

Bancredit Cayman Limited – In Official Liquidation (the Company)
Status Report
7 October 2005

**Bancredit Cayman Limited – In Official Liquidation
Status Report
7 October 2005**

CONTENTS

Contents	2
Appendix.....	3
1 Introduction.....	4
2 Creditors' Committee.....	4
3 Books and Records.....	4
4 Assets.....	4
5 Liabilities.....	6
6 Controllers' and Liquidators' fees.....	8
7 Dividend to creditors.....	9
8 Conclusion.....	9

**Bancredit Cayman Limited – In Official Liquidation
Status Report
7 October 2005**

APPENDIX

- I. Receipts and payments account for the period 4 September 2003 to 7 October 2005**

**Bancredit Cayman Limited – In Official Liquidation
Status Report
7 October 2005**

1 Introduction

This is a progress report for the period of Liquidation from 27 May 2005 to 30 September 2005 and is based on a report filed with the Grand Court of the Cayman Islands on 29 November 2005.

2 Creditors' committee

At the previous meeting of the Creditors' Committee, held on 28 June 2005, a number of issues were discussed including:

- the formalities of the operation of the committee;
- the collection of loan monies;
- the Liquidators' authority to settle or compromise debts;
- the adjudication of creditor claims;
- economic group and other bailiff actions in the Dominican Republic;
- the Company's books and records;
- the progress of the winding up petition in respect of GFN International Investment Corporation;
- the remuneration of the Controllers, and
- the basis of remuneration for the Liquidators.

3 Books and records

The Liquidators have been provided with a copy of the forensic accountancy report prepared in 2004, on the instructions of the Central Bank of the Dominican Republic, and relating to the group of companies that included Bancredit Cayman and Bancredito Panama (the "Duarte Report"). The report states that the Forensic Accountant, Sr. Duarte, believes that Bancredito Panama may hold further records relating to Bancredit Cayman.

The Liquidators' attorneys have written to the Liquidator of Bancredito Panama requesting that any records relating to Bancredit Cayman be sent to the Liquidators of Bancredit Cayman for review, or that he confirm that no further records are held.

The Liquidators continue to correspond, through their Miami attorneys and directly, with Hemisphere National Bank, Union Planters Bank and American Express Bank, with a view to obtaining the underlying records relating to the accounts held by Bancredit with each of those banks.

4 Assets

A receipts and payments account for the period from 4 September 2003 to 7 October 2005 is attached at Appendix I, upon which the Liquidators comment as follows:

4.1 Loan Book

4.1.1. Loan repayments

Since the Liquidators' last report to the Committee, loan repayments of US\$2,413,518.75 have been received, making a total of US\$14,398,529.43 since the appointment of the Controllers. .

Bancredit Cayman Limited – In Official Liquidation
Status Report
7 October 2005

At the previous meeting, the Liquidator advised the Committee of the intention to seek the sanction of the Cayman Court to enter into the loan settlements made to date, and potential future settlements of outstanding loans, debts and claims of the Company against third and related parties. The approval of the Committee was sought on this application and was obtained.

The Liquidators have now applied to the Cayman Court for formal sanction to settle the loans and debts.

4.1.2. Sale of Loan Portfolio

On 3 October 2005 a meeting was held at the Liquidators' offices regarding the prospective sale of the loan book. The records relating to the numerous outstanding loan accounts were reviewed by a representative of the interested party, who also requested further information on some of the loans. The Liquidators and their attorneys have also approached five other potential purchasers for the loan portfolio. As it is uncertain at this stage whether a sale of the loan portfolio will be achieved, the Liquidators and their attorneys continue their collection efforts.

4.2 GFN International Investment Corporation (GFNII)

A petition for the winding up of GFNII was presented to the Court on 18 November 2004. GFNII is a related party of Bancredit, and is indebted to Bancredit in the sum of approximately US\$5.5 million. This arises from a subrogated claim relating to security granted by Bancredit to Dresdner to support borrowings of GFNII from Dresdner. On default of those borrowings, Dresdner exercised its security over cash at an account of Bancredit's with Dresdner, and the sums claimed by the petition represent the sums over which that security was enforced.

The petition was first heard by Mr. Justice Henderson on 7 January 2005. At that hearing, Henderson J. concluded that the Court needed to hear expert evidence as a matter of German law as to the basis of the subrogated claim, given that the loan and security documentation relating to the Dresdner debt was governed by German law. The Liquidators obtained German law evidence.

The adjourned hearing of the Petition took place on 25 and 28 February 2004 before Mr Justice Sanderson. He considered that although the petition debt was probably due, the statutory demand was probably invalid at the time it was served, given that Dresdner's full debt had not been repaid. This was, in fact, because some US\$20,000 of Dresdner's full debt (which was in excess of US\$7 million) had not been repaid by GFNII to Dresdner, although Dresdner had written that balance off, and in January 2005 Bancredit had settled the residual amount of Dresdner's debt to enable it to proceed with the petition.

