

VANEPS

Aruba · Bonaire · Curaçao · St. Maarten · Amsterdam

ADVICE OF THE RECEIVERS ON THE DRAFT-CREDITORS' AGREEMENT IN THE BANKRUPTCY OF BANCO DEL ORINOCO S.A. ("BdO"), SUBMITTED BY CARTERA DE INVERSIONES VENEZOLANAS C.A. AND BANCO OCCIDENTAL DE DESCUENTO, BANCO UNIVERSAL C.A. AT THE COURT OF THE CURACAO ON 27 SEPTEMBER AND 27 NOVEMBER 2024

Introduction

1. The Cartera Group, through its UBO and president-director Mr. Victor Vargas Irausquín, indicated quite soon after the date of bankruptcy that it wanted to settle the bankruptcy with a composition, in which all BdO creditors would be fully satisfied. In line with this, it was also always indicated that the value of the securities portfolio held by BdO would be more than sufficient for the full satisfaction of all BdO creditors. It was the express wish of the Cartera Group and Mr. Vargas to work towards that desired agreement in close cooperation with the receivers and within the framework of a -then to be- agreed upon MOU.
2. The MOU was reached only after years of negotiations on October 26, 2023, and on December 1, 2023, the Cartera Group also submitted an initial proposal for a creditors' agreement with the Court Registry. At the claims admission meeting of September 27, 2024, the Cartera Group indicated its intention to submit an amended composition plan. In line with this announcement, it then provided the meeting with a written plan outlining the contours of this amended agreement. That plan was attached as Annex 3 to the minutes of the September 27, 2024 meeting. On November 27, 2024, the Cartera Group submitted a further detailed and amended agreement with the Court Registry. It is this latter agreement that is now before us for a vote.
3. It is important to note that the MOU included the Cartera Group's commitment to provide the receivers, within one week of signing the MOU, with insight into the composition, developments and size of the securities portfolio that according to the Cartera Group belongs to BdO, as of September 5, 2019, and further, to continue to manage that portfolio in consultation and consultation with the receivers as of the date of signing the MOU. Unfortunately, this commitment has not been fulfilled and the receivers still do not have the necessary insight and control over the portfolio. The question is even whether the portfolio exists.
4. Other agreements from the MOU, such as prompt reimbursement of bankruptcy costs, have also not been fulfilled by the Cartera Group and Mr. Vargas to date. The reasons for this remain the guesswork for the receivers, and the Cartera Group's response to questions about this to date has been limited to such unpromising statements as "we will get back to you on his later" or "the presidential elections in Venezuela have delayed our preparations". This finally led the receivers to decide on Sept. 18, 2024, to dissolve the MOU for Cartera Group's failure to comply with all agreements made in October 2023.
5. The receivers emphasize this because the agreement offered by the Cartera Group says nothing about securing compliance in general and the status or availability of the *securities* portfolio to secure the agreement in particular. What it does show is that the Cartera Group and Mr. Vargas own and control the BDO portfolio and -in violation of their legal duty- have no intention of relinquishing that ownership and control to the BdO receivers.

