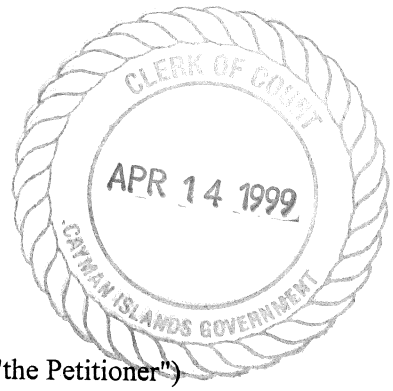
IN THE GRAND COURT OF THE CAYMAN ISLANDS CAUSE NO. 243 OF 1999

IN THE MATTER of THE COMPANIES LAW (1998 REVISION)

and

IN THE MATTER OF OPTIMUM FUND



PETITION

TO: HER MAJESTY'S GRAND COURT OF THE CAYMAN ISLANDS

The Humble Petition of THE CAYMAN ISLANDS MONETARY AUTHORITY ("the Petitioner")

SHOWETH as follows:

1. Optimum Fund (hereinafter called "the Company") was incorporated under the Companies Law on the 21st June 1994 as an Exempted Company limited by shares.

2. The registered office of the Company is situate at c/o MeesPierson (Cayman) Ltd., P.O. 2003, British American Centre, Phase III, Doctor Roy's Drive, George Town, Grand Cayman, B.W.I.

3. To the best of the Petitioner's knowledge the authorised share capital of Company consists of 100 ordinary shares of US$1 each and 4,190,000 redeemable shares of US$0.01 each. The paid in capital (redeemable only) was US$5,098,260.30 and represented 969,994.30 redeemable shares issued at between US$5.00 and US$5.80 each.

4. The objects for which the Company was formed are unlimited in the Memorandum of Association of the Company.

The Conduct of the Company's business, its Directors and Advisors

5. On 12th March 1997 the Company applied for a mutual fund licence under the Mutual Funds Law. The licence was subsequently granted on 17th March 1997. According to its Prospectus the business purpose of the Company appears to have been to invest in what are known as "Regulation S Securities". Regulation S is legislation in the United States adopted in 1990 that substantially deregulated the sales by United States issuers

of securities in "offshore transactions to non-United States persons".

6. In or about January 1997 the Company had an issued share capital of US$4,675,000, (substantially comprised of third party investors' funds) with which it started trading in Regulation S Securities. At this time the Company did not have the required mutual fund licence under the Mutual Funds Law (1996 Revision) ("the Law"). As of 31st December 1997 the Company's trial balance showed a total asset position of US$8,964,745.47. The Administrator is of the view that this total asset figure is, for the reasons set out below, unreliable.

7. At the material time, the Directors of the Company were Bernd Steighorst ("Steighorst"), Daniel Fischer ("Fischer") and Rolf Siev ("Siev").

8. Because of matters set out below and concerns expressed by various parties to the Cayman Islands Monetary Authority ("CIMA") Christopher Dorrien Johnson of PriceWaterhouseCoopers ("the Administrator") was appointed Administrator of the Company on 17th November 1998 pursuant to Section 33 (3) (e) of the Law.

9. On or about April 1997 the Company appointed OIC Optimum Investment Consulting AG ("OIC") to act as its "Investment Manager" to advise on the buying and selling of "Regulation S Securities". For these services OIC was to receive three per cent per annum of the average net asset value of the fund, a US$10,000 per month fixed fee and incentive fees calculated on profits. In addition, OIC received an acquisition fee of five per cent of all share subscriptions. Sometime subsequent to April 1997, OIC, which appears to be a related entity, entered into a consulting agreement with PI International Consulting Limited ("PI Consulting"), a Cayman Islands company with its registered office at Campbell Corporate Services Limited. PI Consulting appears to have received a monthly fee of US$10,000 and twenty per cent of the incentive fee due to OIC. The conduct of the Company's business also involved a company known as US Milestone, "resident" in Staten Island, New York (with overseas offices in Zurich, Switzerland). US Milestone describes itself as an "investment banker" and appears to be controlled by two individuals, a Frank Nicolois ("Nicolois") and a Thomas Cavanaugh ("Cavanaugh") whom are believed to be the incorporators and moving minds of the Company. Any monies involved in transactions were remitted to MeesPierson (Cayman) Ltd. ("MeesPierson"), the fund administrator. Levy & Levy (whose sole principal is a William Levy ("Levy")), a New York law firm, appear to have acted as an escrow agent in the acquisition of the securities purchase by the Company. The Company also appears to have opened an account with Donald & Co. Securities Inc., a New York firm of brokers/dealers and, thereafter, further accounts with Alexander, Westcott & Co. Inc. and Dean Witter Reynolds Inc. As of 31st May 1997 the records of the

