

Trade and Commerce Bank
Velox Capital Markets
Velox International Investments
Velox Real Estate
Velox Venture Capital
Peabody Limited
Terrace Corporation
(All in Official Liquidation)

Report of the Joint Official Liquidators to the Unsecured Creditors

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Liquidators' prior consent

31 December 2008

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CONTENTS

1.0	Basis of Presentation and Disclaimer	1
2.0	Introduction	1
3.0	The Creditors' Committee.....	2
4.0	Receipts and Payments.....	2
5.0	Other realisations	3
6.0	Inter-Company Claims	6
7.0	The Third Official Liquidator	7
8.0	Custody Accounts	8
9.0	Conclusion	8

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Velox Capital Markets
Velox International Investments
Velox Real Estate
Velox Venture Capital
Peabody Limited
Terrace Corporation
(All in Official Liquidation)

Report of the Joint Official Liquidators

31 December 2008

APPENDICES

- I. Receipts and Payments Account to 31 December 2008

Trade and Commerce Bank
Velox Capital Markets
Velox International Investments
Velox Real Estate
Velox Venture Capital
Peabody Limited
Terrace Corporation
(All in Official Liquidation)

Report of the Joint Official Liquidators

31 December 2008

1.0 Basis of Presentation and Disclaimer

1.1. Basis of Presentation

This report has been prepared solely for the purpose of informing the unsecured creditors ("the Creditors") of the flowing companies

- a) Trade and Commerce Bank ("TCB");
- b) Velox Capital Markets ("VCM");
- c) Velox International Investments ("VII");
- d) Velox Real Estate ("VRE");
- e) Velox Venture Capital ("VVC");
- f) Peabody Limited ("Peabody"); and
- g) Terrace Corporation ("Terrace").

(collectively "the Companies") about the progress made in the liquidation of the Companies.

This report has been prepared using the information available to the Joint Official Liquidators ("the Liquidators") at the time of preparation. Investigations are ongoing and new information continues to be received. This may result in material changes to the information shown in this report.

1.2. Disclaimer

This report should not be copied or disclosed to any third party or otherwise be quoted or referred to, in whole or in part, without the Liquidators' prior written consent. In the event that this report is obtained by a third party or used for any purpose other than in accordance with its stated purpose of informing the Creditors, any such party relying on the report does so entirely at their own risk and shall have no right of recourse against the Liquidators, Zolfo Cooper (Cayman) Limited "Zolfo Cooper", its predecessors or successors, its partners, directors, employees, professional advisers or agents.

None of the Liquidators, Zolfo Cooper, its partners, directors, employees, professional advisers or agents accept any liability or assume any duty of care to any third party (whether it is an assignee or successor of another third party or otherwise) in respect of this report and any such party who receives a copy of this report whether from Zolfo Cooper, or any other source shall have no right of recourse against Zolfo Cooper, its partners, directors, employees, professional advisers or agents.

In preparing this report the Liquidators have relied upon information in the possession of the Company at the time of their appointment, and the statutory documentation available to them. The Liquidators have not performed an audit examination on this information. Except where specifically stated, the Liquidators have been unable to establish the reliability of the sources of information presented to them by reference to independent evidence.

2.0 Introduction

This report covers the period of the official liquidation from 29 February 2008 to 31 December 2008.

Trade and Commerce Bank
Velox Capital Markets
Velox International Investments
Velox Real Estate
Velox Venture Capital
Peabody Limited
Terrace Corporation
(All in Official Liquidation)

Report of the Joint Official Liquidators

31 December 2008

3.0 The Creditors' Committee

On the basis of voting at the Creditors Meetings, the following creditors were appointed to represent the body of the creditors as a whole:

- Fondos Mutuos Banaleman
- Carlos Folle Martinez
- Antonio Luquin
- Mariano Alarcon and
- Victor Testoni

The first meeting of the Liquidation committee was held on 1 December 2004 and there have been four subsequent annual meetings held since then, the most recent is due to take place on 20 January 2009 in Montevideo.

