

24 February 2010

**Report to the Stakeholders
for the period from
1 November 2008 to 15 December 2009**

**Bancredit Cayman Limited
(in Official Liquidation)**



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Appendix A Receipts and Payments Account

1. Basis of Presentation and Disclaimer

1.1 Basis of Presentation

This report, covering the period from 1 November 2008 to 15 December 2009, has been prepared for the purpose of informing the stakeholders about the progress made in the liquidation of Bancredit Cayman Limited (Bancredit or the Company) since the report dated 31 October 2008. This report should be read in conjunction with the last report and with all other previous reports.

This report has been prepared by the Joint Official Liquidators (the Liquidators) using the information available 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

In the event that this report is used for any purpose other than in accordance with its purpose of informing the potential stakeholders, any 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 Company at the time of their appointment and the statutory documentation and other information provided to them since that time. The Liquidators have not performed an audit examination of 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. Receipts and Payments

A Receipts and Payments Account to 15 December 2009 is attached as Appendix A from which it may be seen that the Liquidators presently hold an amount of US\$9,491,988.56.

2.1 Receipts

An amount of US\$282,792.24 has been received in respect of the loan book and an amount of US\$51,165.37 has been received in respect of bank interest during the period covered by this report. There have also been receipts of US\$25,112.23 in respect of Costs Orders made in favour of the Company. These are referred to in more detail later in this report. \$100,000 has been received as a contribution to costs.

2.2 Payments

Where there has been movement in the payments made from the estate, an explanation is given later in this report under the same narrative as the line descriptions in Appendix A. An explanation of all payment entries that remain the same has been provided in earlier reports.

3. Assets and Actions for Recovery

3.1 Loan Book

The Artag Meridian embargo remains in place and has materially affected the collection of debts owed to Bancredit and an update is provided at section 5.1 of this report.

3.2 GFN Group Companies as Debtors and Manuel Arturo Pellerano

3.2.1. GFN Corporation

The petition to wind up GFN Corporation Limited (GFNCL) was presented and, on 16 January 2009 the Liquidators were also appointed as joint liquidators of GFNCL.

The directors of GFNCL petitioned the Court of Appeal to have the winding up petition dismissed. However, as paragraph 10 of the Court order appointing the liquidators specifically refuses a stay of the winding up proceedings pending appeal, the

liquidation has continued, except that the directors have not co-operated, have not completed a statement of affairs and refused to do so until the Court of Appeal heard the appeal. The appeal was heard by the Court of Appeal on 7 and 8 September 2009.

According to the information contained within the Bancredit books and records - in particular, account opening documentation in relation to account 71472, the number of an account held in the name of GFNCL at Bancredit, GFNCL is indebted to Bancredit in an amount of US\$96,153,651.12. Prior to the appointment of joint official liquidators to GFNCL, GFNCL did not deny the liability to Bancredit but claimed that it was owed by GFN Capital Corporation Limited, another company in the GFN group of companies controlled by Manuel Arturo Pellerano (MAP). It is on these grounds that the directors appealed the winding up order.

The Liquidators have long held the view that an investigation into the financial operation of all companies within that group should be undertaken based upon unexplained and unusual book entries found within the books and records of Bancredit.

On 7 and 8 September 2009, the Court of Appeal heard the appeal brought by the directors and dismissed it.

3.3 Tricom SA

3.3.1. Petition to the Bankruptcy Court

On 29 February 2008, Tricom S.A., TCN Dominicana, S.A. and Tricom USA Inc. (the Debtors) together filed a voluntary petition for relief to the United States Bankruptcy Court for the Southern district of New York (the Bankruptcy Court). The Debtors submitted several reorganisation plans to the Bankruptcy Court before filing the "First Modified Second Amended Prepackaged Joint Chapter 11 Plan of Reorganisation for Tricom SA" (the Plan). The Liquidators were involved in this process, rejecting several of the proposed plans and suggesting a number of amendments incorporated in the Plan.