VANEPS

Aruba · Bonaire · Curaçao · St. Maarten · Amsterdam

The offered creditors' agreement

6. To date, the Cartera Group has only fulfilled the agreement regarding the offer of a creditors' agreement. On September 27 last the vote on this agreement was postponed to today, because (i) the creditors had then only had a short time to evaluate the proposal and (ii) the Cartera Group still needed to elaborate and substantiate its amended proposal. Finally, that drafted and amended agreement was submitted on November 27, 2024.
7. Prior to the creditors' meeting of creditors on September 27, 2024, the creditors, mainly through the creditors' committee, made their comments, wishes and proposals towards the Cartera Group in response to the first agreement submitted by the Cartera Group on December 1, 2023. A concrete reaction on these comments was never given by the Cartera Group. Even at the meeting on December 11, 2023, the receivers had already made some general comments on the agreement offered at that time. The reservations of creditors and the receivers at the time and still are the following:
 - a) It was and is not explained that and why none of the grounds of refusal for confirmation of the plan mentioned in article 148 subsection 2 of the Bankruptcy Decree would apply here. Thus, it was not indicated how and why compliance with the offered composition plan would be sufficiently guaranteed. This is particularly important because neither the receivers nor the BdO securities portfolio play any i guarantee role n the then proposed and -for that matter- in the current, amended composition plan.
 - b) In addition, the settlement offered did not include an option whereby creditors could expect direct payment of their admitted claim in cash in US dollars through the BdO estate or the BdO receivers. Why this option was and is not included, was and is not explained other than to say that the current sanction regime with respect to Venezuela and Venezuelan companies and individuals would prevent it. However, why that sanction regime would prevent payments to the BdO creditors, let alone to the BdO estate or the BdO receivers, was and still is unclear to the receivers, if only because none of the BdO creditors or natural or legal persons related to BdO or the Cartera Group, let alone BdO or the receivers appear on any EU or OFAC sanction list. What is clear is that the information on the securities portfolio provided by the Cartera Group to the receivers shows that in the period December 23, 2023 to June 24, 2024 securities with a nominal value of in total USD 217,109,700, and in the period January 30 to November 3, 2025 further securities with a nominal value of in total USD 125,275,000, would and will mature and will be due and payable with interest. The question of the receivers to the Cartera Group was and is therefore, why these amounts could not be reserved for the payment of the creditors who continued to insist on direct payment of their claims in cash and in US dollars and do not want to opt for the alternative "payment" options already offered on December 1, 2023 in the agreement as debt assumption by BOI Bank in Antigua, participation in a Venezuelan Trust Fund and cash payment to creditors with claims up to USD 10,000,- through that same Venezuelan Trust Fund. To this question, to date, no other answer has been given than that those USD 342,384,700 in securities already matured in 2023 and 2024 and still to mature in 2025 would have been or will be reinvested in new securities.

8. Apart from the debt assumption by BOI Bank (which is no longer an option, as BOI Bank has not had a banking license since March 2024), we find more or less the same 'payment' options in the currently submitted, amended agreement as in the original agreement submitted on December 1, 2023, namely the participation in a Venezuelan Trust Fund against transfer of the receivables from BdO to Cartera de Inversiones. Reviewing the 'payment' options listed in the agreement, the receivers add the following comments:
- Participation in a Trust Fund: this would be a fund with investments in bonds of Venezuela-based companies, belonging to the Cartera Group and operating in the Venezuelan energy sector and in construction and project development in Venezuela. Control and management of this investment fund lies with the "*esteemed and long established independent*" Venezuelan law firm Polanco, Azuaje & Marmol, represented by Mr. Tomas Polanco Fernandez. The receivers tried to find some more information about this law firm on the Internet, but were unable to find anything. They did find information about Mr. Tomas Polanco Fernandez who will be in charge of the supervision and management on behalf of Polanco, Azuaje & Marmol. He is currently a partner at Interjuris Abogados, the Venezuelan law firm assisting and supporting Mr. Vargas and the Cartera Group in the BdO bankruptcy. Therefore, there is no independent oversight or management of the Trust Fund. In any event, there is no role for the receivers. Furthermore, this proposal implies that the creditors will have to exchange their in itself liquid and internationally tradable entitlement to the BdO securities portfolio in US dollars for illiquid assets in Venezuela, for which -at best- there may be a possible market for them in Venezuela and which, in any case, are not tradeable on the international market. Payment under the notes will be in US dollars, but at the then current official Venezuelan US dollar-bolivar exchange rate. In addition, payment obligations under the promissory notes to be issued by the Venezuelan Cartera companies will only be guaranteed by Cartera de Inversiones without any other form of security being provided by the Cartera Group outside Venezuela by, for example, establishing a security interest in favor of the BdO receivers in the BdO securities portfolio appropriated by the Cartera Group and Mr. Vargas. The receivers therefore advise against this "payment" option also in view of the lack of any security interest in the BdO securities portfolio.
 - Cash payment option for small creditors with receivables of less than USD 10,000: this option also involves disbursement through the proposed Trust Fund. The creditors concerned participate in the Trust Fund for the amount of their claim and are then bought out within 360 days for the amount of their claims and paid out in US dollars at the official US dollar-bolivar conversion rate. The receivers reiterate their previous comments about the Trust Fund. They advise also against this option.
 - Payment of bankruptcy costs: it is indicated that payment of all bankruptcy costs approved by the bankruptcy judge will take place under the condition that the agreement is accepted and confirmed by the Court. In the opening words of its explanation of the offered agreement, the Cartera Group indicates that it intends to execute the agreement in accordance with the principles mentioned in the MOU terminated by the receivers in September last. In the MOU, the Cartera Group had unconditionally undertaken to pay all bankruptcy costs up to a maximum of USD 1.5 million. In the presently proposed settlement it deviates from this principle in that payment of the bankruptcy costs without maximum will only be made if the presently offered settlement is accepted by the qualified majority of the creditors and approved by the Court. The already determined bankruptcy costs up to November 27, 2024 total USD 1,311,038.14. Of this amount, USD 718,580.70 has been

