

Bancredit Cayman Limited – In Official Liquidation
Report to the Creditors
25 May 2007

STRICTLY PRIVATE AND CONFIDENTIAL

Status Report

25 May 2007

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BANCREDIT CAYMAN LIMITED – IN OFFICIAL LIQUIDATION ("The Company")

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APPENDICES

- I. Receipts and Payments account to date

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1.0 Introduction

This is an update from the Joint Official Liquidators (“the Liquidators”) of Bancredit Cayman Limited (“Bancredit” and “the company”) to the status report dated 26 November 2006 and is based upon a report dated 25 May 2007 that was filed under seal at the Grand Court of the Cayman Islands (the “Court”) on 28 May 2007. This report covers the period of Liquidation from 25 November 2006 to 25 May 2007 and should be read in conjunction with earlier reports.

1.1 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 statutory 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, Kroll (Cayman) Limited (“Kroll”), its partners, directors, employees, professional advisers or agents.

None of the Liquidators, Kroll, 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 Kroll, or any other source shall have no right of recourse against Kroll, its partners, directors, employees, professional advisers or agents.

In preparing this report the Liquidators, where appropriate, have relied upon information provided to them by the Company at the time of their appointment. 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.

1.2 Professional Advisors

During the course of the Liquidation, the Liquidators have been assisted by various legal and other professional advisors who are:

Name	Description	Short Form used
Maples & Calder	The Liquidators’ Cayman Islands Attorneys	M&C
Satterlee Stephens Burke and Burke	The Liquidators’ New York Attorneys	SSB&B
Puella Herrera	The Liquidators’ Dominican Republic Attorneys	PH
Arias Fabrega & Fabrega	The Liquidators’ Panama Attorneys	AFF
Woods and Aitken	The Liquidators’ US Attorney for Debtor realisations	WA
Dilworth Paxson	Philadelphia counsel	DP
3-4 South Square Chambers	Mr Michael Crystal QC and colleagues	MC
Mark Freehill	Translation Services (Spanish)	MF

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2.0 Books and Records

2.1 Correspondent Banks

The Liquidators have obtained Chapter 15 recognition in the United States. They have been assisted in this by SSB&B as well as by M&C in relation to matters of Cayman Islands Law. The Liquidators have had some success in obtaining company information from the three main co-respondent banks upon which subpoenas under the provisions of Chapter 15 of the US Bankruptcy Court had been served. A review of the bank statements provided has led the Liquidators to information regarding additional monies that, on the face of it, may be collectible and information provided in response to one subpoena has enabled the Liquidators to trace many transactions with GFN Group companies as well as providing clarification of some of the issues arising during the adjudication of unsecured claims.

2.2 The Former Auditors

On 15 January 2007 the Liquidators received documentation from KPMG (Bancredit's former auditors) in relation to the financial year ended 31 December 2002.

2.3 The Liquidator of Bancredit Panama

On 7 May 2007, the Liquidators met in Miami with Eduardo Pazmino, the liquidator of Bancredit Panama ("Panama"), Bancredit's immediate parent company and its sister bank in Panama. From the update that the Liquidators received, it is clear that some aspects of the Panama liquidation mirror those of Bancredit in that its conduct is being impeded by claims being made by GFN companies and opposition to the resolutions for distribution to claimants. Investigations are ongoing in a spirit of co-operation and mutual assistance, where this is appropriate. However, the Liquidators still do not know what the potential outcome of the Panama liquidation is and no dividend forecast information has yet been provided to them.

3.0 Assets

A receipts and payments account to 25 May 2007 is attached at Appendix I.

Seven loan repayments have been received from debtors since the last Status Report and these additional collections have been achieved despite the Artag Meridian Embargo continuing in place.

The loans were made for the purpose of investing in pre-construction plots at the Cap Cana development. Cap Cana representatives have been party to some of the settlement negotiations and, as part of certain settlement agreements, the Liquidators obtained the agreement of Cap Cana to withdraw a claim against Bancredit arising out of unpaid interest of \$286,748.70 on CDs previously held at Bancredit. This has reduced unsecured claims against Bancredit by that amount, increasing the level of dividend for the general body of creditors.

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3.1. Sale of Loan Portfolio

No offers have been forthcoming from parties that have previously expressed an interest in acquiring the loan portfolio. As the Liquidators continue to collect monies owed to the company, they recognise that the loan portfolio becomes less attractive to prospective interested parties and, unless there is anything substantive to tell creditors, this matter will not be included in subsequent reports.

