

30 April 2012

Report of the Joint Official Liquidators to the Creditors and the Grand Court of the Cayman Islands for the period 1 March 2008 to 30 April 2012

Trade and Commerce Bank
Velox Capital Markets Inc.
Velox International Investments
Velox Real Estate Limited
Velox Venture Capital
Peabody Limited Limited
Terrace Corporation

(All in Official Liquidation)



Report to the Creditors

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

Contents

1.	Basis of Presentation and Disclaimer	1
2.	Introduction	2
3.	Receipts and Payments	2
5.	Debtor Recoveries	3
6.	Realisations.....	3
7.	Ongoing Actions Against Debtors.....	4
8.	The Peirano Family.....	4
9.	Brazil	5
10.	US Court.....	5
11.	British Virgin Islands (BVI).....	6
12.	Creditors' Litigation	7
13.	The Third Official Liquidator	7
14.	Ring Fenced Funds for Distribution to Creditors.....	8
15.	Liquidators' Fees and Expenses	9
16.	Next Meeting of Creditors.....	10

Report to the Creditors

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

Appendices

Appendix A Receipts and payments account in respect of the TCB pooled liquidation estate for the period from 5 July 2002 to 30 April 2012

Appendix B Proxy Form

Report to the Creditors

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

1. Basis of Presentation and Disclaimer

1.1 Basis of Presentation

This report has been prepared solely for the purpose of informing the creditors (the “**Creditors**”) and the Grand Court of the Cayman Islands (the “**Court**”) about the progress made in the liquidations of the following companies (collectively “the **Companies**”):

- Trade and Commerce Bank (“**TCB**”);
- Velox Capital Markets Inc (“**VCM**”);
- Velox International Investments (“**VII**”);
- Velox Real Estate Ltd (“**VRE**”);
- Velox Venture Capital (“**VVC**”);
- Peabody Limited (“**Peabody**”); and
- Terrace Corporation (“**Terrace**”);

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.

This report does not waive privilege in relation to any matters that are the subject of legal proceedings in any jurisdiction.

1.2 Disclaimer

Under no circumstances should this report 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

Report to the Creditors

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

event that this report is obtained by a third party or used for any purpose other than in accordance with its 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 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.

2. Introduction

On 6 June 2003 an Order was made by the Court authorising that the assets of TCB, VCM, VII, VRE and VVC, be treated as being pooled for the purpose of the payment of costs, expenses, claims and distributions arising out of or relating to the liquidations.

On 24 July 2003 a similar Order was made by the Court authorising that the assets of TCB, Peabody and Terrace, be treated as being pooled for the purpose of the payment of costs, expenses, claims and distributions arising out of or relating to the liquidations.

The Liquidators of the Companies are G. James Cleaver and Richard E. L. Fogerty of Zolfo Cooper. This report should be read in conjunction with the Liquidators' previous reports dated 29 February 2008 and 21 August 2004. This report covers the period 1 March 2008 to 30 April 2012.

3. Receipts and Payments

A receipts and payments account in respect of the Companies for the period to 30 April 2012 is attached at Appendix A. The Liquidators hold US\$1,130,610.33 in the liquidation bank accounts.

Report to the Creditors

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

4. Liquidation Committee

Since the date of the Liquidators' last report the following individuals continue on the Liquidation Committee (the "Committee"):

- Carlos Folle Martinez has been represented at meetings by Dr. Juan Jose Frascini Chalar;
- Antonion Luquin, Mariano Alarcon and Victor Testoni have been represented by Alberto O. Forti; and
- Fondus Mutuos Banaleman is represented by its liquidator, Elisabetta de Riveros.

Since the date of my last report, there have been a further four annual meetings held with the Committee, the most recent being on 12 January 2012 in Montevideo.

5. Debtor Recoveries

Hughes and Hughes ("H&H") continue to collect debts on the Liquidators' behalf. H&H currently have fees outstanding to them in excess of US\$200,000 plus VAT.

6. Realisations

With the assistance of H&H, who were able to obtain information from a review of various promissory notes and certificates of deposit found within the books and records held at the Central Bank of Uruguay and lodged as security for loans, 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\$6,353,921.45, to date.

Report to the Creditors

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

7. Ongoing Actions Against Debtors

7.1 Uruguay

H&H are currently pursuing settlements with a number of debtors in Uruguay and continue to provide updates to the Liquidators where appropriate.

7.2 Argentina

Estudio Binacional are currently pursuing settlements with a number of debtors in Argentina and continue to provide updates to the Liquidators where appropriate.

