

Cathedral Core Services LP (In Liquidation)

Liquidators' Fourth Report

1 INTRODUCTION AND APPOINTMENT

Cathedral Core Services LP (In Liquidation) (the “Partnership”) is a limited liability partnership registered in New Zealand, mainly operating in Europe and Latin America and was placed into liquidation by resolution of its partners pursuant to Section 88 of the Limited Partnership Act 2008 (“the Partnership Act”). The process was started on September 1st 2016 and Insolvency Practitioner Maria Escudero Martinez was appointed as liquidator of the partnership (the “Liquidator”).

The Liquidator herewith reports on the progress of the liquidation to date and important developments on the procedure. This fourth report should be read in conjunction with the liquidators’ first, second and third report. This report is available on the website www.cathedralcore.com.

2 RESTRICTIONS

This Report and its appendices are not intended for general circulation other than as required by law, nor is it to be reproduced or used for any purpose other than that outlined above without the written permission in each specific instance from the Liquidator.

In preparing this report and its appendices we have relied upon information provided to us. We have not independently verified or audited that information. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever to any party as a result of the circulation, publication, reproduction or use of this report.

We reserve the right (but are under no obligation) to review and, if we consider necessary, revise this report in respect of any information existing at the date of this report which becomes known to us after that date.

This report could have been updated amended or modified after it was first published, if you have any questions on this regard please request the latest version from the liquidator directly.

3 ATTACHMENTS

The following documents are attached to this report:

Appendix I: Notice to Creditors Regarding SPAM

Appendix II: Financial Report on the Liquidation

4 CURRENT STATUS OF THE LIQUIDATION

Distribution of Claimed amounts for Affected Accounts.

After continued negotiations undertaken by the Liquidator and Cathedral Investment Bank / CIB Americas Bank Inc. (the "Bank") an agreement was finally reached that allows us to claim the published final amount of balances up until the point where we stopped the calculation of interest of such affected accounts or where the accounts were reconciled in consensus with the creditor. As a result, the Liquidator calculated the final amount of those submitted claims that in the view of the Liquidator were the correct amount given the information provided. Creditors that had received the claimed confirmation amount confirmed that amount and up to the date of this report, only three cases were found where information was incorrect.

As a result of these negotiations with the Bank the liabilities that they will now have to repay to creditors have increased substantially to an increased amount that is in excess of 23 Million USD.

Distribution of Income

Investigations concluded that the Partnership's sources of income were both the referral fees and Spreads in which it acted as an Introducing Broker for all the non-affected accounts and the investment portfolios for clients that the Partnership maintained in several Cathedral Structures domiciled mainly in the Caribbean. Such underlying structures had assets that were subsequently invested in strategies that varied from Carry Trades to Financial Arbitrage that were monitored electronically by dealing desks controlled by those parties.

Results of the investigation:

During the investigation we found a total of 5,516 accounts out of which only 324 are being affected by this liquidation. The remaining 5,192 are non-affected accounts that were trading in an IB service called CIBDer, all capital invested in these non-affected accounts had already been returned to investors via their broker dealer or intermediary or reassigned when the IB was changed. None of those monies were found to be transferred or pass through the Partnership in any capacity. The resulting investigation confirms that the role of the Partnership for those operations was as an introducing broker only in which it received dividends as a result of the underlying trading, although information related to the income produced by such IB accounts continues to be investigated. The liquidator believes this was the partnership main source of income.

As of the day of this report we have 323 unsecured creditors' claims originating from the 324 Affected Accounts that were invested in the aforementioned structures & strategies. These accounts will be the only ones benefiting from this Liquidation and the agreements already reached between creditors, the Liquidator and Cathedral Investment Bank / CIB Americas Bank Incorporated.

