaning. Visual representations highlighted the findings, which were compiled into a comprehensive report based on the questionnaires, document review, and progressive report analysis. This report provided actionable insights and recommendations for CIM and CRC on the effectiveness of the Debt Settlement Proposal (DSP) by investors.

## 3.0 EVALUATION OF THE FINDINGS

### 3.0.1 Debt Settlement Proposal (DSP) and Its Assumptions.

#### Assumptions

- Three projects are going to be run to completion
- Restructuring would take between six(6) to seven (7)years
- Movement of the existing clients to CIM/Newco
- Creditors to waive interest accrued in 2020/2021

### 3.0.2 Rationale of Proposed Restructuring.

**Investors are to waive interest accrued in 2020 and 2021 and recover 100% of the balance under restructuring vs orderly liquidation, 14%, and yet both would take about the same time to achieve.**

- i. The Principal Partner - Cytonn Investments Management, PLC (CIM or the Company) recognizes that CIM and the Funds are inextricably linked. Although CIM and certain Real Estate Special Purpose Vehicles (the RSPVs) through which CIM holds various real estate assets continued to receive funding e.g. the SBM Bank Kenya Limited top-up facility for The Alma, the overall level of short-term debt means that a return to profitability based on the current funding structure is exceptionally challenging and highly unlikely to occur. Consequently, restructuring is inevitably the only option that can maximize value back to investors.
- ii. The effects of the Covid-19 pandemic did significantly affect the operations of the Funds. Inflows reduced by more than 96% in less than 6 months. This had a knock-on effect on the SPVs which had a revolving credit arrangement with the Funds. The Funds had committed to fund each of the SPVs up to a certain limit with the SPVs repaying a portion of the balance in regular intervals. With Project SPV's access to funding closed, coupled with the impact of COVID-19 on consumer buying power impacting sales and disrupting progress on the projects, the Funds quickly faced significant financial strain which affected their operations.
- iii. Continuously, the investor funds accrued interest which currently stands at more than KES 3.7 billion or thereabouts with no corresponding positive economic activity to support the interest accruals. The restructuring is expected to strengthen the balance sheet of each of the RSPVs to enable them to attract funding, enhancing their liquidity and by extension that of the Company. This will also lead to an increase in end buyer confidence which will enhance uptake in the various projects thus enhancing liquidity.

### 3.0.3 The basic steps summarizing the restructuring plan

Step 1: Sell shares in Superior Homes Kenya, and immediately pay 50% of the proceeds to creditors and 50% to Alma.

Step 2: Sell Kilimani land, pay 50% to creditors and 50% to complete the Ridge & The Alma.

Step 3: Complete the Alma, pay 50% to creditors and the other 50% goes towards Taraji

Step 4: We complete Taraji 50% to creditors and 50% to Riverrun

Step 5: Complete the Ridge and pay 100% to creditors

#### Note:

- i). The Investor's Equity and Debt Entitlement will therefore constitute a release of interest accrued in 2020 and 2021 in the sum of Ksh 3,754,975,696 to adjust for the impact of Covid on the performance of the underlying investments (real estate) and the fund's ability to fund the SPVs.

ii). Under Restructuring, the expensive short-term debt is to be retired and restructured as follows:

- 50% of the balance is to be paid out as payments upon asset sales at SPV, with a commitment to make payment upon asset sales
- The balance to be issued as ordinary shares in a New Entity (New Co.) – as was the case with Amana restructuring

The payments upon asset sales will accelerate the return of the SPVs to profitability, and enable them to return value to the investors faster. Furthermore, by holding shares in New Co, investors will be able to participate in any upside should the Company return to profitability.

### 3.0.4 Liquidation Values Assumptions

At Liquidation, the Portfolio will Realize Ksh 2.1bn to CHYS/CPN against a Current Liability value of Ksh 14.2bn.

Project	Value upon Liquidation Ksh	Assumption
<b>The Alma</b>		Alma is incomplete and has an SBM loan. Liquidated incomplete, all proceeds go to SBM and secured lenders. None to CHYS/CPN.
<b>Applewood</b>		Applewood has been sold out 95% plus, and has pending liabilities. Nothing is expected from liquidation.
<b>Newtown</b>		This is a 1,000-acre JVA that has to go through a litigation process to get value out. At liquidation, nothing is expected.
<b>Ridge</b>		The Ridge has a TTA loan of Ksh 3bn and pending liabilities. At liquidation, nothing is expected.
<b>Riverrun</b>	318,000,000	This is a JVA. At liquidation, we expect about 13 unsold acres of land. The land is to be subdivided into 7 eighths/acre sold at Ksh 3.5mn each - no development value assumed.
<b>Taraji</b>	385,000,000	Taraji is valued at cost (Ksh 550mn) all discounted at 30%
<b>Kilimani</b>	980,000,000	Kilimani is valued at Ksh 350mn/acre, a 30% discount for 4 acres
<b>Superior Homes</b>	250,000,000	Based on discussions between the Official Receiver and Superior Homes (Mkt Value is 750 to 800m)
<b>Cysuites</b>	250,000,000	1 billion valuations, 30% discount gets to 700m minus 450m loan to KCB
<b>Total</b>	2,183,000,000	Less 5% liquidation costs get to 2,073,850,000 is 14.6% of 14.2 billion.
<b>Less than 5% of Liquidation costs</b>	109,150,000	Payments to liquidators, transaction costs
<b>Net Realizable Value</b>	2,073,850,000	This is the realizable value which will represent 14.6% of the 14.2 billion.

### 3.0.5 Summary at Fair Value as of today

The net book value of the portfolio as of today is Ksh 8.7 bn § The book/fair market value is the total value of the project today at fair market value as per the external valuers' report. The net book value (NBV) is the book value minus expenses. The instruments issued under this restructuring are based on the NBV. All values are in Kenya Shillings.

#### a) Portfolio Available for Secured Creditors

#	SPV	Fair Market Value	Less Expenses & Other Costs	Net Book Value
1	Superior Homes	855,000,000	(20,513,578)	834,486,422
2	Taraji Heights	1,508,000,000	(340,010,807)	1,167,989,193
3	The Ridge	2,802,000,000	(2,656,635,754)	145,364,246
4	Kilimani	1,693,000,000	(138,103,495)	1,554,896,505
5	The Alma	2,455,452,488	(1,126,738,583)	1,328,713,906
6	Newtown	1,750,000,000	(4,700,727)	1,745,299,274
7	Riverrun	1,490,675,658	(106,688,189)	1,383,987,46
9	Applewood	146,000,000	(80,135,572)	65,864,429
	<b>Total</b>	<b>12,700,128,146</b>	<b>(4,473,526,705)</b>	<b>6,842,613,975</b>

#### b) Portfolio Available for Secured Creditors

#	Entity	Estimated Future Value Ksh.	Cost to Completion	Other Costs	Net Future Value
1	Cysuites (KCB)	1,100,000,000		(470,058,330)	629,941,670
2	Applewood	146,000,000	(83,772,600)	(80,135,572)	(17,908,172)
3	The Alma (SBM)	3,229,505,097		(1,126,738,583)	1,328,713,906
	<b>Total</b>	<b>4,475,505,097</b>	<b>(83,772,600)</b>	<b>(1,676,932,485)</b>	<b>1,940,747,404</b>

### 3.0.6 Summary Based on Future Value

To net future value of the projects upon completion is Ksh 11.2 bn.

The estimated value is the gross project value upon completion, which will need new funds. The net future value is the estimated future value of the project minus the cost to completion and all other expenses.

#### a) The SPV portfolios are attached to unsecured creditors

#	Entity	Estimated Future Value Ksh.	Cost to Completion	Other Costs	Net Future Value
1	Superior Homes	1,000,000,000		(20,513,578)	979,486,422
2	Taraji Heights	5,379,759,520	(3,041,711,402)	(340,010,807)	1,998,037,311
3	The Ridge	13,268,650,000	(8,061,352,904)	(2,656,635,754)	2,550,661,343
4	Kilimani	1,693,000,000	(774,052,609)	(138,103,495)	1,554,896,50
5	Newtown	1,750,000,000	(399,269,898)	(4,700,727)	1,346,029,376
6	Riverrun	1,490,675,658	(571,193,353)	(106,688,189)	812,794,116
	<b>Total</b>	<b>29,057,590,275</b>	<b>(12,931,352,766)</b>	<b>(4,943,585,032)</b>	<b>11,182,652,477</b>

#### b) The SPV portfolios are attached to secured creditors.

#	Entity	Estimated Future Value Ksh.	Cost to Completion	Other Costs	Net Future Value
1	Cysuites (KCB)	1,100,000,000		(470,058,330)	629,941,670
2	Applewood	146,000,000	(83,772,600)	(80,135,572)	(17,908,172)
3	The Alma (SBM)	3,229,505,097		(1,126,738,583)	1,328,713,906
	<b>Total</b>	<b>4,475,505,097</b>	<b>(83,772,600)</b>	<b>(1,676,932,485)</b>	<b>1,940,747,404</b>

Note That more information is needed on Applewood.

Refer to 3.0.8 below on the negative challenges of liquidation to the secured portfolio.

Our responses are dependent on the DSP report however there are reports from the administrator that we may need more information on

### Loan notes convertible to equity shareholding

Loan Notes Due (As per Admin Report)		DSP Proposal			Explanation		
Project	CHYS	CPN	Current Value	Future Value	DSP Proposal		
1	CIM Related Loan Notes (CIM PLC)	544,999,854	52,959,414	-	-	No residual value, in books owed Fund Management Fees from CHYS/CPN	CIM is the promoter of CHYS & CPN which is owed fees from the funds, hence the amounts are due from CHYS to CIM
2	CHYS		165,844,838				A receivable to CPN
3	Nyamondi Nyamogo	4,476,163	-	-	-	Settled in Alma, client had paid into Alma, and forfeited which was net off against loan	Paid into Alma a unit, which was forfeited & funds recovered from the unit purchase payment against CHYS loan
4	Active Strategy	346,297,568	-	-	-	No residual value	Shares from Active strategies were sold at a loss, the entity has no remaining assets. It closed at a loss, as approved by the board
5	Cytonn Education Services	86,271,567	-	-	-	No residual value	Write off approved by the board as the school did not take off
6	Cytonn Investment Partners Three LLP - 'Amara'	502,860,365	-	-	-	No residual value	Written off was approved by the board as the loss came from initial concept of the JV allocation which was overstated at the inception
7	Cytonn Diaspora		56,397,178				
	<b>Total</b>	<b>1,484,905,517</b>	<b>275,201,430</b>	<b>0</b>	<b>0</b>		

**Note:** The loan notes are irrecoverable at an instant. They can best be converted to equity under CIM



### 3.0.7 Total Liabilities

The total liability is Ksh. 10.5 bn having factored in the 2020/2021 interest waiver.

<b>Entity</b>	<b>Amount in Ksh</b>
<b>Client Balances-CHYS</b>	(10,286,563,333)
<b>Client Balances-CPN</b>	(3,932,633,493)
<b>Interest accrued in 2020/2021*</b>	3,754,975,696
<b>Total Liabilities</b>	<b>(10,451,831,130)</b>

### 3.0.8 Negative challenges from liquidation order

If the Proposed Restructuring fails, we expect that the various individual creditors who intend to file or who have filed insolvency petitions against CIM or any other SPV will proceed with those petitions which may lead to:

- i. **The Alma** - CIM has acted as guarantor for the Alma SPV, an insolvency event at the Company level may lead to an acceleration of the bank debt at the Alma SPV, which would mean that the Alma might not proceed to completion. The Bank may also exercise its power of sale over the Property. Completion is necessary to sell units and return value to investors while an exercise by the Bank of its power of sale significantly diminishes or extinguishes any return to the investors.
- ii. **CySuites** - CIM has acted as guarantor to various funders of the CySuites SPV and continues to fund the existing bank debt secured by a charge over the Cysuites Property. If the CySuites SPV's ability to meet obligations under the bank debt is curtailed, the Bank may proceed to exercise its rights of sale over the CySuites property significantly diminishing or extinguishing any return to the investors. A restructuring enables the Company to continue enhancing the property's value service the Bank debt, and return value to investors for example as of today, Block C has been fully renovated using funds from converting investors.
- iii. **The Ridge and Taraji Heights** - They are incomplete projects with CIM as the main partner. An insolvency event at the CIM level means they would not be able to attract funding significantly diminishing or extinguishing any return to the investors.

From the above, the net effect of the actions will result in about a **14%** recovery over a 5 to 6-year period for investors in the funds as opposed to an estimated **100%** (the Investors' Principal amount) recovery for investors over the same period.

## 3.1 OUR FINDINGS

### 3.1.1 Responses to CRC Concerns

With reference to the TOR developed by CRC on the growing concerns and status at the subject entity, below are the concerns and our responses to the same:-

CRC Concerns	Independent IP Responses
What the most likely outcome would be for unsecured creditors if the Restructuring / Debt Settlement Proposal is implemented?	At current status in restructuring 83.3% recovery rate and at future realizable values at 100% with an extra 6.9% to be deemed as a dividend for equity holders.
What the most likely outcome would be for unsecured creditors if the restructuring proposal is not approved?	If restructuring is not approved it means the liquidation order persists with a 19.84% recovery rate the opposite of 80.16% as lost returns on creditors.
<p>Would it be advisable that a new Special Purpose Vehicle be set up as the restructuring plan company, to assume the assets and liabilities of CHYS LLP and CPN LLP, or should we retain CHYS LLP and CPN LLP as the debtor entities?</p> <p>Please note the fact that there is a corporate guarantee issued by Cytonn Investments Management Ltd to investors, guaranteeing the repayment of investments made by them in CHYS LLP and CPN LLP in the event of default by these two entities.</p>	NO! That can be considered after stabilization from the negative financial status and can only be adopted in a turnaround and growth stages which is expected in 6 years upon approval of restructuring by the Court.
Is the debt-for-equity proposal in the DSP strictly necessary for the success of the restructuring plan, or can the debtors/ creditors do without the equity component?	An equity proposal is necessary for any growing interest in the claims to affix a reliable cash flow plan. However, a convertible stock option may be considered after recovery
<p>What would be the ideal governance structure for the restructuring entity?</p> <p>Should governance be left entirely in the hands of Cytonn's management, the same management that oversaw the slide into insolvency?</p> <p>Should governance be in the hands of an administrator?</p> <p>Or should we instead have a hybrid model that co-opts creditors, for oversight and management of conflict of interest?</p>	The restructuring should be led by independent persons like IPs to steer the confidence and the lost trust in some investors supported by a team from Cytonn (Technical team), CRC(oversight team), and Court.
Is the proposed funding of the restructuring proposal sufficient to facilitate its execution?	For the current situation, it is an adequate funding model to steer the companies to stability.
What other funding models are available? Which of the funding models available is most efficient and ideal in the circumstances?	<p>Realization of Assets</p> <p>Refinancing the loan with another lender</p> <p>Through the sale of the loan to an investor by securitizing the loan</p>

	The most ideal model is that of the sale of existing assets to fund the restructuring without incurring other finance costs
What is the best way forward for creditors: administration; or company voluntary arrangement? What are the advantages and limitations of the two options for creditors?	Consider CPN and CHYS (in liquidation) for conversion to administration order. For the SPVs restructuring plans, an SOA can be used to affect a variety of debt-reduction strategies or insolvent restructurings. For this to happen a majority (i.e., 75%) of the creditors or class of creditors, or members or class of members in the SPVs and not in CPN and CHYS (In liquidation), present and vote either in person or by proxy at the meeting to agree to a proposed SOA, then the company may present the SOA to the court (Section 926, CA 2015).

### 3.1.2 Independent analysis of restructuring options

The evaluation relied on the reports from 2018-2021 , the statements of the proposal by the then administrator's reports to verify the existence and values of the assets in the current and future realizable values.

### 3.1.3 Global measure of financial performance

Upon comparison of the restructuring arrangement against distress sale (liquidation), you may refer to the statement of affairs below:-

#	Receivables	Liquidation	Restructuring	
		Current Liquidation values	Current Realizable values (NBV)	Future Realizable values (NBV)
1	Superior Homes	250,000,000	834,486,422	979,486,422
2	Taraji Heights	385,000,000	1,167,989,193	1,998,037,311
3	The Ridge		145,364,246	2,550,661,343
4	Kilimani	980,000,000	1,554,896,505	1,554,896,505
5	Newtown		1,745,299,274	1,346,029,376
6	Riverrun	318,000,000	1,383,987,46	812,794,116
7	Applewood		65,864,429	(17,908,172)
8	Cysuites		479,941,670	629,941,670
9	The Alma		1,328,713,906	1,328,713,906
	<b>Total Realizable</b>	<b>2,073,850,000</b>	<b>8,706,543,114</b>	<b>11,182,652,477</b>
	<b>Creditor Claims - CHYS</b>	<b>(10,286,563,333)</b>	<b>(10,286,563,333)</b>	<b>(10,286,563,333)</b>
	<b>Creditor Claims -CPN</b>	<b>(3,932,633,493)</b>	<b>(3,932,633,493)</b>	<b>(3,932,633,493)</b>
	<b>Interest waived/ converted to Equity</b>	<b>3,754,975,696</b>	<b>3,754,975,696</b>	<b>3,754,975,696</b>
	<b>Total Unsecured Debt</b>	<b>10,451,831,130)</b>	<b>(10,451,831,130)</b>	<b>(10,451,831,130)</b>
	<b>% Debt Recoverable</b>	<b>19.84</b>	<b>83.30</b>	<b>106.99</b>
	<b>% Debt Unrecoverable .(-Ve)/ Recoverable(+Ve)</b>	<b>(80.16)</b>	<b>(16.70)</b>	<b>6.99</b>

**Note:**

- Any significant debt interest accruing to creditors be converted to Equity
- The values at liquidation are distressed for sale values and at restructuring are assumed to be the forced values.

Analysis of financial statements concerning administrator report

Table 1: CHYS (in liquidation) Profit and Loss

Values in Ksh	FY2016	FY2017	FY2018	FY2019	FY2020	06 OCT 2021
<b>Interest Income</b>	474,587,551	1,026,804,879	1,465,295,933	1,722,086,004	1,583,151,475	1,062,004,439
<b>Interest Expense</b>	(465,410,754)	(891,168,884)	(1,347,185,349)	(1,545,595,859)	(1,832,239,103)	(1,129,316,008)
<b>Net interest income</b>	9,176,797	135,635,995	118,110,584	176,490,145	(249,087,628)	(67,311,569)
<b>Other operating gains/losses</b>	11,051,545	(186,050)	243,999	(145,150)	(171,686)	(48,863)
<b>Operating expenses</b>	(18,766,101)	(41,122,084)	(71,296,228)	(204,113,737)	(430,788,503)	(3,491,153)
<b>Operating Profit</b>	1,462,241	94,327,861	47,058,355	(27,768,742)	(680,047,818)	(70,851,586)
<b>Profit for the year</b>	1,462,241	94,327,861	47,058,355	(27,768,742)	(680,047,818)	(70,851,586)
<b>Other Comprehensive Income</b>	-	-	-	-	-	-
<b>Total Comprehensive income for the year</b>	<b>1,462,241</b>	<b>94,327,861</b>	<b>47,058,355</b>	<b>(27,768,742)</b>	<b>(680,047,818)</b>	<b>(70,851,586)</b>

Table 2: CPN (in liquidation) Profit and Loss FYE 2017 to 6th Oct 2021

Values in Ksh	FY2017	FY2018	FY2019	FY2020	06 OCT 2021
<b>Interest Income</b>	27,321,555	207,751,987	380,032,402	546,036,504	335,266,528
<b>Interest Expense</b>	(55,248,638)	(208,778,294)	(454,713,705)	(727,993,177)	(511,782,319)
<b>Net interest income</b>	(27,927,083)	(1,026,307)	(74,681,303)	(181,956,673)	(176,515,790)
<b>Other operating gains/losses</b>	-	(567,410)	(490,526)	280,714	-
<b>Operating expenses</b>	(3,072,100)	(8,557,737)	(9,779,481)	(12,790,783)	(17,231,278)
<b>Operating Profit</b>	(30,999,183)	(10,151,454)	(84,951,310)	(194,466,742)	(193,747,069)
<b>Profit for the year</b>	(30,999,183)	(10,151,454)	(84,951,310)	(194,466,742)	(193,747,069)
<b>Other Comprehensive Income</b>	-	-	-	-	-
<b>Total Comprehensive income for the year</b>	<b>(30,999,183)</b>	<b>(10,151,454)</b>	<b>(84,951,310)</b>	<b>(194,466,742)</b>	<b>(193,747,069)</b>

**Observation:**

Due to higher interest expenses as seen in the Audited financial reports, the profit and loss statements as above, the companies in liquidation experienced consistent net operating losses from FYE 2016 to 2021.

**Table 1: CHYS (in liquidation) Balance Sheet.**

<b>ASSETS (Values in Ksh)</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>06 OCT 2021</b>
<b>Cash and cash equivalents</b>	12,940,120	18,031,135	7,022,971	21,049,230	850,542	965,999
<b>Trade and other receivables</b>	220,040,587	651,084,130	903,854,754	1,091,623,127	1,347,335,117	1,519,055,634
<b>Investment in financial instruments at amortized cost</b>	4,588,757,947	6,494,972,025	8,023,783,986	9,482,281,503	9,973,794,167	10,195,489,955
<b>Property and Equipment</b>	599,702	479,762	383,810	263,869	143,929	104,198
<b>Total Assets</b>	4,822,338,356	7,164,567,052	8,935,045,521	10,595,217,728	11,322,123,754	11,715,615,785
<b>EQUITY AND LIABILITIES</b>	-	-	47,058,355	(27,768,743)	(680,047,817)	(750,867,267)
<b>LIABILITIES</b>						
<b>Trade and other payables</b>	104,906,627	260,218,126	466,707,003	712,202,867	987,092,536	1,157,875,849
<b>Investment Partners' Fund</b>	4,717,431,730	6,904,348,925	8,468,338,517	9,910,783,602	11,015,079,034	11,308,607,204
<b>Total Liabilities</b>	4,822,338,357	7,164,567,051	8,935,045,520	10,622,986,469	12,002,171,570	12,466,483,053

**Table 2: CPN (in liquidation) Balance sheet**

<b>ASSETS (Values in Ksh)</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>06 OCT 2021</b>
<b>Cash and cash equivalents</b>	2,658,637	6,216,397	3,275,596	265,538	47,034
<b>Trade and other receivables</b>	32,476,553	80,690,953	236,105,668	664,328,751	503,566,500
<b>Investment in financial instruments at amortized cost</b>	623,252,632	1,464,146,270	3,218,696,105	3,269,188,723	2,789,040,443
<b>Total Assets</b>	<b>658,387,822</b>	<b>1,551,053,620</b>	<b>3,458,077,369</b>	<b>3,933,783,012</b>	<b>3,292,653,978</b>
<b>EQUITY AND LIABILITIES</b>	-	-	-	-	(396,297,671)
<b>Trade and other payables</b>	26,125,018	49,119,293	106,760,880	216,602,357	122,457,045
<b>Investment Partners' Fund</b>	632,262,804	1,501,934,328	3,351,316,491	3,717,180,655	3,566,494,604
<b>Total Liabilities</b>	658,387,822	1,551,053,621	3,458,077,371	3,933,783,012	3,688,951,649
<b>TOTAL RESERVES &amp; LIABILITIES</b>	<b>658,387,822</b>	<b>1,551,053,621</b>	<b>3,458,077,371</b>	<b>3,933,783,012</b>	<b>3,292,653,978</b>

Investment partner's funds include CIM and CHYF as guarantors and funders to various portfolios in SPVs. Any conversion of the liability in the Balance sheet to a convertible stock would be ideal in proportion for the 4 years from the date of the commencement of the restructuring

**Table 1: CHYS (in liquidation) Statement of Affairs**

Statement of Affairs("SOA") as of 6th Oct 2021

ASSETS (Values in Ksh)	(Audit by CIM)	6th October 2021(Audit by CIM)
Cash and cash equivalents	584,089	965,999
Trade and other receivables	394,103,779	1,519,055,634
Investment in financial instruments at amortized cost	10,611,612,635	10,195,489,955
Property and Equipment	174,163	104,198
<b>Total Assets</b>	<b>11,006,474,665</b>	<b>11,715,615,785</b>
<b>LIABILITIES</b>		
Trade and other payables	1,172,285	1,157,875,849
Investment Partners' Fund	11,172,133,445	11,308,607,204
<b>Total Liabilities</b>	<b>11,173,305,730</b>	<b>12,466,483,053</b>
<b>ASSET-LIABILITY GAP</b>	<b>(166,831,065)</b>	<b>(750,867,267)</b>

**Table 2: CPN (in Liquidation) Statement of Affairs**

Statement of Affairs("SOA") as of 6th Oct 2021

ASSETS (Values in Ksh)	31t July 2021	6th October 2021(Audit by CIM)
Cash and cash equivalents	48,010	47,034
Trade and other receivables	109,356,592	503,566,500
Investment in financial instruments at amortized cost	3,685,140,153	2,789,040,443
<b>Total Assets</b>	<b>3,794,544,755</b>	<b>3,292,653,978</b>
<b>LIABILITIES</b>		
Trade and other payables	1,670,245	122,457,045
Investment Partners' Fund	4,180,992,923	3,566,494,604
<b>Total Liabilities</b>	<b>4,182,663,168</b>	<b>3,688,951,649</b>
<b>ASSET-LIABILITY GAP</b>	<b>(388,118,413)</b>	<b>(396,297,671)</b>

The proposed action of conversion to equity would improve the negative balances in the Asset-Liability gap organically upon restructuring option.