8. The Peirano Family

8.1 Juan Peirano Basso

A local attorney in Brazil has been instructed in an attempt to resolve the dispute with Velox Financial Investments detailed in the Liquidators' previous report.

8.2 Letizia Vejo Peirano Mailhos (LVPM)

There are several claims against LVPM, as follows:

8.2.1. Criminal Procedure

Despite the prosecutor requesting that LVPM be indicted to stand trial for her alleged crimes, a judge subsequently decided that there were no merits to continue investigating the claim and dismissed the case.

Although additional evidence was submitted by the prosecutor, the judge did not believe this to be strong enough to warrant further investigation. This matter has now been concluded.

8.2.2. Civil claim

Claim 1 for US\$550,000 plus interest

Report to the Creditors

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

Since the Liquidators' previous report, H&H have had confirmation that LVPM has provided a guarantee, amounting to US\$1 million, to the court in order to be able to appeal the judgment for a second time. The Liquidators continue to await the outcome of this appeal.

Claim 2 for outstanding balances of US\$30.9 million plus interest.

The first instance judge rejected TCB's claim, however the Liquidators have appealed that decision. It is expected that a decision will be handed down in 2012. The Liquidators have spoken directly with the attorney for LVPM, in an attempt to settle the claims but without success.

8.3 Miguel Peirano Basso ("MPB")

The Liquidators have received an offer from MPB to settle a debt owed to TCB. The terms of the offer of settlement were not acceptable to the Liquidators. A decision of the court is expected soon. A first instance judgment favorable to the liquidation was obtained however this has now been appealed.

9. Brazil

H&H advised the liquidators that the most effective way to pursue debtors in Brazil would be to instruct a Brazilian attorney to act on the liquidators behalf. The Liquidators appointed Celso Neves of Advocacia Jose Benedito Neves to act as their attorney in Brazil. H&H have recently provided the relevant file copies to the Brazilian attorney to action. The Brazilian attorney is acting on a purely contingent basis.

10. US Court

The Liquidators have been involved in dispute involving three parties regarding a debtor amount due to the Company. The dispute relates to, who is entitled to receive payment of a debtor balance held in the United States Court. The other parties involved in the dispute are the debtors'

Report to the Creditors

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

last known principals and the Government of Brazil. The Liquidators have obtained a default judgment in the British Virgin Islands (**BVI**) in terms of the debt owed by the debtor to TCB and have sought to enforce that judgment in the United States.

The Liquidators are currently awaiting the US Court's determination on a number of motions. The Government of Brazil has filed a motion to have the Liquidators' claim dismissed, however at a hearing on this matter in early October the US Court did not appear to be convinced by the arguments.

The Liquidators' attorneys have since filed a motion to permit execution of judgment, which essentially seeks the US Court's permission to allow the Liquidators to execute the BVI judgment on the funds held in the US Court registry. The Government of Brazil has asked the US Court to delay its rulings for 60 days.

The Liquidators, together with their attorneys, will continue to press the US Court for a decision as soon as possible.

11. British Virgin Islands (BVI)

11.1 Establishment for International Investment Inc

H&H have held several meetings with the anti money laundering authorities in Uruguay and as a result have prepared a draft memo to pass on to the authorities which is currently being reviewed by the Liquidators. Once this has been finalised and passed to the relevant authorities, the Liquidators hope to hold a meeting to discuss how cooperation could mutually benefit both the liquidation and the authorities in Uruguay.

11.2 Other BVI Entities

There are currently four TCB related entities in liquidation in the BVI, namely:

- Lightblue Limited;
- Rushdale Financial Corporation;

Report to the Creditors

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

- Whiterock Financial Inc; and
- Dusany Properties Limited. (the **BVI Entities**)

During the course of the liquidation of the Companies, the Liquidators determined that the BVI Entities were indebted to the Companies and evidenced by promissory notes in September 2006, the Liquidators served a statutory demand on the BVI Entities and when no attempt was made to satisfy the debts, the Liquidators made an application to the BVI Courts to have the BVI Entities placed into liquidation on the basis that they were unable to pay their debts as they fell due and were therefore insolvent.

During the course of the liquidations, the Liquidators found no evidence of assets which could be realized for the benefit of the BVI Entities creditors, the Liquidator therefore determined it would not be appropriate to conduct further investigations and the liquidations should be closed.

There may be two potential claims against LVPM, relating to the BVI Entities, Lightblue Limited and Rushdale Financial Corporation. These claims if proven will be assigned to TCB.