Options and Trust Regulatory Framework

During the trust setup and structuring with the Bank we found that tax implications associated with the assets that are to be provided by the Bank to meet the losses of Creditors was a major

consideration to review. Introduction of new tax regulations in New Zealand foreign trust regime meant that creditors would likely be liable to pay income tax per the amounts transferred. The liquidator reached out to BDO, Ernst & Young and various other accounting firms to seek guidance on this matter. For New Zealand the resulting analysis suggests that certain assets (specifically those provided by the bank in the form of Real Estate) that are with an intention or purpose of resale gives rise to taxable income on disposal but because income is derived by foreign persons, it is only subject to income tax in New Zealand to the extent it has a New Zealand source. If assets do not have a New Zealand source they cannot be taxable income in New Zealand.

The Liquidator researched alternatives for the establishment of the Trust to be managed by international banks outside New Zealand, from the more than ten banks we approached most of them were either reluctant to deal with creditors or were uninterested in managing the problems associated with them or the procedure. Furthermore fees presented by the remainder of banks that were willing to establish the trust were unrealistically expensive given the partnerships liquidity as its stands.

Alternative options were studied such as REITs (Real Estate Investment Trusts) in various Jurisdictions and its subsequent tax implications.

The Liquidator decided as a result to establish a supervised Trust type structure or Special Purpose Vehicle (hereinafter "SPV") in a neutral tax jurisdiction. This structure will be used for the repayment of liabilities to all creditors of the partnership. To avoid further delay and to work with a compatible regulatory framework, the Jurisdiction where the bank is regulated was selected for the setup as there isn't any sort of taxable income of any kind for the SPV or its investors and the procedure is relatively easier to implement.

Control of the SPV Setup by the Liquidator

One major consideration was guaranteeing creditors the repayment of 100 cents in the dollar for their claimed value in the shortest time possible and to ensure that no changes could be made by any parties when the process is implemented. In the interest of speeding up the setup procedure and in order to avoid any risks associated with the Bank setting up this vehicle independently or any other issue arising from conflict of interest, the Liquidator has moved forward with the establishment of the Special Purpose Vehicle ("SPV") directly. The bank has informed us that it has further been authorized by regulators to segregate the assets and deposit them into this structure as per instructions provided by the liquidator.

The structuring is almost finalized and we are awaiting authorization from proper authorities to list it, we estimate that this will be ready in the next two months. After that the Bank will transfer the real estate to the SPV.

The structure chosen is similar in form to a REIT but it's a heavily a regulated trust-type structure that will be overseen by authorities and among other benefits it shares the regulatory framework under which the Bank is regulated. The liquidator is seeking to appoint one of the big four accounting firms as the auditor of this structure as soon as liquidity becomes available.

Initial Audit

The Partnership was found to be with little liquidity when it was placed under liquidation, a remaining balance was realised as per the reports previously distributed. Assets referred to continued to be used to pay lawyers, the representation agent in NZ to receive and file reports and process creditors' claims, rental of some of the temporary offices that are servicing creditors and the liquidation process expenses itself. We have reduced staff in the interest of reducing costs and its subsequent impact on liquidity until the provided underlying assets start being liquidated.

This liquidation has as of now assets in the form of Real Estate for a value substantially higher than all liabilities including those that were recently agreed to be paid by the Bank. Up until this moment we have not done any partial distribution and the strategy for liquidating those assets is outlined in the prospectus and the incorporation documents awaiting authorization by authorities overseeing the SPV.

Assets provided by the Bank

The auditing of all assets provided by the Bank is ongoing. We will advise creditors in due course on the results of such procedure.

Repayment options

We expect the SPV to provide creditors with a variety of choices for repayment in a safe, expeditious and autonomous manner using a process that will be supervised by the Liquidator and authorities where the SPV is registered.

The SPV will be an independent, segregated supervised structure that will be independently managed by committees in which the creditors could participate with the initial supervision of the Liquidator. Control and rights of the aforementioned assets will be transferred to the SPV by the Bank and we expect creditors to be able to immediately (if they choose to do so) realise their claimed value by cashing out of this structure that holds the underlying assets as soon as their shares are registered under each Creditor's name.