3.2. GFN group companies as debtors

Neither Zona Franca San Isidro (“ZFSI”) nor GFN Corporation Ltd (“GFNCL”) have repaid overdrafts amounting to UD\$6.5 million and US\$98.6 million respectively. As the Liquidators have previously reported, both are members of the GFN group of companies of which Bancredit was formerly a part, and efforts to collect these monies had met with no response, when the Liquidators last reported to Creditors. GFNCL is a Cayman Islands registered company and appears to be the ultimate holding company for the GFN group of companies controlled by Manuel Arturo Pellerano (“Pellerano”), former President of Bancredit.

The Liquidators have previously reported that a Statutory Demand was served upon GFNCL on 17 August 2006 for repayment of US\$96,153,651.12 and, when this was not met, on 5 January 2007 Bancredit issued a winding up petition against GFNCL. In response to the supporting evidence filed by the Liquidators, M&C received an affidavit sworn by Maria Isabel Concepcion, former Vice President of Finance at Banco Multiple Bancredito and Chief Financial Officer of the banking and insurance companies within the GFN group. In her affidavit, Ms Concepcion avers that the Liquidators are mistaken and that the account number for which they seek repayment is not the account of GFNCL but of GFN Capital Corporation (“GFNCC”) which is a company registered in Panama. Ms Concepcion further claims that the account name to correspond with the overdrawn account number has never been GFNCL. From records in the hands of the Liquidators it is clear that this is not correct and, on 20 April 2007, an affidavit from the Liquidators in response, refuting the claims made by Ms Concepcion, was filed with the Court. A response from GFN Corporation is awaited and was due no later than 18 May 2007. As at the date of this report, no response has been received, nor has any extension been requested.

GFN International Investment Corporation continues to be indebted to the company in an amount in excess of US\$5.5 million.

Bancredit appears to have a separate claim against GFN Capital Corporation (“GFNCC”), a group company registered in Panama, in respect of four CDs that were, according to Bancredit’s records, said to have a total value of US\$15,516,754.88 to be reinvested as at 31 July 2003, in accordance with the management accounts to that date. Those accounts also indicate that interest may never have been paid on the principle monies invested, but the amounts were, instead, rolled over into the investment. The Liquidators are taking legal advice as to remedies available to them to enable the collection of this debt.

The liquidators refer again to matters concerning GFN Group Companies at Paragraph 4.3 of this report.

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3.3. CD and Bank Accounts held at Union Planters

It remains the case that the Liquidators do not yet know why a US\$13 million certificate of deposit ("CD") at Union Planters continued to be reported to the Cayman Islands Monetary Authority ("CIMA") as an asset of Bancredit, at a time when it had already been cashed, although it seems likely that this was part of an elaborate series of book entries made towards the end of 2002 to obscure the true financial situation of the company from the regulatory authorities and others. A report will be provided to CIMA concerning this apparent misreporting at such time as the true state of affairs has emerged from ongoing investigations. Following receipt of documentation from Regions Bank (formerly Union Planters Bank), the Liquidators are re-considering their position in relation to the US\$13 million CD.

3.4. Tricom SA

As previously reported, Tricom SA ("Tricom") is a Dominican Republic telecoms company of which Pellerano is board president. Pellerano also holds the majority of the shares in Tricom, either directly or because he controls companies which, in turn hold, shares in Tricom.

The provision of company documentation, under subpoena, has much advanced the Liquidators understanding of the relationship between Tricom SA ("Tricom") and other companies in the GFN Group. Earlier this month, one of the Liquidators met with three of the members of the Special Committee appointed by the Board of Tricom, for the purpose of investigating apparent irregularities in Tricom's historic accounts, at the offices of the attorneys to the Special Committee, Hunton & Williams, in Miami where the heads of claim in relation to four claims amounting to in excess of US\$120 million (excluding interest) were put to the members of the Special Committee. Interest will be claimed in addition to the principal amounts of the heads of claim.

3.4.1. The Restructuring of Tricom

Tricom has been in the process of restructuring for some time. It is recognised by the Liquidators and their legal advisors M&C, SSB&B; PH; AF&F and MC, all of whom have been closely involved in advising the Liquidators throughout the investigation process in relation to benefits accruing to Tricom and/or GFN at the expense of Bancredit, that repayment in full will probably not be available from Tricom. However, if the claims that Bancredit is maintaining against it are accepted it will give the Liquidators the right to be involved in the restructuring negotiations.

3.5. Interest received

The funds held in the client account for the Company have been invested in various rolling monthly fixed deposit accounts to maximise realisations for creditors. The interest received to date is US\$1,228,346.96.

