

15 January 2016

Report of the Joint Official Liquidators to the Creditors and the Grand Court of the Cayman Islands for the period 1 July 2013 to 30 November 2015

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)



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Glossary

BVI	British Virgin Islands
Campbells	Campbells, Cayman legal counsel to the Liquidators
Cayman Court	The Grand Court of the Cayman Islands
CIMA	Cayman Islands Monetary Authority
Committee	Liquidation committee
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) Terrace Corporation (Terrace) (all in official liquidation)
Creditors	Creditors of the Companies
Current Period	1 July 2013 to 30 November 2015
CWR	The Companies Winding Up Rules (2008 Revision) (as amended)
EB	Estudio Binacional, Argentinian legal counsel to the Liquidators
H&H	The Liquidators' Uruguayan legal advisers, Hughes and Hughes
Kesten Claim	The Companies' claim against Kesten Development Corp in respect of the US\$6.8 million that is held in court in the United States
Liquidators	Tammy Fu and Eleanor Fisher of Zolfo Cooper, joint official liquidators of the Companies
LVPM	Leitiza Vejo Peirano Mailhos
Previous Period	1 May 2012 to 30 June 2013
Previous Report	The Liquidators report to the Creditors and the Cayman Court for the Previous Period
SSBB	Satterlee, Stephens, Burke & Burke LLP, chapter 15 counsel to the Liquidators

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TOL	Third official liquidator
Uruguayan Supreme Court	Uruguayan Supreme Court of Justice
VIC	Velox Investment Companies - in official liquidation
VRH	Velox Retail Holdings - in official liquidation
Zolfo Cooper	Zolfo Cooper (Cayman) Limited

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Basis of Presentation

This report has been prepared for the purpose of informing the Creditors and the Cayman Court about the progress made in the liquidation of the Companies to date.

This report has been prepared using the information available to 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 provided in this report.

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

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 prior written consent of the Liquidators. In the 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 and the Cayman Court, 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, 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 Companies at the time of their appointment, and the statutory documentation and other information provided 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.

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1. Introduction

On 29 August 2002, by order of the Cayman Court, TCB was placed into official liquidation.

On 6 June 2003 an order was made by the Cayman 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 Cayman 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.

By order of the Cayman Court dated 16 May 2012 Tammy Fu and Eleanor Fisher of Zolfo Cooper, 38 Market Street, 2nd Floor, Canella Court, Camana Bay, Grand Cayman, KY1-9006, Cayman Islands replaced Richard Fogerty and Jim Cleaver as joint official liquidators of the Companies.

This report should be read in conjunction with the Liquidators' Previous Report and covers the Current Period.

2. Assets

2.1 Advertisement in South American newspapers

For some time the Liquidators have been attempting to sell the remaining debtor claims and outstanding litigation claims in an effort to conclude the liquidation. In an effort to identify any parties who may be interested in acquiring the assets of the Companies, liquidators placed advertisements, on 14 May 2015, in the following three newspapers in South America advertising the assets for sale:

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- La Nacion (Argentina);
- El Pais (Uruguay); and
- ABC (Paraguay).

After these adverts appeared, the Liquidators were contacted by three interested parties, however, after further discussions, it became clear that none of these parties held an interest in the Companies' assets available for sale.

2.2 Uruguayan debtors

2.2.1. Leitiza Vejo Peirano Mailhos

Despite the two judgments against LVPM which were previously issued by the Uruguayan courts in favour of the Liquidators, in November 2013 the Liquidators were notified that LVPM had successfully appealed the decision in favour of the Companies. The Liquidators filed an appeal at the Uruguayan Supreme Court. In September 2014 the Uruguayan Supreme Court ruled in LVPM's favour.

As the appeal to the Uruguayan Supreme Court was final, there is no prospect of recovery from the claim against LVPM.