4.0 Receipts and Payments

An account of Receipts and Payments in respect of the TCB pooled liquidation estate for the period to 31 December 2008 is included with this report as Appendix I. The Liquidators hold US\$581,062.91 in the liquidation bank accounts.

4.1. Asset Recoveries

The Liquidators continue to work closely with their professional advisers in order to realise assets for the liquidation estate. Total realisations are US\$8,222,445.94, the detail of which can be seen at Appendix I.

4.2. Debts

With the assistance of their professional advisers, debts owed to the Companies have been realised. Many of these have been paid by agreed instalments and total realisations from debtors amount to US\$4,711,629.98 to date.

Collection of monies owed to the Companies has been hampered by the lack of complete accounting records. There have been many impediments to debt collection whereby a debtor might seek to avoid payment of the debt owed. In these cases, it has been necessary to reach a negotiated settlement with the debtors in question. It is also the case that attorneys that had continued to act post liquidation under the terms of a pre-liquidation agreement claimed to be entitled to a share of the collection proceeds as a fee enhancement and, again, this required negotiations to be undertaken. In some circumstances, where no security was held and debtors refused or were unable to pay, assets

Trade and Commerce Bank
Velox Capital Markets
Velox International Investments
Velox Real Estate
Velox Venture Capital
Peabody Limited
Terrace Corporation
(All in Official Liquidation)

Report of the Joint Official Liquidators

31 December 2008

of those debtors, where they existed, were identified and a process put in place to secure them and realise them for the benefit of the liquidation estate.

5.0 Other realisations

The liquidators now provide information concerning asset realisations and potential sources of further realisations by category or jurisdiction, as follows:

5.1. The Peirano Family

5.1.1. Juan Peirano Basso

The Creditors may recall that since 2006 the Liquidators have conducted two interviews with Mr Peirano whilst he was in prison. It has come to the Liquidators' attention that on 9 September 2008 he was extradited from Miami, Florida to Uruguay. The Liquidators understand that Mr Peirano arrived in Montevideo on 10 September 2008 and is now in the custody of the Uruguayan authorities pending trial in the First Criminal Court of Uruguay, chaired by Judge Graciela Gatti.

The Liquidators are also pursuing other avenues in relation to the assets of JPB by means of which recoveries might be made for the benefit of the pooled estates. Much of the information in this regard is sensitive and the matters cannot be further reported upon at this time as the publication of information could be prejudicial to the outcome.

5.1.2. Letizia Vejo Mailhos

As is the case with JPB, the Liquidators are also pursuing certain avenues of investigation in relation to the assets of Letizia Vejo Mailhos and they hope that recoveries might be made for the benefit of the pooled estates as a result of those investigation. Again, due to the sensitivity of the information upon which the investigation is based, no updating report can be provided for the time being.

5.1.3. Jorge Peirano Basso

Jorge Peirano Basso formerly held 84% of the shares in Finambrás Corretora de Câmbio, Títulos e Valores Mobiliários Ltda ("Finambrás"). The remaining 16% were held by Mr. Ricardo Sanchez. It is understood that following the collapse of the Velox Group in 2002, Jorge Peirano Basso's interest in Finambrás was transferred to Mr. Sanchez. Mr. Sanchez has indicated that the consideration for the transfer was that Mr. Sanchez compensated a number of Finambrás clients who had suffered losses as a result of the liquidation of TCB.

H&H met with Mr. Sanchez in June 2007 in order to discuss the terms of a potential settlement in relation to Jorge Peirano Basso's interest in Finambrás. According to Mr. Sanchez, Finambrás was valued at approximately US\$330,000 at the time of the transfer. Accordingly, the shares owned by Jorge Peirano Basso had an estimated value of some US\$277,000. Since the date of the last report, Mr. Sanchez signed the settlement agreement and subsequently a further US\$110,000 was received into the liquidation estate in April 2008.