Company were showing a profit of US$219,635.

10. During 1997 MeesPierson were encountering difficulties in obtaining accounting information from Levy & Levy on the acquisition of securities. A further concern apparent from what information they did manage to obtain was that Levy & Levy did not appear always to invest monies they received in the acquisition of securities recommended to the Company by the investment consultant, PI Consulting.

11. MeesPierson's concern was communicated by fax dated 18th June 1997 to the Cayman Islands attorneys to the Company, Boxall & Co. After this letter was sent a meeting of the Directors of the Company was convened at which time the Directors, Stieghorst, Fischer and Siev dispensed with the services of PI Consulting and replaced them as investment consultant with OIC. OIC, in turn, gaveNicolois and Cavanaugh powers of attorney granting them full power to act on behalf of OIC in the conduct of the Company's investments. In addition, Stieghorst, a Director of both the Company and OIC gave a business associate of his, JP Neuhaus, a full Power of Attorney to act as a "Director" of the Company.

12. Upon informing MeesPierson of these appointments MeesPierson expressed their concern and sought further clarification. There appeared to be no response from the Company to MeesPierson's letter outlining their concern.

1977 Financial Figures

13. The Administrator has examined the calculation methods and payment of incentive fees and concluded that the amount of US$1,246,223 included in the financial statements for the period is incorrect. This is because inter-alia sums of US$579,699 and US$75,393 were paid to OIC Optimum Investment Consulting A.G. and P.I. International Consulting Ltd. for the March and June 1997 quarters. The original incentive fees accrued for the period should, on the figures produced by the Fund, have totalled only US$579,699. This resulted in the payment of US$75,393 being an overpayment. Further after a recalculation of net asset value by the fund administrator, fees "due" as of June 30, 1997 were revised downward by US$152,686. This resulted in an overpayment of that amount. In addition the administrator notes that additional incentive fees of US$819,209 that the Fund calculated were due as of December 31, 1997 are also incorrect as they were based on inaccurate or unjustifiable net asset values. Of this amount US$400,000 was paid in February 1998.

14. The Administrator has also noted that on the instructions of Stieghorst incentive fees of US$160,000 and

US$300,000 were paid to an account at Affida Bank in Zurich known as "Cumbre" account (its purpose and ownership are unknown). An additional US$419,699 was co-mingled with other fees allegedly due to OIC. This amount was paid into two accounts, one with Levy & Levy and the other into the "Cumbre" account. The "Cumbre" account appears to have received further funds which had originally been sent to Levy & Levy for Fund investment purposes.

15. The Administrator has expressed serious concerns as to the bona fides of the above payments and of the net profit figure of US$1,800,000 for the year ended 31st December 1997. The Administrator is of the view that this figure is comprised mostly of a US$1,700,000 realised profit on the trading of shares in Saf-T-Lok (a matter which requires further investigation – see paragraph 25 below) and unrealised profits of US$1,400,000 on the valuation of shares in Electro-Optical Systems Corporation. It is alleged in the Securities and Exchange Commission complaint detailed in paragraphs 17 to 21 below that these shares were the subject of a fraudulent scheme to create a controlled market for this stock with the intention of vastly inflating the stocks' price. The Administrator is of the view that the shares are presently worth at best approximately US$1,000. The Administrator has also expressed concern with the valuation of other securities as of 31st December 1997 largely because of a general lack of information (both independent and from the Company's records themselves) on the value of these stocks at that time. The Administrator's concerns are the same concerns expressed by MeesPierson when attempting to obtain information from US Milestone during the preparation of January 1998 financial statements and those of Ernst & Young when attempting to verify and value several of the securities in the Company's portfolio.

