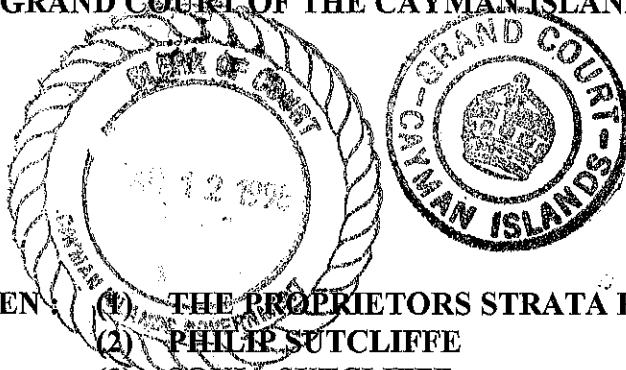


IN THE GRAND COURT OF THE CAYMAN ISLANDS



CAUSE NO. 181 OF 1998

BETWEEN (1) THE PROPRIETORS STRATA PLAN #150 (PALM SPRINGS)

- (2) PHILIP SUTCLIFFE (APT.#5)
- (3) SONIA SUTCLIFFE (APT.#5)
- (4) JOHN E. HURLSTON (APT.#6 & #7)
- (5) PETER O'LEARY (APT.#10)
- (6) MARY E.A. GUIDRY (APT.#10)
- (7) MARY E. BOXALL (APT.#11 & #44)
- (8) IAN GOODALL (APT.#12)
- (9) N.M.V. ENTERPRISES LTD. (APT.#14 & #31)
- (10) LAURIE O. RAMSON (APT.#24)
- (11) FIONA NICOL (APT.#27)
- (12) VERA MARJORIE HURLSTON (APT.#36)
- (13) STEPHEN FAIRS-HALL (APT.#38)
- (14) HELEN FAIRS-HALL (APT.#38)
- (15) MERJA PESONEN (APT.#46)
- (16) ROSA M. CHRISTIE (APT.#47)
- (17) H. STEWART TAYLOR (APT.#55)
- (18) ISOBEL TAYLOR (APT.#55)
- (19) THREE PADDINGTON PLACE LIMITED (APT.#42)
- (20) PETER JACKSON (APT.#23)
- (21) MAUREEN JACKSON (APT.#23)
- (22) PETER SLOCOCK (APT.#71)
- (23) NEVILE SMITH (APT.#20)
- (24) MICHAEL BRADLEY (APT.#53)
- (25) PATRICIA BRADLEY (APT.#53)
- (26) CHRISTINE SANDERS (APT.#72)

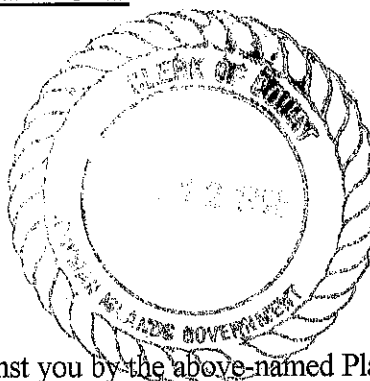
PLAINTIFFS

- AND:
- (1) RENE HISLOP
 - (2) JULIE HISLOP
 - (3) THE GRAND PALMS LTD.

DEFENDANTS

WRIT OF SUMMONS

TO: (1) RENE HISLOP
(2) JULIE HISLOP
(3) THE GRAND PALMS LTD.



THIS WRIT OF SUMMONS has been issued against you by the above-named Plaintiff in respect of the claim set out on the Statement of Claim annexed.

Within 14 days after service of this Writ on you, counting the day of service, you must either satisfy the claim or return to the Court Office, P.O. Box 495G, George Town, Grand Cayman, the accompanying Acknowledgment of Service stating therein whether you intend to contest these proceedings.

If you fail to satisfy the claim or to return the Acknowledgment within the time stated, or if you return the Acknowledgment without stating therein an intention to contest the proceedings, the Plaintiff may proceed with the action and judgment may be entered against you forthwith without further notice.