**Analysis of Steps on Viability**



Period (Months)	Entity Proposed for sale	Current value	Future Value	Creditors	Targeted for Creditors	Creditors Balance (10451831130)	Targeted Project	Targeted for Project	Cost to Completion	Balance to Completion
						(10,451,831,130)				
0-8	Superior Homes	834,486,422	979,486,422	50%	417,243,211	(10,034,587,919)	The Alma	417,243,211	(774,052,609)	(356,809,398)
0-8	Kilimani land	1,554,896,505	1,554,896,505	50%	777,448,252.50	(9,257,139,667)	The Alma	777,448,253	(1,900,791,147)	(1,480,152,293)
0-15	Alma	1,328,713,906	1,328,713,906	50%	664,356,953	(8,592,782,714)	Alma	664,356,953	-	(815,795,340)
0-21	Newtown	1,750,000,000	1,750,000,000	50%	875,000,000	(7,717,782,714)	Riverrun	875,000,000	(403,970,625)	(344,765,965)
0-30	Riverrun	1,490,675,658	812,794,116	100%	1,490,675,658.00	(6,227,107,056)	Riverrun		(106,688,189)	(51,454,154)
0-36	Ridge	2,802,000,000	13,268,650,000	100%	2,550,661,343	(3,676,445,713)	CIM/Ridge	10,000,000,000	(10,717,988,658)	(1,169,442,812)
0-48	Taraji	1,508,000,000	5,379,759,520	100%	1,998,037,311	(1,678,408,402)			(3,381,722,209)	(4,551,165,021)
0-60	Cysuites	950,000,000	1,100,000,000	100%	629,941,670	(1,048,466,732)	CIM/ CySuites		(470,058,330)	(5,021,223,351)
0-60	Conversion to Equity CIM					1,048,466,732				5,021,223,351

**Our Proposed Steps (a modification of steps by DSP)**

- a) Step 1: Sell shares in Superior Homes Kenya, and immediately pay 50% of the proceeds to creditors and 50% to Alma
- Step 2 : Sell Kilimani land, pay 50% to creditors, and 50% to complete The Alma.
- Step 3 : Complete the Alma, pay 50% to creditors and the other 50% goes toward Newtown
- Step 4: We complete Newtown and Pay 50% to creditors and 50% to
- Step 5: Sale Riverrun as Is and pay 100% to creditors
- Step 6 :Complete Ridge and Pay 100% to Creditor
- Step 7: Complete Ridge and Pay 100% to Creditor
- Step 8: Complete Ridge and Pay 100% to Creditor
- Step 9: Conversion Creditors balance to Equity and balance to Complete to equity
- b) To complete Ridge CIM/Ridge by borrowing of Pay as you sell 10Bn

### **3.1.4 Observations from the DSP Analysis**

- i). The companies in liquidation CPN (In liquidation) and CHYS (In Liquidation) have sufficient receivables in the SPVs which can be applied to settle the unsecured creditors in the ranges of 75%-100% subject to realization values within the pre-negotiated transaction through a re-structuring process which may be commenced by a company; its directors, members or creditors; or insolvency practitioners. This can take effect once approved by the court and/or stakeholders by invoking Compromises, Arrangements, Reconstructions, and Amalgamations in Section 922 of the CA 2015.
- ii). The Investors' waiver of interest accrued in 2020 and 2021 of a total of Ksh 3,754,975,696 as was proposed may be handled in alternative ways.
- iii). agree to convert the sum of Ksh 3,754,975,696 as equity in the CIM to accord the residual interest and patience to wait in the reasonable period of 6-8 years before dividends are earned.
- iv). The restructuring process is tenable if the companies are under administration i.e. CPN and CHYS LLPs (Currently in liquidation) and provide the SPVs which are separate entities to undertake reorganization without any undue liquidation or distress sales pressures.

### **3.1.5 Investors and creditors' expectations and reactions.**

- i. The sentiment analysis of Cytonn Investment revealed significant challenges for the company's recovery.  
The prevalence of negative sentiment, coupled with organized opposition and regulatory scrutiny, presents substantial obstacles.
- ii. However, the presence of some positive sentiment, particularly regarding real estate projects, suggests that there might be a foundation for recovery if the company can address its credibility issues, provide transparent plans for investor reimbursement, and navigate the regulatory landscape effectively.
- iii. Any recovery strategy would need to prioritize rebuilding trust, addressing investor concerns transparently, and potentially undergoing significant restructuring under regulatory supervision. The path to recovery, if possible, would likely be long and fraught with challenges, requiring a comprehensive approach to reputation management and business restructuring.
- iv. The analysis of market and forced sale values of real estate across all the properties from 2018 to 2024 reveals positive growth trends, reflecting a recovering real estate market. While some properties, like Alma and Mystic Plains, show substantial appreciation, others, such as Kilimani, exhibit fluctuations that present strategic investment opportunities.

The steady increase in forced sale values across most properties underscores their resilience in a volatile market. Overall, these insights suggest that investing in these properties could yield favorable returns, making them attractive options for investors seeking to capitalize on the evolving landscape of real estate in the region.

## **3.2 LESSONS LEARNED FROM FINDINGS**

### **3.2.1 Restructuring options**

- The very Companies in Liquidation have sufficient assets to retool their operations and pay the debts in claim through administration order.
- Compromises, Arrangements, Reconstructions, and Amalgamations Section 922 of the CA 2015 provides for rescue procedures that enable a company to initiate negotiations with its creditors and may be commenced by a company; its directors, members or creditors; or insolvency practitioners. However, it takes effect once approved by the court and/or stakeholders. We can consider handling the SPVs reorganization through this option.

### **3.2.2 Standstill agreements (SSAs)**

While SSAs are not provided for under Kenyan law, it has not stopped insolvent entities and secured creditors from using SSAs in a bid to keep companies operating as going concerns. In *Re: Synergy Industrial Credit Limited v Multiple Hauliers (EA) Limited* [2020] eKLR, the Court adjourned the hearing of a liquidation petition to allow an SSA between the company and its lenders, which was geared at restructuring its operations and managing cash flow, working capital and liquidity requirements, to take effect.

### **3.2.3 Liquidation/ Restructuring.**

Under liquidation, the distressed sale of the properties may cause shocks of undervalue to the realization of assets. Thus, the creditors may not realize the reasonable values upon distressed realization. We suggest that liquidation be the last option.

## **4.0 RECOMMENDATIONS**

- i. The secured creditors (Senior Lenders) i.e. KCB, SBM, CHYF, and TTA rights remain protected and need to be persuaded to approve the restructuring proposal.
- ii. The cash flow assumptions based on revenue projected inflows from equity sales /conversion and assets realization remain constant for which settlement of claims is to be done upon stage-by-stage realization of assets.
- iii. Other stakeholders' interests such as homeowners, and various contractors be given fair consideration as shall be decided.
- iv. Time is of the essence to minimize any incremental negative inflows and costs not anticipated.

v. **Conclusion**

The companies CPN LLP (in liquidation) and CHYS LLP (in liquidation) have sufficient assets to realize the restructuring and therefore the creditors have a strong desire for a change of procedure of insolvency which would ensure that the creditors achieve full compensation of their claims.

The DSP is tenable on the strength of available realizable assets herein referred to as receivables. The mechanics of handling the restructuring are premised on the prayer to exit liquidation to allow for such a reorganization.

The settlement of debts at current status in liquidation is estimated to settle about 20% of debt claims. However, in restructuring the estimated settlement at current values is estimated at 80%, the estimates are likely to change after some targeted receivables are made complete to realize full settlement at a stability stage.

The SPVs on record being separate entities from the companies under liquidation require a clinical negotiation and legal approach to initiate the realization of their assets in stages at affair bargain.

This restructuring can still be supervised by an IP and the Court, and the technical expertise of the company staff cannot be underestimated to steer the head of the companies to stability.

Actionable timelines in restructuring would improve the speed to full recovery and debt settlement, rebuilding trust, addressing investor concerns transparently, and potentially undergoing significant restructuring under regulatory supervision.

**Yours Faithfully,**

A handwritten signature in blue ink, consisting of a horizontal line with a stylized 'N' or 'F' shape below it.

**Insolvency Practitioner  
For Nairobi Forensics LLP**

# APPENDIX A

## Public Sentiment Analysis of Cytonn Investment: Methodology and Findings

### 1. Introduction

This study aimed to analyze public sentiment towards Cytonn Investment, with a particular focus on recovery efforts and the company's potential for rehabilitation based on public opinion. The research utilized social media data, primarily from Twitter, to gauge public perception and sentiment regarding Cytonn Investment's operations, management, and prospects.

### 2. Methodology

We used surveys from social media to get the perceptions of the public about the entities in liquidation.

#### 2.1 Data Collection

The dataset comprised social media posts mentioning Cytonn Investment, collected from Twitter. The initial dataset contained 945 posts, which were subsequently filtered and preprocessed.

#### 2.2 Data Processing

The preprocessing steps included:

- Filtering outposts from the official Cytonn Investment handle (@CytonnInvest)
- Removing duplicate entries
- Handling missing values by dropping rows with null entries

After preprocessing, the final dataset consisted of 508 unique posts.

#### 2.3 Sentiment Analysis

Two methods were employed for sentiment analysis:

##### 2.3.1 Text Blob Analysis

The Text Blob library was used for initial sentiment classification. This method categorizes sentiment based on polarity scores:

- Positive: polarity  $> 0$
- Neutral: polarity = 0
- Negative: polarity  $< 0$

##### 2.3.2 Advanced AI Model (Google's Gemini)

A more sophisticated sentiment analysis was performed using Google's Gemini AI model. This approach not only classified sentiment but also provided observations about the content of each post.

## **2.4 Phrase extraction and theme identification**

To identify common themes and phrases:

- Count Vectorizer from scikit-learn was used to extract bigrams and trigrams
- Word frequency analysis was performed for each sentiment category
- Word Cloud visualizations were generated to highlight prominent terms

## **2.5 Visualization**

Several visualization techniques were employed:

- Bar charts for sentiment distribution vis a vis
- Word clouds for each sentiment category
- Frequency plots for top observations within each sentiment

# **3. Results and analysis**

## **3.1 Sentiment Distribution**

### **3.1.1. Text Blob Analysis Results**

- Positive: 52.8% (268 posts)
- Neutral: 36.2% (184 posts)
- Negative: 11.0% (56 posts)

### **3.1.2. Gemini AI Model Results**

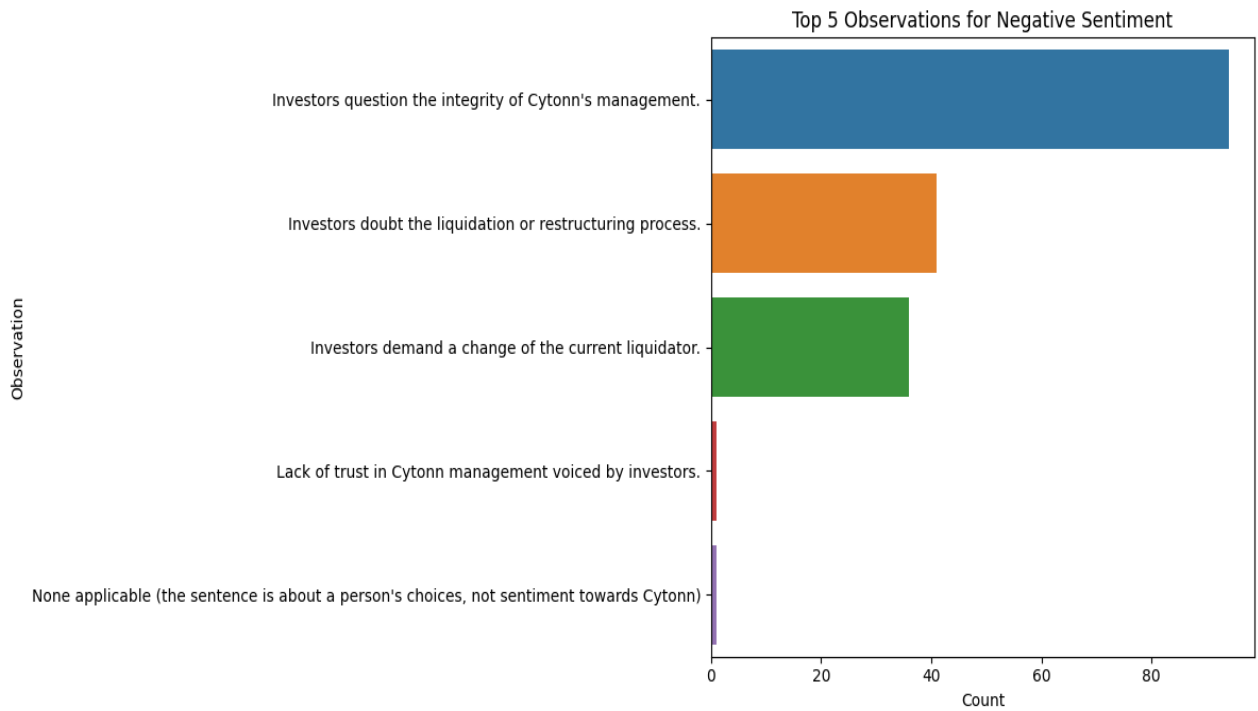
The Gemini model provided a more nuanced distribution of sentiment:

- Negative: 174 posts
- Positive: 142 posts
- Neutral: 192 posts

This distribution indicates a more balanced sentiment landscape, with a significant presence of negative and neutral sentiments, contrary to the Text Blob analysis.

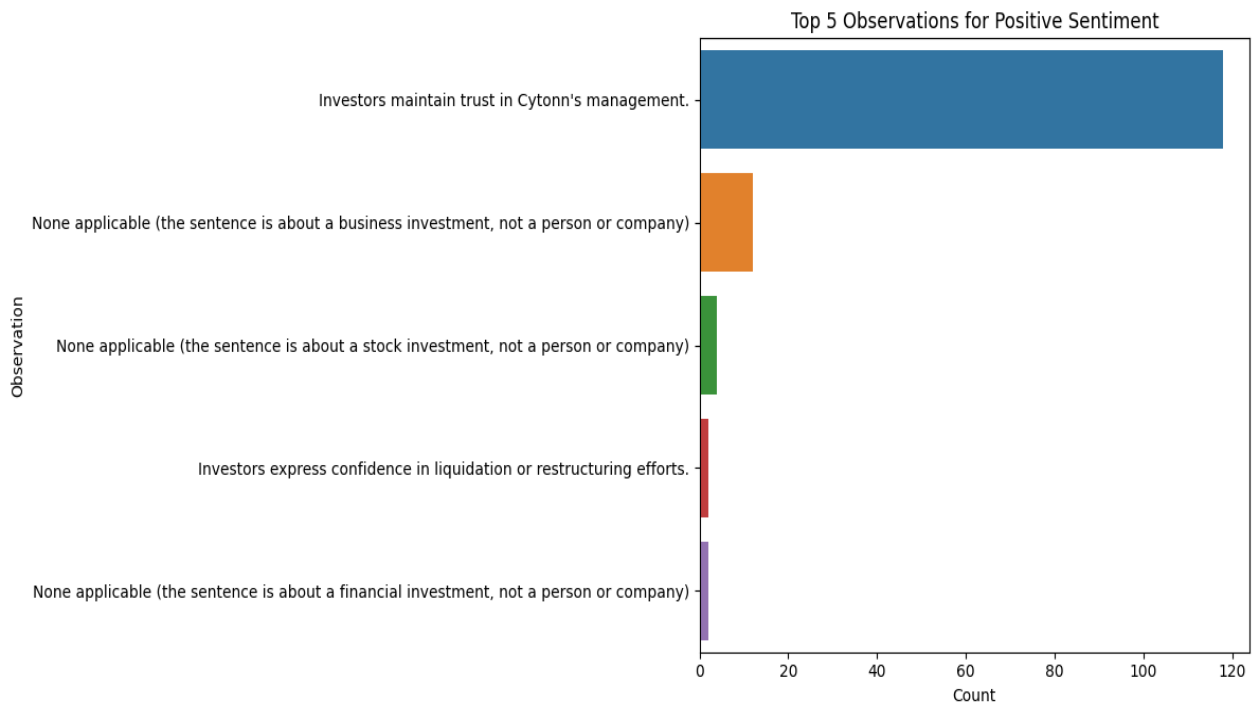
Top observations for each sentiment category:

Negative Sentiment:

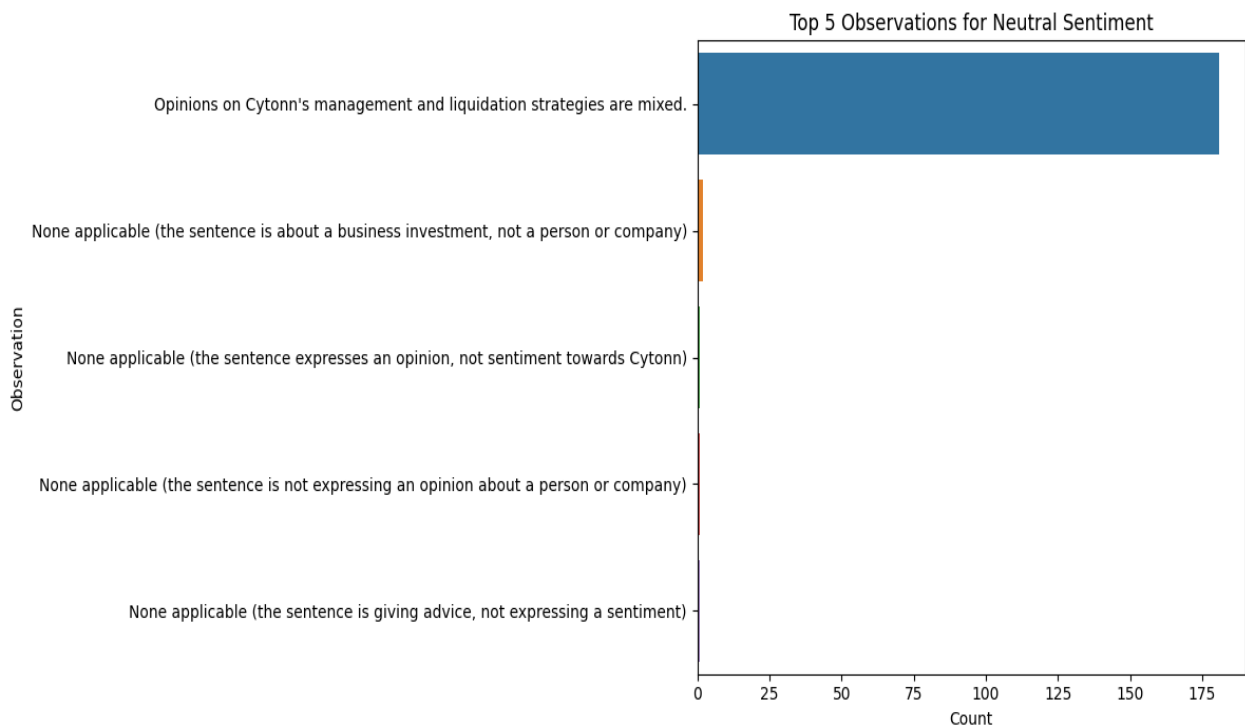


- "Investors question the integrity of Cytonn's management" (94 instances)
- "Investors doubt the liquidation or restructuring process" (41 instances)
- "Investors demand a change of the current liquidator" (36 instances)

Positive Sentiment:



- "Investors maintain trust in Cytonn's management" (118 instances)
- Several posts were classified as not applicable, indicating potential misclassification or irrelevant content
- Neutral Sentiment:



- "Opinions on Cytonn's management and liquidation strategies are mixed" (181 instances)  
Other observations were largely classified as not applicable

### 3.1.3. Key Observations (updated)

- Trust Issues: The most frequent negative observation directly questions management integrity, indicating severe trust issues.
- Mixed Opinions: The high number of neutral sentiments suggesting mixed opinions aligns with the complex nature of the situation.
- Polarized Views: There's a stark contrast between those who question management integrity and those who maintain trust, suggesting a deeply divided investor base.
- Liquidation Concerns: Doubts about the liquidation process and demands for change in the liquidator indicate ongoing issues with recovery efforts.
- Potential Misclassifications: The presence of "not applicable" classifications, especially in positive and neutral categories, suggests that some content may not be directly related to sentiment towards Cytonn, potentially skewing results.
- Limited Positive Sentiment: While there is a significant number of posts indicating trust in management, the lack of diverse positive observations suggests limited grounds for positive sentiment.

## 4. Discussion

The Gemini AI analysis reveals a more complex and nuanced sentiment landscape:

- Credibility Crisis: The high frequency of investors questioning management integrity reinforces the severity of Cytonn's credibility issues.
- Divided Investor Base: The stark contrast between those maintaining trust and those questioning integrity highlights a deeply polarized investor community.



- **Recovery Challenges:** Doubts about the liquidation process and calls for changes in the liquidator suggest significant obstacles in recovery efforts.
- **Neutral Stance Prevalence:** The high number of mixed opinions indicates that many investors are uncertain or conflicted about Cytonn's situation.
- **Limited Positive Grounds:** While some investors maintain trust, the lack of diverse positive observations suggests a narrow base for positive sentiment.
- **Data Interpretation Challenges:** The presence of "not applicable" classifications points to the complexity of sentiment analysis in this context, where not all content may be directly relevant to Cytonn's situation.

