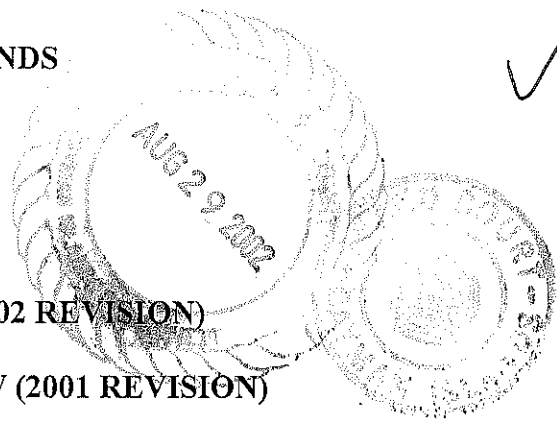


IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO: 69 OF 2002

IN THE MATTER OF THE COMPANIES LAW (2002 REVISION)
AND IN THE MATTER OF MUTUAL FUNDS LAW (2001 REVISION)
AND IN THE MATTER OF THE IONIC FUND LIMITED



PETITION

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

The Humble Petition of THE CAYMAN ISLANDS MONETARY AUTHORITY (the "Petitioner" sometimes hereinafter referred to as "the Authority")

SHOWETH as follows:

1. The Ionic Fund Limited (the "Company") was incorporated in the Cayman Islands on May 19, 1994. The Company had three sub-funds: (1) The Capital Fund, which was not offered to investors; (2) the Capital Plus Fund, which was established around June 15, 1994 and wound up on March 31, 1996; and, (3) The Eiger Fund (the "Fund"), established in October 1996. The Company was registered as a regulated mutual fund under Section 4(3) of the Mutual Funds Law (2001 Revision) (the "Law"), having initially been registered on October 30, 1996.
2. The registered office of the Company is Bank of Bermuda (Cayman) Ltd., Box 513GT, Bermuda House, British American Centre, Grand Cayman, Cayman Islands.
3. There are 1,000 founder shares of the Company of US\$1.00 par value (the "Founder Shares"), which had been subscribed for by the manager of the Company, Ionic Marketing Company Ltd. (the "Manager") The Founder Shares carry voting rights, are redeemable and as to the dividends and other rights in a liquidation of the Company, rank pari passu with the Class 'C'

participating shares (the "Shares") which were offered in exchange for investment in the Fund. The Shares had a par value of US\$0.01 and an initial offer price of US\$1,000 per share for a minimum value of US\$100,000. Additional subscriptions would be for a minimum of US\$50,000. The Shares were redeemable at the net asset value ("NAV") per Share and were to have a priority claim over a specific portfolio of assets acquired with the proceeds of capital subscriptions for the Shares.

4. The investment advisor for the Fund is Culross Global Management Ltd. (the "Investment Advisor"). Management International (Guernsey) Ltd., a subsidiary of Bank of Bermuda (Cayman) Ltd, is the Fund administrator (the "Administrator"). UBS Warburg is the prime broker. Ionic Marketing Company Limited is the Fund Manager.
5. The Company's directors are Messrs. Dante Montalbetti of Switzerland (appointed October 15, 1996), Benoit Demeulemeester of London, England (appointed May 20, 1998), and Barry Carroll of London, England (appointed May 1998) (the "Directors"). Mr. Carroll was an employee of the Administrator.
6. The Company's external auditors are PriceWaterhouseCoopers, Guernsey (the "Auditors"). The most recent audited financial statements signed were for the year ended December 31, 1997. In the minutes of a meeting of the Board of Directors dated October 18, 2000, it was reported that the audited financial statements for the year ended December 31, 1998 had not been signed by the Auditors due to dispute over fees, which had since been resolved. As at the date of this application, the Auditors have not issued the audit report for the 1998 financial year.
7. On February 9, 2001 Mr. Peter Moffatt, Director of Investment Business of Guernsey Financial Services Commission, advised the Authority by telephone that the Advisor had been overstating the net asset value of the Company over the course of the last two years.
8. On February 16, 2001, attorneys for various investors requested the Authority commence an investigation of the Fund. The attorneys provided the Authority with a confession letter by Mr. Reto Moser, an employee of the Advisor, admitting sole responsibility for the overstatement and manipulation of the net asset value of the Company.
9. On February 21, 2001 the Managing Director of the Authority exercised his powers under Section 30 (3)(e) of the Law to appoint a person to control the affairs of the Company. Mr. Ian Wight of Deloitte & Touche was appointed controller of the Company (the "Controller").