VANEPS

Aruba · Bonaire · Curaçao · St. Maarten · Amsterdam

paid to date. Therefore, USD 592,457.43 remains outstanding for the period up to November 27, 2024. And then the bankruptcy costs for the period after November 27, 2024 have yet to be determined. As mentioned above, the Cartera Group indicates that it will pay all determined bankruptcy costs, but fulfillment of this payment obligation is not guaranteed in any way and similar promises under the MOU in the past have not been kept.

- Payment of Curacao's creditors: regarding payment of the Curacao estate creditors (*preferred creditors*), the proposed settlement states that this group of creditors will be paid in cash. However, the payment of this group of (estate) creditors is in no way guaranteed. The proposed settlement does not mention payment of the 14 Curacao unsecured creditors. The receivers therefore assume that this group of Curacao creditors would also have to be satisfied with participation in the Venezuelan Trust Fund. This is undesirable. And also the fulfilment of this obligation is not guaranteed.
- The BdO securities portfolio: The deal amounts to the BdO account holders transferring their claims against BdO to the Cartera Group against the acquisition of a stake in a Venezuelan Trust Fund of unknown value set up by the Cartera Group. The idea then seems to be that the BdO estate waives its claims to the BdO securities portfolio held by the Cartera Group, but any waiver by Cartera de Inversiones of its claim rights against the BdO estate by virtue of its own claims and claims taken over from creditors is not found in the proposed agreement. The receivers strongly disapprove of this proposed course of action. The Cartera Group and Mr. Vargas have consistently evaded proper bankruptcy resolution all these years and to this day have refused to transfer control of the BdO securities portfolio with a face value of USD 1.86 billion and a market value of USD 1.6 billion to the receivers. Not to mention the fact that the BdO creditors would have to exchange their unsettled BdO claims through the BdO estate totaling approximately USD 850 million on this portfolio for a promissory note of unknown value, the fulfillment of which is in no way guaranteed. The Cartera Group and Mr. Vargas would then also receive this "gift" on the backs of the BdO creditors.

Advice receivers

9. The receivers recommend that the offered creditors' agreement be rejected, since (i) a cash payment of the claims in US dollars via the BdO receivers is not included as an option in the agreement and -much more importantly- (ii) the market value of the offered promissory notes cannot be determined and - because of very limited marketability- will be much lower than the total claims of the BdO creditors on the BdO estate of approximately USD 850 million, while the BdO securities portfolio with a market value of approximately USD 1.6 billion is not included in the agreement, which is unlawfully appropriated by Cartera Group and Mr. Vargas and will remain with the Cartera Group and finally (iii) the performance of the agreement is not or not sufficiently secured. For these reasons alone -see Article 148 subsection 2 of the Bankruptcy Decree- this proposed arrangement will and cannot be confirmed by the Court, even if the necessary qualified majority of creditors would agree to this arrangement.

Curacao, December 6, 2024

M.R.B. Gorsira, receiver D.C. Narvaez, receiver