These findings suggest that while there is a core group of investors maintaining trust, Cytonn faces significant challenges in terms of credibility and investor confidence. The prevalence of mixed opinions also indicates a degree of uncertainty in the market, which could potentially be leveraged in recovery efforts if addressed properly.

## 5. Limitations and Future Research

- **Platform Bias:** The study primarily used Twitter data, which may not represent the full spectrum of investor opinions.
- **Temporal Limitations:** The analysis provides a snapshot of sentiment at a specific time and may not capture long-term trends.
- **Bot Activity:** The potential influence of automated accounts or coordinated campaigns was not fully accounted for in this analysis.

Future research could benefit from:

- Incorporating data from multiple platforms and sources
- Conducting longitudinal studies to track sentiment changes over time
- Employing more advanced natural language processing techniques for deeper content analysis

## 6. Conclusion

The sentiment analysis of Cytonn Investment reveals significant challenges for the company's recovery. The prevalence of negative sentiment, coupled with organized opposition and regulatory scrutiny, presents substantial obstacles. However, the presence of some positive sentiment, particularly regarding real estate projects, suggests that there might be a foundation for recovery if the company can address its credibility issues, provide transparent plans for investor reimbursement, and navigate the regulatory landscape effectively.

Any recovery strategy would need to prioritize rebuilding trust, addressing investor concerns transparently, and potentially undergoing significant restructuring under regulatory supervision. The path to recovery, if possible, would likely be long and fraught with challenges, requiring a comprehensive approach to reputation management and business restructuring.

## **APPENDIX B**

### **Analysis of market value and forced sale value price of properties.**

#### **Introduction**

The analysis focuses on the market value and forced sale value trends of nine properties in Kenya, including Kilimani, from 2018 to 2024. Understanding these trends is essential for informed real estate investment decisions and effective property management. By combining historical data with forecasting techniques, this study aims to provide valuable insights into market dynamics and potential future performance. The findings will contribute to a comprehensive dashboard that visually represents property valuations over time, highlighting trends, potential risks, and opportunities within the Kenyan real estate market. This work ultimately seeks to support strategic investment planning and risk assessment.

#### **Taraji Heights**

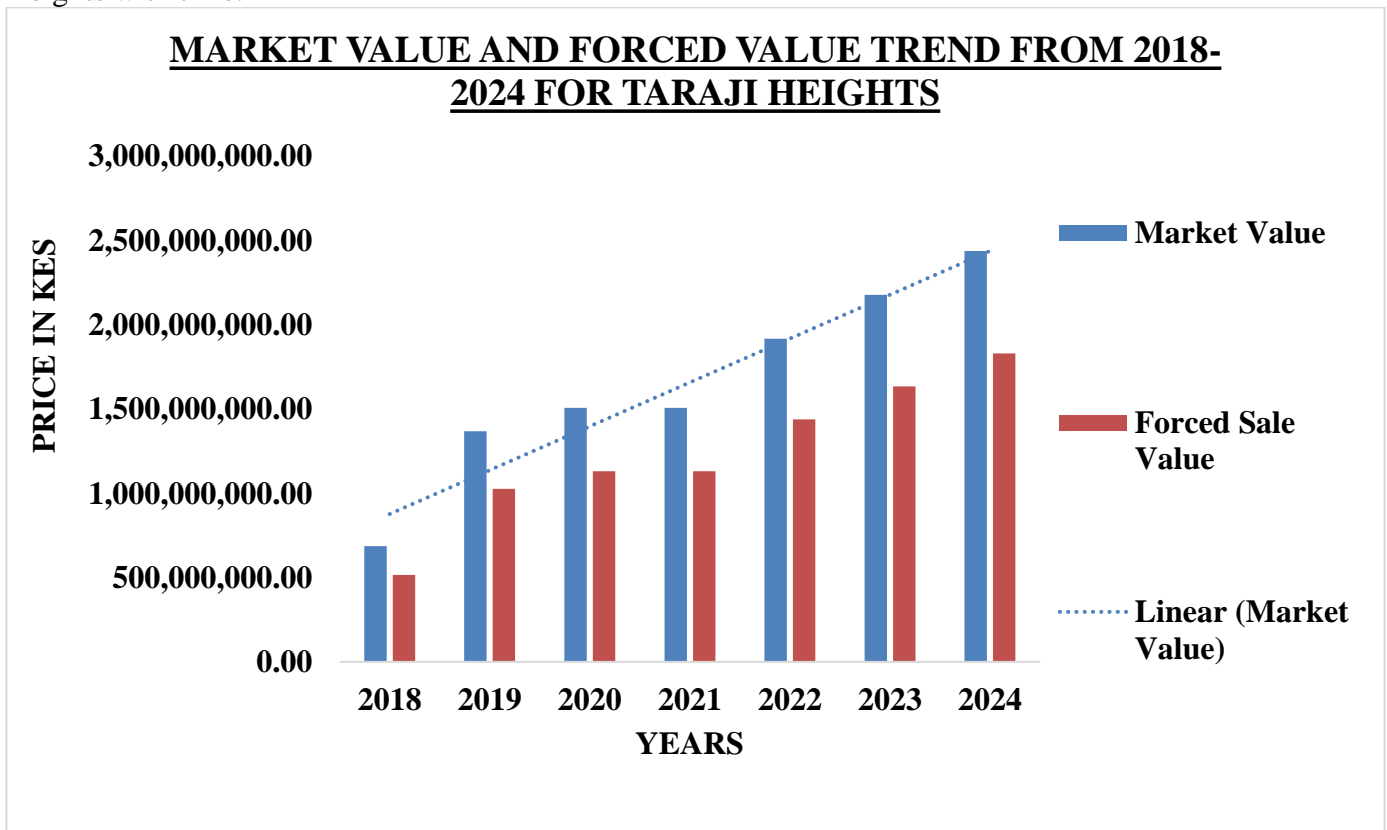
- The analysis shows the predicted fair market value and forced sales value based on historical data as shown in the table below.

<b>YEAR</b>	<b>MARKET VALUE</b>	<b>FORCED SALE VALUE</b>
<b>2018</b>	<b>687,000,000.00</b>	<b>515,000,000.00</b>
<b>2019</b>	<b>1,368,000,000.00</b>	<b>1,026,000,000.00</b>
<b>2020</b>	<b>1,508,000,000.00</b>	<b>1,131,000,000.00</b>

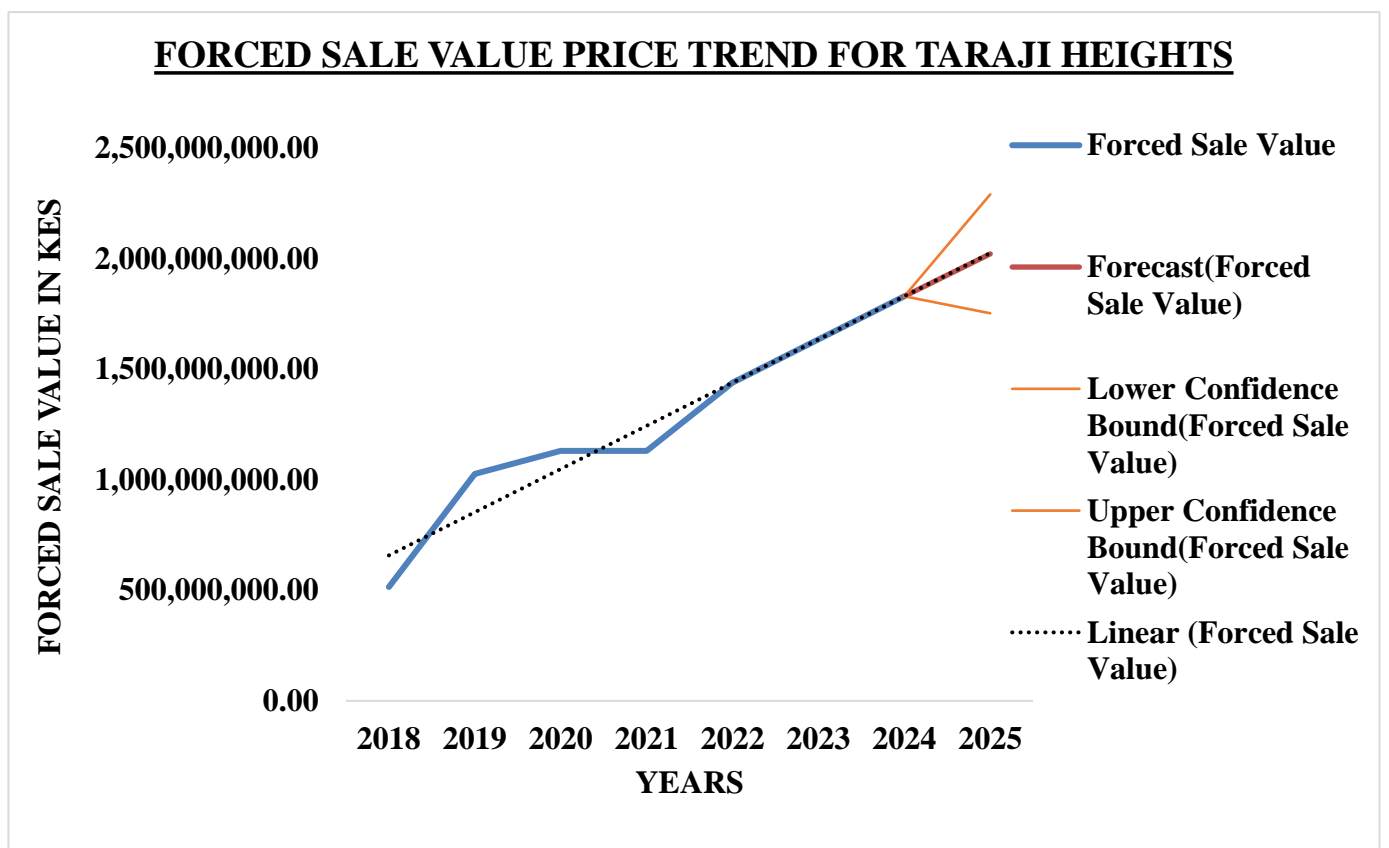
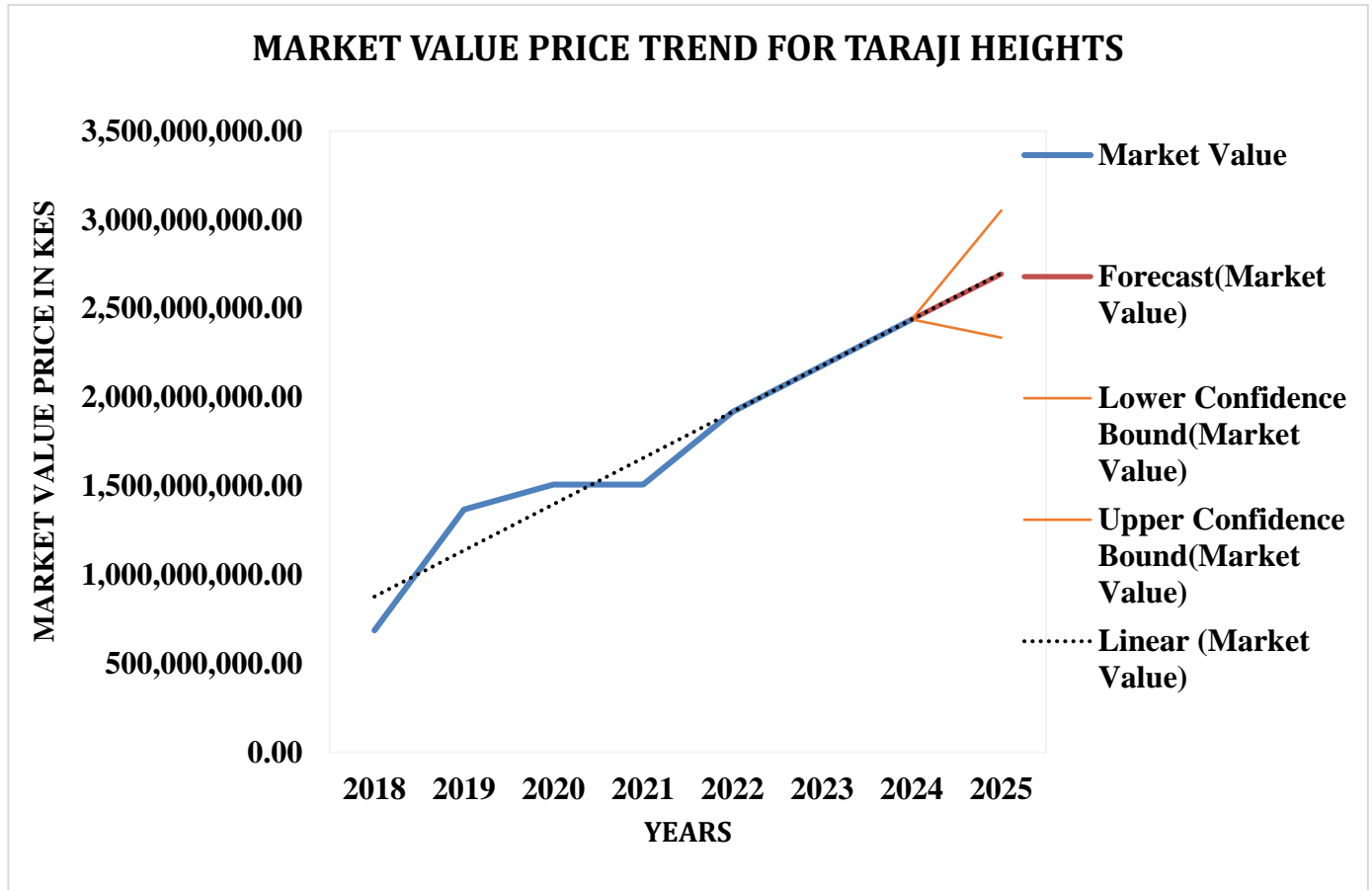
2021	1,508,000,000.00	1,131,000,000.00
2022	1,918,500,000.00	1,439,000,000.00
2023	2,178,800,000.00	1,634,300,000.00
2024	2,439,100,000.00	1,829,600,000.00

**Trend charts visualizing the data above**

The comparison column chart below shows an upward trend in market value and forced sale value of Taraji Heights with time.



**Market value and forced value trend charts.**



The two trend charts are similar as both show an upward trend in price increases.

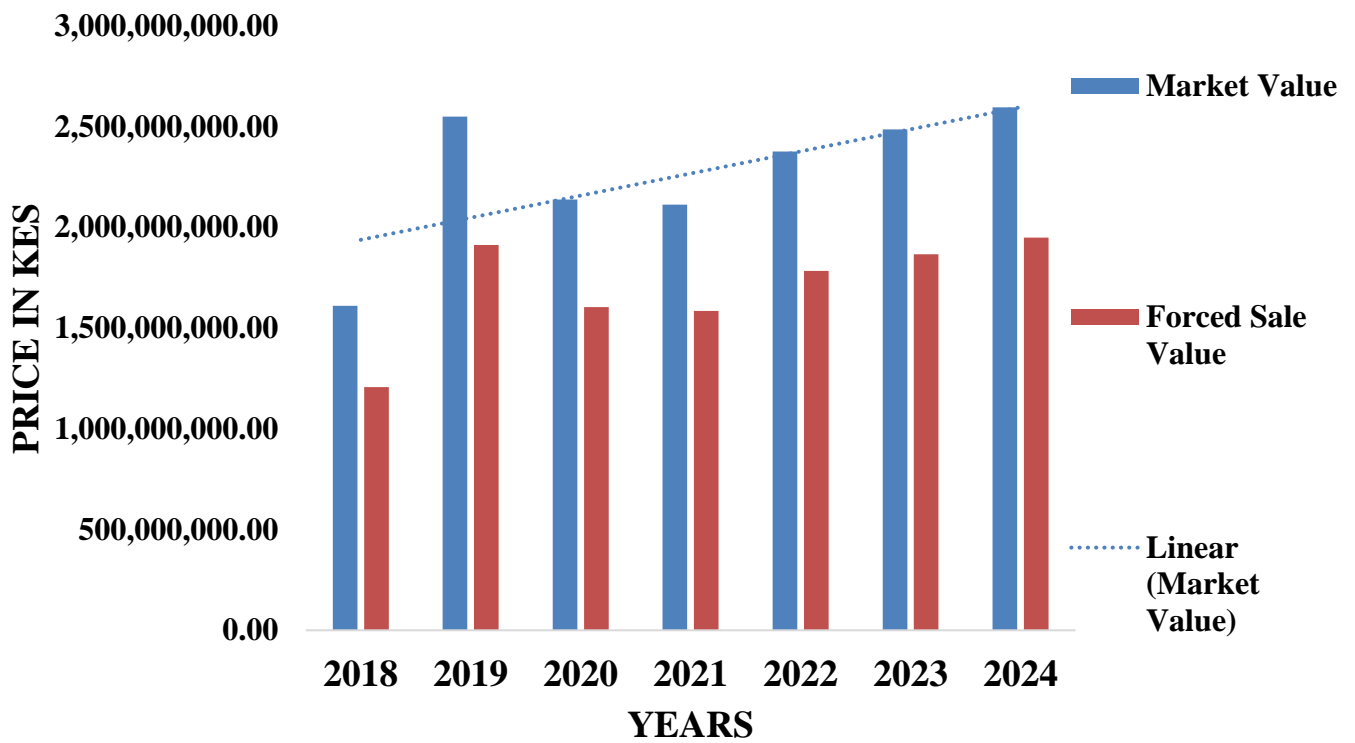
## **Riverrun Building**

- The analysis shows the prediction of Riverrun market value and forced sale value as of 2024.

<b>YEAR</b>	<b>MARKET VALUE</b>	<b>FORCED SALE VALUE</b>
<b>2018</b>	<b>1,610,000,000.00</b>	<b>1,207,500,000.00</b>
<b>2019</b>	<b>2,550,000,000.00</b>	<b>1,912,500,000.00</b>
<b>2020</b>	<b>2,138,000,000.00</b>	<b>1,604,500,000.00</b>
<b>2021</b>	<b>2,113,000,000.00</b>	<b>1,585,000,000.00</b>
<b>2022</b>	<b>2,377,000,000.00</b>	<b>1,783,500,000.00</b>
<b>2023</b>	<b>2,486,700,000.00</b>	<b>1,865,950,000.00</b>
<b>2024</b>	<b>2,596,400,000.00</b>	<b>1,948,400,000.00</b>

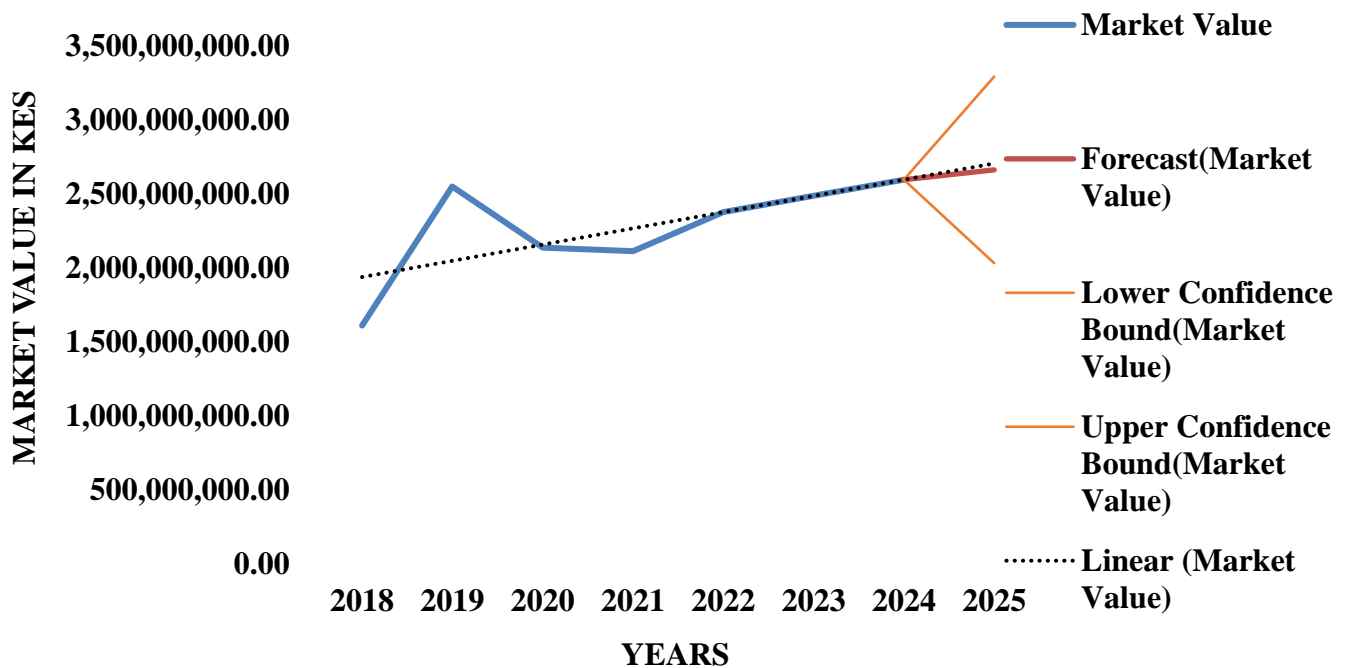
## **Column Chart and Trend Charts for Riverrun building.**

### MARKET VALUE AND FORCED SALE VALUE PRICE TREND

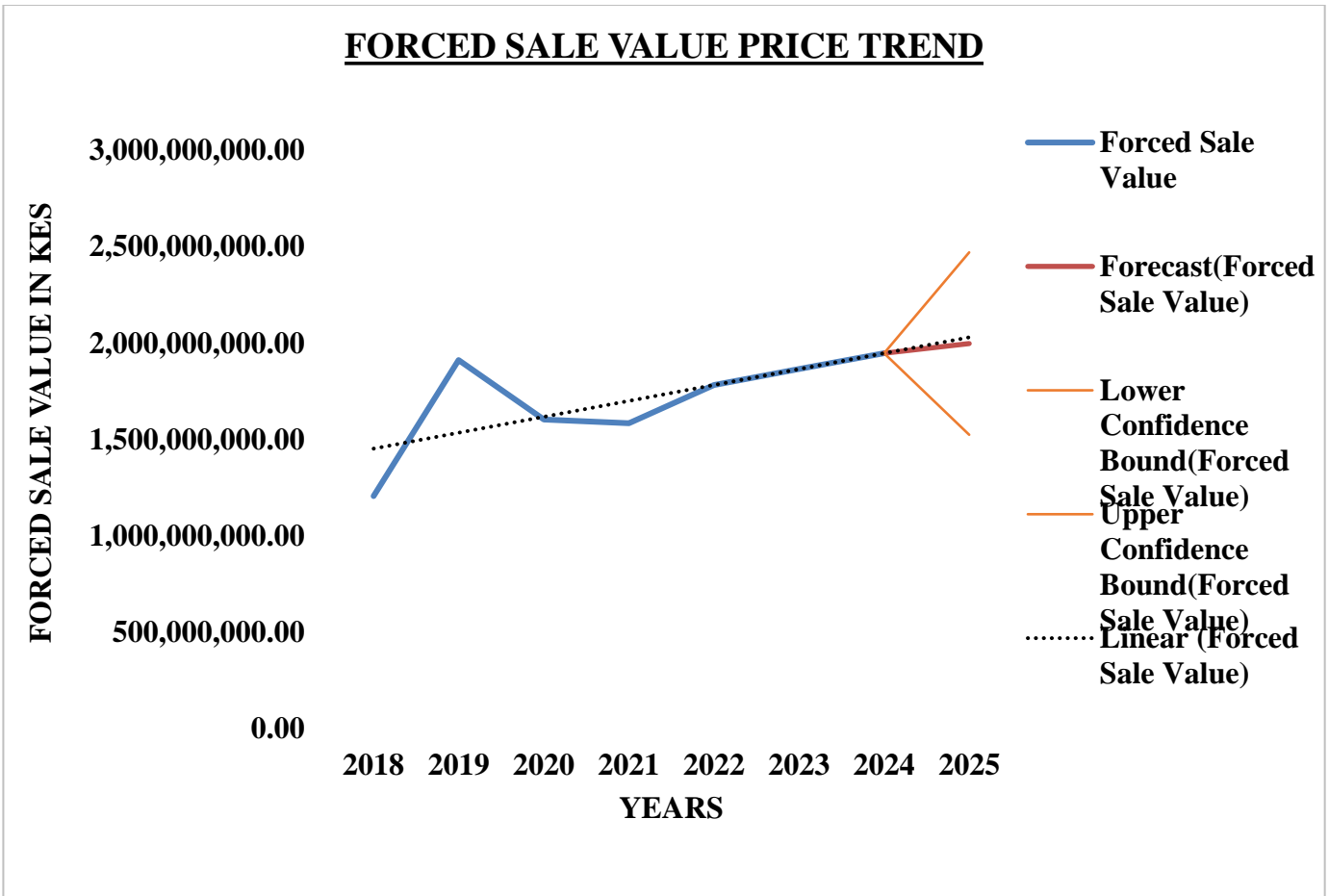


The column chart shows an increase in market value and forced value prices for Riverrun across the years.