However, Sanderson J. held that GFNII was likely to be unable to pay its debts as they fell due. He therefore allowed a further adjournment for Bancredit to amend the petition to proceed on the basis of section 95(c) Companies Law (2004 Revision). He also wanted to hear further evidence as to the Central Bank's views, and the progress of claims adjudication in the liquidation. The petition was amended, and was heard on 30 and 31 May 2005. At that hearing, GFNII admitted in evidence that it is insolvent and it had also, previously, admitted the debt due to Bancredit.

The draft judgment of Sanderson J. was received on 27 September 2005 and this said that a winding up order would not be made against GFNII. The judge stated that there was little likelihood of any benefit being achieved from a liquidation and that the costs would be significant. He believed that a portion of those costs may ultimately be borne by the preferred shareholders. He said there was insufficient evidence to justify the appointment of a liquidator for the purpose of investigating the conduct of the directors. He noted that there was significant

Bancredit Cayman Limited – In Official Liquidation
Status Report
7 October 2005

opposition from the preferred shareholders to the appointment of a liquidator and he felt that their opposition was not without merit.

Lawyers for the liquidators continue strongly in the view that the Judge should have made a winding up order and discussions followed with them as to the basis of any appeal that might be made. The Creditors' Committee has been presented with a full report as to the merits of an appeal as well as the risks. As at the date of this report, no decision has been made as to whether an appeal will be made or if the notice of Appeal will be with-drawn. To preserve the right to appeal, the relevant notice was filed within the statutory time limit. Any appeal would be heard by the Court of Appeal of the Cayman Islands and that Court does not sit year round. The first opportunity for any hearing of an appeal, if one is lodged, is in February 2006.

4.3 Union Planters

The Company placed a certificate of deposit for US\$13m with Union Planters and, from an analysis of the bank statements, it would appear that this certificate was cancelled three days later, with the funds being remitted to another account held at Union Planters.

Banco Leon have recently submitted a claim advising the Liquidators that they wish to set off the amount of US\$13m in respect of the certificate of deposit against the amount they are owed by the Company. It is alleged that the US\$13m was transferred to an account in the name of Bancredito and the Liquidators are unsure why this then continued to be reported to the Cayman Islands Monetary Authority as a certificate of deposit. The Liquidators continue to investigate this issue.

4.4 Tricom

The Duarte report contains papers showing transactions relating to the issue of Tricom shares valued at US\$70m in a private placement. We have seen examples of letters sent by Tricom to Bancredit requesting that accounts held in the name of Tricom be debited in respect of the proceeds of that share issue. The Liquidators are in the process of now reviewing the Hemisphere statements to establish if the amounts directed to be debited from the accounts as requested by Tricom, were so debited and if so when.

The Duarte report also contains a schedule of the Tricom account held at Hemisphere which would have been maintained by Bancredit. This schedule shows the amount of US\$70m being credited to the account.

4.5 Interest received

The funds held in the client account for the Company have been invested in various monthly fixed deposit accounts to maximize realizations for creditors. The interest received to date is US\$276,426.31

5 Liabilities

5.1 Customer deposits and the Central Bank

As reported previously, the Central Bank has submitted a claim of US\$65.9m, of which approximately US\$31m relates to compensation payments to third parties. This element of Central Bank's claim, with the exception of three claims that are still under query, has now been admitted to rank for any distributions that become available. However, there are unresolved issues in relation to the overall flow of funds at, or around, the time of the acquisition of the Company by Leon group. Because of this, and until these funds movements are fully understood, distributions to Central Bank will not be made.

Bancredit Cayman Limited – In Official Liquidation
Status Report
7 October 2005

The balance of the Central Bank's claim appears to relate to an inter-company debt between the Company and Bancredito which may have been assumed by the Central Bank as part of the transaction pursuant to which the Leon group acquired Bancredito. The Liquidators have sought further details from the Central Bank of the nature of and basis for this claim.

The Liquidators continue to review claims made by a number of third party depositors that have not been repaid by the Central Bank and that have also lodged proofs of debt in the liquidation. The adjudication process is ongoing.

5.2 Certificates of deposit issued by related companies

The Liquidators previously reported that some 123 third parties made claims against the Company in respect of deposits held with associated companies such as GFN S.A., Creditcard International S.A. and GFNII.

Parties holding such commercial papers or certificates of investment issued by connected companies have been written to and advised that their claims are rejected. There seems to have been general acceptance of this position and the Liquidators have not, to date, been put in funds by the issuer of the commercial papers or certificates of investment for the purpose of making re-payment to third parties.

5.3 Banco Leon

To date, Banco Leon has submitted claims under five general headings:

- Current account balance;
- Deposit account balance;
- Certificates of deposit issued to Cap Cana and assigned to Banco Leon;
- Wire transfers made, allegedly without authorisation;
- An assigned debt.

A lot of what the Liquidators have seen so far appears to indicate the possibility of claims duplication and highlights the need to fully understand the flow of funds already referred to in paragraph 5.1. Investigations will continue until the situation becomes clear and the events surrounding the sale of the Company, and the cash implications of it, are fully understood.

