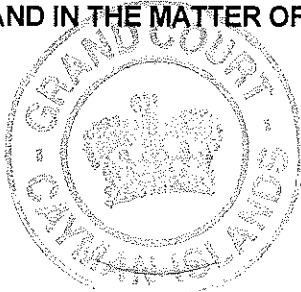


IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

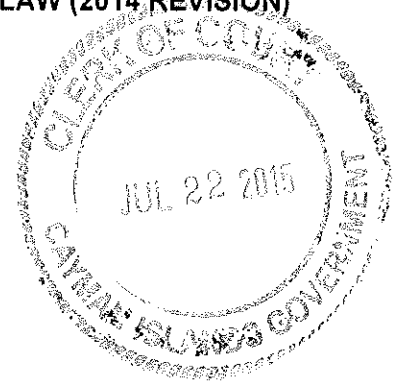


0119
CAUSE NO FSD OF 2015 (JK)

IN THE MATTER OF THE COMPANIES LAW (2013 REVISION)
AND IN THE MATTER OF THE EXEMPTED LIMITED PARTNERSHIP LAW (2014 REVISION)
AND IN THE MATTER OF RHONE HOLDINGS, L.P.



WINDING UP PETITION



To the Grand Court

The humble petition of Reservoir Capital Master Fund II L.P., Reservoir Capital Master Fund, L.P., Reservoir Capital Investment Partners, L.P. and Reservoir Capital Partners, L.P., (together, the "Petitioners") shows that:

A. Introduction

1. Rhone Holdings, L.P., (the "Partnership") is an exempted limited partnership formed on 7 March 2007 pursuant to the laws of the Cayman Islands and whose registered office is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005. The Partnership was registered on 22 March 2007.
2. The Petitioners are all the limited partners in the Partnership. The Partnership has two general partners: Rhone Capital (GP) Ltd., an exempt company registered in the Cayman Islands (the "Ritchie GP"), and Rhone Holdings SLP, L.L.C., a Delaware limited liability company (the "Reservoir GP").
3. The Ritchie GP is controlled by the Partnership's investment managers, namely Ritchie Capital Management LLC, a Delaware limited liability corporation ("RCM LLC"), and Ritchie Capital Management Ltd., a Cayman Islands exempt company ("RCM Ltd")

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(together the "**RCM Management Entities**"). The Petitioners believe that the ultimate beneficial owner and directing mind of the RCM Management Entities (and thus the Ritchie GP) is Mr Thane Ritchie, whose name they bear. It is Mr Ritchie's claimed compensation and purported expenses for investment management services that underpin, and that have triggered, this dispute.

4. The Reservoir GP is controlled by the Petitioners, who are investment funds managed by Reservoir Capital Management, LLC, a Delaware limited liability corporation ("**RCG**").
5. By virtue of certain conversion notes exercised on 25 April 2007, the Petitioners are also shareholders in Rhone Holdings II. Ltd ("**Rhone II**"), which is and has been at all material times the sole asset owned by the Partnership. These notes converted the Petitioners' preferred Class A limited partnership units into preference shares in Rhone II. The Petitioners continue to hold common units in the Partnership as well as common shares of Rhone II.
6. The Petitioners now seek the assistance of the Court in ordering a winding up of the Partnership. It would be just and equitable for the Court so to order. There is a total loss of confidence between the Petitioners, on the one hand, and the Ritchie GP and the RCM Management Entities (whose interests it represents) on the other. There has been a history of defaults including failure to redeem the preferred interests held by the Petitioners in a timely manner, and a failure to audit the Partnership/Rhone II in the years leading up to these proceedings.
7. The Petitioners have now discovered that the Partnership is being charged millions of dollars of back-dated expenses which they believe are not genuine, do not cover any investment advisory services, and in any event should not have been charged to the Partnership under the relevant agreements. Moreover, the Petitioners believe that the expenses, if actually incurred, would primarily relate to investments of Mr Ritchie's family office, not the Partnership.
8. The expenses that are being passed on to the Partnership (and other investors) are grossly disproportionate to the fees that should be charged to the Partnership at this time. These issues were only uncovered in a recent historical audit being conducted by McGladrey LLP of certain funds managed by the RCM Management Entities. The

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Petitioners understand that McGladrey concluded that the back-dated expenses from Alpha Carta could not properly be passed on by the RCM Management to the funds and their ultimate investors.