The Bankruptcy Court set a claims bar date of 30 April 2008, establishing the last date by which claims could be filed against the Debtors.

The Plan is not yet effective.

3.4 Manuel Arturo Pellerano

By reference to the Company books and records, the Liquidators are aware that MAP controlled the GFN group of companies, including the Bancredito banks of which Bancredit was a member and a wholly owned subsidiary of Bancredito Panama, also in liquidation.

By 30 June 2002 Bancredit was in serious financial difficulty, being either insolvent or of doubtful solvency. By about the same time, other companies in the GFN Group, including GFNCL, Brasilia and Tricom were also insolvent or of doubtful solvency. In the period 30 August 2002 to 28 August 2003, it appears that the directors of Bancredit, specifically MAP, caused it to make very substantial unsecured loans to, and otherwise enter into transactions for the benefit of, other entities in the GFN Group, notwithstanding their actual insolvency or doubtful solvency at the time of the transactions in question.

As a result of the transactions, Bancredit was divested of cash and other assets for no or wholly inadequate consideration.

MAP had a duty as a director to act in good faith in the best interests of Bancredit which, in circumstances of actual insolvency or doubtful solvency, required him:

- to have regard to the interests of Bancredit's creditors in place of its shareholder's interests;
- to refrain from exposing Bancredit's creditors to any unjustified risk of loss;
- a duty not to act or to put himself in a position to act in circumstances where his personal interests or duties to others (including other GFN Group companies) conflicted with his duties as a director of Bancredit; and
- a duty to act within his powers as a director of Bancredit and, specifically, not to exercise those powers for any collateral or improper purpose.

MAP also owed a common law duty to Bancredit to exercise the same care, skill and diligence in the management of the affairs and business of Bancredit as any reasonably diligent person would have done.

In directing, procuring or acquiescing in the transactions, MAP breached his fiduciary duty to Bancredit in that he failed to act in good faith in the best interests of

Bancredit with actual knowledge of the insolvency or doubtful solvency of the Company, GFNCL, Brasilia and Tricom at the time of each of the transactions without due regard to the interests of the creditors of Bancredit. No rational director acting in good faith could have exposed Bancredit to the risk of loss to which those transactions in fact exposed Bancredit.

MAP acted in a way, and in circumstances, in which there was a conflict between his personal interests, his duties to other companies in the GFN Group and his duty as a director of Bancredit and should not have directed Bancredit to enter into the transactions. MAP benefited from the transactions indirectly as a beneficiary under the MAP trust, which holds the share capital of GFNCL for the benefit of MAP and his family.

The Liquidators have, therefore, issued proceedings against MAP for recovery of the monies they claim was transferred from Bancredit for the benefit of MAP and his family at the expense of the creditors of Bancredit. As detailed in the Liquidators report dated 31 October 2008, the Liquidators filed an application to serve a writ outside the jurisdiction. On 18 December 2008 leave to serve MAP outside of the jurisdiction was granted. The order was filed on 9 January 2009. A Statement of Claim was filed with the Court on 16 January 2009 claiming the following:

- \$93,889,498 in relation to GFNCL.
- \$5,567,319 in relation to Brasilia.
- \$120,402,559.16 in relation to Tricom.

A claim for interest on the above amounts, in line with the terms of the Court orders was also made.

On 20 February 2009 MAP sought Court sanction to have the service of the Writ set aside. Amongst other issues, MAP argued that the Cayman Islands is not the appropriate forum and that Bancredit failed to make a full and frank disclosure of material information to the Court, when the Court heard the application, ex parte, for leave to serve out.

Following MAP's failure to serve his evidence in a timely fashion, the JOLs were required to seek an "unless order" from the Court. The proceeding was heard on 29

April 2009 and while an “unless order” was not granted, MAP was ordered to file evidence by 11 May 2009.

The Liquidator’s intend to contest MAP’s application and a hearing date has been set for 12 January 2010. The Court has allocated a period of five days to hear the proceedings.