ISSUED this 12th day of March 1998

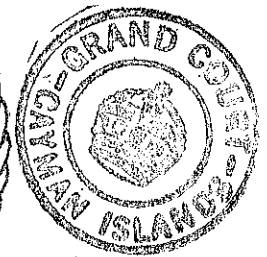
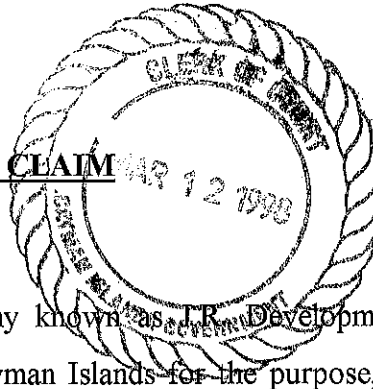
NOTE - This Writ may not be served later than 4 calendar months beginning with the date of issue unless renewed by order of the Court.

IMPORTANT

Directions for Acknowledgment of Service are given with the accompanying form.

FILED BY Messrs. Ritch & Conolly, Attorneys-at-Law for and on behalf of the Plaintiff herein whose address for service is that of its said Attorneys-at-Law, P.O. Box 1994, 3rd Floor Royal Bank Building, George Town, Grand Cayman, B.W.I.

STATEMENT OF CLAIM



1. On or about 15th February 1990 a company known as J.R.D. Development Company Limited ("JRD") was incorporated in the Cayman Islands for the purpose, inter alia, of developing and building a residential condominium development of some 71 apartments to be known as "Palm Springs" on land in the South Sound Registration Section on the east side of South Church Street at South West Point, and at all material times thereafter:-
 - (1) the First Defendant was a Director of JRD and its business and affairs were carried out under his direction, control and supervision and that of his wife the Second Defendant.
 - (2) the First Defendant and/or the Second Defendant were beneficially interested in and entitled to the whole, or in the alternative, a substantial part of the shares in JRD directly or in the alternative indirectly, through their beneficial interest in a company known as 21st Century Holdings Limited (21st Century") which at all material times has also been managed and controlled by the First and/or Second Defendant.
2. Between about March 1990 and September 1992 JRD built and carried out the said development.
3. Prior to completion of the development and at the various dates of which particulars will be given in due course the 4th, 5th, 6th, 7th, 8th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 23rd, 24th, 25th and 26th Plaintiffs and each of them entered into various contracts in writing with JRD whereunder it was agreed that JRD would build and complete the development and duly register a Strata Plan in respect thereof, and further, that JRD would build and complete a particular apartment within the development as respectively identified in the various contracts and thereafter JRD would sell and the

Plaintiffs would each respectively and variously buy such apartment for the price set out in each of the said contracts. The 2nd, 3rd, 9th, 22nd purchased apartments from the then registered proprietors.

4. Further, it was an express term of each such contract as aforesaid set out in Clause 11 thereof that JRD covenanted that the development and the apartments would be constructed in a sound and workmanlike manner and substantially in accordance with the elevations and plans as approved by the Central Planning Authority.
5. On or about 24th August 1992 JRD duly registered a Strata Plan and on 24th August 1992 pursuant to the Strata Titles Registration Law 1973, the First Plaintiff was formed and is the owner of the common parts of the said development, Further, upon completion of the apartments they were then variously sold by JRD to the Plaintiffs identified in paragraph 3 herein as aforesaid and the Plaintiffs are respectively the owners of those apartments.
- 6.1 In building and carrying out the said development JRD assumed and owed to the Plaintiffs and each of them and to any prospective owner of the development and any part thereof a duty of care to ensure that the development was carried out using all reasonable care and skill including to a good and adequate design, employing good quality and appropriate materials and good, sound and workmanlike standards of work.
- 6.2 Further and/or in the alternative, the Plaintiffs and each of them were entitled to and did rely upon JRD to exercise all such care and skill as aforesaid and in the premises JRD owed them each a duty of care as aforesaid.
7. By in or about 1996 it was apparent that in breach of its said covenant and/or the said duty of care JRD had failed to construct the development and each of the apartments including those owned by the Plaintiffs in a good or sound or workmanlike fashion and/or using good and/or adequate materials and/or to a good and adequate design.