Creditors interested in joining the aforementioned Creditors' committees should submit their request to the Liquidator no later than the 30th of April 2018. After Creditors have informed the Liquidator of their intention to participate on the Creditors' committees we will outline a procedure for selection and roles based on the number of applicants. Creditors interested should not have any previous conflict of interest with the Partnership.

This process is being implemented as quickly as possible and is dependent on third parties at this stage. All information on the SPV, on repayment methods and expected execution timeframes will be released by the liquidator shortly.

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Claims continued to be formally received from account holders and unsecured creditors and the Liquidator continues to include these new creditors. The Liquidator believes these subscriptions are as a result of those creditors being unable to recover monies via legal proceedings using various strategies. The subscriptions are not delaying the current liquidation schedule, they continued despite the notices issued and as at the date of this report we currently have a total of 323 Claims by account holders and creditors only. We continue to receive information and record additional claiming creditors but it is not clear at this stage if such subscriptions will still be honoured by the Bank in the context of the agreements reached earlier.

Support from Creditors

The Liquidator is actively requesting creditors to help support the procedure proactively. Creditors are sometimes found to only delay the procedure by requesting production of specific documentation, attendance to conference calls and/or meetings. Although we understand creditors concerns and the attention they require a very small group of creditors view the liquidator as a counterparty which is a counterproductive approach, we invite all creditors to work along with the Liquidator with the objective of finalizing this procedure as quickly as possible and in the interest of creditors.

Use of Foreign language in communications with the Undersigned.

Since the commencement of this liquidation the undersigned has communicated with creditors in a variety of languages, we remind creditors that require support in a foreign language to please add a note in any emails sent to the liquidator requesting the answer in that specific language.

Records and Financial details of the Partnership

The Liquidator's investigations into the books, records and affairs of the Partnership remain ongoing.

Suppliers and services providers that maintained balances from the Partnership have not provided repayment of such balances into the trust account, such values represent a negligible amount. The Partnership maintained several administration offices, in those overseas locations and they kept financial records regarding the administration of the funds and account management information on all assets. The records initially found were inconsistent as a result the analysis and in some cases the rebuilding of such records was attempted.

5 STATEMENT OF AFFAIRS

At the moment focus is being given to the repayment of all affected accounts via the SPV as quickly as possible. An estimation of realizable values for all existing asset classes is nominal as there was little left in accounts and the immediate liquidity found in bank accounts and expenses incurred by the Liquidator are set out in the annex II attached.

The substantial increase in the claim values is as a result of the consensus finally reached with the Bank that allowed us to claim the published final amount of all balances up until the point where we stopped calculating interests on such affected accounts or where the accounts were conciliated in consensus with the creditor.

The Liquidator will contact all subscribed creditors that have confirmed their claimed amount to process the subscription for repayment on the SPV as soon as the structure is approved by authorities.

6 ASSETS AND PROPOSALS FOR CONDUCTING THE LIQUIDATION

Investment Banking Contracts

Identification and valuation of the Investment Banking Contracts reported earlier is ongoing.

Creditors (Non Clients - Service Providers)

The Liquidator has continue chasing the return of the remainder of balances into the NZ trust account and will inform the result of such efforts.

Other Assets

No other physical assets were found other than those reported on in the 2nd liquidation report.

7 LIABILITIES AND CREDITOR CLAIMS

Creditors

7.1 Preferential Creditors

No preferential employee claims have been paid and no distribution has been paid to date to this class of creditor.

7.2 Unsecured Creditors

As at the date of preparing this report 323 unsecured creditors' claims have been received which total liabilities over USD 75M, In the interests of minimising liquidators' fees, the Liquidator will pass on the payment obligation to the SPV without further due.

Up to this day we have not received a single claim from third party fund managers or Brokers.

Liabilities

All liabilities are as reported, the figures provided represent the original liability and not resulting from those agreements reached with the Bank for repayment.

8 ESTIMATED DATE OF COMPLETION

We expect Creditors holding a Claim resulting from Affected Accounts to be repaid via the SPV directly before this liquidation is finalized, the structuring of the SPV is awaiting authorization from proper authorities to list it, we estimate that this will be ready in the next two months.