1998 Financial Figures

16. Although financial statements are available for the year ended 31st December 1998 it is believed they are unreliable because of the aforementioned overstated and incorrect valuations of certain securities as at 31st December 1997. The current securities portfolio value (updated since the Administrator's First Report) is believed to be between US$1,500,000 and US$3,100,000. On the basis that shareholders' subscriptions were, in total, approximately US$4,900,000 a significant present loss to shareholders has been incurred that will increase should fines or other penalties be imposed on the Company by the Securities and Exchange Commission (see paragraph 17 below). Further, this approximate portfolio valuation may further deteriorate or be reduced because a number of the securities appear to be restricted "Regulation S Securities", some cannot properly be valued by the Administrator, certificates or other ownership instruments of others do not appear to be under the custody or control of the Company (perhaps because the securities were never purchased or do not exist), and some are frozen by the actions taken by the United States Securities and Exchange Commission as set out below.

The SEC Complaint

17. On 13th March 1998 the United States Securities and Exchange Commission ("the SEC") filed a complaint against numerous defendants, including the Company, Cavanaugh, Stieghorst, Donald & Co., Levy and Neuhaus in the United States District Court, Southern District of New York. The SEC's complaint alleges breaches by the Defendants of US Securities Law through their alleged participation in a fraudulent scheme to create a controlled market for the stock of a company called Electro-Optical Systems Corporation ("EOSC"). This stock made up part of the securities portfolio of the Company. It is alleged that the purpose of creating the controlled market was artificially to inflate the price of the stock to innocent third party investors in the United States. As a result of these proceedings the United States District Court imposed a freezing order over certain of the assets of the Company as well as those of the other Defendants. All are also principals or were otherwise involved in the conduct of the Company's business. The Company may also be the subject of a fine if the proceedings commence by the SEC are successful. The Administrators have been informed that the fine will be between US$600,000 and US$1,200,000. As a result of this action and the foregoing order imposed by the United States District Court the business of the Company has effectively come to a standstill. Since the SEC's action was commenced in early 1998 no attempt had been made by the Company or the Directors or other Defendants to challenge the proceedings or otherwise remove or vary the freezing Order imposed by the United States District Court over the assets of the Company. Indeed, Steighorst has confirmed to the Administrator that the Company's Directors have no intention of formally opposing the SEC's action.

18. The SEC complaint alleges that the Company made a purported bridging loan of US$500,000 to a company known as W.T.S. Transnational Corporation ("WTS"), a small privately held company engaged in the development of finger print identification technology. WTS was "merged" on or about 18th December 1997 with a shell company known as Curbstone Acquisition Corporation ("Curbstone"). The subsequent company was renamed EOSC. It would appear that whatever monies were advanced (the records of the company appear to show that it was, in fact, US$370,000 not US$500,000) were paid to WTS from an account held by Levy & Levy on or about 18th December 1997. This loan was converted on or about that time into EOSC stock. Also on that date, 1,054,241 "Regulation S" EOSC shares were issued to the Company, being held in the Company's brokerage account at Donald & Co.

19. In the course of this merger Cavanaugh and Levy, the sole partner of Levy & Levy, were intimately involved. The "merger" transaction, which was a reverse stock acquisition, also involved the transfer of EOSC shares to

various foreign entities (including several Spanish companies) purportedly under Regulation S. Regulation S shares are exempt from the normal registration and disclosure requirements, but prohibited from sale back into the US market without regulation or further exemption.

