

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO: FSD

0092  
OF 2012 ( 12

IN THE MATTER OF THE COMPANIES LAW (2011 REVISION)

AND IN THE MATTER OF SANTIAGO PIPELINES COMPANY



PETITION



To: The Grand Court

THE HUMBLE PETITION of Santiago Pipelines Company care of Appleby Trust (Cayman) Limited, Artemis House, Fort Street, George Town, Grand Cayman, Cayman Islands (the "Company") SHOWS THAT:

#### Background

1. The Company is an exempted company limited by shares that was incorporated in the Cayman Islands on 3 November 1994 under the Companies Law as amended (the "Companies Law"). The Company is registered under number 56875.
2. The objects for which the Company is established are unrestricted.
3. The authorised share capital of the Company is \$7,907,500, the memorandum of association of the Company providing that the directors of the Company have the power to issue 7,907,500 shares of US\$1.00 par value. The Company has issued 7,892,500 shares.
4. The transaction referred to in paragraph 5 ("Restructuring Transaction") is conditional upon orders being made by this Honourable Court in accordance with (or substantially in accordance with) the relief sought in this Petition. Should the

Court make the orders sought herein, then the Restructuring Transaction shall come into effect, subject to fulfilment of the remaining formalities, namely registration in accordance with section 17 of the Companies Law (2011 Revision).

5. Pursuant to a corporate reorganisation of the Company governed by a spin-off agreement dated 13 June 2012 (“Spin-Off Agreement”), the Company agreed to spin off a portion of its patrimony by means of: (i) a cancellation of such part of the nominal amount of the share capital of the Company held by Colombia Pipelines Limited (“CPL”) as is equal to the net book value of the patrimony referred to in sub-paragraph (ii) below; (ii) the transfer in bulk of 5% of the shares in Oleoducto Central S.A. (“OCSA”) by the Company to New Santiago Pipelines Company (“New SP”), together with certain liabilities which relate to the holding of the OCSA shares being transferred; and (iii) the issue by New SP to CPL of shares which have a nominal value that is equal to the net book value of the patrimony transferred to New SP as described in sub-paragraph (ii) above and a fair value that is equal to the net fair market value of the patrimony transferred to New SP as described in sub-paragraph (ii) above.
6. Also in pursuance of a corporate reorganisation of the Company, pursuant to a deed of indemnity (“Indemnity”), CPL has indemnified the Company in respect of any of its liabilities identified prior to the Restructuring Transaction becoming effective which are either not due as at that date or are otherwise ‘incapable of being settled’ (on the basis set out in the Indemnity) as of such date..
7. The Articles of Association of the Company (the “Articles”) relevantly provide, at Article 33(d), that, *inter alia*:  
  

*“...subject to the provisions of the Statute [t]he Company may by Special Resolution reduce its share capital... ”.*
8. In relation to the transaction referred to in paragraph 5, the Company is proposing a reduction of share capital (the “Capital Reduction”) to give effect to the Spin-Off Agreement.

#### Financial Information

9. The proposed Capital Reduction will not prejudice the interests of the creditors of the Company which are adequately safeguarded as the Company’s only current liabilities are comprised of creditors and accruals in the sum of approximately

US\$3,000 as of 31 May 2012 and the Company has cash and current asset resources well in excess of the claims of all creditors, including such accruals. Furthermore, the Company has obtained the benefit of the Indemnity pursuant to which CPL indemnifies the Company against liabilities on the basis set out above in paragraph 6. CPL will have no difficulty in discharging any liabilities that fall due for payment under the Indemnity. The audited accounts of CPL show that as at 31 December 2011, CPL had a surplus of current assets over current liabilities of US\$141,626,198 and cash and reserves in excess of creditors in a ratio of 2 to 1.