9. The Partnership's remaining cash balance, which is held in accounts over which the RCM Management Entities hold signature authority, will be completely depleted within the coming months if the practice of charging millions of dollars of illegitimate back-dated expenses to the Partnership is allowed to continue.
10. In the circumstances, the Petitioners have asked the Ritchie GP to agree to freeze the Partnership's accounts and agree to a voluntary winding up of the Partnership's affairs in accordance with the terms of the LPA. Whilst Mr Ritchie has made an unspecific proposal that the parties should try to negotiate a separation agreement, he has not provided the confirmations requested or agreed to termination of the partnership in the manner provided for in the LPA. The Petitioners believe that there is a real and imminent danger of the Partnership's remaining assets being dissipated if protective action is not taken. The Petitioners therefore seek the appointment of provisional joint liquidators pending the hearing of the winding up petition.

B. The Formation and Management of the Partnership

11. The intention was that the Petitioners, through the vehicle of the Partnership, would invest in a series of already-active funds managed by the RCM Management Entities. These underlying funds into which the Partnership would invest, albeit indirectly, are known as "**Strategy Funds**".
12. It was the partners' original intention and agreement that the Petitioners' preferred interests in Rhone I, and subsequently Rhone II, would have been fully redeemed by 2011. Quarterly payments under the preference shares would have been serviced by liquidating the assets in the underlying funds in which Rhone II invested.
13. The Partnership entered into an Investment Management Agreement ("**IMA**") with the RCM Management Entities. The IMA set out the various responsibilities of the RCM Management Entities. (For example, to audit the Partnership.) Appended to it was an

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Investment Policy which governs the nature of investments the RCM Management Entities could make on behalf of the Partnership. (For example, in respect of so-called "Direct Channel" assets, the RCM Management Entities could not invest in illiquid assets or increase in the illiquidity of assets.)

14. Rather than provide for an investment management fee, the IMA provides for the RCM Management Entities to be remunerated on the basis of charging their expenses to the Partnership. There are caps on the fees for the first four years, which reflects the intended lifespan of the preferred interests of the Partnership. Additionally, because the RCM Management Entities manage the Strategy Funds, into which the Partnership invests, there are provisions to avoid double-counting or double-charging fees as between the Partnership and the Strategy Funds, such that fees to the Strategy Funds offset fees to the Partnership.
15. The RCM Management Entities have now managed the partnership's investments for over eight years. During this time there have been a number of defaults by the Ritchie GP and the RCM Management Entities, which are set out more fully in the default notices exhibited to Mr Engler's affidavit. They include, for example, failure to audit Rhone II and payment defaults.
16. The Partnership has agreed to forbear taking any action on these defaults for the time being. This agreement was reached as part and parcel of a complex restructuring exercise that was performed in order for two sub funds managed by the RCM Management Entities to settle a lawsuit with Barclays Bank plc in November 2013.

The Current Concerns

17. Quite apart from the fact that Rhone II has not fully redeemed the Petitioners' preferred shares, which was the main economic rationale for entering into the Partnership, the Petitioners have lost confidence in the Ritchie GP. The Petitioners say the Ritchie GP is no longer acting in the best interests of the Partnership, but is instead prioritising the interests of the RCM Management Entities who control it, as well as Mr Thane Ritchie individually.