Trade and Commerce Bank
Velox Capital Markets
Velox International Investments
Velox Real Estate
Velox Venture Capital
Peabody Limited
Terrace Corporation
(All in Official Liquidation)

Report of the Joint Official Liquidators

31 December 2008

5.2. Brazil

5.2.1. Banco Araucaria SA.

In March 2006, the Liquidators were notified that TCB may have a claim against the Brazilian registered bank, Banco Araucária SA ("Banco Araucária"), which was placed into bankruptcy on 30 December 2002. It appears that TCB's claim is for BRL 3,521,906 (or approximately US\$1,745,316), resulting from a foreign exchange transaction which was not completed following the intervention of Banco Araucária.

However, the matter is far from straightforward and, as with many of the matters affecting realisations in the pooled liquidation estates, any dissemination of sensitive information could be highly prejudicial to the levels of ultimate realisations and so the liquidators are minded to keep the details confidential for the time being.

The prospects of making a recovery from Banco Araucária may also be adversely affected by a customer of TCB who claims to have a proprietary claim over any award made by the Brazilian Court.

5.3. British Virgin Islands

5.3.1. Establishment for International Investments Inc

As previously reported, the Liquidators issued a number of subpoenas to various banks in the United States for information in relation to TCB's correspondent bank accounts. The bank statements indicated that a large number of substantial payments were made from TCB to an account at Standard Chartered Bank, in the name of Establishment for International Investments Inc ("EII"). EII was not a customer of TCB and the Liquidators can find no commercial justification for these payments.

The Liquidators issued a subpoena to Standard Chartered requesting documentation relating to the opening of the account and copy statements. It appears that EII was formally registered in the British Virgin Islands ("BVI") and was wholly owned by a Panamanian company, which in turn is wholly owned by Dr. Jorge Peirano Facio ("JPF").

The Liquidators have performed a preliminary analysis of the transactions on the EII account and have determined that during the period from 1 January 2000 to 30 September 2002, a net amount of approximately US\$160m was paid to EII from TCB.

Since the date of the last report, the Liquidators have been working closely with H&H in order to target beneficiaries of the money. In order to progress their investigations further, H&H requires additional information from Standard Chartered bank, which the Liquidators are assisting them with.

In the meantime, the Liquidators have engaged the services of Diamond McCarthy ("DM") and Business Exposure Reduction Group Associates, LLC ("BERG") in order to source recoveries from beneficiaries of the monies in the United States of America. BERG has extensive experience in recovering assets which have been concealed or have been manipulated to facilitate a fraud.

Trade and Commerce Bank
Velox Capital Markets
Velox International Investments
Velox Real Estate
Velox Venture Capital
Peabody Limited
Terrace Corporation
(All in Official Liquidation)

Report of the Joint Official Liquidators

31 December 2008

Representatives of DM will be visiting Uruguay in January 2009 in order to gather more information about this case.

5.3.2. Other debts

The Liquidators attorneys in BVI, Forbes Hare, have issued a statutory demand with a value in excess of US\$5,000,000 on a company registered in BVI. The winding-up petition was due to be heard on 30 October 2008. A case management hearing is scheduled to take place as soon as possible after 15 February 2009.

5.4. Uruguay

Hughes & Hughes ("H&H") are continuing to pursue settlements with a number of debtors in Uruguay.

In addition to pursuing debtors, H&H are still required to spend a significant amount of time responding to complaints filed by creditors of TCB. H&H has advised the Liquidators that they should continue to file responses because:

- In many cases, the plaintiffs are not in fact creditors of TCB. If TCB does not defend these claims, the legitimate creditors of TCB will see any recovery diluted; and
- Not defending these actions will enable the plaintiffs to obtain immediate attachments of TCB's credits. This will seriously jeopardize any future collections in Uruguay.

5.5. Argentina

5.5.1. Ortiz y Asociados

The Liquidators replaced Ortiz as their Argentine Counsel with Raul Borthwick in March 2006. Ortiz has continued to deal with the recovery of one Argentine debt and a settlement agreement has been reached whereby two freehold properties, which are estimated to be worth approximately US\$400,000, were transferred for the benefit of the liquidation estate.