### MARKET VALUE PRICE OF RIVERRUN PROPERTY



### FORCED SALE VALUE PRICE TREND



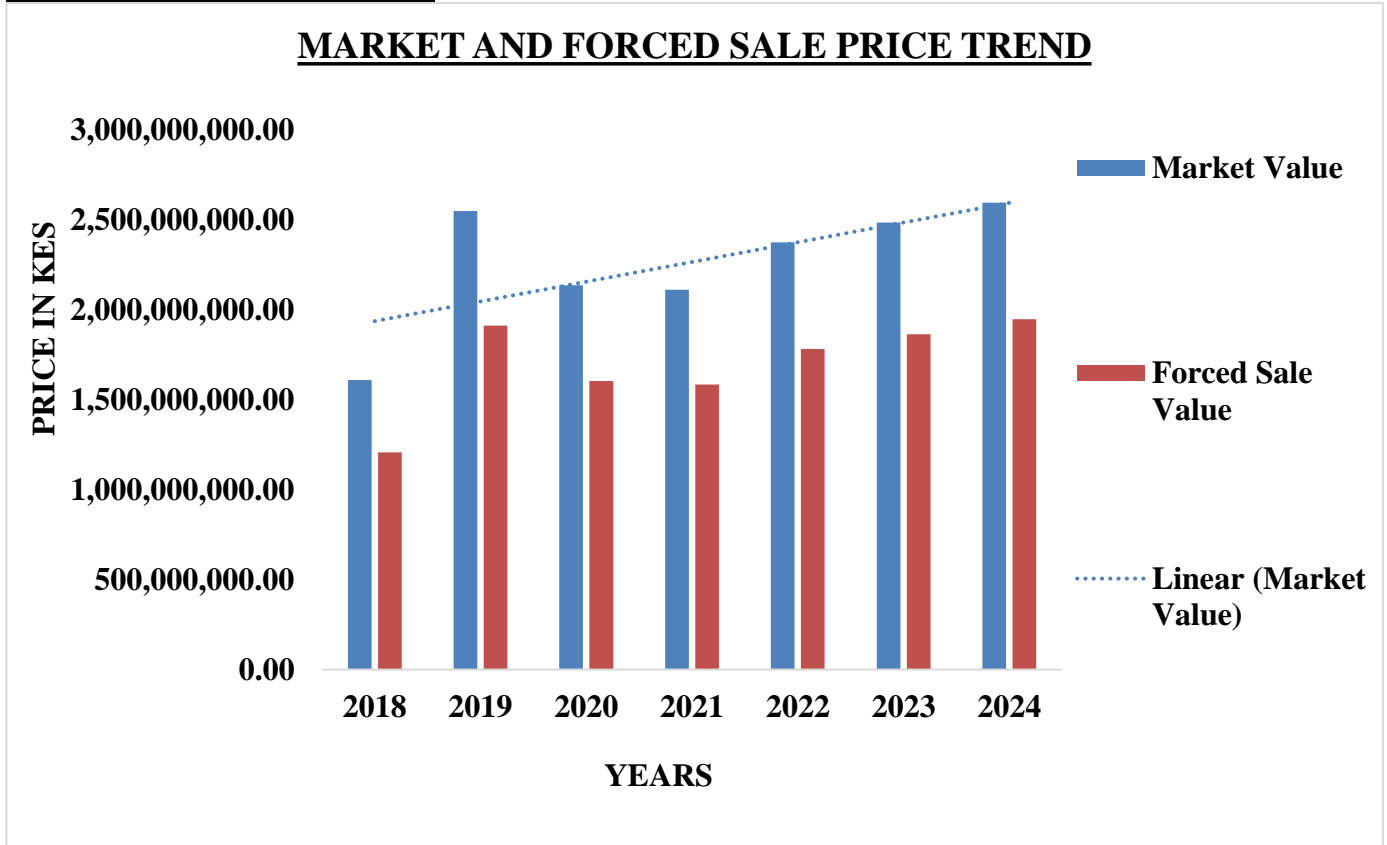
Both trend charts exhibit a similar upward trend that shows the increase in prices for both market value and forced sale values with time.

### Ridge Property

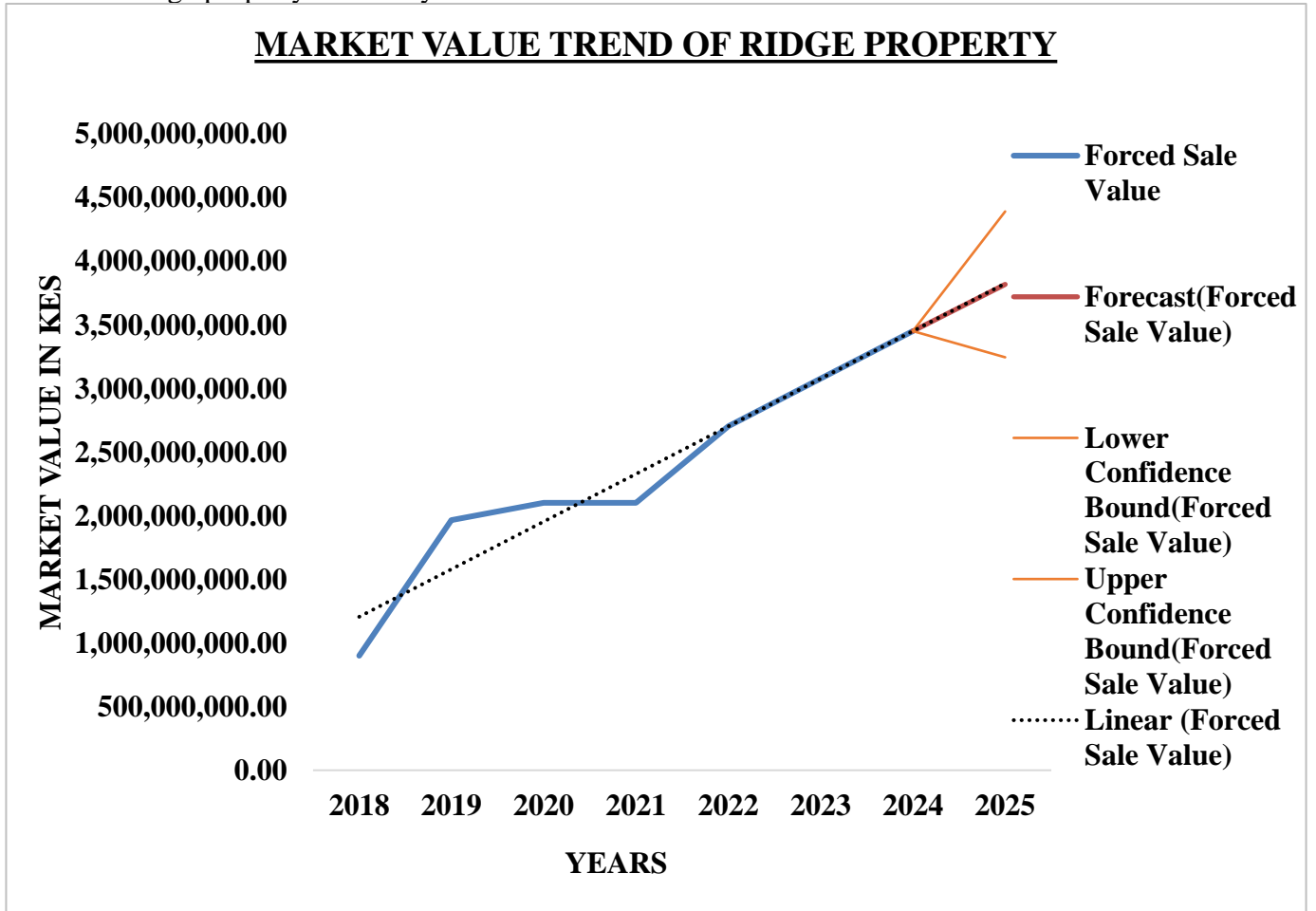
- The analysis shows the market value and forced sale value for ridge property up to 2024.

YEAR	MARKET VALUE	FORCED SALE VALUE
2018	1,200,000,000.00	900,000,000.00
2019	2,620,800,000.00	1,965,600,000.00
2020	2,802,000,000.00	2,102,000,000.00
2021	2,802,000,000.00	2,102,000,000.00
2022	3,603,000,000.00	2,703,000,000.00
2023	4,101,720,000.00	3,077,240,000.00
2024	4,600,440,000.00	3,451,480,000.00

**Comparison column chart.**

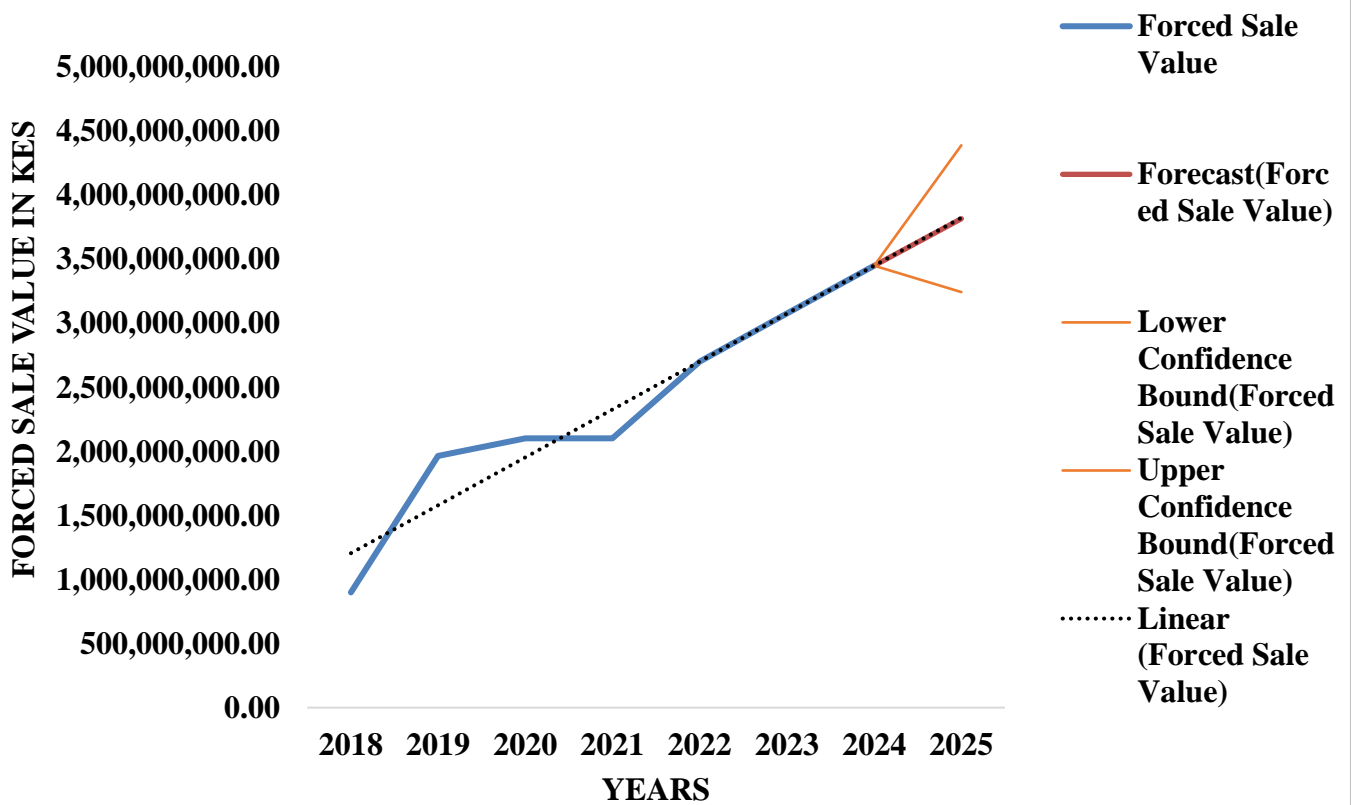


The comparison column chart shows an upward increase in prices of both market value and forced sale values of Ridge property over the years.





## FORCED SALE VALUE TREND OF RIDGE PROPERTY



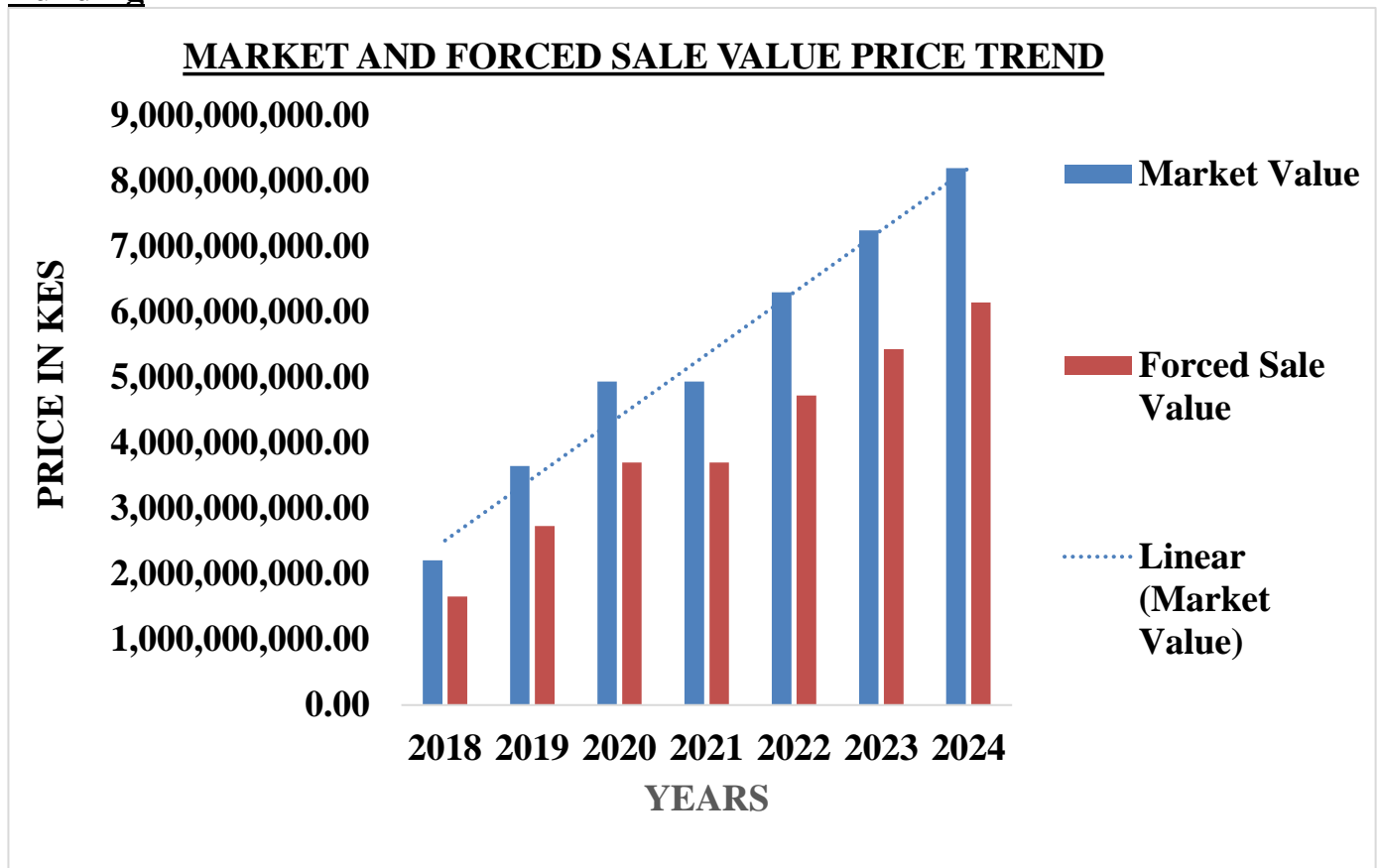
Both charts are similar in appearance and both show an increased trend in prices of market value and forced sale value for ridge apartments over the years.

### Alma Building

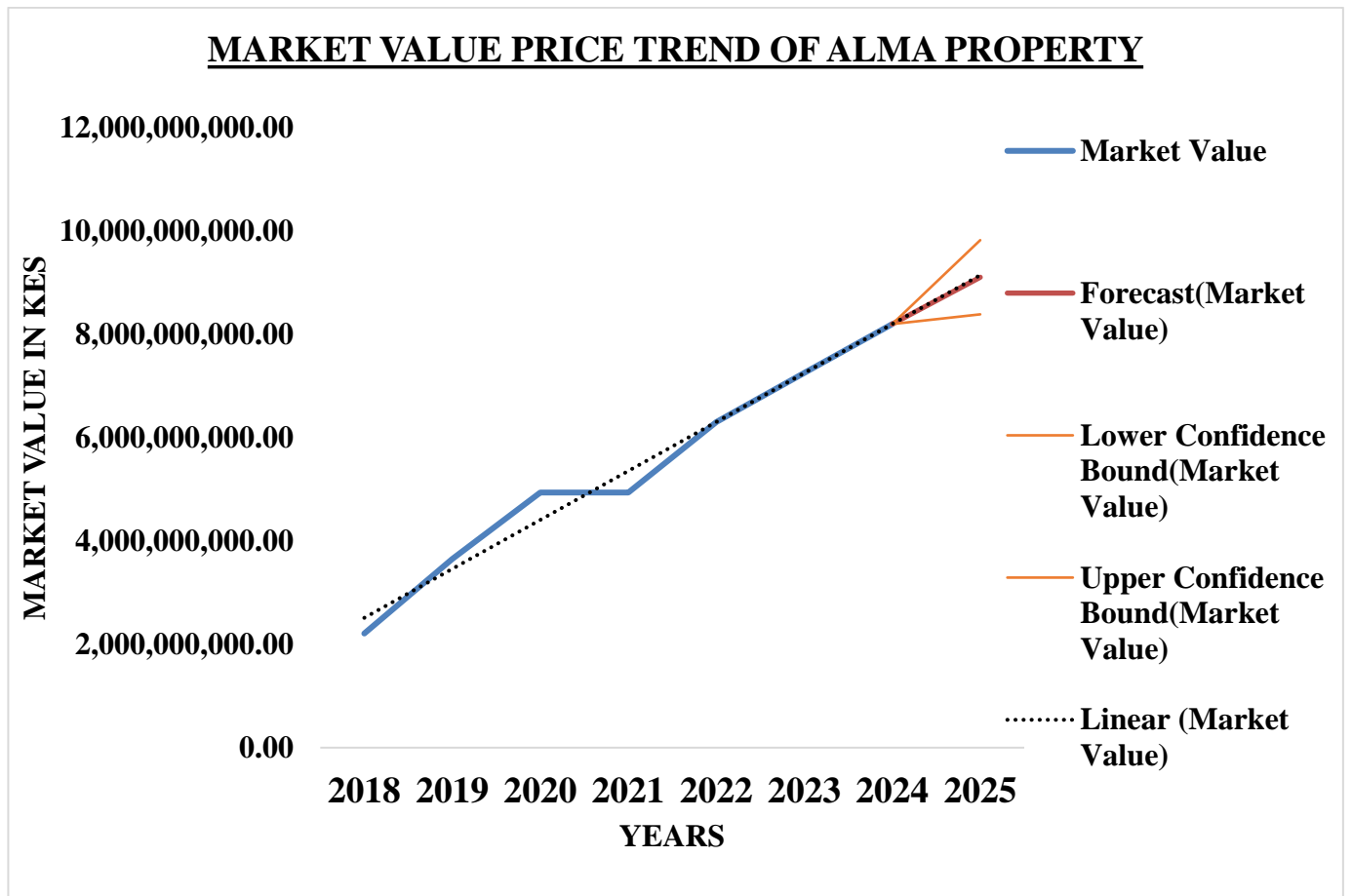
- The analysis shows the predicted fair market value and forced sales value based on historical data as shown in the table below.