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The high level of fees

18. The RCM Management Entities have taken approximately US \$3.5 million in fees from Rhone II since April 2015, including one payment for \$911,465 in May 2015. The level of fees is itself far in excess of what is fair and reasonable. There has been no significant investment activity since 2013, the Net Asset Value of the Partnership is decreasing, and its underlying assets are largely static.
19. A recent payment on or about 5 May 2015 was taken from one Strategy Fund (namely Ritchie Structured Multi-Manager, Ltd., or "RSMM") in the amount of \$911,465. This fee should never have been taken. The Petitioners are aware that the RSMM investors were due a refund: previous fees had been based on 2% of AUM and had been shown by the auditor to have been inflated (as the AUM itself was inflated). The cash balance should, according to Mr Kermath (the then President of RCM LLC), have been used to cover that refund. Over Mr Kermath's protestations, Mr Ritchie wired the funds anyway from the RSMM account.
20. The Petitioners believe that he was in part able to do this because he had previously replaced the signatories on the RSMM account at J.P. Morgan & Co. with personal associates and confidants.
21. Furthermore, what this fee is supposed to have reimbursed is not presently understood by the Petitioners. The Petitioners are aware that many of the fees being charged are said to relate to Mr Ritchie's salary/compensation. There is no good cause for passing such salary expenses (even if actually incurred) to the Partnership. Firstly, the Partnership has already been charged fees based on the model of a percentage (being 2%) of assets under management (AUM). It is not fair and reasonable to now charge, on top of that, fees for reimbursement of Mr Ritchie's salary. Secondly, whatever work Mr Ritchie may have been doing largely relates to debt recovery actions/lawsuits for and on behalf of his family office, including recovery of debts under notes issued by Tom Petters and Petters Worldwide Group, Inc. (the "**Petters Notes**"). What exposure Rhone II has to the Petters Notes in its "direct channel" was acquired in violation of the IMA. Those fees should therefore not be directed to the Partnership or Rhone II, but should instead be directed primarily to the family office for whose benefit they were primarily incurred.

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More importantly, the amended IMA specifically restricts the amount of money that can be advanced towards recoveries under the Petters Notes.

22. To facilitate the payment of these exorbitant fees, the RCM Management Entities have circumvented normal controls for making payments. For example, Mr Ritchie has apparently made changes to the signature authorities on certain accounts of the Partnership and the underlying Strategy Funds, installing personal associates as signatories. This allowed the payment of \$911,465 to occur outside of normal protocols within the RCM Management Entities.

Back dating of fees

23. It appears that the RCM Management Entities have sought to justify the excessive fees by claiming they are for historical expenses. As there is not and has never been any contemporaneous record of the expenses, the RCM Management Entities have sought to back-date certain charges which are now being passed to the Partnership and the Strategy Funds. The Petitioners do not believe the back-dated expenses are genuine.
24. The main back-dated expenses have originated from a company called Alpha Carta, which appears to have charged RCM Ltd. hourly rates billed by Mr Ritchie, at \$500/hr, for many hundreds of hours per month. These charges have been back-dated to January 2011, and have now been passed on to the Partnership and Strategy Funds for reimbursement as 'expenses'. The total fees from 2011 to 2014 charged by Alpha Carta to the various funds managed by the RCM Management Entities are in excess of US \$30 million. They are approximately \$18 million for 2013 and 2014 alone.
25. Leaving aside that it is entirely improper to back-date the charges and pass them on to the Partnership, the original Advisory Agreement between Alpha Carta and RCM Ltd. (which it is unclear was ever signed) does not provide for Alpha Carta to conduct investment advisory work, and yet the charge is in effect a payment of a salary to Mr Ritchie for his purported services as an investment advisor. If Mr Ritchie was conducting investment advisory work, it should not be billed to RCM Ltd. under the original agreement. In apparent recognition of this fact, RCM Ltd and Alpha Carta sought in May 2015 to amend the original agreement so as to broaden the scope of services Alpha

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Carta can charge for, and give the revised agreement retroactive effect. That does not provide any proper basis for these fees.