The Liquidators have sold both of the properties to third parties for US\$190,000, and US\$170,000. An amount of US\$50,000 was paid upon execution of the Purchase Agreement and the remaining balance of US\$140,000 is payable in 18 monthly instalments, with interest accruing at an annual rate of 10%. The deferred consideration element is guaranteed by a mortgage on the property. The Deed of Purchase was executed upon receiving the approval of the tax authorities in Argentina and the first instalment of the sale proceeds paid to Ortiz. Ortiz report that the remaining monthly instalments are up to date.

In accordance with the Purchase Agreement, an amount of US\$50,000 was payable upon execution. This amount was paid to Ortiz y Asociados on 27 December 2007. The remaining balance of US\$140,000 is to be paid in 18 monthly instalments, with interest accruing at an annual rate of 10%. The deferred consideration element is guaranteed by a mortgage on the property. Since the date of last report, the debtor has been complying with the terms of the agreement and has paid twelve of the eighteen monthly instalments. The debtor has six instalments of US\$7,778 left to pay which total US\$46,668.

Trade and Commerce Bank
Velox Capital Markets
Velox International Investments
Velox Real Estate
Velox Venture Capital
Peabody Limited
Terrace Corporation
(All in Official Liquidation)

Report of the Joint Official Liquidators

31 December 2008

5.5.2. Estudio Binacional

Various creditors of TCB resident in Argentina and Uruguay have brought legal proceedings against TCB and obtained court orders attaching to or restraining assets. As a result, the Liquidators were incurring legal costs in defending such proceedings and in attempting to have the relevant attachments or restraining orders removed. On 14 March 2007, the Liquidators entered into an asset recovery agreement (the "Asset Recovery Agreement") with Estudio Binacional, whereby:

- the Liquidators will execute a specific power of attorney in favour of Estudio Binacional to recover assets in Argentina on behalf of the Liquidators;
- Creditors will instruct Estudio Binacional to discontinue any proceedings against TCB, thereby releasing any attachments or restraining orders over TCB's assets;
- Creditors will take no further steps to bring legal proceedings against TCB or seek restraining orders;
- The Liquidators shall pay to Estudio Binacional the sum of US\$25,000 from the assets of TCB towards the costs and expenses of realising and recovering assets;

To the extent that Estudio Binacional requires additional funding in respect of disbursements or legal fees incurred they shall seek such additional funding from the creditors they represent or third parties on such terms as they may agree between them.

The Agreement was approved by the Committee and subsequently by the Grand Court on 28 August 2007. The Liquidators have paid US\$25,000 to Estudio Binacional.

Estudio Binacional are currently pursuing settlements with a number of debtors in Argentina.

6.0 Inter-Company Claims

6.1 Trade & Commerce Bank and Velox Investment Company

The Liquidators originally filed a claim in the liquidation of VIC in an amount of US\$25.9 million. The claim was substantially rejected by the Liquidator of VIC (the "VIC Liquidator") and the Liquidators filed an appeal. The claim was reduced on appeal to US\$16,004,039 and the Liquidators are currently awaiting confirmation from the VIC Liquidator as to whether TCB's reduced claim will be admitted.

The Liquidators have also filed a claim against VIC for repayment of the sum of US\$267,830.46, representing an asset of TCB which should have been held by the VIC Liquidator on the basis that it did not form part of the VIC estate.

It transpired that these funds were claimed to be a dividend payment from Banco Aleman and the liquidator of that bank, assisted by the Liquidator of VIC, Christopher Johnson, and Mario Moyano, submitted evidence, making a claim to these monies. This matter was resolved on 25 April 2008 when the Liquidators received a cheque from the VIC Liquidator in the amount of US\$40,000 in settlement of their proprietary claim against VIC for US\$267,830.