In December 2011 and January 2012 the Liquidator issued the final report to creditors of the BVI Entities and the BVI Entities are currently in the process of being struck from the register and dissolved.

12. Creditors' Litigation

H&H continue to defend actions in Uruguay against creditors who are attempting to attach to assets of the Companies. Although these types of actions are more and more infrequent, H&H's services continue to be required in order to protect the Companies assets.

13. The Third Official Liquidator

Despite the decision in the House of Lords, England on 30 July 2009 in the case of *Moore Stephens (a firm) v. Stone & Rolls Limited (in liquidation)* in which the House of Lords overturned a prior

Report to the Creditors

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

decision by the English Court of Appeal that had been relied on by Mrs Justice Norma to strike out the claim against Arthur Andersen, the Court refused the application from the Third Official Liquidator (the "TOL") to appeal the decision of Mrs Justice Norma.

Subsequently, the TOL renewed his application for leave to appeal directly to the Cayman Islands Court of Appeal. The President of the Court of Appeal of the Cayman Islands granted the TOL leave to appeal the decision in March 2011.

Following that decision Arthur Andersen and the TOL entered into negotiations in respect of an out of court settlement. A confidential settlement was reached with Arthur Andersen and on 3 August 2011 the TOL received US\$251,341.21. The Liquidators are seeking confirmation from the TOL of the amount that will be retained for fees and the balance that will be paid to the liquidation estate.

The Liquidators understand that the TOL continues to pursue the claim against Morris Brankin.

14. Ring Fenced Funds for Distribution to Creditors

There is currently US\$995,058.14 which is ring fenced for distribution to creditors.

At the Committee meeting on 12 January 2012 it was agreed that the Liquidators would finish adjudicating the claims and use part of the ring fenced funds to cover the costs of this process. It was also agreed that the Liquidators would make a distribution to creditors.

Following on from analysis conducted by the Liquidators and their staff, the Liquidators have received in excess of 1,400 claims. There are currently 511 admitted creditors totaling approximately US\$120 million. There is one creditor who has a significant claim for approximately US\$301 million. Based on advice the Liquidators have received from their lawyers in the Cayman Islands, this amount will have to be provided for in full when finalising the amounts to be distributed to the individual creditors. In order to satisfy the statutory requirements the Liquidators will shortly advertise a claims bar date for the distribution and shortly thereafter make a distribution to creditors.

Report to the Creditors

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

With the funds currently available this would equate to less than a cent in the dollar being paid on admitted claims. This means that there are some admitted claims which may not get paid as the costs of processing and sending them their distribution would be more expensive than the amount they would receive. The Liquidators therefore may apply to the Cayman Court to agree a de minimis claim level in order for creditors to qualify to receive a distribution during this interim dividend distribution.

15. Liquidators' Fees and Expenses

The Liquidators' have taken fees totalling US\$3,668,656.03 in respect of time costs and expenses relating to the provisional and official liquidation periods.

On the 8 May 2007 the Court approved Liquidators fees of US\$1,888,107.62 and expenses of US\$210,186.33 incurred during the period between 29 August 2002 and 28 February 2007, relating to the official liquidation.

On the 28 August 2007 the Court approved Liquidators fees of US\$518,179.05 and expenses of US\$78,596.11 incurred during the period between 5 July 2002 and 28 August 2002, relating to the provisional liquidation.

In 2010, the Committee approved the Liquidators' fees and expenses for the period 1 March 2007 to 31 December 2008, by written resolution, to the value of US\$544,673.40. At the same time, the Committee also approved the Liquidators' fees and expenses for the period 1 January 2009 to 28 February 2010 to the value of US\$234,248.17 by written resolution. At the Committee meeting held on 12 January 2012, by way of written resolution, the Committee approved the Liquidators' fees and expenses for the period 1 March 2010 to 30 November 2011 to the value of US\$382,102.77 in accordance with the most recent remuneration agreement signed by the committee on 12 January 2012.

The Liquidators will shortly be making an application to the Court to have the liquidation fees and expenses for the period 1 March 2007 to 30 April 2012 approved.

Report to the Creditors

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

16. Next Meeting of Creditors

The next meeting of creditors will be held on 11 June 2012 at 10.00 am Eastern Standard Time. Please note that the meeting will be held by telephone conference and will be held solely to discuss the contents of this report. Should any creditor wish to participate on the call then they should complete and return the proxy form attached at Appendix B to Kevin Guirey at kevin.guirey@zolfocooper.ky, no later than close of business on Thursday 7 June 2012.