YEAR	MARKET VALUE	FORCED SALE VALUE
2018	2,208,000,000.00	1,656,000,000.00
2019	3,645,900,000.00	2,734,400,000.00
2020	4,935,000,000.00	3,701,000,000.00
2021	4,935,000,000.00	3,701,000,000.00
2022	6,298,500,000.00	4,723,500,000.00
2023	7,245,510,000.00	5,433,660,000.00
2024	8,192,520,000.00	6,143,820,000.00

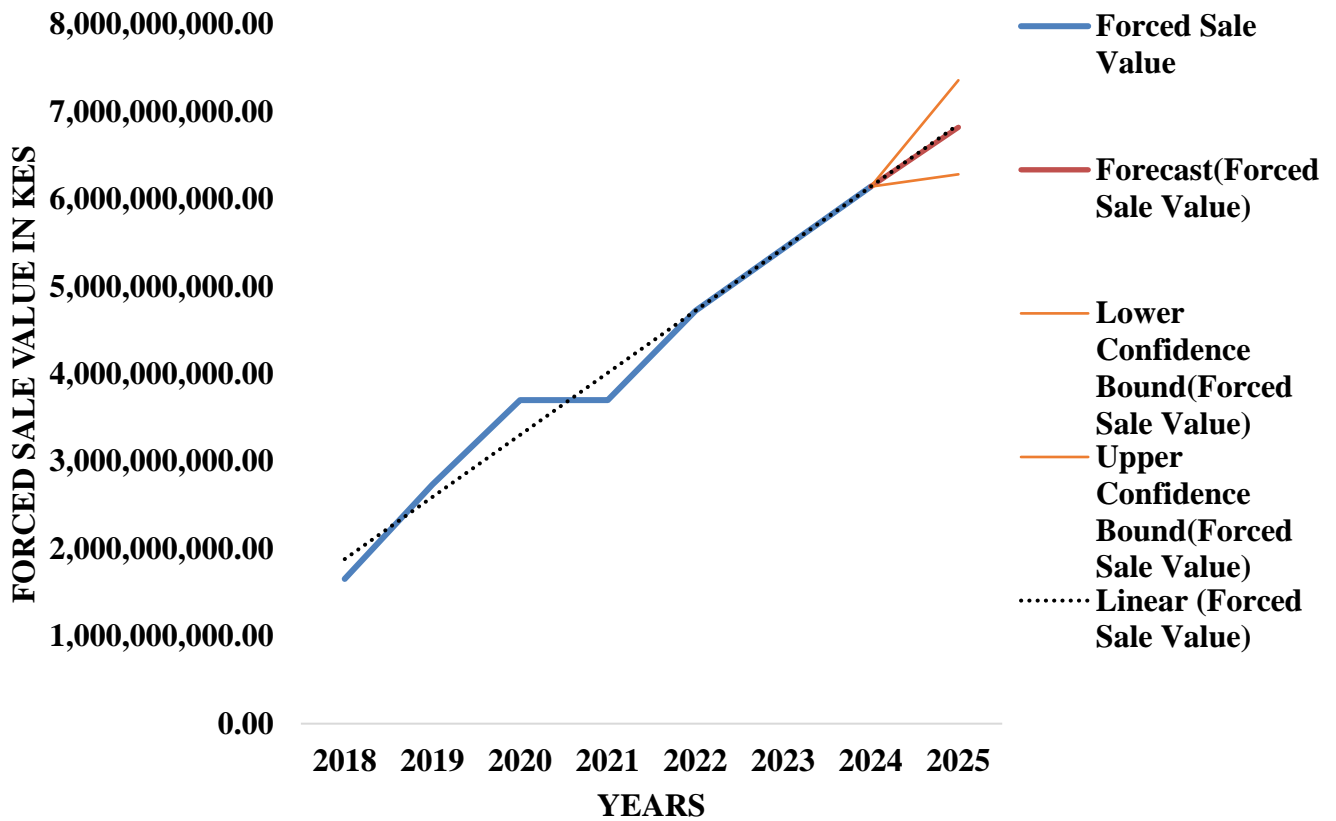
**Comparison Column chart showing market and forced sale value trend for Alma Building**



The upward trend exhibited by the trend line and bars shows an increase in prices of the market and forced sale values for Alma Building over the years.



## FORCED SALE VALUE TREND FOR ALMA PROPERTY



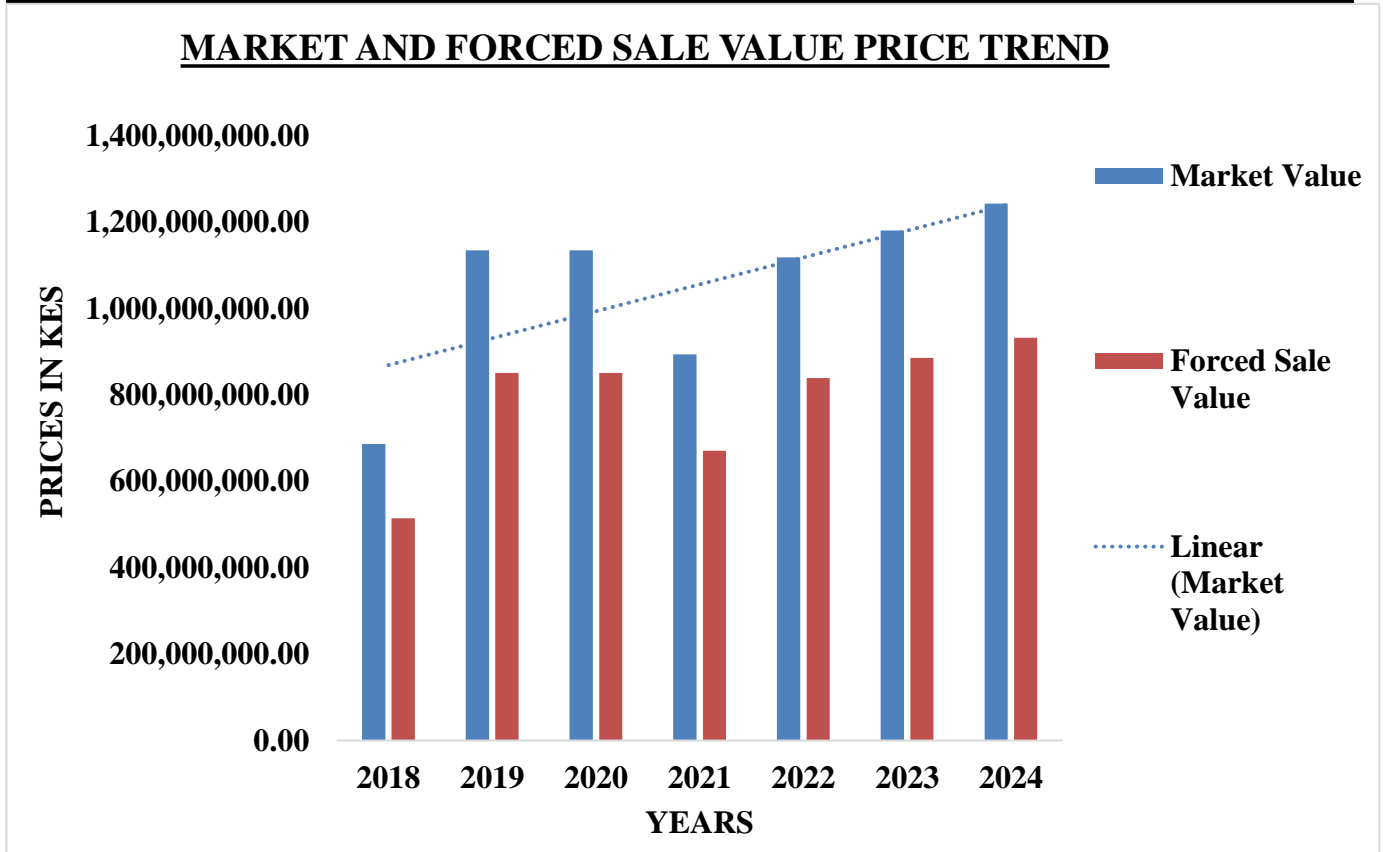
The two trend charts are similar in appearance and also show an increase in the market value and forced sale values for Alma property over the years.

### Applewood.

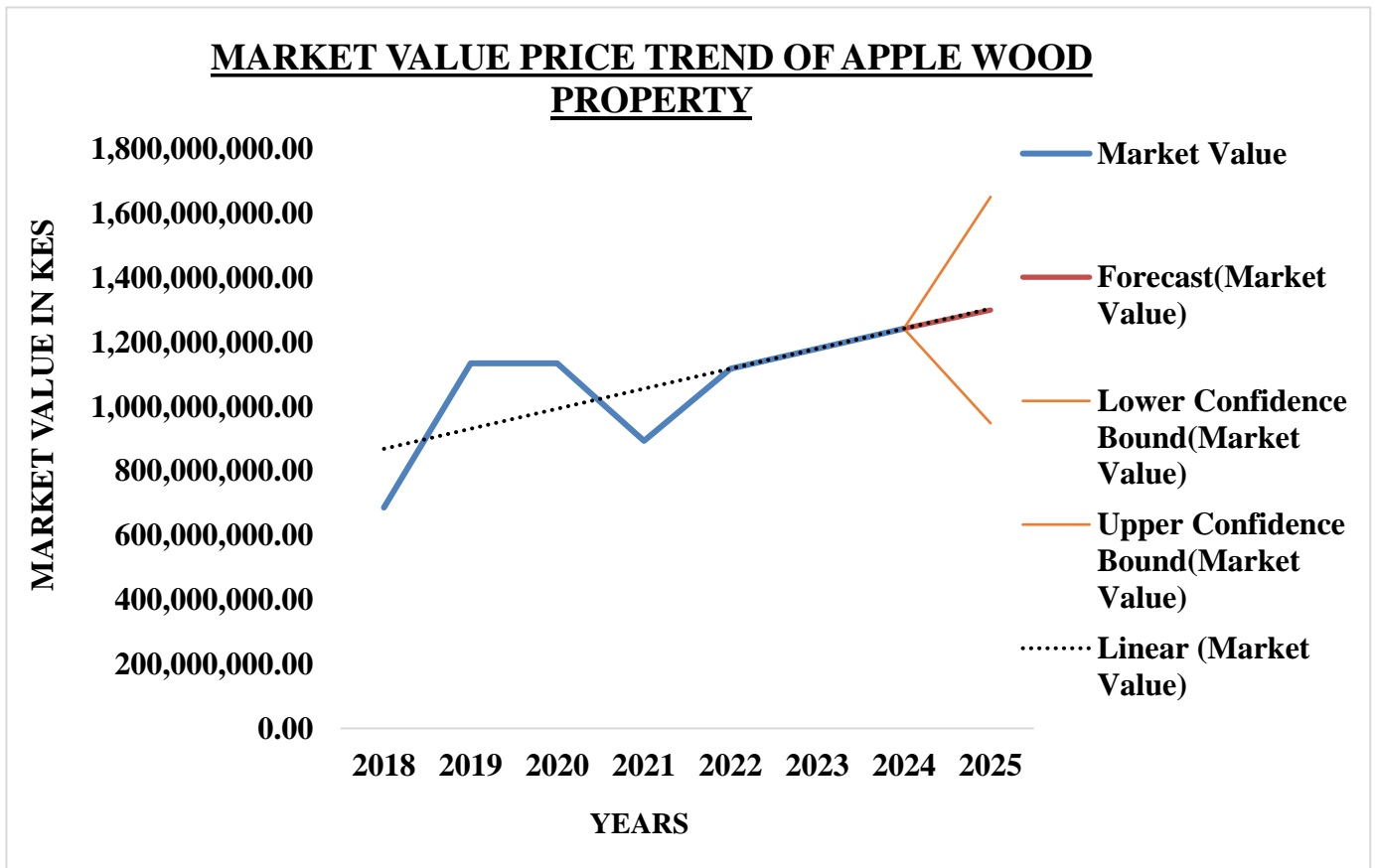
- The analysis shows the prediction of Apple Wood's market value and forced sale value as of 2024.

YEAR	MARKET VALUE	FORCED SALE VALUE
2018	686,400,000.00	514,800,000.00
2019	1,135,000,000.00	851,000,000.00
2020	1,135,000,000.00	851,000,000.00
2021	894,000,000.00	671,000,000.00
2022	1,118,300,000.00	839,100,000.00
2023	1,180,580,000.00	885,960,000.00
2024	1,242,860,000.00	932,820,000.00

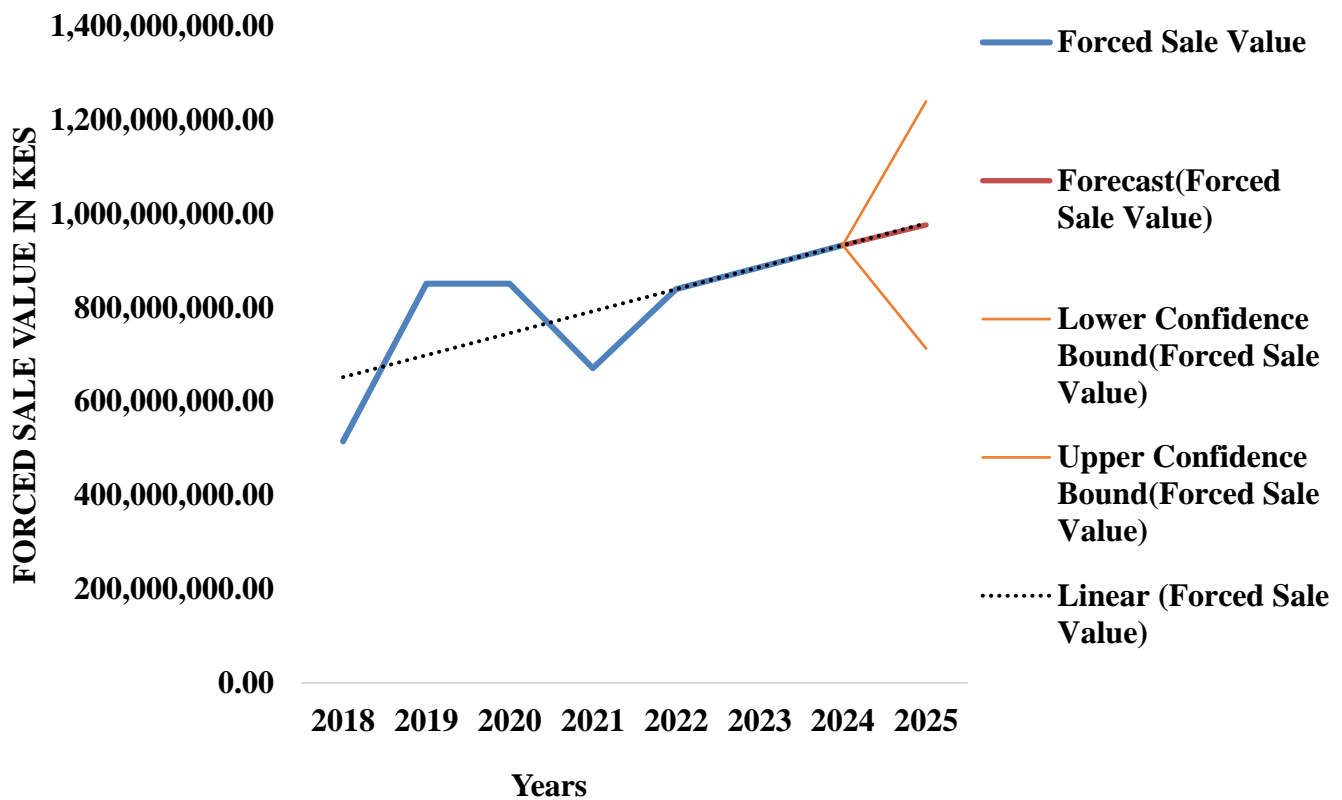
**Column chart showing market value and forced sale value price trend from Apple Wood property.**



The bars have an upward trend for both market and forced sale values for Apple Wood property over the years.



**FORCED SALE VALUE TREND FOR APPLE WOOD  
PROPERTY**



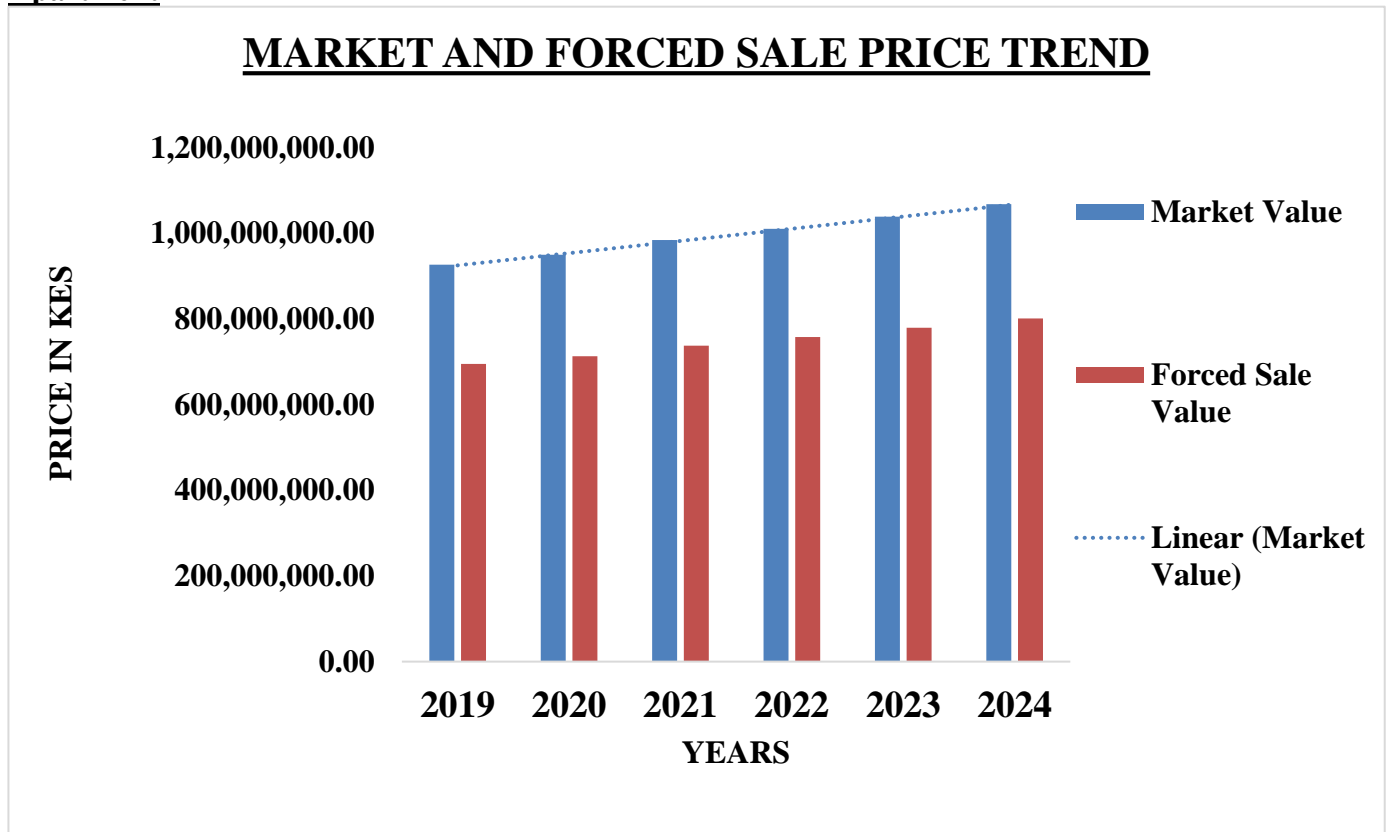
The two charts show a similar upward trend hence showing that both market and forced sale values of Apple Wood property are increasing with time.

**Cysuites Apartments**

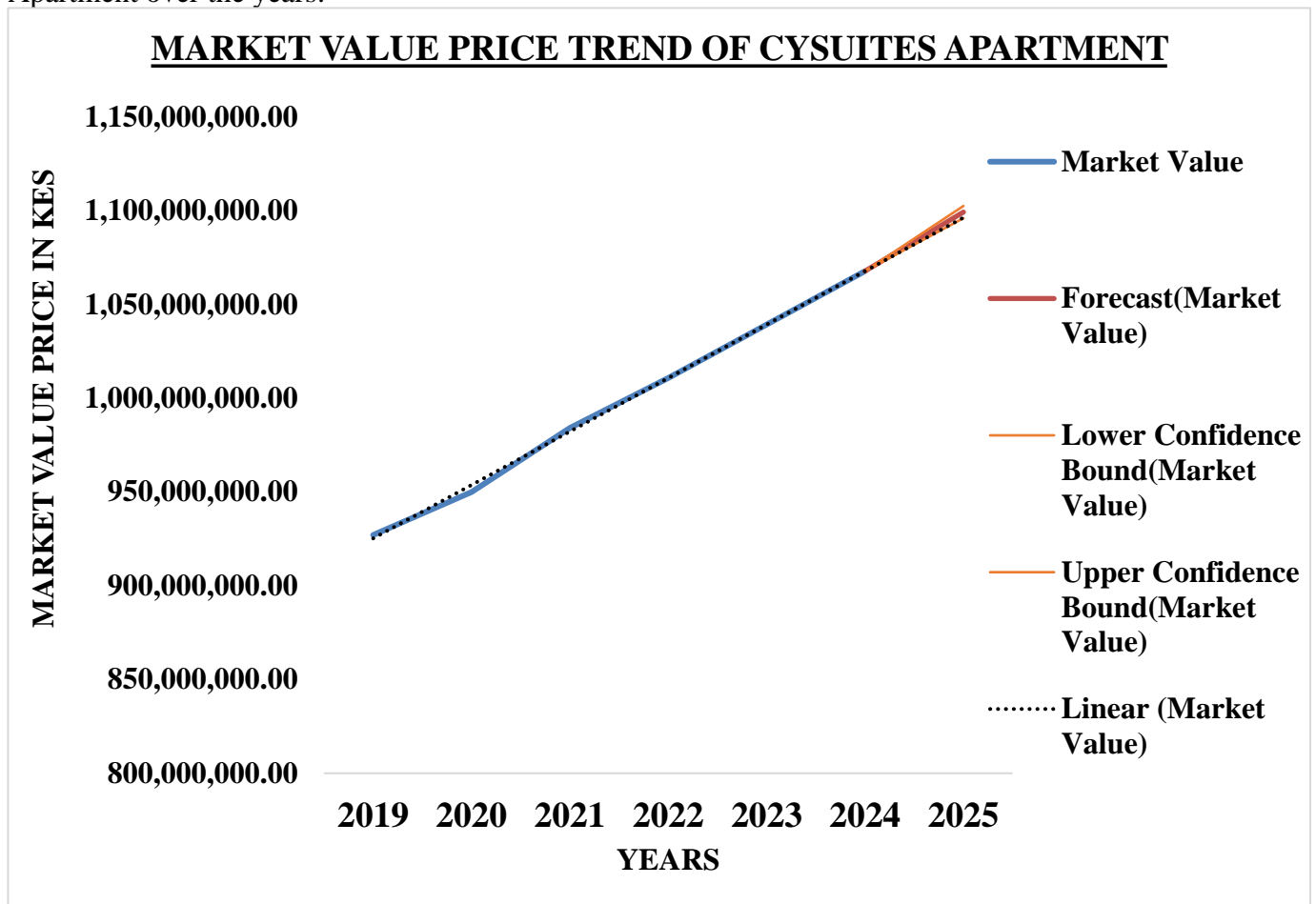
The analysis shows the price value of Cysuites apartment as of 2024

YEAR	MARKET VALUE	FORCED SALE VALUE
2019	927,000,000.00	695,250,000.00
2020	950,000,000.00	713,000,000.00
2021	984,000,000.00	738,000,000.00
2022	1,010,666,666.67	758,166,666.67
2023	1,039,166,666.67	779,541,666.67
2024	1,067,666,666.67	800,916,666.67

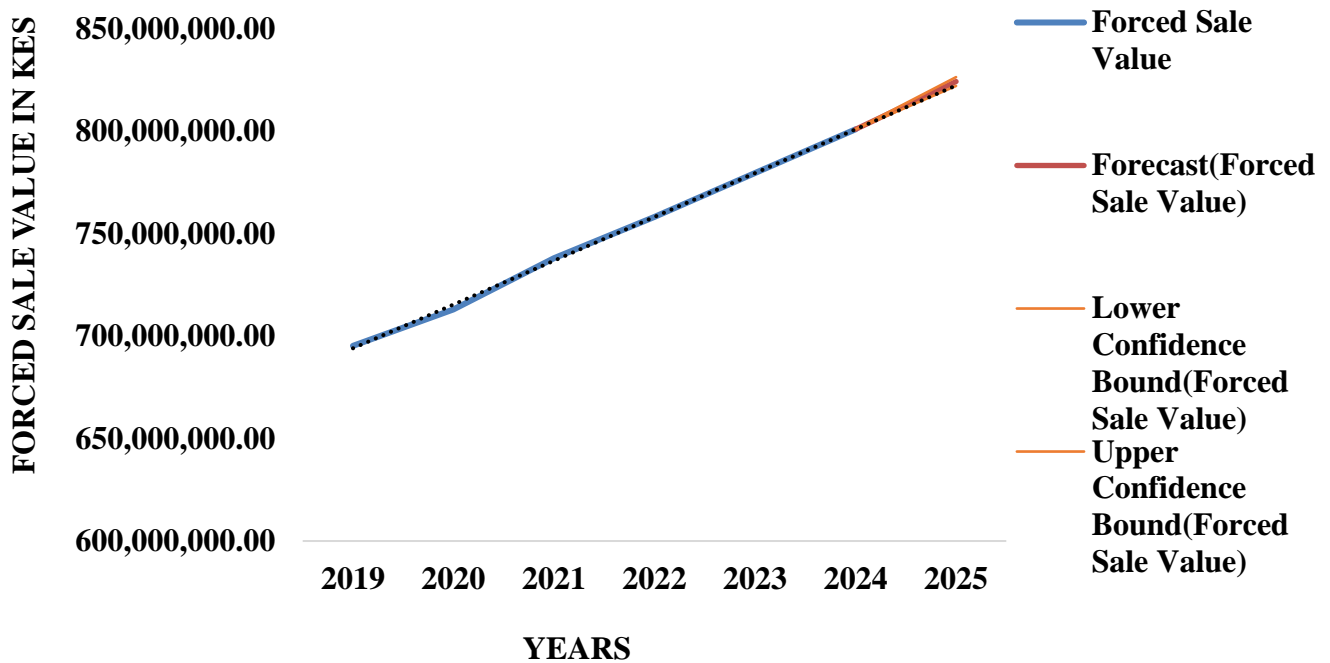
**Comparison column chart showing a trend for market value and forced sale value for Cysuites Apartment**



The comparison column chart shows a steady increase in both market and forced sale values for Cysuites Apartment over the years.