Trade and Commerce Bank
Velox Capital Markets
Velox International Investments
Velox Real Estate
Velox Venture Capital
Peabody Limited
Terrace Corporation
(All in Official Liquidation)

Report of the Joint Official Liquidators

31 December 2008

6.2. Velox International Investments and Velox Investment Company

The VIC Liquidator filed a claim in the liquidation of VII in an amount of US\$77.7 million. The Liquidators rejected the claim on the basis of insufficient supporting documentation. The VIC Liquidator appealed against the Liquidators' decision and provided further evidence to support the claim. However, the Liquidators did not consider the new evidence to be satisfactory and requested further documentary evidence. The Liquidators have recently received a response indicating that the vast majority of this claim (some US\$75.5m) may no longer form part of VIC's claim (see below).

6.3. Velox International Investments and Velox Retail Holdings

The Liquidator of Velox Retail Holdings ("VRH Liquidator") filed a claim in the liquidation of VII in an amount of US\$23.5 million. The Liquidators did not adjudicate on the claim in order to allow the VRH Liquidator some further time to obtain and provide further evidence to support the claim. The VRH Liquidator has since filed further documents which are currently being reviewed by the Liquidators.

6.4. Velox Retail Holdings and Trade & Commerce Bank

The VRH Liquidator filed a Proof of Debt form with the Liquidators claiming that there was an amount of US\$75,399,960 (which were previously included in the claim filed by VIC against VII) due from TCB to VRH. The Liquidators have rejected this claim on the basis that the VRH Liquidator has not submitted any evidence to substantiate the claim. The VRH Liquidator has since provided the Liquidators with more information.

7.0 The Third Official Liquidator

The Creditors will recall that the Third Official Liquidator was bringing an action against Arthur Andersen for its role in allegedly failing to detect the dishonest behaviour of TCB. A hearing took place on 3 October 2008 in the Cayman Court.

On 7 December 2008, the Liquidators were advised that the claims brought against Arthur Andersen LLP had been struck out by the Cayman Court. Cayman Islands Attorneys Ogier, representing Arthur Anderson, which acted as the bank's auditors between 1988 and 2000, had succeeded in striking out the claims made against it.

The Court decisively struck out the claims at a preliminary stage of the action, on the basis that the alleged fraud, if it had occurred, had been perpetrated by the controlling mind of the bank, and, following a recent decision of the English Court of Appeal in *Moore Stephens (A Firm) v Stone & Rolls LTD (In Liquidation)*, the bank could not be permitted to seek to sue an auditor for illegal conduct of which it was itself the perpetrator.

The Third Official Liquidator has since sought leave to appeal the decision for which no date has been set. As mentioned above, the decision of the Cayman Court followed a decision of the English Court of Appeal. The decision is due to be reviewed by the House of Lords in February/March of this year. It is thought that any appeal brought by the Third Official Liquidator will be affected by this decision.

Trade and Commerce Bank
Velox Capital Markets
Velox International Investments
Velox Real Estate
Velox Venture Capital
Peabody Limited
Terrace Corporation
(All in Official Liquidation)

Report of the Joint Official Liquidators

31 December 2008

8.0 Custody Accounts

The Liquidators have continued the process of identifying Custody Account holders and, where satisfactory evidence of ownership has been provided have returned monies to those claimants. At appointment, the Liquidators took control of portfolios of fixed income bonds and equities with a market value of US\$2.3 million. Realisations from those assets total US\$3.7 million. A total of US\$1.6 million has been returned to account holders and the Liquidators are currently holding cash of US\$1,289,783.28 and securities of US\$39,650.66.

The Liquidators fees in relation to dealing with the custody account assets amount to US\$568,050.21 to date. These are paid out of the custody account realisations and not from the liquidation estate.

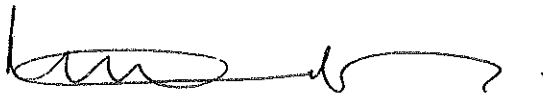
Since late 2006 to date, H&H have been contacting account holders with securities held at Banco Montevideo in an effort to get those securities released as the government body that is handling the liquidation of Banco Montevideo in Uruguay is now willing to consider the return of the custody assets to the relevant TCB account holders on receipt of satisfactory evidence demonstrating that the account holders are beneficially entitled to the securities claimed.