4.0 Liabilities

4.1. Customer deposits and the Central Bank

The Central Bank repaid an amount of US\$129,544.48 in respect of a current account at Bancredit concerning which the Liquidators now know that the owner of the account is a debtor of Bancredit for sums in excess of US\$129,544.48. In addition to this, the debtor appears to have held two other current accounts at Bancredit, one of which is overdrawn by \$178,272.09 and the other by

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US\$90,696.50. By reference to the three current accounts alone, without taking into account the balance owed on the loan account, this bank customer appears to have been a net debtor to Bancredit Cayman, at liquidation, for an amount of US\$139,424.11. It was not appropriate, therefore, for any monies to have been paid and this element of the Central Banks' claim has been rejected. A dividend equal to 4% of this claim has already been paid and will be recovered from the next dividend due to the Central Bank.

4.2. Banco Leon

The Liquidators continue to hold monies in respect of dividends to Banco Leon, as previously reported, pending resolution of the claim made by GFN, referred to at paragraphs 3.2 and 4.3 of this report. The Liquidators have recently received better information from Banco Leon in respect of its claims for repayment of an overdraft facility that arose out of monies deposited and transfers made, allegedly without authority, and this is presently under review, prior to adjudication.

4.3. Potentially Duplicative Claims made by GFN Group Companies and the Central Bank

Certain claims have been received by the Liquidators that were either submitted late or, by virtue of late claims received, now appear to be duplicative claims, as follows:

Name of Claimant	Claim received		Amount claimed US\$
Central Bank	31 January 2007	Equivalent to RD\$5.231327 billion	168,752,483.87
GFN SA and Artag Meridian	27 April 2006	Equivalent to RD\$5.231327 billion	168,700,000.00
Artag Meridian ("Artag")	7 August 2006	Equivalent to RD\$5.231327 billion	168,700,000.00
GFN SA	30 October 2006	Either	43,831,576.11
		Or	30,984,486.78
Caribbean Energy Co ("CarEC")	3 August 2004		41,613,810.34

GFN SA, Artag and CarEC have also applied to expunge the proofs of debt of the Central Bank and Banco Leon, of which their claims appear to be duplicative.

The Liquidators have rejected, or are about to reject, the above claims of GFNSA, Artag, CarEC and Central Bank. As previously reported, the claim made by GFNSA and Artag Meridian ("Artag") in an amount of US\$168.7 million on 27 April 2006 was rejected by a letter from the Liquidators' Cayman Islands attorney dated 22 June 2006 on several bases.

GFNSA and Artag appealed the Liquidators' rejection of the proof and the Liquidators have been served with GFNSA and Artag's points of claim and filed their points of defence. Because GFNSA and Artag are foreign entities against which, in the event that their appeals were unsuccessful and costs were awarded against them, the Liquidators would have little recourse, the Liquidators applied for security for costs but that application was rejected by Mrs Justice Levers on 13 March 2007 and embodied in a Judgement dated 2 April 2007. The Liquidators have filed an application for leave to appeal against that Judgement, which the Liquidators anticipate will be heard in late July.

The Liquidators, together with M&C, SSB&B and MC have spent a great deal of time and effort to draw together the aspects of the liquidation that involve GFN group companies. The claims made by GFN (as well as the attempts to expunge the claims of the Central Bank and Banco Leon) are predicated on an agreement made between the Central Bank, GFN SA, BNC, Acyval Puesto de Bolsa SA, Carlos Guillermo Leon and Manuel Pena Morros on 2 July 2003. Under the terms of the agreement, it appears that the Central Bank agreed to provide liquidity funding to BNC in exchange for the transfer of a portfolio of debts said to be owed to Bancredito by various related companies which included Bancredit. In consideration for the Central Bank agreeing to provide funding, GFN SA

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guaranteed the obligations of those related companies. The assigned portfolio included a debt said to be owed by Bancredit to BNC and a purported promissory note was purportedly issued in respect of it in an amount of RD\$5,231,327,000 (US\$156 million, it is claimed). Each of GFN SA, Artag and the Central Bank claims to be entitled to recover this sum from Bancredit. The books of Bancredit do not support the liability and there is no evidence that Bancredit is or was a debtor under the US\$156 million portfolio.