26. The Petitioners believe that the true purpose of Alpha Carta is to provide Mr Ritchie with a vehicle to charge back-dated fees for which there is no proper basis.
27. This conduct, the back-dating of fees, and the level of fees being charged, have caused grave concern within the staff of the RCM Management Entities themselves, including by John Kermath, who was until recently the President of RCM LLC, and Bob Hobbs, the general counsel. Mr Tim Gajdorus, in the banking department, has expressed astonishment at the suggestion that RCM Ltd. is due any back-dated reimbursement, and at the manner in which fees have been taken.
28. Additionally, Mr Ritchie has changed personnel at the RCM Management Entities, dismissing staff who (the Petitioners understand) have challenged his conduct, for example, Mr Chris Beaulieu, the Chief Operating Officer. Mr Hobbs has now resigned. Mr Ritchie has previously threatened to dismiss the one-time President of RCM LLC, Mr John Kermath, for questioning the basis and level of fees being charged and the propriety of back-dated fees.
29. Meanwhile, the auditors of the Partnership and certain other funds managed by the RCM Management Entities, namely McGladrey LLP, have recently uncovered the attempt to backdate expenses, and the use of Alpha Carta to achieve this. They have challenged Mr Ritchie and RCM Ltd to explain how this is permissible. They have concluded that it is not.
30. Their concerns not having been meaningfully addressed, the auditors have now resigned over a lack of trust with RCM Ltd. and Mr Ritchie, and/or ethical concerns at the conduct of the business.
31. The Cayman Island Monetary Authority has recently written to the Directors of Rhone II notifying them of audit failures and requesting an explanation.

The Current Petition

32. In light of the foregoing, the Petitioners have lost confidence in the management of the Partnership.

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33. Whereas they expected the Partnership to have fully paid out their preferred interests many years ago, they are now locked in a situation where they are receiving no preference payments, the Partnership's assets are static, the NAV is decreasing, and its cash balances are being rapidly depleted, as the RCM Management Entities continue to bill the grossly disproportionate and unjustified fees that they have, without any good cause.
34. The Petitioners believe the Partnership has run its course. The appropriate course of action is to wind up the Partnership in an orderly and fair manner.
35. In order to prevent the dissipation of further funds and preserve the value of the Partnership while it is being liquidated, the Petitioners have sought to freeze the accounts in which the Partnership's cash balances are held, and to obtain the Ritchie GP's agreement to do so and to a termination of the Partnership in accordance with the terms of the LPA, including the appointment of a Liquidator.
36. In response, Mr Ritchie has made an unspecific proposal that the parties should try to negotiate a separation agreement, but neither he nor the Ritchie GP has agreed to the steps requested by the Petitioners. They have not cooperated in freezing the cash balances and have not agreed to termination of the partnership in the manner provided for in the LPA. The Petitioners believe that there is a real and imminent danger of the Partnership's remaining assets being dissipated if protective action is not taken. The Petitioners therefore seek the appointment of provisional joint liquidators pending the hearing of the winding up petition.
37. As a result of these issues, the Petitioners have lost all trust and confidence in the Ritchie GP and the RCM Management Entities, who control it. The Petitioners believe the Ritchie GP is actively prioritising its interests and the interests of the RCM Management entities over the best interests of the Partnership, to the obvious detriment of the Petitioners.
38. Faced with such a failing to cooperate, the Petitioners have reluctantly concluded that they have no choice but to ask for the Court's assistance in ordering a winding up of the Partnership, and in the appointment of Provisional Liquidators in the interim.

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39. The Limited Partnership is nominating David Griffin and Andrew Morrison of FTI Consulting, 2D Landmark Square, 64 Earth Close, SMB, PO Box 30613, Grand Cayman KY1-1203, Cayman Islands to be appointed as official liquidators.

Conclusion

40. In the premises:

- a) The Ritchie GP and the RCM Management Entities have evinced a disregard for the best interests of the Partnership and instead have prioritised their own interests over the Partnership's.
- b) The funds of the Partnership are being rapidly dissipated as unjustifiable management fees continue to be taken out of the accounts in which the Partnership's cash is held and over which the RCM Management Entities hold signatory power.
- c) There has been no audit for any of the years from 2008 to 2014, and the auditors who was dealing has now resigned for ethical reasons.
- d) The Petitioners have justifiably lost all trust and confidence in the management of the Partnership, which has in any event lasted many years after it was intended (in respect of the Petitioners' preferred interests)
- e) The Ritchie GP has now disclosed that there are on-going SEC and IRS investigations
- f) It is just and equitable that the Partnership be wound up.