The Liquidators will continue to return the custody account assets that they hold, as and when claims are proved by account holders, although some further consideration will need to be given as to whether the Liquidators fees for dealing with these assets should be paid out of the relevant custody assets. The Liquidators will also need to decide what should be done with any unclaimed custody assets.

If any person reading this report believes that he or she may have a claim to investments previously held by, or to the order of TCB in Custody Accounts, they should contact the Joint Official Liquidators.

9.0 Conclusion

In order to be as cost efficient as possible, reports will only be provided to the general body of creditors via the website www.tcbliquidation.ky as and when there are significant matters to report.



Richard E.L Fogerty
Joint Official Liquidator

Appendix I

Trade and Commerce Bank - In Official Liquidation			
Receipts & Payments Account in respect of the TCB pooled liquidation estate for the period to 31 December 2008			
			31-Dec-08
			US\$
Receipts			
Cash taken over:			
	Merrill Lynch	69,547.64	69,547.64
	Butterfield	1,836.64	1,836.64
	Brown Brothers Harriman	67,602.35	67,602.35
	BSI	460.74	460.74
	Peabody	32,878.93	32,878.93
	Terrace	9,058.84	9,058.84
	Realisations		40,000.00
	Sale of vehicle and other assets		17,867.62
	Sale of securities		314,824.65
	Sale of property - Unit 1		170,000.00
	Sale of property - Unit 2		126,075.02
	Proceeds attributable to sale of Pegasus		173,000.00
	IPASA Settlement		480,000.00
	Proceeds from PEP		1,265,945.33
	Sale of Merlin		5,000.00
	Debts recovered		4,648,299.98
	Disposal of Pedro Goyena properties		69,000.00
	Funds from ECHG settlement		79,638.34
	Fees paid from custody account by custody account holders		540,023.93
	Interest earned		43,754.92
	Dividends		2,236.00
	Miscellaneous receipts		2,065.01
	Funds held on trust by Estudio Binacional		40,000.00
	Funds held by Ortiz Asociados		23,330.00
	Total receipts		8,222,445.94
Payments			
	Provisional Liquidators' fees		(518,179.05)
	Provisional Liquidators' expenses		(78,596.11)
	Official Liquidators' fees		(2,806,871.13)
	Official Liquidators' expenses		(285,730.14)
	Third Liquidator's fees and expenses		(392,438.99)
	Payment of BVI fees		(6,985.25)
	Campbells		(821,111.04)
	Hughes & Hughes fees and expenses		(1,189,194.14)
	Hughes & Hughes other expenses		(17,510.95)
	Hughes & Hughes suspense a/c		(74.71)
	Estudio Binacional		(25,000.00)
	Felsberg e Asociados		(23,500.10)
	Maples & Calder		(5,880.48)
	Saterlee Stephens Burke & Burke		(118,644.69)
	Diamond McCarthy		(23,744.00)
	Ortiz y Asociados		(246,618.77)
	Raul Borthwick		(17,489.30)
	Unpaid capital call re PEP (BBH) withheld on sale		(150,000.00)
	Charles Adams Ritchie & Duckworth		(167,390.30)
	Quin & Hampson/Mourant		(402,351.17)
	Felten		(1,262.14)
	Forbes Hare		(10,750.00)
	Other legal fees		(39,839.18)
	Blair Consular Services		(1,597.84)
	Database reconstruction costs		(69,446.50)
	Ernst & Young UK		(16,346.68)
	Court Reporter		(1,978.95)
	Government fees		(768.30)
	Cost of disposal of assets		(78,215.55)
	Translation services		(2,603.00)
	Transfer of records		(24,082.93)
	Advertising & website		(2,526.54)
	Bank charges		(7,858.46)
	Committee expenses		(6,943.00)
	Committee legal fees		(79,853.64)
	Total payments		(7,641,383.03)
	Net position		581,062.91