4. Liabilities

4.1 Claims Adjudication

The position of the claims adjudication process may be summarised as follows:

	US\$
Admitted claims total	126,602,600.34
4% Dividend declared 7 October 2005 total	5,064,104.01
Dividend payments made before receipt of the duplicative claims (See below)	4,331,141.97
Dividend Payments withheld	732,962.04

Payment of dividends will not be possible until the duplicative claims issue has been resolved and this is referred to in detail in the next section of this report.

4.2 Duplicative Claims made by GFN Group Companies and the Central Bank

GFN and Artag Meridian (Artag) together, as well as Artag alone and the Central Bank have all made a claim against Bancredit in an amount of US\$168.7 million. These claims are based upon an agreement allegedly entered into in the Dominican Republic whereby each party is claiming to be responsible for the debts of Bancredit under the terms of that agreement. Neither the Liquidators or Bancredit are party to the alleged agreement. The claims are clearly duplicative and have all been rejected by the Liquidators. GFN SA and Artag appealed the rejection of their claims and the liquidators’ application for security for costs. The Liquidators expect costs to be in excess of US\$1 million.

In the appeal against the Liquidators' application for security for costs, the Privy Council held that the Court did have jurisdiction to grant a security for costs Order. On 6 May 2009 the Privy Council heard the appeal of GFN SA and Artag disputing the Order of the Court of Appeal (dated 6 December 2007) that the Court had jurisdiction to award security for costs on the appeal of a proof of debt. The Privy Council remitted the matter back to the Court for hearing.

The Privy Council provided its judgment on 4 November 2009 dismissing the appeal with costs. The Liquidators are awaiting the finalisation of this Order before taking action to seek repayment of their costs.

The Central Bank has not appealed against the rejection of its claim in an amount of US\$168.7 million. The Liquidators note that, not only is this claim duplicative of the claims made by GFN SA and Artag but is also duplicative, in part, of the Central Bank's adjudicated and admitted claim plus, the element of the Banco Leon claim that remains unproved. However, to the extent that it might yet be proven and admitted it would be assigned to the Central Bank.

5. Actions being defended by the Liquidators

5.1 Artag Meridian Embargo

When notified of the Supreme Court ruling in favour of Bancredit that was handed down in January 2008, Artag appealed the decision. The Court of Appeal heard the matter on 29 July 2009. Further hearings have been set for 9 December 2009.

5.2 Economic Group Action against GFN companies

In the last report, the Liquidators indicated that a hearing date was awaited for the appeal lodged in the Dominican Republic Supreme Court on 17 September 2007 and, at the date of writing, no such date has been set.

6. The Liquidation Committee

By virtue of the assignment to it of the claims of Banco Leon, the Central Bank represents in excess of 99% of the admitted claims in the liquidation of Bancredit.

In an effort to improve confidentiality, and given the magnitude of the Central Bank's claim, the Liquidators have continued to liaise with the Central Bank alone, in place of the entire committee during the period covered by this report.

7. Liquidation Costs

7.1 Liquidator's Fees

The basis of remuneration for the Liquidators has not changed since the Liquidators' last report. The Liquidator's are remunerated on the basis of time costs for work undertaken in respect of litigation support work as well as on the percentage basis (8% of asset realisations and 4% of distributions). At such time as recoveries are made as a result of any item of litigation, when remuneration is drawn on the percentage basis, the liquidators will give credit for the fees already received on a time cost basis in respect of that piece of litigation.

On 24 September 2009 the Court approved the Liquidators' remuneration as follows:

- For the period 1 October 2008 to 31 July 2009 in the amount of US\$13,130.30, based on a fixed percentage basis of 8% by value of assets realised.
- In the amount of US\$462,866.50 fixed by reference to time spent by the Liquidators and their staff between 1 October 2008 and 30 June 2009 on litigation matters.
- In the amount of US\$35,353.50 fixed by reference to time spent by the Liquidators and their staff between 1 July 2009 and 31 July 2009 on litigation matters.

