

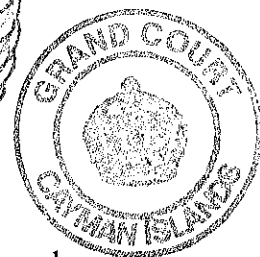
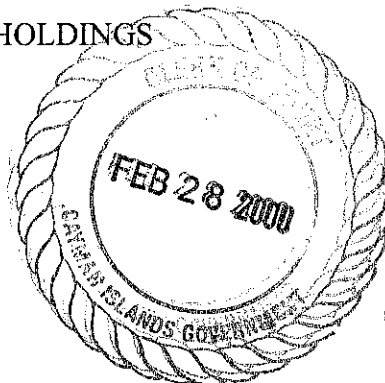
IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO 116 OF 2000

IN THE MATTER OF SECTION 94 OF THE COMPANIES LAW (1998 REVISION)

AND IN THE MATTER OF SOVEREIGN CAPITAL HOLDINGS

PETITION



TO: The Grand Court of the Cayman Islands

The petition of Alfred William Billes, of P.O. Box 30486 SMB, George Town, Grand Cayman shows:

1. THAT Sovereign Capital Holdings ("the company") was incorporated and registered (registration no. 90153) on 4th June, 1999 under The Companies Law of the Cayman Islands.
2. THAT the last known registered office of the company was at the offices of Everest Management Ltd, third floor, Buckingham Square Building, PO Box 31078 SMB, Grand Cayman.
3. THAT the petitioner is a creditor of the company.
4. THAT the petitioner and his wife, Barbara Edith Anne Billes, loaned US\$2 million to ITL Corp in October, 1998. ITL Corp issued a promissory note to the petitioner's order in the amount of US\$2 million on 1st November, 1998. The principal sum thereof was repayable on demand and, pending repayment, interest was due, under that note, at the rate of four percent (4%) per month. All

payments of interest were made up to and including September, 1999. No interest payments have been made thereunder since then.

5. THAT the petitioner and his wife were induced to make the said loan to ITL Corp by fraudulent misrepresentations made to, *inter alia*, the petitioner by Michael E. Gause, a former resident of the Cayman Islands now living in a prison cell in America, and by Patrick T. Tibbetts, who resides in Grand Cayman.
6. THAT the said fraudulent misrepresentations consisted of repeated statements made, and of documents given, to, *inter alia*, the petitioner prior to his and his wife lending ITL Corp the above sum, wherein Gause and Tibbetts represented that the said sum of US\$2 million would be invested by ITL Corp in a business in the United States of America known as "Cash 4 Title" or "C4T" whereas, in actual fact, Gause and Tibbetts fully intended, at the time, to retain most of the proceeds of the petitioner's said loan for their own benefit, that of their associates and for the purpose of paying interest on investments.
7. THAT unbeknownst to the petitioner at any relevant time until 16th or 17th October, 1999, Gause and Tibbetts had combined, agreed and conspired together, with each other and with others, since 1997, to defraud the public in general and the petitioner in particular of vast sums through the means of a Ponzi scheme which they ran out of the Cayman Islands between 1997 and mid-October, 1999.
8. THAT Gause and Tibbetts, pursuant to the said conspiracy, caused a substantial number of companies which they, or one of them, controlled to be formed in the Cayman Islands for the purpose of carrying out the said fraudulent Ponzi scheme. These Cayman Islands companies included JMP International Ltd, International

Professionals Ltd, Combined Asset Management Ltd, Morning Star Ltd, Opal Holdings, Opal Holdings, Jibo Ltd, Global Loans Advantage, Inc, Harbour Management Ltd, OTA Corp, The Whisper Group, MTN Investments, Unique Projects, S & R Financial Limited, Bellwether Holdings Ltd, Sunset Financial Services Ltd, Offshore Title Investment Ltd, Arabella Holdings, Everest Management Ltd, Redwood Investments, ITL Corp, Haven Company, LDF Ltd, Nascaydomus Enterprises, OPL Ltd, Premier Holdings Ltd, Sunset Loans Ltd, Navico Holdings Ltd, MTM Limited, other companies and the company (together "the group companies").

9. THAT all sums loaned by the victims of the above scheme to any of the above companies, including the petitioner's US\$2 million, were routinely transferred between the accounts of two or more of the said companies kept by Bank of Bermuda in Grand Cayman. Funds paid by the victims, including the petitioner, were kept circulating between the said accounts. Some of these funds would then be paid to Gause or to Tibbetts or, more often than not, to entities that they controlled in the Cayman Islands and elsewhere and to other co-conspirators or to entities which one or several of them controlled in the United States of America. Other funds were used to make interest payments on loans made by the victims of the Ponzi scheme, including the petitioner. Some of these funds were used for legitimate expenses and less than one percent (1%) thereof was paid to "Cash 4 Title" or "C4T".
  
10. THAT the group companies were completely controlled by Gause or Tibbetts or both of them. They were a sham, a mere cloak devised and intended by Tibbetts and Gause to facilitate and carry out the fraud described herein and they were used for that purpose. These companies were a mere device for enabling Gause

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and Tibbetts to defraud the victims of the above scheme in general and the petitioner in particular. The group companies had no purpose or activity other than the carrying out of the fraud. There was no legitimate part to them.

11. THAT it follows that the group companies, including the company, together with Gause and Tibbetts, must be regarded as one factual entity to which the petitioner loaned the above sum of US\$2 million and that they are all liable towards the petitioner for the repayment thereof, including interest, under the terms of the above promissory note. The petitioner is therefore a creditor of the company in the amount of US\$2 million and interest.
12. THAT all the group companies, including the company, are unable to pay their debts in general and, in particular, the amounts owed to the Cayman Islands victims of the above Ponzi scheme, including the petitioner.
13. THAT moreover, it is just and equitable that the company should be wound up since it was formed and used strictly for the purpose of committing a fraud and did, in fact, commit such fraud.
14. THAT the company has no known assets and the total known assets of the group companies amount to approximately US\$15 million. The known liabilities of the group companies and of each one of them towards the victims of the above Ponzi scheme, including the petitioner, exceed US\$35 million.
15. THAT in the circumstances it is just and equitable that the company should be wound up.

THE PETITIONER THEREFORE prays as follows:

- A. That the company be wound up by the court under the provisions of The Companies Law (1998 Revision).
- B. That Ian A. N. Wight and Michael W. Pilling of PO Box 1787 GT, One Capital Place, George Town, Grand Cayman be appointed official joint liquidators of the company.
- C. That such other order or directions be made or given as the court thinks fit.
- D. That the costs of this petition be paid to the petitioner out of the assets of the group companies pursuant to The Companies Law (1998 Revision).

Dated this 29<sup>th</sup> day of February, 2000

  
Broadhurst DaCosta  
Attorneys-at-law for the petitioner

It is intended to serve this petition upon the company at its last known registered office.

THIS PETITION was filed by Broadhurst DaCosta, the attorneys-at-law for the petitioner, whose address for service is 40 Linwood Street, P.O. Box 2503, George Town, Grand Cayman, Cayman Islands, B.W.I.