The Liquidators' legal advisors are now working on an omnibus application to the Court for directions in all matters relating to GFN group companies or associates. In order for those advisors to provide advice to the Liquidators, it has been necessary to understand the relevant laws in the jurisdictions that may be involved in the various actions. MC and M&C have accompanied the Liquidators to the Dominican Republic to discuss procedural matters with PH and to identify an Expert Witness on the law in that country. In drawing together all aspects of this case, it has been necessary to hold a number of international telephone conference calls as progress has been made on such matters under consideration, including:

- repayment to Bancredit's minor creditors in full and final settlement of their claims (see chapter 4.4 of this report);
- a claim against ZFSI for an amount of US\$6.6 million ZFSI (see chapter 3.2 of this report);
- a claim against GFNCL for an amount of US\$96.2 million including the winding up petition issued on 5 January 2007 (see chapter 3.2 of this report);
- a Claim against GFNII for US\$5.5 million (see chapter 3.2 of this report);
- a claim against GFNCC for US\$15.5 million (see chapter 3.2 of this report);
- a claim against Tricom in an amount yet to be determined (see chapters 3.4 and 3.5 of this report);
- the appeals against the Liquidators rejection of the claims detailed earlier in this section of the report and
- the applications to expunge the claims of the Central Bank and Banco Leon explained earlier in this section of the report.

4.4. Claims adjudication

Although there are still some 118 creditors indicated by the Company's records that have yet to submit a claim within the liquidation, from the Liquidators' investigative efforts in relation to the GFN SA claim, additional information noted could mean that, either the indebtedness was settled by third parties or that, due to the schedules that the Liquidators were given not being based on final accounts information, there is, in fact, no liability. As already notified to all interested parties, a first interim dividend equivalent to 4% of all known claims was declared on 7 October 2005. The Liquidators also gave notice on 28 April 2006 that the Liquidators hold sufficient funds to enable a second dividend to be declared and that they were at liberty to declare such further dividend on or before 28 August 2006. Payment of that dividend has been delayed pending resolution of the claim made by GFN SA, Artag and CarEC which is referred to at chapter 4.3 of this report.

A further six claims have been agreed since we last reported to the Committee and the overall provision for claims has reduced by US\$23,681.70. Progress made in the adjudication of creditors' claims is summarised in the following table:

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Status	Number of Creditors	Total Claims (US\$)
Adjudicated and admitted	25	126,590,439.29
Adjudicated and admitted pending KYC form	22	1,022,140.18
Further information required **	21	83,010,840.60
Yet to claim	118	1,413,572.57
Rejected	134	57,598,752.12
Total	320	269,635,744.76

**Includes the claim from Banco Leon in an amount of US\$38,274,864.00 in relation to an overdraft facility provided during June, July and August 2003. Certain of the monies claimed do not appear to have been used for the benefit of Bancredit or its investors but, rather, for the benefit of other GFN group companies and the Liquidators continue to correspond with Banco Leon regarding this element of its claim.

**Includes the claim of Carec in an amount of UD\$41,613,810.34 which claim also appears in the table at paragraph 4.3 of this report.

Other than that exception, this summary continues to exclude the claims in the table at paragraph 4.3 of this report because these either have been rejected or will shortly be rejected. The claims from Banco Leon continue to be accounted for with the set-off applied in respect of the US\$13 million CD at Union Planters pending clarification as to the second account held at Union Planters (please see paragraph 3.3 of this report).

It remains the Liquidators' wish to repay, or to substantially repay, the indebtedness to the remaining minority third party creditors (i.e. those unconnected to the GFN Group of companies or the Dominican Republic banks). These creditors form the majority, in number, of Bancredit's admitted claimants which comprise, for the most part, Dominican Republic individuals and small businesses that had accounts for comparatively small amounts with Bancredit. The payment of these claims would greatly simplify the liquidation. The Liquidators are considering, together with their Cayman Islands attorneys, an application to the Court for directions in the matter.

4.5. Investigation

The investigations presently being undertaken by the liquidators have been made necessary in that, at present, claims against Bancredit total some US\$592 million. The financial statements of Bancredit for the year ended 31 December 2002, which were audited by KPMG by 21 February 2003 (on which date KPMG signed its audit opinion) showed (or purported to show) that Bancredit had an excess of assets over liabilities of US\$12,579,757 as at 31 December 2002, total liabilities on those same statements amounting to (or purporting to amount to) US\$123,915,394. The accounts were approved by the Board of Directors on 21 February 2003 and that position was little changed by 28 August 2003 according to the balance sheet of that date provided by J Felipe Mendoza to the Joint Controllers.

The Liquidators' findings to date indicate that, during the latter part of 2002 and during 2003, a great number of adjustments were made in the books of the three Bancredito entities (Bancredit, Panama and BCN) involving GFN Group company accounts held at those three banks. No inter-company account information has been provided to the Liquidators by officers of the company. There is no apparent business rationale for the accounting entries which seem to have been for the purpose of obscuring the transfer of monies from Bancredit, amongst other things, to pay the liabilities of Panama and for the benefit of Tricom, but with no attendant benefit for Bancredit, itself.