YOUR PETITIONERS THEREFORE HUMBLY PRAY(S) THAT:-

- (1) The Partnership be wound up in accordance with the Companies Law and Exempted Limited Partnership Law.

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- (2) Messrs David Martin Griffin and Andrew Morrison of FTI Consulting (Cayman), 2D Landmark Square, 64 Earth Close, SMB, PO Box 30613, Grand Cayman KY1-1203, Cayman Islands be appointed joint official liquidators ("JLs").
- (3) The JLs be appointed as provisional liquidators pending the hearing of the winding up petition ("JLs").
- (4) The JLs shall not be required to give security for their appointment.
- (5) The JLs have the power to act jointly and severally in their capacity as liquidators of the Partnership.
- (6) The JLs be authorised to take any such action as may be necessary or desirable to obtain recognition of the JLs and/or their appointment in any other relevant jurisdiction and to make such application to the courts of such jurisdiction for that purposes, including the removal of RCM (and any other entity associated with the Ritchie GP) as investment manager.
- (7) The JLs be authorised to exercise all of the powers set out in paragraphs 2, 8, 10, and 11 of Part 1 of the Third Schedule to the Companies Law and section 1110(2) thereof, without further sanction or intervention of this Honourable Court.
- (8) The JLs be authorised to do any act or thing considered by them to be necessary or desirable in connection with the liquidation of the Partnership and the winding up of its affairs in the Cayman Islands and/or elsewhere.
- (9) Without prejudice to the generality of the foregoing, the JLs be authorised and be granted leave to take all such actions as may be necessary to:
 - (a) investigate the affairs of the Partnership and its direct and indirect subsidiaries;

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- (b) pass resolutions appointing themselves or their nominees as directors and/or liquidators of the Partnership's subsidiaries in accordance with the terms of their constitutional documents and the laws of their place of incorporation;
 - (c) make applications to, and seek the assistance and recognition from, the courts of any foreign jurisdictions as may be necessary in the course of their conduct as JLs of the Partnership or for the purposes of carrying out any of the functions provided for herein.
- (10) The JLs be at liberty to appoint such counsel, attorneys, professional advisors, whether in the Cayman Islands or elsewhere, as they may consider necessary to advise and assist them in the performance of their duties in accordance with Order 25 of the Companies Winding Up Rules 2008 (as amended).
 - (11) No disposition of the property of the Partnership by or with the authority of the JLs in carrying out their duties and functions and the exercise of their power under any Order granted pursuant to this Petition shall be voided by virtue of section 99 of the Companies Law.
 - (12) Subject to section 109(2) of the Companies Law and the Insolvency Practitioner's Regulations 2008 (as amended), the JLs be authorised to render and pay invoices out of the assets of the Partnership for their own remuneration.
 - (13) The JLs be at liberty to meet all disbursements reasonably incurred in connection with the performance of their duties and, for the avoidance of doubt, all such payments shall be made as and when they fall due out of the assets of the Partnership as an expense of the liquidation.
 - (14) The JLs be at liberty to apply generally
 - (15) The Petitioners' costs of and incidental to the Petition be paid forthwith out of the assets of the Partnership on the standard basis.

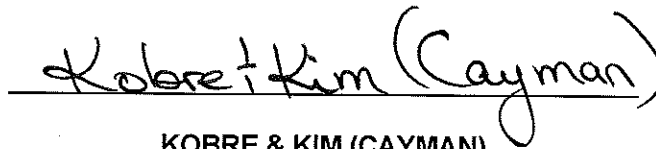
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(16) Such further or other relief be granted as the Court deems appropriate.

AND your Petitioner will ever
pray etc.

Dated the 17th day of July 2015



KOBRE & KIM (CAYMAN)
Attorneys at Law for the Petitioners

NOTE: This petition is intended to be served on the Limited Partnership and the General Partners at their registered offices.

NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this petition will take place at the Law Courts, George Town, Grand Cayman, on _____ at 10.00am.

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, KY1-1106, telephone 345 949 4296.

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