

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO: 308 OF 1999

IN THE MATTER OF **GALLOWAY PROPERTIES LIMITED**

AND IN THE MATTER OF THE COMPANIES LAW (CAP. 22) (1998 REVISION)

PETITION

TO: The Grand Court of the Cayman Islands

THE PETITION of Galloway Properties Limited of, P.O. Box 887, Grand Cayman, Cayman Islands, British West Indies shows that:-

1. The object of this Petition is to seek an order of the Court pursuant to Section 16(1) of the Companies Law (Cap. 22) (1998 Revision) (the "Companies Law") confirming a reduction of the capital of Galloway Properties Limited (the "Company").
2. The Company was incorporated on the 23rd day of August, 1978 and registered on the 28th day of August, 1978 under the Companies Law, as a company limited by shares.
3. The registered office of the Company is and has at all times since 7th February, 1989 been situate at the offices of Ansbacher (Cayman) Limited, P.O. Box 887, Grand Cayman, Cayman Islands.
4. The objects for which the Company was formed were:-
 - (a) To carry on in any part of the world whether as principals, agents or otherwise howsoever the business of realtors, developers, consultants estate agents or managers, builders, contractors, engineers, manufacturers, dealers in or vendors of all types of property including services, and to act as promoters and entrepreneurs.
 - (b) To carry on the business of an investment company and to carry on business as financiers, concessionaires and merchants and to undertake and carry on and execute all

kinds of investment, financial, commercial, trading and other operations.

5.
 - (a) The company was incorporated and registered with an authorised share capital of US\$900,000, comprising 900,000 ordinary shares of par value US\$1.00 each.
 - (b) The capital of the Company was reduced from US\$900,000 to US\$800,000 divided into 900,000 shares of US\$0.889 each pursuant to a special resolution of the Company confirmed by an Order of the Grand Court of the Cayman Islands dated 5 June, 1985. Pursuant to a further special resolution of the Company, on the reduction of capital taking effect, the issued shares of the Company were consolidated into 800,000 shares of US\$1.00 each and the authorised share capital was increased to US\$900,000 by the creation of a further 100,000 shares of US\$1.00 each.
 - (c) The capital of the Company was again reduced from US\$900,000 to US\$56,250 divided into 900,000 shares of US\$0.0625 each pursuant to a special resolution of the Company confirmed by an Order of the Grand Court of the Cayman Islands dated 27th July, 1997. Pursuant to a further special resolution of the Company, on the reduction of capital taking effect, the authorised share capital of the Company was consolidated into 56,250 shares of US\$1.00 each and then increased to US\$900,000 by the creation of a further 843,750 shares of US\$1.00 each.
 - (d) The capital of the Company was increased to US\$4,831,531 by the creation of 3,931,531 ordinary shares of US\$1.00 par value each pursuant to a resolution of the Company's shareholders dated 7th July, 1998 and a further 4,775,281 shares were issued to the Company's shareholders credited as fully paid pursuant to resolutions of the directors of the Company dated 7th July, 1998.
6. Shortly after its incorporation, the Company commenced and has since continued to carry on the business of an investment company. It is not carrying on and has never carried on any trading activities. The beneficial owner of the Company is an individual resident in the Netherlands Antilles. He requires the sum of US\$3,000,000 to be withdrawn from the Company. In order to minimise the adverse tax consequences which would result if a dividend was paid to the beneficial owner, it is proposed that the sum of US\$300,000,000 be withdrawn by means of a

reduction of capital. This is permitted by the articles of association of the Company.

7. The articles of association of the Company provide, (inter alia), as follows:-

"Article 35. (a) Subject to and in so far as permitted by the provisions of the Statute [the Companies Law, Cap.22], the Company may from time to time by ordinary resolution alter or amend its Memorandum of Association otherwise than with respect to its name and objects and may, without restricting the generality of the foregoing:

- (i) increase the share capital by such sum to be divided into shares of such amount or without nominal or par value as the resolutions shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (iii) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without nominal or par value;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person."

"Article 35 (d) Subject to the provisions of the statute the Company may by Special Resolution redeem any of its shares or reduce its share capital, any capital Redemption Reserve Fund, or any share Premium Account."

8. The reduction of capital was effected by a special resolution of the Company passed at an extraordinary general meeting held on 29th April, 1999 at which it was resolved as follows:

- (1) That subject to the confirmation of the Grand Court, the capital of the Company be reduced from US\$4,831,531 divided into 4,831,531 shares of US\$1.00 each

to US\$1,827,645, divided into 4,831,531 shares of US\$0.3782746 each, and that such reduction of capital be effected by returning paid-up capital to the extent of US\$0.6217254 upon each of the 4,825,281 issued shares of US\$1.00 each and by reducing the nominal amount of the said 4,831,531 authorised shares from US\$1.00 to US\$0.3782746 each.

- (2) That forthwith upon such reduction of capital taking effect, the 4,831,531 authorised shares of US\$0.3782746 each be consolidated in such manner that every 2.6435825 of the said shares shall constitute 1 US\$1.00 share upon which, in the case of the issued share capital, the sum of US\$1.00 shall be credited as having been paid so that the authorised share capital of the Company consists of 1,827,645 shares of US\$1.00 each of which 1,825,281 are issued.

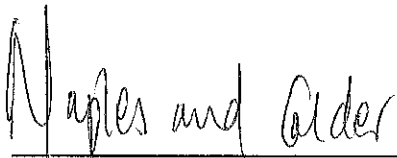
9. The sum of US\$3,000,000 proposed to be repaid to the shareholders is in excess of the needs of the Company and cannot in the opinion of the directors any longer be usefully employed in its business. The reason for the proposed reduction is to return funds to the beneficial owner of the Company in a way that is fiscally effective for the purposes of the laws of his jurisdiction of residence.
10. The form of Minute proposed to be registered is as follows:

"The capital of Galloway Properties Limited was by virtue of a special resolution and with the sanction of an Order of the Grand Court dated _____, 1999 reduced from US\$4,831,531 divided into 4,831,531 shares of US\$1.00 each to US\$1,827,645 divided into 4,831,531 shares of US\$0.3782746 each. At the date of the registration of this Minute, 4,825,281 of the shares have been issued and are deemed to be fully paid up. A special resolution of the Company has been passed to the effect that on the said reduction of capital taking effect the authorized capital of the Company be consolidated into 1,827,645 shares of US\$1.00 each of which 1,825,281 are issued."

YOUR PETITIONER THEREFORE HUMBLY PRAYS AS FOLLOWS:-

1. That the provisions of Section 15(2) of the Companies Law may be dispensed with.
2. That the reduction of the capital of the Company proposed to be effected by the special resolution set forth in paragraph 8(1) of this Petition may be confirmed by the Court.
3. That such other order may be made as the Court thinks fit.

DATED this 7th day of May, 1999.



MAPLES AND CALDER

NOTE: It is not intended to serve this Petition on anyone.

ENDORSEMENT

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 10 JUNE, 1999 at 10 (or as soon thereafter as the Petition can be heard).

This Petition was presented by Maples and Calder, Ugland House, P.O. Box 309GT, George Town, Grand Cayman, attorneys for the Petitioner.