5.4 Claim adjudication

There are some 145 creditors indicated by the Company's records that have yet to submit a claim within the liquidation. Whilst these potential creditors have been provided with proof of debt forms, the Liquidators await confirmation of their claims and have notified them of the current intention, circumstances allowing, to pay a dividend within 4 months of 18 July 2005.

**Bancredit Cayman Limited – In Official Liquidation
Status Report
7 October 2005**

The progress of adjudication of creditors' claims is summarized in the following table and it should be noted that requests have been made of creditors where further information is required:

Status	Number of Creditors	Total Claims (US\$)
Adjudicated and admitted	8	31,418,128.48
Adjudicated and admitted pending KYC form	27	2,158,286.26
Further information required	40	269,550,912.99
Yet to claim	145	3,038,817.93
Rejected	131	22,660,218.41
Total	351	328,526,364.07

5.5 Actions brought against the Company and Liquidators

The Company was a defendant in a bailiff action being brought in the Dominican Republic by debtors of various GFN group companies which sought a declaration that those companies are part of an economic group and thus responsible for each others debts and liabilities. A judgment has been made in the Dominican Republic in respect of this bailiff action, but a copy has not been served upon our Dominican Republic attorney. The Liquidators' attorney has been allowed to view the judgment and has confirmed that the Company has not been made liable for the debts of other companies within the GFN group. However, this will need to be formally confirmed when a copy of the judgment has been acquired by the Liquidators' attorney and duly considered.

An embargo against the Company's assets has been registered by Artag Meridian Limited. The Liquidators do not agree that Artag Meridian Limited is a creditor within the liquidation and attorneys in Dominican Republic have therefore requested that the Court discharge the embargo due to the detrimental effect to the Liquidation estate.

An action was brought by a US Bank against the Liquidators and against Hemisphere National Bank in the County Court in Miami for the return of approximately US\$7,000 paid into the Hemisphere account for the credit of one of Bancredit's account holders, after the appointment of Controllers over Bancredit. It is the Liquidators' position that there is an entitlement to make a claim to the monies paid into this account. The Liquidators' Florida attorneys are attempting to resolve the issue by negotiation.

6 Controllers' and Liquidators' fees

A Court hearing has been set for 19 October 2005 to review the fees for the period of Controllershship.

The Court will be advised that at the Committee meeting on 28 June 2005 the Committee's view as to the level of fees was sought and that four members voted for the approval of the fees while the remaining member abstained from voting.

CIMA has yet to comment on the Controllers' fees and the Liquidators continue to correspond with CIMA in this regard and are pressing for their views ahead of the scheduled hearing date.

The Liquidation Committee have resolved that the Liquidators' fees be set on the basis of 5% of asset realisations and a further 2.5% on distributions made, within the liquidation.

**Bancredit Cayman Limited – In Official Liquidation
Status Report
7 October 2005**

7 Dividend to Creditors

The Liquidators are pleased to confirm that a first dividend of 4 cents on the dollar will be declared to creditors. Payments have been made to all creditors whose claims have been agreed and who have satisfied the due diligence requirements.

8 Conclusion

The Liquidators will continue to realise the Company's assets, determine the claims and amounts of its creditors and will consult with the Liquidation Committee as appropriate.



Richard E L Fogerty
Joint Official Liquidator

Bancredit Cayman Limited - In Official Liquidation

Joint Official Liquidators' receipts and payments account For the period 4 September 2003 to 7 October 2005

Receipts	At 20 May 2005		As at 7 October 2005	
	US\$	US\$	US\$	US\$
<i>Cash recovered from banks:</i>				
HSBC	17,671.55		17,671.55	
Union Planters	25,367.33		25,367.33	
Dresdner	940,284.27		940,284.27	
American Express	158,216.97		158,216.97	
Hemisphere	362,258.67		362,258.67	
		1,503,798.79		1,503,798.79
<i>Customer loan repayments</i>		11,948,753.63		14,398,529.43
<i>Sale of investment</i>		1,245,095.14		1,245,095.14
<i>Intercompany debts</i>		61,048.35		61,048.35
<i>Interest received</i>		126,427.09		276,426.31
Total receipts		14,885,123.00		17,484,898.02
Payments				
<i>Controllers' fees</i>		-414,498.00		-414,498.00
<i>Controllers' expenses</i>		-39,243.87		-39,243.87
<i>Liquidators' fees</i>		-641,525.50		-884,941.50
<i>Liquidators' expenses</i>		-38,494.45		-66,810.77
<i>Legal fees and expenses</i>		-473,646.01		-544,146.58
<i>Translation fees</i>		0.00		-2,075.00
<i>Dresdner - subrogated claim</i>		-20,943.03		-20,943.03
<i>Document management</i>		-27,764.78		-27,764.78
<i>Bank charges</i>		-1,383.03		-1,595.55
Total payments		-1,657,498.67		-2,002,019.08
Net position as at 7 October 2005		13,227,624.33		15,482,878.94
Financed by				
Cash at RBC	Current Account			15,482,878.94