2.2.2. Other Uruguayan debtors

The Liquidators, via H&H, were pursuing claims against debtors with values of US\$473,815 and US\$152,000. Following judgments issued by the Uruguayan Court of appeal in favour of the Companies, in an effort to enforce the judgments, H&H undertook an asset identification process in respect of the debtors. The result of these investigations was that it became apparent the debtors had insufficient assets to allow the enforcement of the Uruguayan judgments and subsequently, after a period of negotiation and following consultation with H&H, the Liquidators accepted an amount of US\$29,000 from the debtors in full and final settlement of the claims.

The Liquidators executed a deed of settlement with the debtors on 2 July 2015.

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2.3 Argentinean debtors

The Companies have two potential claims against debtors in Argentina. Both of these claims are being pursued by EB on a contingency basis. The Liquidators have instructed EB to approach these parties' representatives to assess any possibility of settlement.

2.4 Brazilian debtors

Following efforts by the Liquidators to generate interest in the Companies Brazilian debtors, H&H were contacted by a third party who expressed an interest in the Brazilian debtors. After a period of negotiations, the Liquidators were able to conclude a sale for US\$65,000.

The Liquidators executed a deed of assignment on 14 September 2015.

2.5 Kesten Development Corp.

The Kesten Claim remains ongoing. During the Current Period the Liquidators have explored selling the claim in an effort to generate realisations for the liquidation estate and are currently assessing the best strategy to realise this asset to the benefit of the Creditors and have sought directions from the Cayman Court in this regard. The Liquidators will provide a full update in respect of this matter in their next report.

2.6 Third official liquidator

Further to the Previous Report, on 31 March 2014 the Liquidators received US\$134,526 from the TOL in respect of the settlements reached with Arthur Andersen and Morris Brankin.

2.7 Claims against Velox Retail Holdings and Velox Investment Companies (both in official liquidation)

In summary, the Companies held an admitted claim in the liquidation of VRH for US\$8,392,065, with an additional claim held by the Companies against VRH of US\$42,500,000 under appeal. VRH held a counter-claim against the Companies for

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US\$75,399,960 with an additional counter-claim held against the Companies for US\$23,577,458. After taking the various claims and counter-claims into consideration, the value of the assets in the respective estates, the estimated costs of litigation in respect of the claims (which could be in excess of any recoveries) and consulting with Campbells, , the Liquidators signed a deed of settlement with VIC and VRH on 24 July 2015. Whilst there will be no further realisations from this source, the potential claims of VIC and VRH have been withdrawn.

2.8 Establishment for International Investment Inc.

There is no further prospect of recovery from this matter and the Liquidators are in the process of closing the liquidation.

3. Liabilities

3.1 Claims adjudication of unsecured creditors

The adjudication of any unadjudicated claims will continue to remain on hold unless and until there are sufficient assets in the liquidation estate to enable a distribution to Creditors.

3.2 Litigating creditors

H&H continue to monitor any attempts by the Creditors and have advised that there are currently several on-going actions against the Companies who may attempt to attach to assets.

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4. Receipts and payments account

A receipts and payments account in respect of the Companies for the Current Period is attached at appendix A. The Liquidators hold US\$739,123 in the liquidation bank account as at 30 November 2015.

4.1 Receipts

4.1.1. Third official liquidator proceeds

As detailed in section 2.6 of this report, the Liquidators received US\$134,526 from the TOL in respect of the settlements reached with Arthur Andersen and Morris Brankin.

4.1.2. Sale of Brazilian debtors

As detailed in section 2.4 of this report, the Liquidators sold the Companies' Brazilian debtors, in September 2015 for US\$65,000.

4.2 Payments

4.2.1. H&H

During the Current Period US\$321,737 has been paid to H&H in respect of their outstanding fees and expenses. This includes a payment in respect of historical outstanding fees for the period 1 July 2011 to 31 May 2013 of US\$281,990, which was approved for payment by the Committee in March 2014. The Liquidators, mindful of the costs to the liquidation estate, agreed a discount with H&H of approximately US\$45,000. The remaining fees and expenses payable related to work undertaken by H&H largely in respect of the realisation / sale of the Uruguayan and Brazilian debtor books.

During the Current Period, in an effort to reduce costs, the Liquidators entered into a contingency fee arrangement with H&H for work carried out relating to certain debtor claims. In accordance with the terms of the contingency agreement, dated July 2014, H&H received 25% of any future recoveries. This ensured H&H's interests were aligned with the Companies in terms of maximising realisations.