PARTICULARS OF DEFECTS

1. The render applied to external walls throughout the development is of poor quality and/or of insufficient thickness thereby permitting rainwater penetration.
2. The framing members and holding down strap capacities of the roof throughout the development are significantly less than required to comply with an acceptable engineering standard.
3. Omissions and discontinuities in the vertical steel reinforcement to the concrete wall blocks, absence of horizontal joint reinforcements and discontinuities of horizontal steel in the capping beam, each of these defects being throughout the development, renders the structure unstable and dangerous in extreme weather conditions.
4. The foundations are inadequate for the load imposed upon them, particularly where single storey apartments abut two storey apartments thereby causing differential settlement and cracking of walls.
8. By reason of the said breach of contract and/or breaches of duty the Plaintiffs and each of them suffered loss and damage being the costs of remedial works required to correct the defects and each of them and/or diminution in the value of their properties and/or diminution of enjoyment of their properties and was entitled to recover damages accordingly against JRD.
9. By in or about late 1996, in particular by way of:-
 - (1) letters dated 14th August 1996 and 3rd September 1996 from the First Plaintiff to the First Defendant;

- (2) a meeting held in or about November 1996 between the 14th Plaintiff as Chairman of the First Plaintiff, the 11th Plaintiff and the First Defendant;
- (3) a discussion on or about 2nd December 1996 between representatives of APEC Engineering Consultants who had been retained by the Plaintiffs to investigate and advise in respect of the said defects in the development and the First Defendant.

the First Defendant knew that the Plaintiffs and each of them was minded to or likely to make claims against JRD and pursue such claims against that Company in respect of the said defects and their respective loss and damage.

10. By 1996 JRD carried on no business and had no material assets other than its ownership of certain parcels of land:-
 - (a) South Sound Registration Section Block 7C Parcel No. 127 ("Parcel 127");
 - (b) Rum Point Registration Section Block 33M Parcel No. 31 ("Parcel 31").
- 11.1 On or about 26th January 1997 the First and Second Defendants and each of them by Transfer in writing of that date caused and procured JRD to transfer the ownership of and all its interest in:-
 - (1) Parcel 127 to the Third Defendant;
 - (2) Parcel 31 to themselves.
- 11.2 At all material times the Third Defendant has been managed and controlled by the First and/or Second Defendants and it has been beneficially owned by them.
12. In the premises herein the dispositions of property mentioned in Paragraph 11 herein and each of them was made with intent to defraud within the meaning of the Fraudulent

Dispositions Law (1996 Revision) and in particular in respect of an obligation of JRD by way of its actual or contingent liability to the Plaintiffs and each of them for damages as aforesaid. In the premises the said transfers and each of them is voidable and should be avoided in order that the said properties be available to satisfy what was JRD's obligations to the Plaintiffs and each of them.

13. On or about 13th January 1997 and/or in the alternative on or about 27th January 1997 the First and/or Second Defendant caused and procured that JRD hold an Extraordinary Meeting of Shareholders and that at such meeting they representing 21st Century as the member of JD resolved voluntarily to wind it up and for which purpose to appoint the First Defendant as Liquidator. Further, at all material times from on or about 13th or in the alternative 27th January 1997 the First Defendant acted as Liquidator of JRD.
14. By on or about 17th March 1997 the First Defendant purported to have fully wound up the affairs of JRD and on that date:-
 - (1) procured to be held what purported to be a general meeting of JRD pursuant to Section 144 Companies Law;
 - (2) made to the Registrar of Companies what purported to be a return pursuant to Section 145 Companies Law.
15. During the course of the said liquidation, the First Defendant acted wrongfully and in breach of his statutory duties as Liquidator and/or negligently.

PARTICULARS

1. Notwithstanding that he knew that the Plaintiffs were actual or prospective creditors, or might have been, he failed to contact them or make any effort to make

contact with them so as to inform them of the liquidation and/or invite them to submit a proof of debt.