7.2 GFN Corporation Limited related expenses

The financial affairs of many of the GFN Group companies have over a period of time become irrevocably linked. This has come to light during the course of the liquidation of Bancredit. Assets have been transferred to companies that remain in the control of MAP at the expense of those companies that have been allowed to fail and are now either under the control of a liquidator or controller or have been allowed to become

inactive without assets. It is therefore in the interests of all those failed companies that a tracing of assets exercise and applications for remediation be pursued.

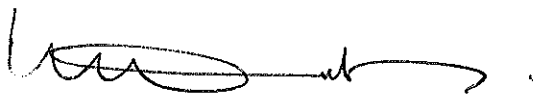
GFNCL has no liquid assets and has been restructured such that it has a deficiency of assets over liabilities.

However, the Liquidators believed that this impediment had to be overcome in the interests of equity and, on 18 February 2009, the Liquidators made an application to the Grand Court to seek approval of the Court to provide limited funding to the Liquidators as an expense of Bancredit's liquidation by entering into a funding agreement. A hearing was originally set for 4 March 2009 but this was adjourned to give the Central Bank of the Dominican Republic (the Central Bank) information about the application and for Richard Fogerty to swear an affidavit on the outcome of his communications with the Central Bank. The Central Bank represents 99% of the admitted claims in the Bancredit liquidation.

On 6 March 2009, Richard Fogerty swore an affidavit as requested by the Court. The adjourned hearing took place on 12 March 2009 and on the same day Chief Justice Smellie granted an order which stated that GFNCL was authorised to enter into a funding agreement with Bancredit pursuant to which Bancredit will provide up to US\$250,000 to the liquidators of GFNCL for the purposes of carrying out an investigation into the affairs of GFN.

7.3 Other costs

During the period, which has continued to be litigation-heavy, legal fees and expenses have increased by some US\$2.25 million and there have been some small additional costs in respect of website maintenance and bank charges.



Richard E L Fogerty

Joint Official Liquidator

Appendix A

Receipts and Payments Account

Bancredit Cayman Limited - In Official Liquidation

**Joint Official Liquidators' receipts and payments account
For the period 4 September 2003 to 15 December 2009**

Receipts	As at 15 December 2009 US\$	As at 15 December 2009 US\$
<i>Cash recovered from banks:</i>		
HSBC	17,671.55	
Union Planters	25,367.33	
Dresdner	940,284.27	
American Express	158,216.97	
Hemisphere	362,258.67	
	<hr/>	1,503,798.79
<i>Customer loan repayments</i>		23,604,683.24
<i>Funds received from Cap Cana</i>		286,749.00
<i>Sale of investment</i>		1,245,095.14
<i>Intercompany debts</i>		61,048.35
<i>Interest received</i>		2,154,992.08
<i>Sundry income</i>		100.00
<i>Funds relating to costs orders</i>		25,112.23
<i>Contribution to costs</i>		100,000.00
	<hr/>	<hr/>
Total receipts		28,981,578.83
		<hr/>
Payments		
<i>Controllers' fees</i>		-414,498.00
<i>Controllers' expenses</i>		-39,243.87
<i>Liquidators' fees</i>		-2,485,973.20
<i>Liquidators fees for litigation support work</i>		-2,091,934.12
<i>Liquidators' expenses</i>		-468,154.18
<i>Legal fees and expenses</i>		-9,314,458.75
<i>Translation fees</i>		-71,502.66
<i>Webdesign and maintenance</i>		-4,509.11
<i>Dividend to unsecured creditors</i>		-4,331,141.97
<i>Dresdner - subrogated claim</i>		-20,943.03
<i>Document management</i>		-39,673.07
<i>Judicial Taxes re debt collection</i>		-7,040.38
<i>Bank charges</i>		-12,900.13
<i>GFN Corporation limited related expenses</i>		-87,395.25
	<hr/>	<hr/>
Total payments		-19,389,367.72
		<hr/>
Net position as at 15 December 2009		9,592,211.11
		<hr/> <hr/>



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