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4.2.2. Campbells

During the Current Period US\$114,791 has been paid to Campbells. The work undertaken by Campbells has included:

- advising in respect of the resolution of the claims, and counter-claims, for VIC and VRH and the terms of the deed of settlement;
- providing advice in relation to the Kesten Claim from a Cayman perspective; and
- filing of applications and attending hearings at the Cayman Court.

4.2.3. Satterlee, Stephens, Burke & Burke LLP

During the Current Period US\$44,965 has been paid to SSBB in respect of their outstanding fees and expenses. This payment to SSBB related to work carried out on the Chapter 15 proceedings since the commencement of the liquidation.

4.2.4. Miscellaneous expenses

During the Current Period US\$8,901 has been paid in respect of miscellaneous expenses including translation, advertising and website expenses.

4.2.5. Bank charges

The sum of US\$1,130 was incurred in bank charges during the Current Period.

4.2.6. Committee expenses

One of the Committee members was paid travel expenses of US\$455 in respect of expenses incurred in attending the last Committee meeting.

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5. Liquidators' fees and expenses

Further to the Previous Report the Liquidators sought the approval of the Committee for fees incurred of US\$234,658 during the period 1 January 2013 to 31 August 2013 and fees incurred of US\$147,824 during the period 1 September 2013 to 31 March 2014. The Liquidators have received full Committee approval for the fees incurred during these periods and will shortly make an application to the Cayman Court for its ultimate approval of the same.

The Liquidators have incurred fees of US\$242,397 for the period 1 April 2014 to 30 September 2015. The Liquidators have sought approval from the Committee and will also include this period in the upcoming application to the Cayman Court.

6. Outstanding expenses

The following liquidation expenses remain outstanding as at 30 November 2015:

	US\$
Liquidators' fees and expenses	1,007,995
Campbells (estimated)	50,000
H&H	-
SSBB	53,395
Other	TBC
Total	1,111,390

In respect of the 'Other' row in the table above, the Liquidators are currently awaiting confirmation from the ROC and CIMA as to any fees that may still be owing to those entities.

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7. The Committee

The Committee is comprised as follows:

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

In the period following the Previous Report, Committee meetings have been held on 28 April 2014, which was inquorate, and 13 November 2015. In addition to the formal Committee meetings, the Liquidators have maintained regular correspondence with the Committee throughout the Current Period.

8. Remaining funds

Based on the estimated realisations for the remaining claims held by the Companies, the minimum level of funding currently available to the Companies, and the associated costs in completing an adjudication and distribution process, the Liquidators are of the opinion that it is uneconomical to make a distribution to the Creditors at the present time or in the near future.

Unless the Liquidators are successful in obtaining all, or substantially all, of the monies held at the US court in respect of their litigation of the Kesten Claim, then the Liquidators intend to use the remaining monies to discharge the outstanding liabilities of the Companies and to apply to the Cayman Court for the closure of the liquidation and dissolution of the Companies in due course.

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9. Meeting of the Creditors

The next meeting of the Creditors will be held on Monday 8 February 2016 at 10.00 am Cayman 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 of the Creditors wish to participate on the call then they should complete and return the proxy form attached at appendix B to Emma Storry at emma.storry@zolfocooper.ky no later than close of business on Wednesday 3 February 2016.

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 Wednesday 3 February 2016. Please also provide, if possible, a contact email address for all future correspondence.

10. Next steps

The Liquidators will report to the Creditors when the Companies directions application has been heard. In the event that the Cayman Court does direct the Liquidators to proceed with a sale of the Kesten Claim, there will be insufficient funds available to discharge the costs of the liquidation due to the level of available assets versus the level of outstanding costs. In this scenario the next steps would be:

- conclude the sale of the Kesten Claim;
- obtain US bankruptcy court approval of the sale;
- close the US bankruptcy court chapter 15 proceedings;
- attempt to realise any value in the Argentinean assets, surrendering them if necessary;
- discharge the outstanding liabilities of the Companies; and

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- apply to the Cayman Court for the release of the Liquidators and the dissolution of the Companies.