**FORCED SALE VALUE PRICE TREND FOR CYSUITES**  
**APARTMENT**



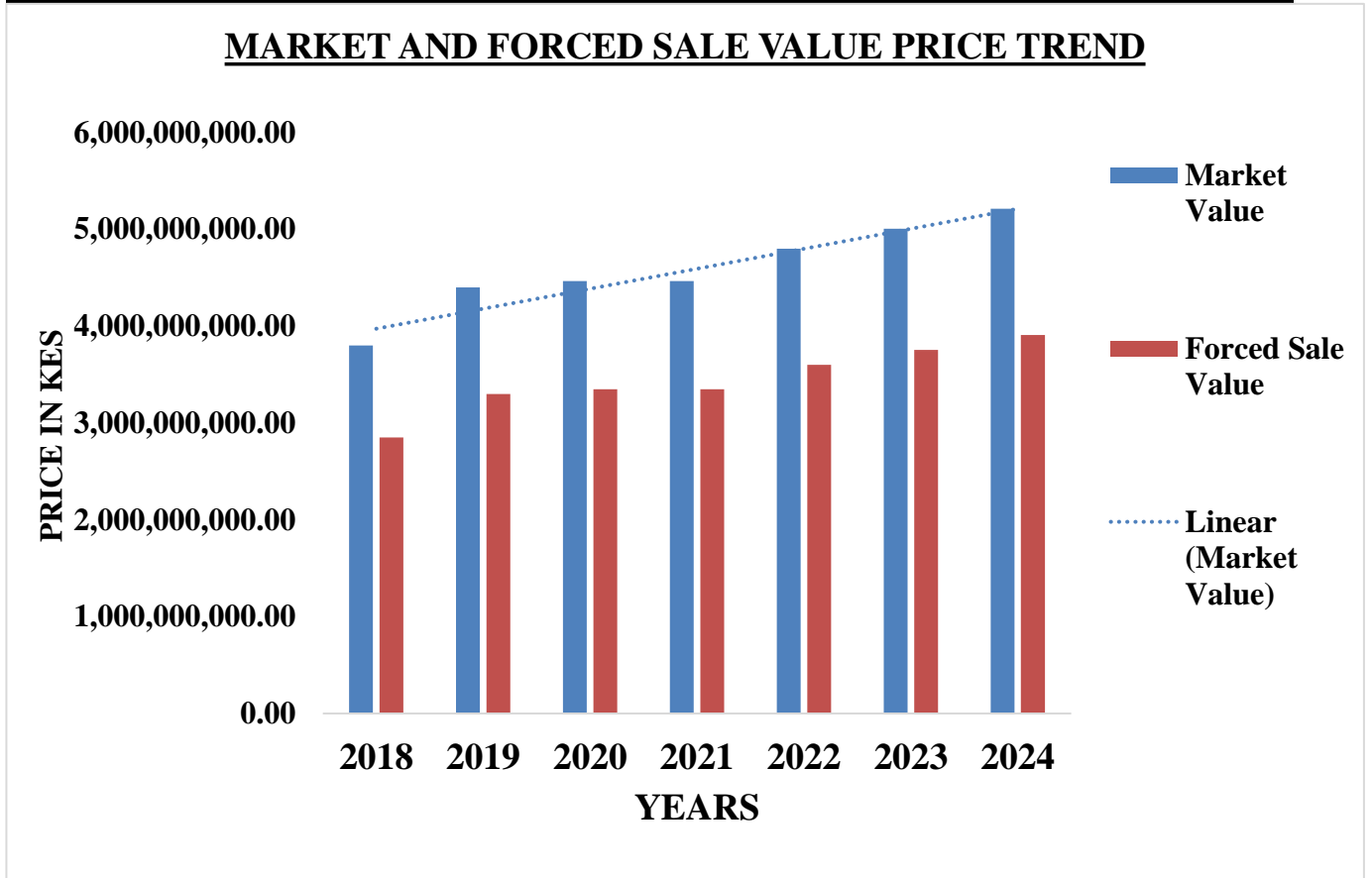
The two charts are similar and they also show similar increased trend of market and forced sale values for Cysuites over the years.

**Mystic Plains**

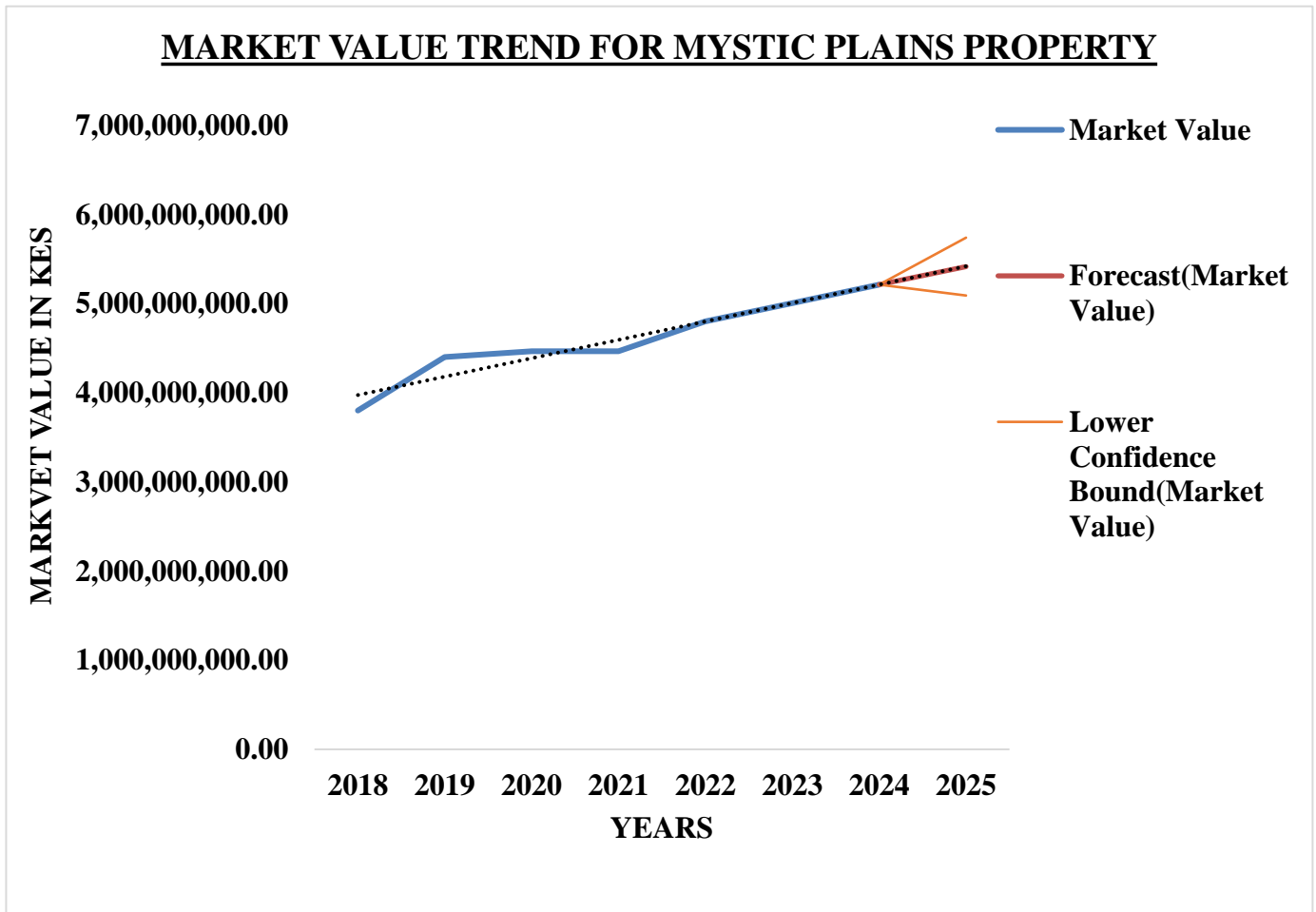
The analysis shows the marked value and forced sale value of Mystic Plains as of the year 2024.

YEAR	MARKET VALUE	FORCED SALE VALUE
2018	3,800,000,000.00	2,850,000,000.00
2019	4,400,000,000.00	3,300,000,000.00
2020	4,466,000,000.00	3,350,000,000.00
2021	4,466,000,000.00	3,350,000,000.00
2022	4,799,000,000.00	3,600,000,000.00
2023	5,005,400,000.00	3,755,000,000.00
2024	5,211,800,000.00	3,910,000,000.00

**Comparison Column Chart showing market value and forced sale value trend of Mystic Plains.**

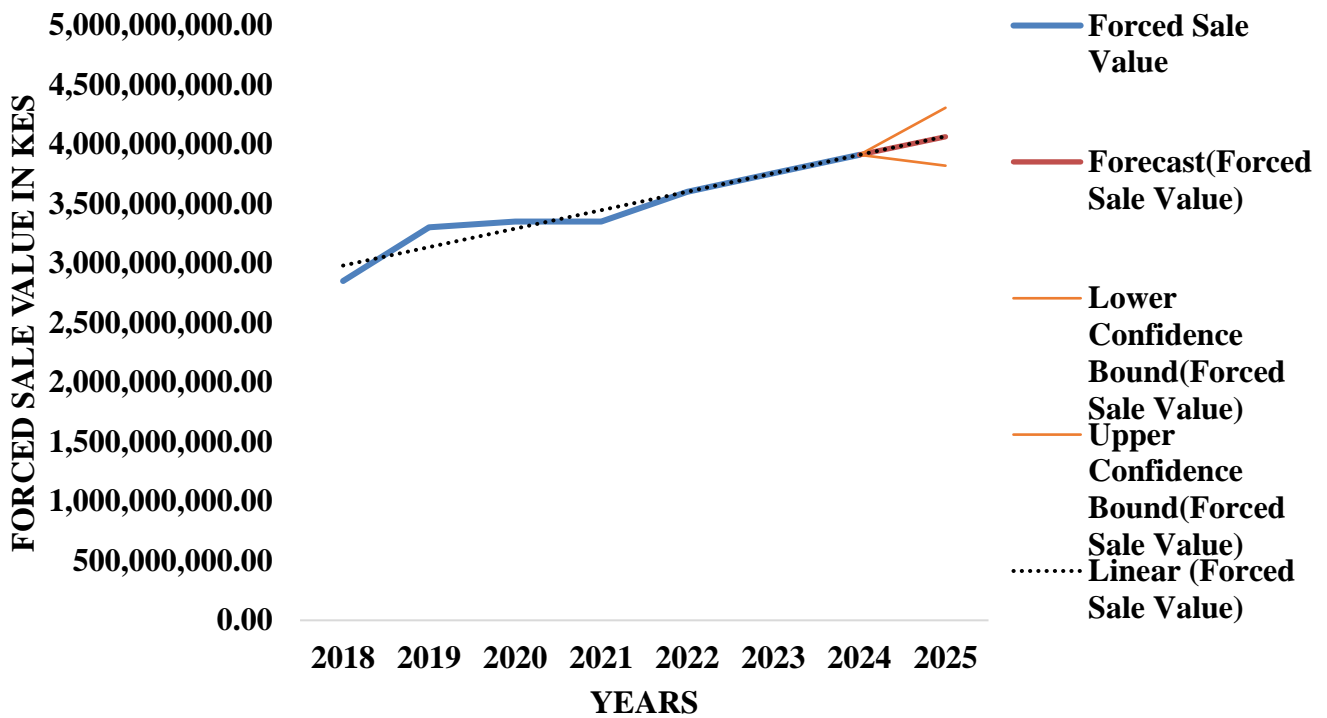


The column chart shows an upward increasing trend of market value and forced sale value prices for Mystic Plains over the years.





### FORCED SALE VALUE TREND CHART



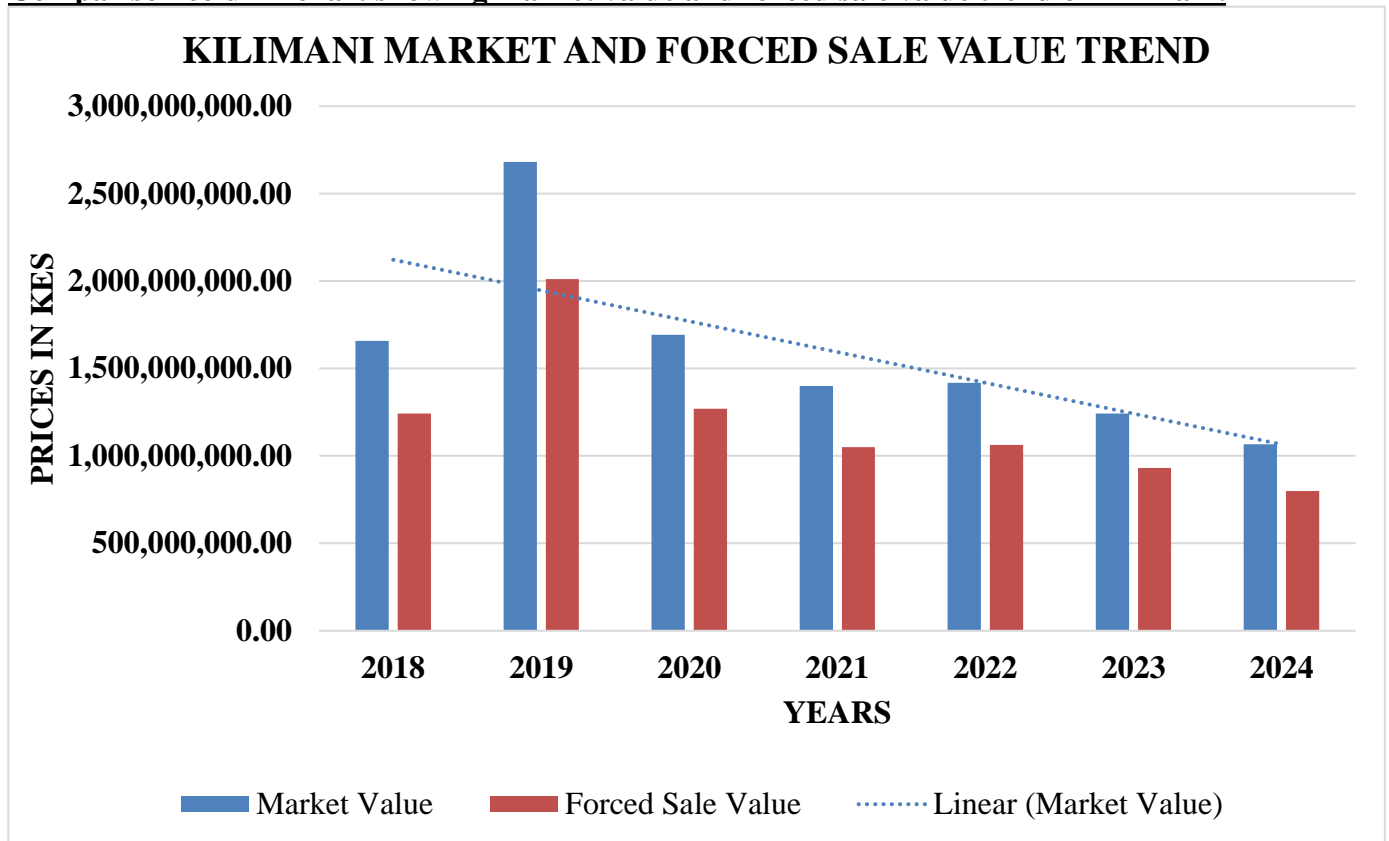
The two trend charts are similar and both show an increased pattern in prices for market value and forced sale value over the years.

### Kilimani

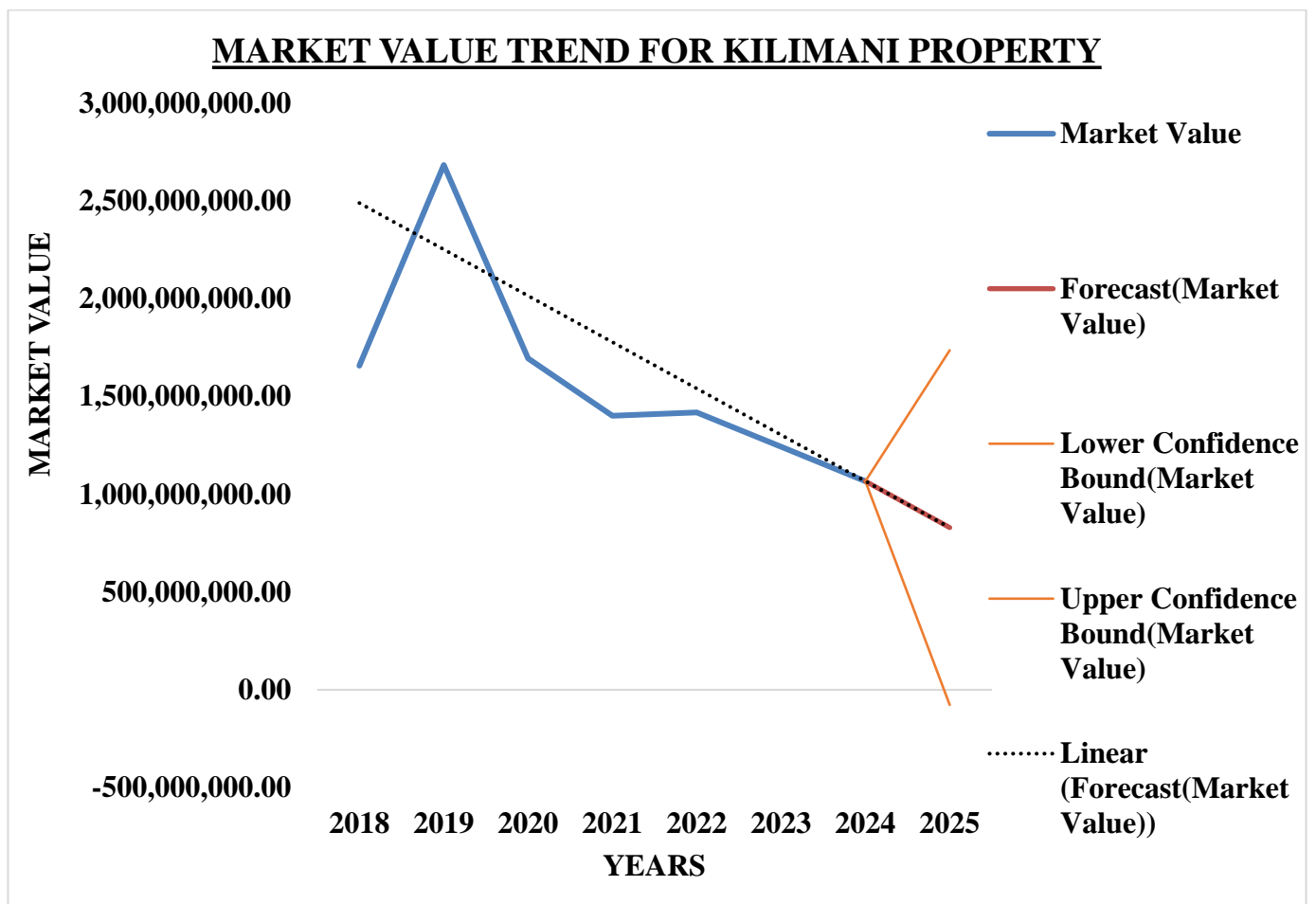
The table below shows the market value and forced sale value for Kilimani property up to 2024.