It is currently too early to estimate a date of completion for the liquidation. As advised earlier the majority of creditors will have their claims settled by the SPV when possible and in a direct manner.

9 CONTACT DETAILS

Further enquiries should be directed to the Liquidator by email to info.liquidation@cathedralcore.com or written communications forwarded to:

Cathedral Core Services LP (in Liquidation)

("The Liquidator")

Maria Escudero Martinez

c/- McDonald Vague Limited

Level 10, 52 Swanson Street, Auckland 1010, New Zealand

P O Box 6092, Wellesley Street, Auckland 1141, New Zealand

McDonald Vague Limited is acting as an Administrative Service Provider and as a Regional Processing Center in New Zealand, any specifics of the liquidation should be dealt directly with Insolvency Practitioner Maria Escudero Martinez who is the appointed liquidator of the partnership. c/- McDonald Vague Limited will not be liable for the result of this liquidation or any actions of the undersigned executing the liquidation.



Maria Escudero Martinez.
LIQUIDATOR

DATED this 8th day of March 2018

c/-

McDonald Vague Limited

Level 10, 52 Swanson Street

Auckland 1010

PO Box 6092

Wellesley Street

AUCKLAND 1141

Telephone: (09) 303 0506

Facsimile: (09) 303 0508

Website: www.mvp.co.nz

Cathedral Core Services LP (In Liquidation)

Notice to all Creditors regarding possible SPAM Filtering

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Notice to Creditors regarding possible SPAM Filtering

Notice to all Creditors

Dear Creditor

The Undersigned the liquidator of Cathedral Core Services LP (in liquidation) "The Partnership" has received enquiries from creditors that held an affected account and were due to receive the claim value that in the view of the Liquidator is the correct amount given the information provided in earlier notices. Some have reached out confirming they have not received their claimed amount confirmation email.

The problem seems to be with those creditors that have provided us with an email address from either "hotmail.com" or "yahoo.com" servers or any similar service free email service provider.

We encourage creditors to whitelist the official liquidation address on your email client "info.liquidation@cathedralcore.com" and to routinely check your SPAM folders to verify if you have received communications from the undersigned.

If you have an affected account and have not received any notice regarding your claim value and if after reviewing your SPAM folder you have no email from us please contact us at info.liquidation@cathedralcore.com in order to re issue the email to you regarding the claimed amounts.

If you have further questions or you require additional information please contact us



Maria Escudero Martinez.
LIQUIDATOR

DATED this 22th day of February 2018

Liquidator Address in NZ:

c/-

McDonald Vague Limited
Level 10, 52 Swanson Street
Auckland 1010

PO Box 6092
Wellesley Street
AUCKLAND 1141

Telephone: (09) 303 0506
Facsimile: (09) 303 0508
Website: www.mvp.co.nz

Cathedral Core Services LP (In Liquidation)

Appendix II

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Appendix II

Realisations

Open Cash on Hand	\$	289,427.10
Total Realisations	\$	289,427.10

Total Liquidators Fees

Liquidators Fees, Staff Fees, Temporary Offices Cos	\$	202,474.00
		\$ 202,474.00

Total Liquidators Fees

Other Costs of Liquidation

Legal Fees in New Zealand	\$	33,447.38
Mailing Processing and Representation Costs	\$	17,111.74
Bank Fees	\$	1,231.67
SPV Related Fees	\$	8,367.05

Other Costs Total \$ 60,157.84

Total Costs of Liquidation \$ 262,631.84

Distributions

Secured Creditor	
Preferential Wages and Holiday Pay	
Preferential GST and PAYE	
Dividends to Unsecured Creditors	
Total Distributions to Unsecured Creditors	Nil

Total Payments \$ 262,631.84

BALANCE HELD \$ 26,795.26

† EUR / USD Rate used for Calculation 1.24



Maria Escudero Martinez.
LIQUIDATOR

DATED this 1st day of March 2018

c/-

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