In advance of the meeting please forward any questions or queries which are intended to be raised to enable the preparation of a comprehensive response. Any questions must be submitted before close of business on Thursday 7 June 2012. Please also provide, if possible, a contact email address for all future creditor correspondence.



Richard Fogerty
Joint Official Liquidator

**Appendix A Receipts and payments account in respect of the TCB pooled liquidation estate
for the Period from 5 July 2002 to 30 April 2012**

Trade and Commerce Bank - In Official Liquidation

Receipts & Payments Account in respect of the TCB pooled liquidation estate for the period to 30 April 2012

	30-Apr-12 US\$
Receipts	
Cash taken over:	
Merrill Lynch	69,547.64
Butterfield	1,836.64
Brown Brothers Harriman	67,602.35
BSI	460.74
Peabody	32,878.93
Terrace	9,058.84
Velox Investment Company Settlement	40,000.00
Sale of vehicle and other assets	17,867.62
Sale of securities	314,824.65
Sale of properties - Moneta units	342,739.02
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	6,353,921.45
Disposal of Pedro Goyena properties	69,000.00
Inmobiliaria El Gaucho	323,039.74
Funds from ECHG settlement	79,638.34
Fees paid from custody account by custody account holders	540,023.93
Interest earned	44,034.64
Dividends	2,236.00
Miscellaneous receipts	2,065.01
Total receipts	<u>10,234,720.87</u>
Payments	
Provisional Liquidators' fees and expenses	(596,775.16)
Official Liquidators' fees and expenses	(3,668,656.03)
Third Liquidator's fees and expenses	(392,438.99)
Payment of BVI fees	(6,985.25)
Campbells	(884,070.58)
Hughes & Hughes fees and expenses	(1,692,728.91)
Estudio Bincaional	(79,035.00)
Felsberg e Associados	(28,288.45)
Michael Crystal	(8,116.33)
Adam Al Attar	(4,058.17)
Maples & Calder	(5,880.48)
Saterlee Stephens Burke & Burke	(118,644.69)
Diamond McCarthy	(23,744.00)
Ortiz y Asociados	(266,618.77)
Raul Borthwick	(17,489.30)
Unpaid capital call re PEP (BBH) withheld on sale	(150,000.00)
Charles Adams Ritchie & Duckworth	(167,390.30)
Mourant (formerly Quin & Hampson)	(419,820.11)
Felten	(1,262.14)
Forbes Hare	(188,904.08)
Martin Kenney & Co.	(35,000.00)
Other legal fees	(39,839.18)
Blair Consular Services	(3,081.20)
Database reconstruction costs	(69,446.50)
Ernst & Young UK	(16,346.68)
Government fees	(5,963.41)
Cost of disposal of assets	(78,215.55)
Miscellaneous expenses	(34,420.00)
Bank charges	(11,419.98)
Committee expenses and legal fees	(89,471.30)
Total payments	<u>(9,104,110.54)</u>
Balance	1,130,610.33

Appendix B Proxy Form

PROXY FORM

Notes to help completion of this form

Trade and Commerce Bank – In Official Liquidation

Please give full name and address for communication.

NAME OF STAKEHOLDER _____

ADDRESS _____

EMAIL ADDRESS _____

Class and number of shares held.

CLASS AND NUMBER OF SHARES HELD _____

OR AMOUNT OF CLAIM _____

Please insert name of person (who must be 18 or over) or the "Chairman of the Meeting" (see note below). If you wish to provide for alternative proxy-holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternative(s).

NAME OF PROXY HOLDER

1. _____

2. _____

3. _____

I appoint the above person to be my/the* stakeholder's proxy-holder at the meeting of stakeholders to be held on 11 June 2012 or at any adjournment of that meeting.

This form must be signed

SIGNATURE _____

DATE _____

NAME IN CAPITAL LETTERS _____

Only to be completed if the investor has not signed in person.

POSITION WITH MEMBER OR RELATIONSHIP TO STAKEHOLDER OR OTHER AUTHORITY FOR SIGNATURE

PLEASE NOTE THAT IF YOU NOMINATE THE CHAIRMAN OF THE MEETING TO BE YOUR PROXY-HOLDER HE WILL BE ONE OF THE JOINT LIQUIDATORS OF THE ABOVE COMPANY.

(* - Delete as applicable)



Zolfo Cooper (Cayman) Limited
P.O. Box 1102
4th Floor, Building 3
Cayman Financial Centre
Grand Cayman KY1-1102
Cayman Islands