YEAR	MARKET VALUE	FORCED SALE VALUE
2018	1,657,000,000.00	1,243,000,000.00
2019	2,682,000,000.00	2,011,000,000.00
2020	1,693,000,000.00	1,270,000,000.00
2021	1,400,000,000.00	1,050,000,000.00
2022	1,418,000,000.00	1,063,500,000.00
2023	1,242,000,000.00	931,500,000.00
2024	1,066,000,000.00	799,500,000.00

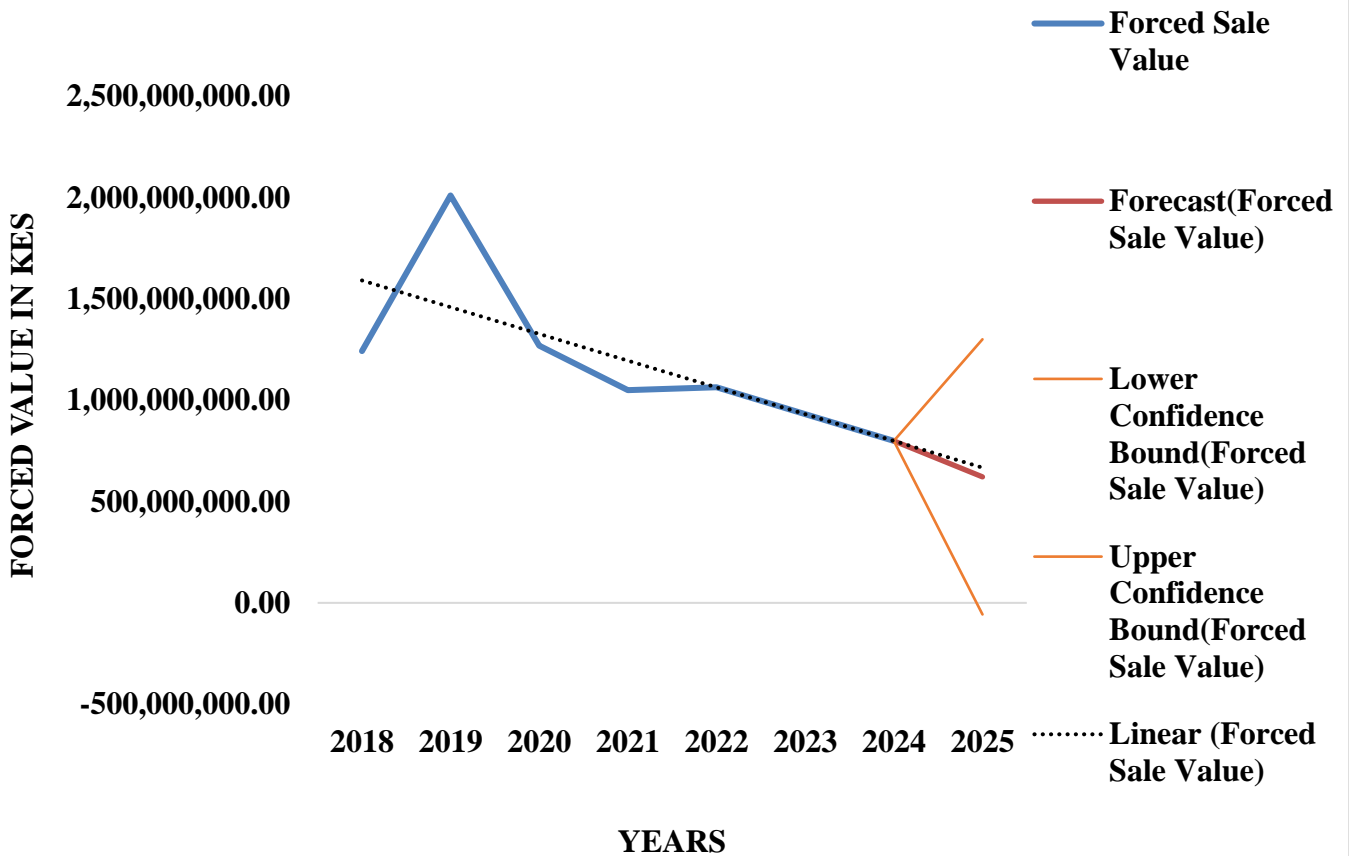
**Comparison column chart showing market value and forced sale value trend of Kilimani.**



The column chart shows a declining trend of market value and forced sale value prices for Kilimani from 2019-2021, then inclined slightly from 2021-2022, and then declined again from 2022- 2024.



## FORCED SALE VALUE TREND FOR KILIMANI PROPERTY

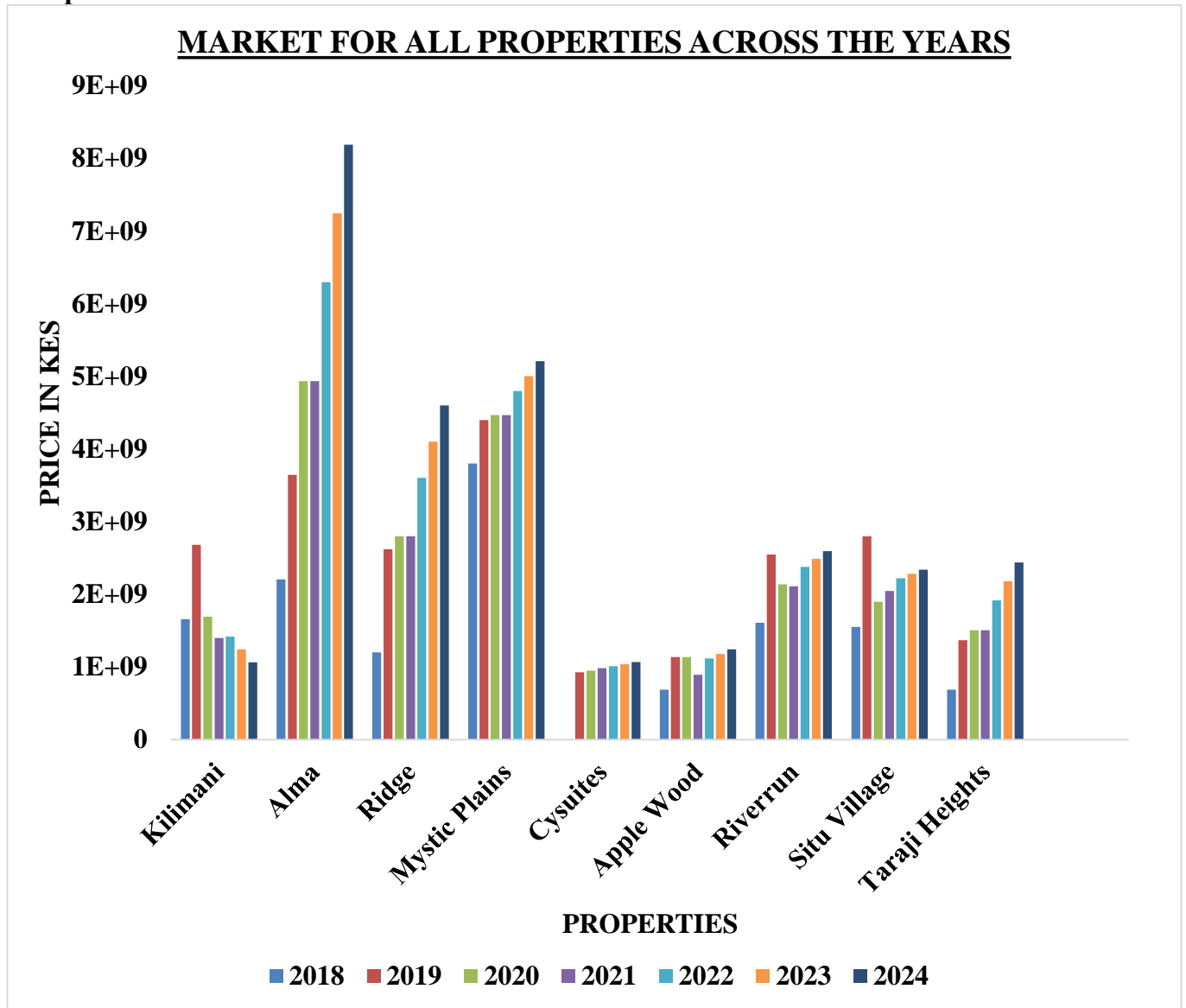


The two trend charts are similar and both show a decreasing pattern in prices for market value and forced sale value.

### Summary of market value for all properties across the years

- The market value data from 2018 to 2024 for the nine properties shows an overall upward trend, indicating increasing property values. The Alma property exhibits the highest growth, escalating from approximately KES 2.2 billion in 2018 to around KES 8.2 billion by 2024. Conversely, the Kilimani property demonstrates fluctuations, peaking at KES 2.68 billion in 2019 before decreasing to KES 1.42 billion in 2022. The Ridge and Taraji Heights properties also show consistent growth, while Cysuites Apartments remain stable, reflecting a gradual increase in value over the years. Overall, the data suggests a robust market recovery post-2020.

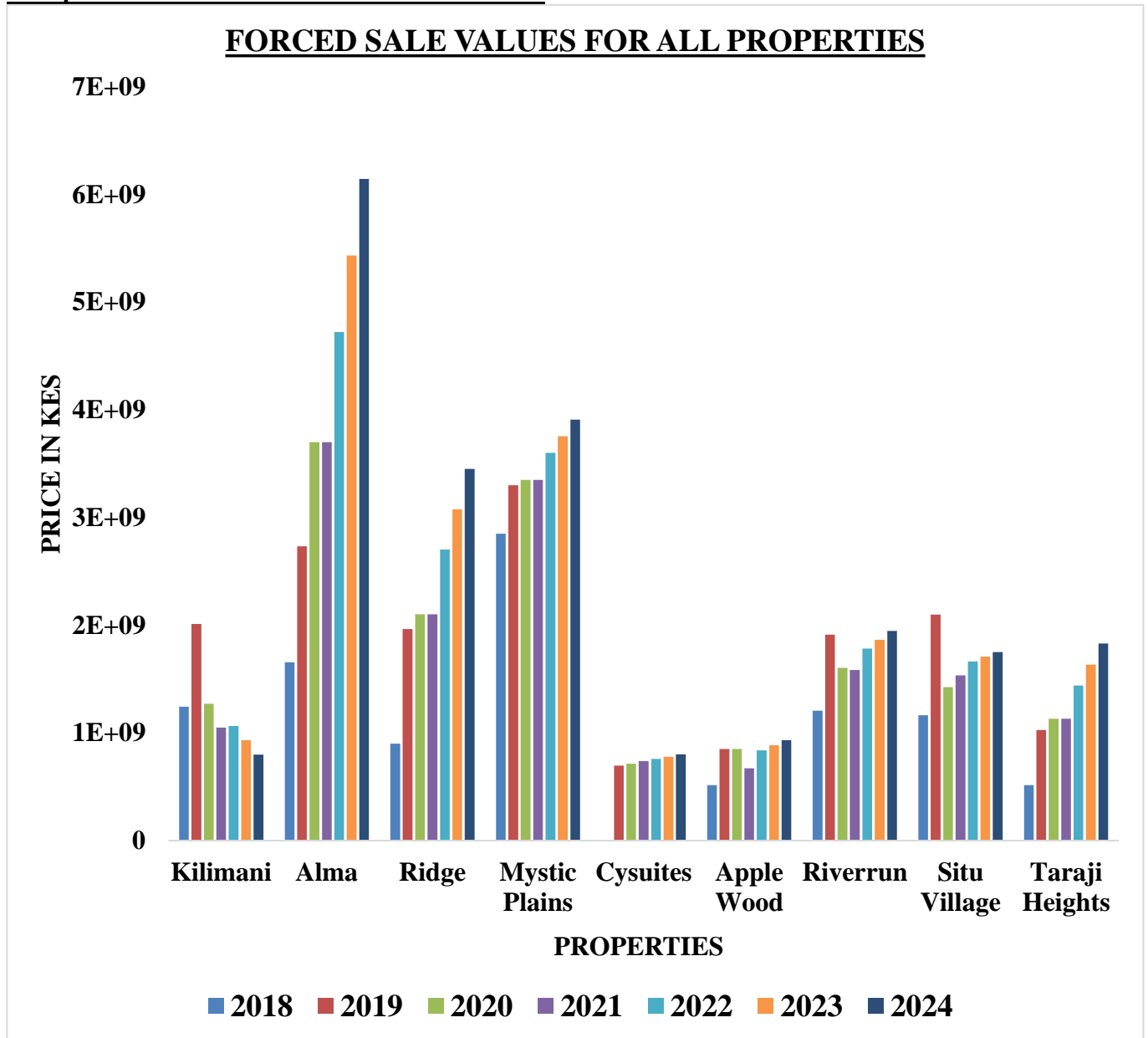
**Comparison column chart for market value**



**Summary of forced sale value for all properties across the years**

- The forced sale value data for the nine properties from 2018 to 2024 reveals varying trends, with most properties showing a steady increase. The Alma property starts at KES 1.66 billion in 2018, reaching KES 6.14 billion by 2024, reflecting substantial appreciation. Similarly, the Ridge and Mystic Plains properties exhibit significant growth, with forced sale values rising from KES 900 million and KES 2.85 billion, respectively, in 2018 to KES 3.45 billion and KES 3.91 billion by 2024. However, the Kilimani property fluctuates, indicating market volatility. Overall, the data highlights an upward trajectory in forced sale values across most properties.

**Comparison column chart for forced sale value**



**Conclusion.**

In conclusion, the analysis of market and forced sale values across the nine properties from 2018 to 2024 reveals positive growth trends, reflecting a recovering real estate market. While some properties, like Alma and Mystic Plains, show substantial appreciation, others, such as Kilimani, exhibit fluctuations that present strategic investment opportunities. The steady increase in forced sale values across most properties underscores their resilience in a volatile market. Overall, these insights suggest that investing in these properties could yield favorable returns, making them attractive options for investors seeking to capitalize on the evolving landscape of real estate in the region.

# APPENDIX C

## Analysis of poll survey Liquidation Vs Restructuring for ROI.

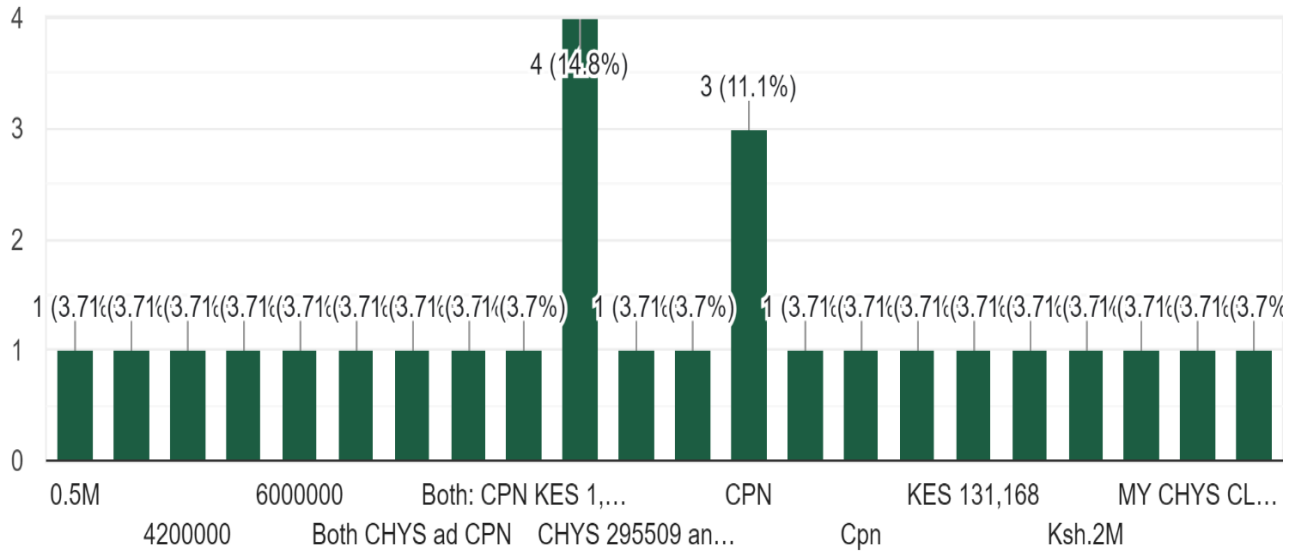
### 1.1. Cytonn investment creditors survey.

- 1 Name.
- 2 Phone number.
- 3 Email.
- 4 What is your claim in CHYS or CPN?
- 5 Are you in agreement with the debt settlement proposal?
  - Yes ( ) No ( ) Other ( )
- 6 Share your opinion above.
- 7 According to you, do you think there is a need to change the liquidator?
  - Yes ( ) No ( ) Other ( )
- 8 Share your opinion on your choice above giving your expectations.
- 9 As you may be aware, the matter of CHYS/CPN is in court, what is your take on the same?
- 10 Would you go for Liquidation or Restructuring through administration?
  - The administration would allow you to restructure and you may get value for money.  
(On the other hand).
  - Liquidation you may not get the full value for money as the assets may be sold at liquidation value.
  - Liquidation ( ) Administration/ Restructuring ( ) Other ( ).
- 11 Do you believe Liquidation would give you a return on investment? Share your opinion.  
If yes, explain. If Not, Write (Not applicable N/A).
- 12 Do you believe Administration/restructuring would give you a return on investment? Share your opinion.  
If yes explain. If Not, Write (Not applicable N/A).
- 13 What are the major risks facing CHYS/CPN?
  - Financial Risks ( ) Market Risks ( )
  - Operational Risks ( ) Regulatory Risks ( )
- 14 Share your opinion above.
- 15 Additional Comments.
- 16 Shall we share your information if need be?
  - Yes ( ) No ( ) Other ( )
- 17 Authorized Representative.
- 18

## 1.2 Responses to the questionnaire survey shared above.

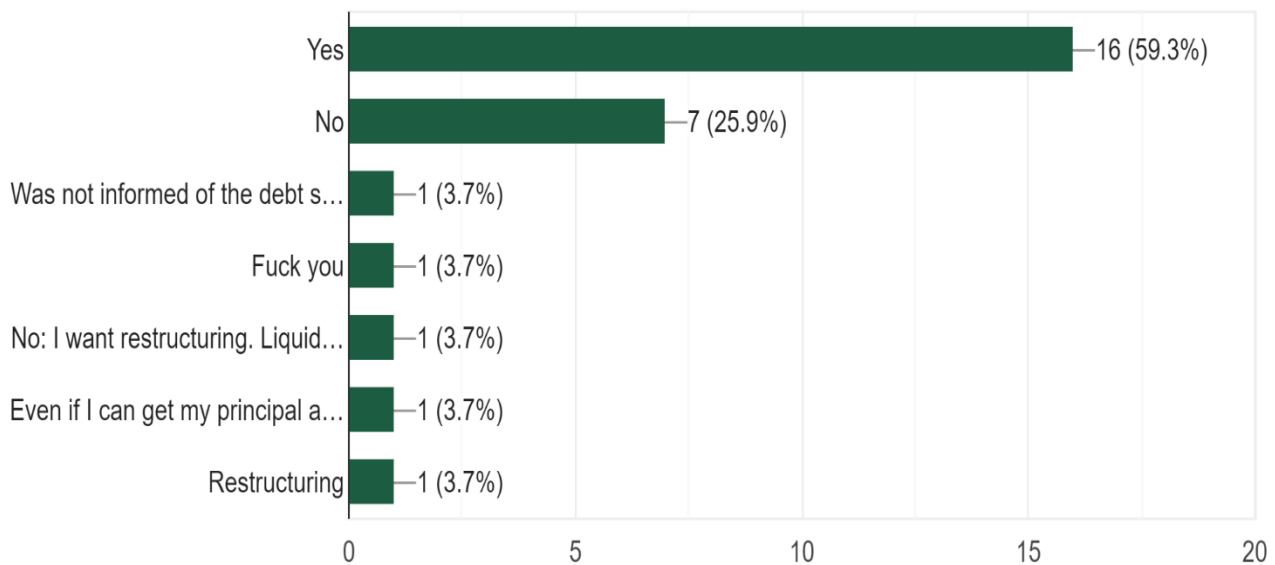
What is your claim in CHYS or CPN?

27 responses



Are you in agreement with debt settlement proposal?

27 responses



## Share your opinion above.

27 responses

As above

1. In a restructuring, creditors typically recover more of their owed amounts compared to liquidation. Liquidation often results in the sale of assets at distressed prices, leading to lower returns for creditors.
2. Continued Business Operations: Restructuring allows the business to continue operating, which can preserve jobs and maintain business relationships. This ongoing operation can lead to future profitability and the ability to repay debts over time.
3. Avoidance of Legal and Administrative Costs: Liquidation involves significant legal and administrative costs, which can further reduce the amount available to creditors. Restructuring can be less costly and more efficient.
4. Potential for Future Gains: Creditors may receive equity in the restructured company, providing an opportunity for future gains if the company recovers and grows.
5. Stability and Predictability: Restructuring can provide a more stable and predictable outcome compared to the uncertainty of liquidation, where the timing and amount of recoveries can be highly variable.

I support the Liquidation process 100% for both CPN and CHYS

At least to be paid the principal amounts owed if interest is a problem

A yes is a yes

The receiver should sell the properties that our money was invested in and refund our money.

I am in agreement with the debt settlement proposal

Liquidation under a receiver is BAD! We will lose out as small investors. We want Restructuring, where our deposits are turned into shares, protected in value so that we can sell them or trade with them.

My prayer is to get my investment back in full plus the accrued interest.

It is the best option under the circumstances we have been in for all these years of waiting

It was the only option given

i just want my money

Lacking These funds have created a huge gap in my life including my plans for housing. It has also



affected the health of my parents who are also investors in CHYS

Just pay me

Clients money needs to be returned in full following maturity

I need to know when we can start getting our money back

Maximize returns of the assets and also give us options to convert funds to to the houses

Liquidation via the office of Official Receiver is my only way out of this mess.

The debt settlement proposal appears to be a win win.

People/entities that invested kshs 100,000 and below should be refunded with cash

BECAUSE THE APPROACH OF USING A LIQUIDATOR WILL NOT SAFEGUARD THE INTREST OF THE INVESTORS, HENCE THE INVESTORS STAND TO MAKE HUGE LOSSES,

Given a chance with proper laid down procedures ad administration the full principal amt can be realized.

Can we get our debt paid back in whole or an opportunity of conversion to equity or houses part-purchase?

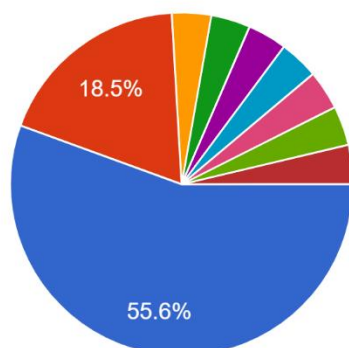
I will be able to get back te rincpal amont I invested compared to liduidation

Restructuring

Prefer restructuring than liquidation

According to you, do you think there is need to change the liquidator?

27 responses



- Yes
- No
- I need to be paid back my money. That's all what I need
- Fuckyou
- Get rid of the liquidator, he is watering...
- Not sure
- Clients need someone that will recove...
- No idea because we don't know what'...
- If that would gives us better results, w...

Share your opinion on your choice above giving your expectation.

27 responses

In Kenya, the removal of an official receiver or liquidator and subsequent replacement with an IP can occur under several grounds, often tied to their performance, conduct, or conflicts of interest etc. In our concern, here are both factual and practical scenarios:

1. Conflict of Interest:

There are concerns about the liquidator, in this case the OR, especially regarding the handling of assets, for example Kilimani Land and Shareholding in Superior Homes Kenya etc.. against the interests of creditors, such that the creditors are likely to suffer huge financial loss and should therefore be removed.

2. Bias and Partiality:

The liquidator seems to have some undisclosed bad blood with the CEO of the Debtor Company and its affiliates, at personal level and / or undisclosed relationships with some creditors, stakeholders or Directors of Creditor Companies. The liquidator is seen to favor certain creditors over others without valid reasons, thus a basis for removal to ensure impartiality.

3. Misconduct and Incompetence:

The liquidator has failed to perform their duties effectively and has engaged in misconduct which now leads to the call for their removal. Since coming to the office, examples include:

- No minutes shared with creditors for the 1st creditors' meeting with OR,
- No substantive meetings subsequently with all creditors,
- No liquidation plan shared with Creditors
- No regular constructive updates.

Liquidator resulting into threats, intimidation and social media abuses, alongside those creditors who are pro liquidation, instead of playing neutral for all and calming down temperatures.

4. Gross failure to act in the best interest of creditors:

The Liquidator is expected to act in the best interest of all creditors. If they are found to be neglecting this duty, such as by not maximizing the value of the company's assets for distribution, they can be removed. This is one of the many areas that the OR has terribly failed, there's no solid and sound mechanisms in place for an accurate valuation report.

5. Suspected acts of hooliganism and gross violation of the Law:

Acts of hooliganism, seen in Kilimani, and attempts for forceful take over without against a court order, using state security, amounts to mismanaging the company's assets or not adhering to legal requirements, such as failing to file necessary reports and / or serve notices in good time, acting against court directives and Insolvency Act etc.