20. On 19th December 1997, Cavanaugh placed an unsolicited order for 500 EOSC shares to be purchased by the Company at US$7 per share, a price which, in the Administrator's opinion appears to be highly inflated. The order was placed with a trader at Alexander Westcott & Co. Further, on our about 19th December 1997 Cavanaugh placed another order for 2,500 EOSC shares to be purchased by the Company at US$5.375 per share (again, a price that appears to be inflated). The complaint further alleges that 70,000 EOSC shares were transferred without consideration at the direction of Cavanaugh to Stieghorst sometime in January or February 1998. It would appear that these shares were transferred to Stieghorst from the Spanish companies to whom a number of EOSC shares had been transferred to under Regulation S upon the merger of WTS and Curbstone.

21. During a full preliminary hearing in the US District Court on 25th March 1998 District Judge Cote, when extending the temporary restraining order against the Defendants to the complaint, made a preliminary finding that 100,000 of the restricted EOSC shares were transferred from one of the Spanish companies to the Company, of which 71,500 were subsequently sold by the Company to third party investors.

22. On 7th April 1998 MeesPierson resigned as Administrators to the Company. On 4th November 1998 Messrs. Ernst & Young resigned as the firm engaged to conduct the Company's audit.

The Administrator's Report

23. On 31st January 1999 the Administrator submitted to CIMA for their consideration a written report outlining his investigation of the affairs of the Company. This has been updated by a further short report. The primary conclusions reached by the Administrator were:

(a) That the Company in fact probably made a loss on its investments for 1997 and not, as the Company's figures suggested, a substantial profit;

(b) That as a result of the real financial position of the Company during 1997 the payment of the substantial incentive fees and commissions to various related parties is questionable.

(c) That the Directors and other related parties and principals who appear to have benefited from the incentive fees, commissions and other payments were being evasive and non-cooperative to the

Administrator's enquiries.

(d) In the eleven months up to November 1998 the Company appears to have made further losses.

(e) That the incorporation and management of the fund was orchestrated by Nicolois and Cavanaugh on whose instructions the Directors appeared to act. The Administrators have expressed the view that the Directors played no significant part in the running of the Company's affairs.

(f) The monies remitted to Levy & Levy for the purposes of investment cannot be properly accounted for.

24. The Administrator contacted Stieghorst seeking specific financial information concerning the Company's affairs. In response, Steighorst requested that nothing be done to hinder the Company and its business and, particularly, that no attempts be made to realise the Company's assets. Since that timeStieghorst has been uncooperative and has not provided the Administrator with requested information or details. The Administrators have been made aware that enquiries were recently made by the principals of the Company seeking to transfer the Company from the Cayman Islands to Nevis.

25. The Administrator has made a preliminary investigation into the acquisition of securities by the Company. For example, in respect of the Saf-T-Lok acquisition, by a letter dated 17th November 1998 from Alexander Westcott & Co. to Cavanaugh (which was acknowledged by Steighorst), the Company agreed to purchase 200,000 shares in Safe-T-Lok for US$400,000. The Administrator's research indicates that a price of US$2 per share was approximately the market price for those shares on that day. However, further investigation of Alexander Westcott & Co. by the Administrator reveals that in fact only US$110,000 was utilised by the Company to buy 200,000 warrants (and not shares) in Safe-T-Lok. Records obtained by the Administrators from the SEC show that the remaining US$290,000 was paid out by Levy & Levy as follows:

The "Cumbre" Account	100,000
U.S. Milestone	46,000
"Silrestove"	70,000
Insbury Investments	50,000
"Receccaa Hnyda"	20,000
Levy & Levy	4,000
	290,000

Alexander Westcott & Co. has failed to respond in substance to any further enquiries made by the Administrator concerning these transactions.

26. On the basis of the inflated profit figures given by the Company and its apparent failure to use funds allocated to purchase various securities for the declared purpose, substantial payments have been made by the Company to various related parties. Of particular concern is the payments total of US$870,000 to the "Cumbre" account and US$119,672 to Levy & Levy (for which no invoices have been found or provided). PI Consulting appears to have received US$10,000 per month during its retainer as well as incentive fees to June 1997totaling in excess of US$148,000. OIC, whose president is Fischer (also a Director of the Company), received US$1,215,276.80 from January 1997 to February 1998.