If you would like to discuss any aspect of this report, please contact Emma Storry on emma.storry@zolfocooper.ky.

Tammy Fu
Joint Official Liquidator

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Receipts and payments account for the period 29 August 2002 to 30 November 2015

Receipts	To 30 June 2013 US\$	Movement	To 30 November 2015 US\$
Cash taken over			
- Merrill Lynch	69,548	-	69,548
- Brown Brothers Harriman	67,602	-	67,602
- Peabody	32,879	-	32,879
- Terrace	9,059	-	9,059
- Butterfield	1,837	-	1,837
- BSI	461	-	461
Debts recovered	6,473,915	-	6,473,915
Proceeds from PEP	1,265,945	-	1,265,945
IPASA settlement	480,000	-	480,000
Sale of properties - Moneta units	342,739	-	342,739
Immobiliaria El Gaucho	323,040	-	323,040
Sale of securities	314,825	-	314,825
Proceeds attributable to sale of Pegasus	173,000	-	173,000
Third official liquidator proceeds	-	134,526	134,526
Funds from ECHG settlement	79,638	-	79,638
Disposal of Pedro Goyena properties	69,000	-	69,000
Sale of Brazilian debtor book	-	65,000	65,000
Miscellaneous receipts	51,143	-	51,143
Interest earned	44,035	-	44,035
Velox Investment Company settlement	40,000	-	40,000
Sale of vehicle and other assets	17,868	-	17,868
Sale of Merlin	5,000	-	5,000
Dividends	2,236	-	2,236
	9,863,769	199,526	10,063,295
Payments			
Official liquidators' fees and expenses	3,230,467	-	3,230,467
Hughes and Hughes	1,812,723	321,737	2,134,459
Campbells	920,852	114,791	1,035,644
Provisional liquidators' fees and expenses	596,775	-	596,775
Mourants	419,820	-	419,820
Third official liquidators' fees and expenses	392,439	-	392,439
Ortiz y Asociados	266,619	-	266,619
Forbes Hare	188,904	-	188,904
Charles Adams Ritchie & Duckworth	167,390	-	167,390
Satterlee Stephens Burke & Burke	118,645	44,965	163,610
Unpaid capital call re PEP (BBH) withheld on sale	150,000	-	150,000
Committee expenses & legal fees	97,471	455	97,927
Estudio Binacional	79,035	-	79,035
Costs for disposal of assets	78,216	-	78,216
Database reconstruction	69,447	-	69,447
Other legal fees and expenses	39,839	-	39,839
Miscellaneous expenses	35,230	8,901	44,131
Martin Kenny & Co	35,000	-	35,000
Felsberg e Asociados	28,288	-	28,288
Diamond McCarthy	23,744	-	23,744
Raul A Borthwick	17,489	-	17,489
Ernst & Young LLP (UK)	16,347	-	16,347
Bank charges	12,106	1,130	13,236
Michael Crystal	8,116	-	8,116
BVI Costs	6,985	-	6,985
Government fees	5,963	-	5,963
Maples & Calder	5,880	-	5,880
Adam Al Attar	4,058	-	4,058
Blair Consular services	3,081	-	3,081
Felten & Associes	1,262	-	1,262
	8,832,193	491,979	9,324,172
Balance	1,031,576		739,123

Appendix B

Proxy form

PROXY FORM

Notes to help completion of this form

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Please give full name and address for communication.

NAME OF CREDITOR _____

ADDRESS _____

EMAIL ADDRESS _____

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* creditor's proxy-holder at the meeting of creditors to be held on Monday 8 February 2016 at 10.00 am Cayman Islands time or at any adjournment of that meeting.

This form must be signed

SIGNATURE _____

DATE _____

NAME IN CAPITAL LETTERS _____

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

POSITION WITH CREDITOR OR RELATIONSHIP TO CREDITOR 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 COMPANIES.

(* - Delete as applicable)



Zolfo Cooper (Cayman) Limited
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