6. Rejecting the DSP:

The OR rejected the DSP for reasons only best known to themselves, but loosely giving reasons like not being in the required format and a tool of the debtor. It's unfortunate that the OR hasn't provided the right format for use and unable to direct who should be the originator of a DSP. The worst is that the OR has no power to reject the DSP on behalf of the creditors, purporting that it is not in the right format without providing an alternative format and to dictate who should initiate it.

7. Refusing to recognize the CRC and bring all stakeholders on the table:

The CRC are first creditors, who the OR claims to represent, but differ in principle and approach of how the

process is handled, thus outright bias, calling for removal. I dare say that the one who should be rejected is the OR and replaced with an IP.

(#REJECTTHEOR)

I strongly believe that the official receiver can and will liquidate the above funds and I expect this process to be expedited

So that creditors recover their money 100%

Fuck you

Current one taking too long. By the time we get anything back it will have lost so much value

The liquidator is already fast ahead with the facts of the matter and able to dispose with it in the shortest time possible.

He is not working as requested

I expect the Courts to stop the Receiver and stop any Liquidation activities, and ask us as investors to chose a restructuring vehicle.

I don't care who the liquidator is, as long as he puts our interest first.

There has been little or no progress with the current liquidator

As long as i recover my hard earned money.Whichever is ok

its just wasting time

I need my funds back before the end of the year. Even without the interest, i need my investment

Just pay me my initial investment

Goal is swift recovery of funds retrained by Cytonn

N/A

The guy looks more focused on closing the business at a loss instead of paying the creditors. His stakeholder engagement is so poor. I have no faith this guy works to my interest.

Official Receiver is doing a good job save for the Shenanigans of Dande

If they liquidity we loose only the liquidity profits.

Nothing is forthcoming

I HIGHLY RECOMMEND RESTRUCTURING APPROACH AND THEREFORE IT IS MY PRAYER THAT THE COURT MAY ORDER THE INVESTOR TO MAKE A CLEAR PLAN FOR RESTRUCTURING.

Prolonged court case. No tangible ad facts informations update. Inquiry to them it's a night mare . No answers/ replies on communications.

I expect to see implementation of decisions agreed upon.

The restructuring I will at least get my principal investment

## Restructuring

I believe the OR to be removed (not selected by us anyway), preservation order to be lifted and assets to be finalized. With the completion of the projects investors can at least recover our money as well as the property that we purchase from Cytonn years ago.

As you may be aware, the matter of CHYS/CPN is in court, what is your take on the same?

27 responses

The court to rule out that those who invested less than 300,000/= to be refunded back.

From a creditor's perspective, avoiding court processes in restructuring can be beneficial for several reasons:

1. **Cost Savings:** Court proceedings can be expensive due to legal fees and court costs. Out-of-court restructuring can reduce these expenses, allowing creditors to recover more of their investments.
2. **Speed:** Court processes can be lengthy and drawn out, delaying the resolution of financial issues. Out-of-court negotiations can be faster, enabling creditors to receive payments sooner.
3. **Flexibility:** Out-of-court restructuring allows for more flexible and creative solutions that can be tailored to the specific needs of the creditors and the company. Court-supervised processes are bound by legal frameworks that may limit options.
4. **Confidentiality:** Court proceedings are public, which can expose the financial difficulties of the company. This can negatively impact the company's reputation and, by extension, the value of the creditors' investments. Out-of-court negotiations can be kept private.
5. **Control:** Creditors have more control over the restructuring process when it is handled out of court. In court, decisions are often made by judges or trustees, which can lead to outcomes that may not align with the creditors' preferences.
6. **Preservation of Relationships:** Maintaining good relationships with the company and other stakeholders is often easier in an out-of-court process. Collaborative negotiations can preserve business relationships

that might be strained by adversarial court proceedings.

The court will and should grant the creditors justice by liquidating the said funds; CPN & CHYS

The court gives a nod on the debt resettlement plan

Fuck you

Anything to get justice

To be disposed with as soon as possible.

Good move but outcome should be positive

The Courts should order investors to come up with a Restructuring plan. Liquidation means we loose out money. Restructuring gives hope.

Draining

The court process is not adding currently value to our demands for payment. The longer the process takes, the longer we have to wait for results. We need our money as soon as possible instead of noise in the law court corridors.

Not well informed

i want my my money

This needs to be resolved as soon as possible because as an investor, my life is now stuck

Shorten the cases by paying back my money

This would be unnecessary if Cytonn paid people their money at maturity

We just need to know when we will start getting the money back. Matter being here and there doesn't solve the problem

Shows incompetence of the liquidators. Most of these cases needs to be sorted of courts and only 1 or 2

needs courts. We shouldn't try to swindle from other stakeholders. After all, we are in agreement that we need to dispose these assets and pay back. The conflicts is on how to do it.

Liquidation to proceed as scheduled and investors to get back their investments.

Waste of time and money

No justice

IT IS MY PLEA THAT THE COURT MAY HAULT THE LIQUADTION APPROACH AND GIVE RESTRUCTURING APPROACH A CHANCE TO PROCEED.

Court root will take longer bearing in mind time ad money value is lost. if possible court to pronounce to all the parties outside settlement again under it's watch

Can we get our debt paid back in whole or an opportunity of conversion to equity or houses part-purchase?

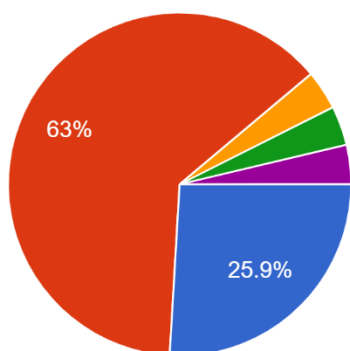
All investors be handled equally.

Restructuring

It is frustrating that it has taken this long for the court to rule this out and allow Cytonn to complete and payout investors

Would you go for Liquidation or Restructuring through administration?

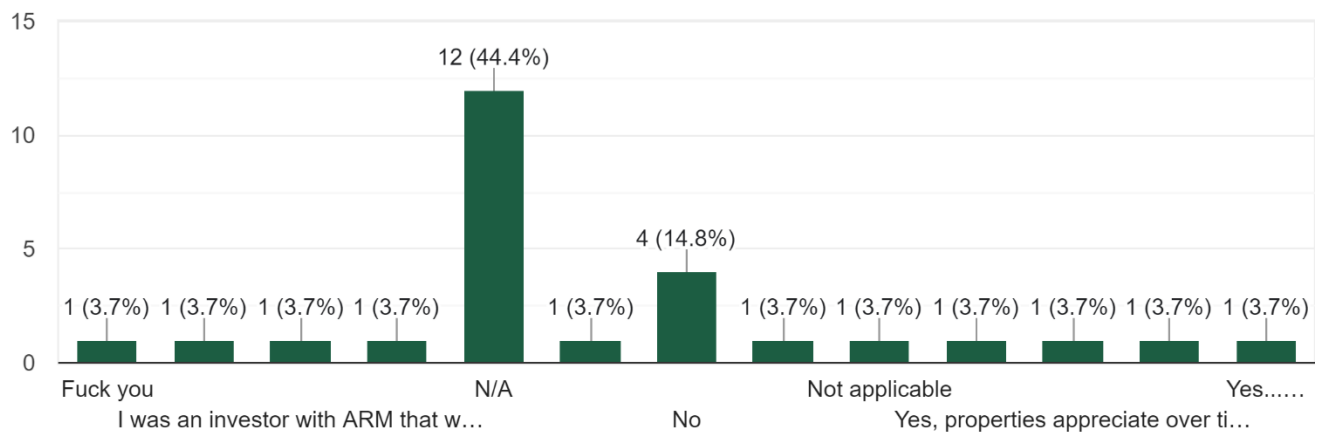
27 responses



- Liquidation
- Administration/ Restructuring
- Fuck you
- Its better for liquidation to be done. Because restructuring will be interfered with by CYTON CEO and staff
- Either is fine with me as for now I don't see anything happening

Do you believe Liquidation would give you return on investment? Share your opinion.

27 responses



Do you believe Administration/restructuring would give you return on investment? Share your opinion.

27 responses

OH, YES and due to the following:

1. Maximizing Recovery: Restructuring often aims to maximize the recovery for creditors by stabilizing the company's operations and improving its financial health. This can lead to higher repayments compared to liquidation, where assets are sold at a loss.
2. Debt Rescheduling: Through restructuring, creditors can negotiate new terms for debt repayment, such as extended deadlines or reduced interest rates. This can improve the likelihood of full repayment over time.
3. Business Continuity: Keeping the business operational through restructuring can preserve its value, maintain customer relationships, and protect jobs. This continuity can enhance the company's ability to generate revenue and repay debts.
4. Enhanced Control: Creditors often have more influence over the restructuring process compared to liquidation. They can work closely with the company to develop a viable plan that aligns with their interests.
5. Potential for Equity Upside: In some restructuring scenarios, creditors may receive equity in the restructured company. This provides an opportunity to benefit from the company's future growth and profitability.
6. Avoiding Legal Costs: Restructuring outside of court can save significant legal fees and court costs, which would otherwise reduce the amount available for debt repayment<sup>3</sup>.
7. Improved Market Perception: Successfully restructuring a company can improve its market perception and creditworthiness, making it easier for the company to secure financing in the future. This can further

enhance the likelihood of debt repayment.

These factors collectively make administration or restructuring a more attractive option for us as creditors seeking to maximize our recoveries if not returns on investment.

NO, restructuring won't give me return on my investment!

Yes, Creditors will recover their money

Fuck you

No, they've failed big time already, they're now taking away the little that's left in big pays

I think it would but time is not there. This could have been the case before going to the liquidator.

Yes because we are likely to get our money back

YES YES. Restructuring will maintain our shares in the new company, shares that we can dispose of or buy more shares as felt necessary. Liquidation is BAD, as we will lose big time.

The proper restructuring would give a return. I, however, have a trust deficit with CYTON Group Leadership.

Yes. With restructuring, there is an avenue of getting some refunds although staggered. Better a staggered payment than NO payment at all with liquidation option.

The only option that gives returns as i see it

NA

No. Cyton CEO and staff will interfere with the process and the return may be never be realized.

It probably would but it means trusted people that have already broken the trust of creditors.

N/A

Yes. Sells assets that are developed, collect more money and pay us over time. Those who will accept assets to be compensated that way. Again, my opinion is that our interest is not about closing a business but giving value back to us



We are passed Administration. You need to get this in your dumb head.

Not sure

BECAUSE AT THE END OF IMPLEMENTATION OF THE RESTRUCTURING PLAN THE INVESTOR WILL HAVE RECEIVED ALL THEIR MONIES BACK

Yes, bcz of the clear laid down procedures/ agreements among

to some extent

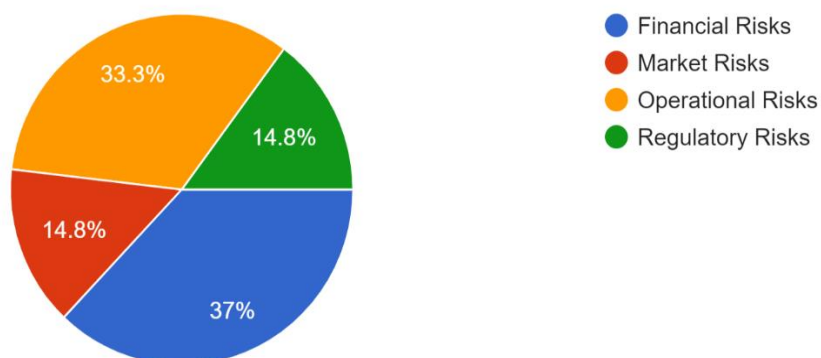
Yes , I believe it wold take a shorter time to sort out the problem compared to liquidation

Yes.

Yes, I believe sooner or later I will get at least some of my money back compared to liquidation which may not be guaranteed

What is the major risks facing CHYS/CPN?

27 responses



Share your opinion above.

27 responses

N/A

Because it wasn't able to pay returns on investment as agreed upon.

As an unsecured creditor during this liquidation and / or restructuring mix, I face several types of risks, main ones being:

1. Financial Risks: Unsecured creditors are often last in line to be paid, which means the recovery rate on my claims can be very low, if not nothing! Thus, delays in payment affects own cash flows, making it harder to meet my financial obligations when and as they fall due.
2. Market Risks: Changes in market conditions can affect the value of the assets being liquidated, potentially reducing the amount recovered. Broader economic issues can impact the ability of the debtor to restructure successfully, affecting chances of recovery.

The leadership of Cytonn has not been honest in their operations particularly regarding the investments that are not regulated by Capital Markets Authority hence using Covid-19 as an excuse.

No regulatory body overseeing

Fuck you

Mismanaged

None.

It was not regulated by cma

The risk now is the Official Receiver disposing the Cytonn assets at rates below the market value.

NA

The more the funds get locked up, the more eroded they become. Financial benefits are time bound.

Financial challenges vis a vis investment

dishonest management out to fleece

The CYTONN CEO and team are not transparent people. They lack integrity and should be allowed to run any investment portfolios

Money invested is depreciated

Operations. Other funds seem to be having no problem paying their creditors.

Too much conflicts with banks, investors, home owners and creditors. Instead of collaboration, all I see is chaos and unnecessary court cases.

Bad governance by Dande and his team.

The shilling I had invested is not the shilling I get after all this shinnanigan.

The real estate market is saturated

BECAUSE THE CHYS HAS INVESTMENTS THAT MAY EXPERIENCE MARKET CHALLENGES DUE TO MARKET INSTABILITY

Operations is a consist of all the other risk

I believe if the properties which were completed are sold then the tied up capital would be released to pay the creditors.

This fund is not protected by financial markets.

I would say all of the above

## Additional Comments

27 responses

I think also they didn't consult widely on their investment plans with the key stakeholders to advise them. They funded long-term projects with short-term capital.

Generally, I would explain the risks involved as follows:

### Financial Risks

**Recovery Rate:** Unsecured creditors are often last in line to be paid, which means the recovery rate on your claims can be very low.

**Cash Flow Disruptions:** Delays in payment can affect your own cash flow, making it harder to meet your financial obligations.

### Market Risks

**Market Volatility:** Changes in market conditions can affect the value of the assets being liquidated, potentially reducing the amount recovered.

**Economic Downturns:** Broader economic issues can impact the ability of the debtor to restructure successfully, affecting your chances of recovery.

### Operational Risks

**Business Continuity:** The debtor's operational disruptions can lead to a loss of business relationships and contracts, further reducing the assets available for liquidation.

**Management Decisions:** Poor decisions by the debtor's management during restructuring can negatively impact the recovery process.

### Regulatory Risks

**Business Continuity:** The debtor's operational disruptions can lead to a loss of business relationships and contracts, further reducing the assets available for liquidation.

**Management Decisions:** Poor decisions by the debtor's management during restructuring can negatively impact the recovery process.

### Regulatory Risks

**Legal Challenges:** Changes in laws and regulations can affect the liquidation and restructuring process, potentially delaying or reducing recoveries.

**Compliance Issues:** Non-compliance with regulatory requirements by the debtor can lead to fines and penalties, reducing the pool of assets available for creditors.

Understanding these risks can help you better navigate the complexities of liquidation and restructuring.

I strongly support the ongoing Liquidation process

High returns but risk appetite is high

Fuck you

Thieves, incompetent money handlers

Not applicable

Please please get rid of the Official Receiver, we need a team of administrators that can steer us into a new restructuring mode. NOT LIQUIDATION!

NA

The courts have not been fair to us as investors. Some people seem to be using delaying tactics to frustrate investors through courts. The last scene recorded on video in court was but absurdity.

if there was honesty we would not be discussing this, we sell the assets and share on pro rata

Let honesty prevail. All this lack of honesty and arm twisting court processes to prolong time for us to get refunds is pathetic. Let the CEO also tone down his arrogance. I as an investor , want to get back my funds so that i can use them for their intended purpose. That was my savings for over 9 years. My name is Martin Githiomi

Pay my money

Cytonn needs to pay its creditors to redeem their name and reputation.

Give us opportunity to exit not just through cash but also through assets. I'm convinced that the stakeholder who carries the day is the one who completes construction and sells off or rents out at market rates.

Liquidate everything that is cytonn's. Thank God the judge unmasked the conmanship in the LLP

Give us back our money or leave it

No

THESE ARE HARD ECONOMIC TIMES AND I AM HOPING THAT THE COURT WILL CONSIDER THE PLEA OF THE INVESTORS AS WE WOULD WISH TO RECOVER OUR FULL INVETSMET VALUE.

We need all da principal + interest bck asap

The earlier the settlement the better as iam in retirement.

I am in need of my money back as quickly as possible.

Nothing to say

## Conclusion

Creditors of CHYS and CPN under Cytonn are deeply dissatisfied with the current liquidator, citing conflicts of interest, bias, and lack of transparency. They overwhelmingly favor restructuring over liquidation, believing it offers a faster path to recovering their principal investments. While some creditors express optimism about restructuring's potential to stabilize the business and provide future gains through equity, others remain skeptical due to concerns about the liquidator's integrity and the potential for liquidation efforts to be undermined. The situation highlights the urgent need for a change in leadership and a clear restructuring plan that prioritizes creditor interests and ensures a swift resolution.

# Appendix D

## Appointment of an independent Insolvency Practitioner

23 September 2024

Nairobi Forensics LLP  
3<sup>rd</sup> Floor, Room 310  
Six Eighty Hotel  
Muindi Mbingu Street  
P. O. Box 3672 - 00506  
**Nairobi**

Dear CPA Tom Ouma Mungai,

### **Cytonn High Yield Solutions LLP (In Liquidation) and Cytonn Real Estate Project Notes LLP (In Liquidation)**

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I write to you on behalf of the Creditors Restructuring Committee, a seven-member committee of creditors of the referenced entities mandated with taking all steps necessary to protect the interests of unsecured creditors of the two entities.

#### **The Background**

Cytonn High Yield Solutions LLP (In Liquidation) and Cytonn Real Estate Project Notes LLP (In Liquidation) prior to 31 August 2021 were LLP's through which Cytonn Investments Management Ltd (**Cytonn**) would raise funds from investors for deployment into real estate projects.

Investors provided funds for tenures of between 1 and 3 years, on the strength of Cytonn's promise to repay the funds with interest at a rate between 18% and 20% per annum.

Funds raised from investors would be on lent to various SPVs which would then acquire, develop and sell real estate projects at a margin sufficient to enable repayment of the funds with interest as promised.

Besides investment in real estate projects, there are instances in which raised funds were invested in stocks at the Nairobi Securities Exchange as well as in the hospitality and education services.

In the year 2020 the two LLP's (CHYS LLP & CPN LLP) could no longer repay investors as maturities fell due. The defaults triggered debt recovery litigation by investors which in turn forced the CHYS/CPN Board to file two Petitions seeking administration orders in respect of CHYS LLP and CPN LLP.

Page **1** of **4**

Pursuant to the Petitions, the High Court on 6 October 2021 issued administration orders placing CHYS LLP and CPN LLP in administration, with Mr. Kereto Marima as administrator.

Mr. Kereto Marima commenced work as administrator of the two LLPs, and on 28 February 2022 presented to the creditors two reports in which he surmised that the rescue of CHYS LLP and CPN LLP was not possible, and that the only viable way forward was an orderly wind down of the two entities to repay investors.

Mr. Kereto Marima's two reports (the Administrator's Statement of Proposal) have already been shared with you for your perusal.

Before the administrator's two Statements of Proposal could be voted on, the administrator's term lapsed. He applied to the High Court for an extension of his term. The High Court on 6 January 2023 declined to extend his term, and instead terminated the administration of CHYS LLP and CPN LLP, issued a liquidation order and appointed the Official Receiver as liquidator.

The Official Receiver has so far not been able to liquidate any of the assets of the two entities. As a matter of fact, he is currently prohibited from liquidating the assets by interim stay orders issued on 27 December 2023 by the Court of Appeal on Cytonn's application.

The Court of Appeal will in the next few months issue a ruling either extending the stay orders pending appeal against the High Court's 6 January 2023 ruling or discharging them. Discharging the orders would pave way for the liquidation of the assets, the pendency of the appeal notwithstanding.

### **The Debt Settlement Proposal**

Cytonn Investments Management Ltd in or about June 2022 presented the administrator and the creditors with a Restructuring / Debt Settlement Proposal (the **DSP**).

The administrator shared with creditors certain key questions he had regarding the DSP. I enclose for your perusal both the June 2022 Restructuring Plan and the administrator's questions about it.

The DSP has since then undergone several updates, with the latest version coming in March 2024, a copy of which has been shared with you.

Both the June 2022 DSP and the current DSP propose that that debt due to unsecured creditors be restructured as follows:

- a. a waiver of the interest accrued on their investments in the year 2020 and 2021, termed as a 'haircut';
- b. that the remaining amount, termed the 'principal amount', be restructured into debt and equity in a 50:50 split;
- c. that the debt component of the principal amount be payable over a number of years as the underlying assets are developed and sold;
- d. that the equity component of the principal amount would be recoverable as the underlying assets are developed and sold. The finer details of how this would be achieved need to be provided to creditors.

The Restructuring / Debt Settlement Proposal has split unsecured creditors right down the middle. Some creditors believe it portends a better outcome compared to liquidation, others remain highly skeptical and unconvinced.

### **Your Engagement**

The Creditors Restructuring Committee wishes to engage you to undertake an **Independent analytical evaluation** of the Restructuring / Debt Settlement Proposal (March 2024) and to prepare a thorough report advising the Committee and creditors by extension on the following:

- a. whether you have sought and obtained from Cytonn **all** information / documentation that you require for the assessment of the viability of the Restructuring Proposal;
- b. what the most likely outcome would be for unsecured creditors if the Restructuring / Debt Settlement Proposal is implemented;
- c. what the most likely outcome would be for unsecured creditors if the restructuring proposal is not approved;
- d. would it be advisable that a new Special Purpose Vehicle be set up as the restructuring plan company, to assume the assets and liabilities of CHYS LLP and CPN LLP, or should we retain CHYS LLP and CPN LLP as the debtor entities? *Please note to consider the fact that there is a corporate guarantee issued by Cytonn Investments Management Ltd to*



*investors, guaranteeing the repayment of investments made by them in CHYS LLP and CPN LLP in the event of default by these two entities.*

- e. is the debt-for-equity proposal in the DSP strictly necessary for the success of the restructuring plan, or can the debtors/ creditors do without the equity component?
- f. What would be the ideal governance structure for the restructuring entity? Should governance be left entirely in the hands of Cytonn's management, the same management that oversaw the slide into insolvency? Should governance be in the hands of an administrator? Or should we instead have a hybrid model that co-opts creditors, for oversight and management of conflict of interest?
- g. is the proposed funding of the restructuring proposal sufficient to facilitate its execution? What other funding models are available? Which of the funding models available is most efficient and ideal in the circumstances?
- h. what is the best way forward for creditors: administration; or company voluntary arrangement? What are the advantages and limitations of the two options for creditors?

Given your extensive experience in restructuring distressed businesses, your commentary on any other material aspect not noted above is welcome.

**Payment of your fees**

As agreed between Cytonn Investments Management Ltd and us, Cytonn on behalf of creditors cover your fees for this engagement and the amount will be recoverable from the proceeds of sales of the assets.

Members of the Creditors' Restructuring Committee remain at your disposal for any information and support you may require in discharge of your instructions in this preliminary stage.

Yours faithfully,



**Charles Wambua**  
**For the Creditors' Restructuring Committee**