27. Since his report dated 31st January 1999 the Administrator has continued to find the principals and related parties involved in the Company's business evasive and non-cooperative. Further, information has been provided to both the Administrator and CIMA that confirms the Administrator's suspicions on the accuracy or otherwise of the stated make up of the Company's securities portfolio. Specifically, by way of a letter dated 10th February 1999 to CIMA from Nicolois, an 8% $225,000 Convertible Note from Kaire Holdings Inc. appears in his analysis of the portfolio held by the Company. From MeesPierson's records, the Company never purchased this security. Further, there appeared to be some other anomalies between what MeesPierson were informed and believed comprised the Company's securities portfolio and what Mr. Nicolois says was the case. In respect of further inquiries made by the Administrator Mr. Nicolois has proved evasive.

28. The Administrator has also written to and received a reply from Fischer, another Director of the Company. He has informed the Administrator that although a Director, he was not in any way actively involved in the Company business and that there were no Directors' meetings. He has informed the Administrator that he had, in fact, resigned on 24th July 1998 and sent his resignation to Cavanaugh. This resignation would not appear to have been reported to the registered office, the Registrar of Companies or CIMA.

29. It is the Petitioner's view that as a result of the aforesaid matters the Company has not been conducting its business in the public interest and, indeed, may have been involved in a substantial securities fraud perpetrated by its incorporators, principles and related parties. It is also probable that bona fide investors in the Company have suffered substantial losses as the result of the payment of expenses, commission and incentive fees based upon declared profit figures that appear to have been inflated. Whilst the Company may not, technically, be insolvent because of the nature of the investment in the Company (being by way of share capital), it is the Petitioner's view that the Company should be wound up on just and equitable grounds to protect the interests of its investors. Further, because of the effect of the actions taken by the SEC the substratum of the Company has

been lost and it would appear that it is no longer in a position to conduct the business that it was incorporated to do.

YOUR PETITIONER THEREFORE HUMBLY PRAYS as follows:-

(a) That Optimum Fund be wound up by the Court subject to the provisions of Part V of the Companies Law (1998 Revision);

(b) That Christopher Dorrien Johnson and Julian Ivor Nicholas Freeland of PriceWaterhouseCoopers, Chartered Accountants (to hold their offices jointly and severally) be appointed Official Liquidators of the Company and that the Official Liquidators be authorised to do any acts or things considered by them to be necessary or desirable in connection with the liquidation of the Company and the winding up of its affairs;

(c) That the Official Liquidators be authorised to exercise all the power set out in Section 109 of the Companies Law (1998 Revision) without further sanction or intervention of this Honourable Court;

(d) That the Official Liquidators do file with the Clerk of the Court a report in writing of the position of and the progress made with the winding up of the Company and with the realisation of the assets thereof and as to any other matters connected to the winding up of the Company, every twelve calendar months or as the Court may from time to time direct;

(e) That the Official Liquidators be at liberty to employ attorneys, counsel and 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 and on such terms as they may think fit;

(f) That the Official Liquidators and their staff be remunerated out of the assets of the Company at the following hourly rates:-

		US$
(i)	Partners	400
(ii)	Senior manager	270
(iii)	Manager	245
(iv)	Senior Accountant	165
(v)	Staff Accountant	135

(g) Such further and/or other relief as this Honourable Court deems appropriate.

AND YOUR PETITIONER will ever pray etc.

DATED this day of , 1999.

FOR AND ON BEHALF OF THE CAYMAN ISLANDS MONETARY AUTHORITY

NOTE: This petition is intended to be served on the Company and the Registrar of Companies.

INDORSEMENT

This petition, having been presented to the Grand Court of the Cayman Islands on the day of , 1999 will be heard at the Grand Court of the Cayman Islands on:

DATE:

TIME:

(or as soon thereafter as the petition can be heard).

This Petition is filed by the Government Legal Department on behalf of the Cayman Islands Monetary Authority whose address for service is Government Legal Department, 4th Floor, Tower Building, George Town, Grand Cayman.