There is still a great deal of investigative work to be undertaken and it is hoped that the litigation that is either underway or contemplated will shed more light on what happened at Bancredit in the period leading up to its demise.

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4.6. Actions brought against the Company and/or its Liquidators

4.6.1. GFN Bailiff Action

The Liquidators' Dominican Republic attorneys were previously allowed to view the judgment and were able to confirm that the Company has not been made liable for the debts of other companies within the GFN group. As at the date of this report, the judgment has been publicly released and is presently with MF for translation.

4.6.2. Artag Meridian Embargo

The embargo registered by Artag against the Company's assets remains in place as at the date of this report and continues to impede loan collections. Artag is a company connected to GFN. The liquidators became aware of this connection when the GFN objection to the Chapter 15 application was served and the Supplemental Order granting the related relief requested contained a note to that effect. Because of this connection and the embargo, the Liquidators cannot allow any public dissemination of debtor information because Artag and GFN are using this information to embargo debtors of Bancredit. The Liquidators have requested that their attorney in the Dominican Republic contact all debtors served with an Artag Meridian embargo and embark upon negotiations regarding settlement of the loans, prior to the lifting of the embargo.

The indebtedness claimed by Artag pursuant to which it has obtained the legal embargo in the Dominican Republic, is in respect of the same promissory note pursuant to which GFN SA and Artag are jointly claiming to be owed an amount of US\$168.7 million (please see paragraph 4.3 of this report). Artag claims that the debt arising out of the promissory note has been assigned to it by GFN SA.

4.6.3. Community Bank Action

This action continues to be formally stayed following the Chapter 15 relief granted by the US Bankruptcy Court giving recognition to the liquidation of Bancredit in the Cayman Islands as a foreign main proceeding, on 16 June 2006.

5.0 The Liquidation Committee

The Liquidators continue to report to and meet periodically with the members of the Liquidation Committee. The last meeting was held, in Santo Domingo, on 7 March 2007. At that meeting, the business included a discussion of the report to the committee and all ancillary matters. The Liquidators were accompanied by both MC and M&C who were able to address the committee at some length on the various pieces of ongoing litigation. It should also be noted that, during this trip, the Liquidators had a without prejudice meeting with Mr Pellerano and many of his senior team, at which he was invited to make a proposal to resolve the outstanding issues, but, as at the date of this report, he has not done so.

It is likely that a further meeting of the Liquidation Committee will be held before the end of the year.

6.0 Liquidation Expenses

The Liquidators have, for some time, been involved in a litigation-heavy period of the liquidation.

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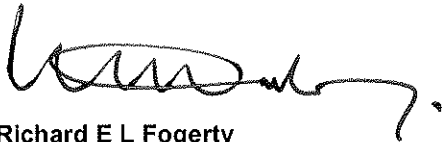
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6.1. Legal and other Professional Fees

By reference to appendix 1 to this report, it may be seen that the fees and expenses of the professional advisors instructed by the liquidators currently amount to US\$2,387,351.34 and that the costs of translation are US\$36,353.23.

6.2. Liquidators’ fees .

The Liquidators will in due course be making an application to Court for the approval of their fees on this basis pursuant to Practice Direction 1 of 2006.



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 25 May 2007

Receipts	As at 25 May 2007	
	US\$	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	<u>362,258.67</u>	
		1,503,798.79
<i>Customer loan repayments</i>		22,853,993.79
<i>Sale of investment</i>		1,245,095.14
<i>Intercompany debts</i>		61,048.35
<i>Interest received</i>		1,228,346.96
<i>Sundry income</i>		100.00
Total receipts		<u>26,892,383.03</u>
 <i>Payments</i>		
<i>Controllers' fees</i>		-414,498.00
<i>Controllers' expenses</i>		-39,243.87
<i>Liquidators' fees</i>		-2,323,749.93
<i>Liquidators' expenses</i>		-202,020.68
<i>Legal fees and expenses</i>		-2,387,351.34
<i>Translation fees</i>		-36,353.23
<i>Webdesign and maintenance</i>		-1,121.95
<i>Dividend to unsecured creditors</i>		-4,331,141.97
<i>Dresdner - subrogated claim</i>		-20,943.03
<i>Document management</i>		-36,955.39
<i>Judicial Taxes re debt collection</i>		-1,181.38
<i>Bank charges</i>		-5,914.35
Total payments		<u>-9,800,475.12</u>
Net position as at 25 May 2007		<u>17,091,907.91</u>