10. The audited unconsolidated financial statements of the Company as at 31 December 2011 (the “**Audited Accounts**”) show:

10.1. shareholder equity of US\$91,574,000; this comprises issued and paid-up share capital of US\$28,663,000 and retained earnings of US\$62,911,000. Since the Audited Accounts were completed, the Company has determined that the issued and paid up capital was (as at 31 December 2011), in fact, US\$35,000 and the balance of the US\$28,663,000 figure cited in the Audited Accounts as issued and paid-up share capital was comprised of a mixture (in uncertain proportions) of reserves and share premium;

10.2. cash and cash equivalents of US\$3,000;

10.3. accounts receivable of US\$76,493,000, being loans to related entities; and

10.4. creditors and accruals in the sum of US\$8,000.

11. The unaudited management accounts of the Company as of 31 May 2012 (the “**Management Accounts**”) show:

11.1. shareholder equity of US\$99,291,000; this includes issued and paid-up share capital of US\$7,893,000 (7,857,500 shares having been issued between the date of the Audited Accounts and the Management Accounts) and a combination of share premium and reserves of US\$91,539,000;

11.2. cash and cash equivalents in the sum of US\$3,000;

11.3. accounts receivable of 84,205,000; and

11.4. creditors and accruals in the sum of US\$3,000.

## The Special Resolution

12. In the process of formulation of the corporate reorganisation of the Company, the Company's sole shareholder, CPL, was consulted and, through those consultations and related communications, obtained detailed knowledge of all matters relevant to CPL's decision whether or not to pass a special resolution to reduce the capital of the Company.
13. By a special resolution passed through a unanimous written resolution on 13 June 2012 in accordance with article 33(d) of the Articles and section 14 of the Companies Law (the "Special Resolution"), it was resolved as a special resolution, *inter alia*, as follows:

"RESOLVED as a special resolution pursuant to Article 33(d) of the Articles that the application to the Grand Court to approve a reduction of the capital of the Company by cancelling US\$0.995506367 from each issued ordinary share of US\$1.00 each pursuant to Section 15 be and is hereby authorised and approved in all respects."
14. The Special Resolution was unanimously passed on the basis of a unanimous written resolution.
15. As the Company has no unpaid share capital, the Capital Reduction would not involve the diminution in liability in respect of any such unpaid share capital.
16. The form of minute proposed to be registered is as follows:

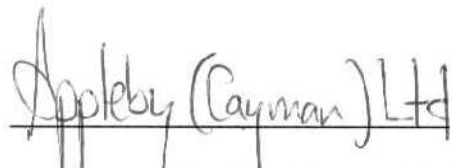
*"By virtue of a Special Resolution and with the sanction of an Order of the Grand Court of the Cayman Islands dated 13 June 2012, the issued share capital of Santiago Pipelines Company was reduced by US\$7,857,034 by the reduction of the par value of each of the 7,892,500 fully paid ordinary shares of the Company to US\$0.004493633 per share (being a cancellation of US\$0.995506367 from each issued ordinary share of US\$1.00 each). At the date of registration of this Minute, all of the shares in the issued share capital of the Company are fully paid up."*
17. It is appropriate for the Court to confirm the Capital Reduction.

YOUR PETITIONER THEREFORE HUMBL Y PRAYS THAT:

- (1) That the reduction of the issued share capital of the Company proposed to be effected by the Special Resolution set forth in paragraph 12 of this Petition be confirmed and that the abovementioned minute be approved by the Court; and
- (2) Such orders as the Court thinks fit.

AND your petitioner will pray etc.

Dated the 15th day of June 2012

  
Appleby (Cayman) Ltd

Attorneys-at-law for the Petitioner

Note: This petition is not intended to be served

THIS PETITION was filed by Appleby (Cayman) Ltd, Attorneys-at-Law for the Petitioner, whose address for service is Clifton House, 75 Fort Street, PO Box 190, KY1-1104, George Town, Grand Cayman, Cayman Islands. (REF: THW/138458.0003)

## NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this petition will take place at the Law Courts, George Town, Grand Cayman on the      day of                      2012 at      am/pm.

Any correspondence or communication with the Court relating to the hearing of this petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, Cayman Islands, KY1-1106 telephone 345 949 4296