10. The Controller submitted an interim report on April 24, 2001 (the "Interim Report"). Inter alia, the Controller found that the net asset value of the Company had been overstated and had remaining tangible assets at the time of his report of less than US\$0.45 million. The Directors suspended trading of Fund assets on February 8, 2001. The Controller's analysis revealed that the Fund lost approximately US\$4.12 million on one un-hedged short trade made on September 30, 1998 and settled in early February 1999. This loss had been concealed by Reto Moser through the over valuation of certain other securities in the Company's portfolio the effect of which was to maintain the NAV per share at a fairly constant level. The Administrator had accepted the valuations provided by Reto Moser for the over valued securities and had apparently not checked them with independent third party sources. The Controller reported his opinion that, had the Administrator correctly valued the over valued securities, it was likely that the loss would have been discovered sooner and the Fund would have been wound up. The Controller concluded on balance that the liquidation date would have been December 31, 1998. Furthermore, he reported that both the Advisor and Administrator had stated they expected to have to contribute towards the deficiency of the Company's assets.
11. The Controller also reported that certain of the shareholders (five of the seven as at December 31, 1998) had fully redeemed their shareholdings during the period from December 31, 1998 to the date of the Controller's appointment (the "Redemption Period"). The five shareholders who had fully redeemed in the Redemption Period had received more than they would have received in a winding-up due to the over valuation of the Company's portfolio. The two shareholders who existed at December 31, 1998 and who had not fully redeemed during the Redemption Period had suffered because the remaining assets in the Company were significantly lower than they would have been if the Company had been wound up based on a December 31, 1998 liquidation date. The Controller found that there was only one subscription in the period, in the amount of US\$360,000 made in May 2000. The Controller concluded that this investment would not have been made had the Company been wound up at December 31, 1998 and that on this basis the investor concerned was entitled to be repaid in full plus interest.
12. The Controller concluded, based on the above, that the correct course of action would be to place the Company in liquidation.
13. On October 1, 2001, the Controller provided a supplemental report (the "Supplemental Report"). In the Supplemental Report, the Controller advised that one shareholder had commenced an action in the High Court of Justice in London against Mr. Moser, the Advisor and the Administrator. He also reported that a settlement offer was made by the

Administrator in July 2001 on a “without prejudice” basis, although he noted that the offer was less than the amount suggested in his Interim Report and that the largest shareholder found the offer to be insufficient. The Controller’s Supplemental Report clarified certain of the findings in the interim report and reaffirmed the Controller’s interim findings and recommendations.

14. In a letter dated November 30, 2001, the Controller reported that through mediation, he had successfully achieved an increased offer from the Administrator of approximately US\$3.3 million, being the amount suggested by the Controller in the Interim Report. In addition as part of the mediation settlement, the Administrator agreed to reimburse costs incurred by the shareholder in the High Court litigation referred above. Finally as part of the mediation settlement, the shareholder in the High Court litigation agreed to pay to the Company the funds recovered from a bank account in the name of Reto Moser which had been frozen pending the outcome of the litigation. In turn, the Company agreed to assign every action that it may have against any third party (other than the three remaining shareholders at the date of the Controller’s appointment) to the Administrator. These actions included all claims against the Directors, the Advisor, the Auditors, and any other parties (except the three remaining shareholders). The Controller recommended that the liquidation of the Company should occur after distribution of the settlement amounts.
15. On May 15, 2002, the Controller confirmed that liquidation of the Fund remained the recommended course of action and that the three remaining shareholders in the Fund have received the amounts as set out in the settlement agreement (and as per the Interim Report of April 24, 2001). In a telephone conversation, Gordon Wilson, Senior Manager of Deloitte & Touche, confirmed that the settlement amount of approximately US\$3.3 million had been collected and distributed and that the Company’s remaining liquid assets (including the amount recovered from the Reto Moser bank account as referred to above) amount to approximately US\$500,000.
16. Pursuant to Section 30(11)(b) of the Law, the Petitioner applies under Section 94 of the Companies Law (2002 Revision) for the Company to be wound up by the Court on the grounds that it is just and equitable for the following reasons:-
 - (1) The reputation of the Company has been destroyed following the actions of Mr. Moser and carrying on its business has become impossible.
 - (2) The participating shareholders have received the amounts assessed by the Controller as being properly due to them through the settlement agreement.