2. Failed to take any adequate or sufficient step adequately and sufficiently to advertise the liquidation of JRD and/or take other steps adequately and sufficiently intended to inform persons who were or might have been actual or contingent creditors of JRD and that the Company was in liquidation.
3. Failed to take any step to set aside the transfers of property described in Paragraph 11.1 herein.
4. Acted as Liquidator notwithstanding that he had an actual, or at least apparently had, a conflict of interest between his duties as Liquidator and interest as a beneficial owner of Parcel 127 and/or 31.
5. Prepared Final Accounts for JRD which failed to make any or any adequate provision for the interest of that Company in the said Parcel 127 and/or 31 and its right to avoid the transfer of such property or in the alternative failed to prepare any such Final Accounts.
6. Failed properly to conduct the liquidation in that, contrary to the requirements of Section 144, he purported to call the Final Meeting before having prepared any or any adequate or sufficient Final Account but rather called such meeting only at the same time as giving such limited advertisement as he did of the liquidation and invitation to creditors to submit proofs of debt by way of entries in the Cayman Islands Gazette dated 17th February 1997 and in any event before the affairs of JRD could have been or were fully wound up.
7. Failed to inform the Plaintiffs or any of them of his intention not to declare a dividend.

8. Failed to apply the property of JRD *pari passu* in satisfaction of its debts.
 9. Failed to pay JRD's debts.
 10. Failed to conduct himself acting fairly and even handedly between the creditors of JRD (whether actual and/or contingent) and its member and/or transferees of the said Parcel 127 and/or 31.
16. By reason of the said breaches of duty and/or negligence the Plaintiffs and each of them were unlawfully deprived of their opportunity to recover their said loss and damage whether by way of proving in the liquidation or by way of preventing such liquidation and pursuing JRD to judgment and in the premises have suffered loss and damage of an equivalent amount.

AND the Plaintiffs and each of them claim:

1. Against the First Defendant damages.
2. Interest pursuant to Section 62(1) of the Judicature (Amendment) Law 1995 from 1st July 1997 or for such other period or periods as may be just at the Court rate *annum* or at such other rate (being not less than the rate payable from time to time on Judgment Debts) as may be just.
3. Against the First and Second Defendants a Declaration that the transfer of Parcel 31 is void, an Order that the Property be sold and its proceeds applied in satisfaction of the Plaintiff's claims for damages herein and such other further Orders and directions be given as may be necessary to achieve such sale and application.

4. Against the Third Defendant a Declaration that the transfer of Parcel 127 is void, an Order that the property be sold and its proceeds applied in satisfaction of the Plaintiff's claims for damages herein and such other further Orders and directions be given as may be necessary to achieve such sale and application.

5. An Order that an Account be taken of the First Defendant's conduct of the Liquidation of J.R. Development Company Limited and that the First Defendant do pay towards satisfying the Plaintiff's claims herein such sum as may be found liable upon the taking of such Account.

6. Further or other relief as may be just.

DATED this 12th day of March 1998



RITCH & CONOLLY

FILED BY Messrs. Ritch & Conolly, Attorneys-at-Law for and on behalf of the Plaintiffs herein whose address for service is that of his said Attorneys-at-Law, P.O. Box 1994, 3rd Floor Royal Bank Building, George Town, Grand Cayman, B.W.I.

**IN THE GRAND COURT OF THE CAYMAN
ISLANDS**

CAUSE NO. OF 1998

BETWEEN :

**THE PROPRIETORS STRATA PLAN #150
(PALM SPRINGS) AND OTHERS**

PLAINTIFFS

AND

(1) RENE HISLOP

(2) JULIE HISLOP

(3) THE GRAND PALMS LTD.

DEFENDANTS

STATEMENT OF CLAIM

**Messrs Ritch & Conolly
Attorneys-at-Law
3rd Floor
Royal Bank of Canada Building
P.O. Box 1994
George Town
Grand Cayman**

TEL: (345) 949 7366

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REF: RMC