- (3) It is unrealistic to anticipate that further investment can be attracted into the Company.
- (4) That the substratum of the Company has gone;
- (5) It is in the public interest that the Company be wound up.

Your Petitioner therefore humbly prays that:-

1. That the Company be wound up by the Court under the provisions of the Companies Law (2002 Revision);
2. That Ian Wight and Stuart Sybersma of Deloitte & Touche, PO Box 1787 GT, Grand Cayman be appointed Joint Official Liquidators of the Company;
3. That the Court do dispense with the requirement that the Joint Official Liquidators post security pursuant to Section 106 of the Companies Law (2002 Revision);
4. That the Joint Official Liquidators may exercise any of the powers listed in Section 109 of the Companies Law (2002 Revision) without the sanction or intervention of the Court;
5. That the Joint Official Liquidators be at liberty to appoint attorneys, counsel and professional advisers, 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;
6. That the costs of this Petition be paid out of the assets of the Company as an expense of the liquidation.
7. The Official Liquidators be at liberty to and do pay themselves, their agents, employees, attorneys, solicitors and whomsoever else they may employ or instruct, remuneration and costs in priority to all other debts of the Company pursuant to Section 123 of the Companies Law (2002 Revision), and:
 - (i) the remuneration of the Official Liquidators and their staff instructed in connection with the performance of their duties be fixed and approved at the following

discounted hourly rates, subject to variation from time to time, as agreed with the Company's directors:

Partner	US\$475.00/Hour
Director	US\$395.00/Hour
Senior Manager	US\$355.00/Hour
Manager	US\$285.00/Hour
Senior Accountant	US\$195.00/Hour
Administrator	US\$155.00/Hour
Junior Administrator	US\$110.00/Hour

- (ii) the Official Liquidators be authorized to pay out of the assets of the company any invoices rendered in respect of their fees and disbursements as and when these invoices become payable provided that this Honorable Court's approval of the payment of the fees and expenses will be required on a quarterly basis and, in the event that any such invoice or part of an invoice is not ratified by the Court, the Official Liquidators will refund the full amount relating to that invoice or part of an invoice within 7 days of the Court's determination;
- (iii) the remuneration of any other agents, employed or instructed by or on behalf of the Official Liquidators in connection with the performance of their duties be fixed and approved at the rate or rates in the country in which such person is ordinarily employed or engaged in practice;
- (iv) the Official Liquidators be at liberty to pay their agents, employees, attorneys, solicitors and whomsoever else they employ or instruct either weekly or monthly or at such other intervals as they consider appropriate;
- (v) the Official Liquidators be at liberty to meet all disbursements reasonably incurred in connection with the performance of their duties;

and for the avoidance of doubt all payments made pursuant to paragraphs 7(i)-(iv) above shall be made as and when they fall due out of the assets of the Company and shall be expenses in the Liquidation.

- 8. The Official Liquidators shall provide to the Authority copies of all reports filed with this Court and/or sent to creditors or contributories of the Company.

9. The Official Liquidators shall serve on the Authority copies of all applications made to this Court for directions or other relief and any evidence in support thereof, such service to be within a reasonable time of date of the hearing of any such applications.
10. Such other orders and directions may be made as the Court thinks fit.

AND your Petitioner will ever pray etc.

Dated the ²⁹ day of August 2002



Legal Counsel for the Petitioner

NOTE: This petition is intended to be served on the Company, the Registrar of Companies and on Ian Wight and Stuart Sybersma of Deloitte & Touche.

INDORSEMENT

This Petition having been presented to the Grand Court of the Cayman Islands on the
day of August 2002 will be heard at the Grand Court of the Cayman Islands on *18 OCT*
2002 at *10* o'clock (or as soon thereafter as the Petition can be heard).

This Petition was presented by the Cayman Islands Monetary Authority whose address for service is Elizabethan Square, PO Box 10052 APO, Grand Cayman, Cayman Islands.