

IN THE GRAND COURT OF THE CAYMAN ISLANDS

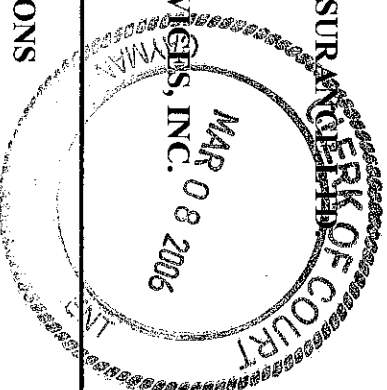
CAUSE NO *92* OF 2006

BETWEEN:



TEMPORARY SERVICES INSURANCE  
HOBBS STAFFING SERVICES, INC.

-and-



Plaintiff

Defendant

WRIT OF SUMMONS

TO: Hobbs Staffing Services, Inc.  
307 South Swing Road  
Greensboro  
NC 27409  
United States of America

**THIS WRIT OF SUMMONS** has been issued against you by the above-named Plaintiff in respect of the claim set out on the next page.

Within 28 days after the service of this Writ on you, counting the day of service, you must either satisfy the claim or return to the Court Office, PO Box 495 GT, 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 8<sup>th</sup> day of March 2006

NOTE: This Writ may not be served later than 4 calendar months (or, *if leave is required to effect service out of the jurisdiction, 6 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.

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STATEMENT OF CLAIM

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1 The Plaintiff is a Cayman Islands exempted limited insurance company which has its  
registered office at PO Box 10027APO, Grand Cayman, Cayman Islands and carries on  
business providing reinsurance for an insurance program written by United States  
licensed insurance companies for participants, or affiliated entities of participants, in the  
Plaintiff.

2 The Defendant is a company incorporated in the United States of America which has its  
registered office at 307 South Swing Road, Greensboro, NC 27409, USA.

3 By a written agreement made between the Plaintiff and the Defendant dated 29 March  
2001 ("**Shareholder Agreement**"), the Defendant agreed, amongst other things, that it  
would meet its financial obligations to the Plaintiff as determined by operation of the  
Plaintiff's Experience Rated Premium/Loss Formula ("**Experience Rated Formula**")  
attached as Exhibit F of the Plaintiff's information memorandum dated 1 April 1998  
 ("**Information Memorandum**").

3.1 The preamble to the Shareholder Agreement states:  
  
"**WHEREAS, the Shareholders and [the Plaintiff] are desirous that certain  
obligations and responsibilities incumbent upon each Shareholder be formalised  
to allow [the Plaintiff] to enforce such obligations and responsibilities:**"

3.2 Clause 1.11 of the Shareholder Agreement states:  
  
"Experience Rated Formula means the experience rated formula as developed by  
[the Plaintiff] as set out under the heading "Premium Calculation/Loss  
Distribution Rules" in Section II of Exhibit F to the Information Memorandum of

*[the Plaintiff] as they may be modified from time to time by ordinary resolution of [the Plaintiff] in Annual Meeting. "*

3.3 Clause 1.12 of the Shareholder Agreement states:

*"Experience Rated Premium Definitions means the words and expressions and their definitions as contained in Section I of Exhibit F, Experience Rated Premium/Loss Formula, to [the Plaintiff's] Information Memorandum as they may be applied in the interpretation of the Experience Rated Formula. "*

3.4 Clause 1.13 of the Shareholder Agreement states:

*"Federal Excise Tax means the amount of US federal excise tax withheld from [the Plaintiff] on premium assumed and associated with the Active Shareholder during the period. "*

3.5 Clause 1.27 of the Shareholder Agreement states:

*"Shareholder Obligations means the financial obligations due by each Shareholder to [the Plaintiff], including, but not limited to, premium payments, assessment obligations (including IBNR reserve assessments), losses, fixed costs, legal and administrative costs and charges generally recognized in insurance accounting, all the same as may be determined by the Board of Directors of [the Plaintiff] from time to time and whose determination of such obligations shall, absent manifest error, be final and binding on all parties. Premium assessments made by the Board of Directors for any policy year shall be limited to an amount equal to 100 percent of the Shareholder's "A" Fund (as defined in the Experience Rated Premium/Loss Formula attached to [the Plaintiff's] Information Memorandum as Exhibit F) portion of the premium paid by each shareholder to an issuing insurance company for such policy year. "*

3.6 Clause 3.1 of the Shareholder Agreement states:

*"Experience Rated Formula. The Shareholders and each of them hereby agree to be bound by the Experience Rated Formula in relation to the calculation of premiums and the distribution of losses and costs among the Segregated*

*Accounts, the obligation of Shareholders for assessments, and all related and dependent matters".*

3.7 Clause 3.2 of the Shareholder Agreement states:

*"Acceptable Security. Each Shareholder owning a Common Share hereby undertakes to provide Acceptable Security to the Company in an amount equal to or greater than the Shareholder Obligations from time to time of such Shareholder, provided, however, that the Board of Directors may at any time require that a Shareholder provide additional Acceptable Security to [the Plaintiff] if such Shareholder's Shareholder Obligations have increased."*

3.8 Clause 3.3 of the Shareholder Agreement states:

*"Compliance. Each Shareholder hereby undertakes to comply with the provisions of the Memorandum of Association, Articles of Association, and all policies and procedures duly adopted by the Board of Directors of [the Plaintiff] or [the Plaintiff] in Annual Meeting. In addition, each Shareholder acknowledges and agrees with [the Plaintiff] that its shareholding is not an entitlement to have its risks underwritten by [the Plaintiff] and that [the Plaintiff] will only underwrite risks where the Board of Directors has determined that the claims experience, loss control procedures and results of the proposed insured are satisfactory."*

4 Section I of the Experience Rated Formula, by which the Defendant is bound, contains definitions used in the calculation of contributions, as follows:

1. ***Experience Rated Premium:*** *Individual insured's premium giving consideration to its past loss history as a determining factor in calculating its renewal premium.*
2. ***"A" Fund Contribution:*** *A portion of the individual insured's premium that is applied to the combined "A" Fund that is used to pay all "expected" losses up to US\$75,000 per occurrence. ...*

3. **"B" Fund Contribution:** A portion of the individual insured's premium that is applied to the combined "B" Fund that is used to pay all claims individually above US\$75,000 up to a maximum of [the Plaintiffs] current retention ...
4. **Shareholder Surplus Security "C" Fund Contribution/Assessment:** The individual insured's portion of security in the form of cash, or other acceptable security, held as security to meet the surplus needs of the Company. Among these needs is security for an insured's "A" Fund additional assessment. For each of the shareholder insured's first three policy years, a premium equal to 60% of its "A" Fund will be charged and credited to the shareholder insured's "C" Fund. This is expected to reach a maximum of 1.8 times the annual "A" Fund balance averaged over the most recent three (3) open underwriting years, is applied to secure all open years, and is available to pay losses in excess of 2A. After the third year, members will be assessed as necessary to maintain the "C" Fund at 1.8 times the "A" Fund level. ...
5. **Fixed costs contribution ("FC"):** The individual insured's portion of the fixed costs for [the Plaintiff] for the year's program. ... "

#### **Outstanding A Fund contributions**

- 5 Section II of the Experience Rated Formula provides for the calculation of additional A Fund contributions, as follows:
  - "7. An insured's initial premium is equal to the contributions to each Fund as follows:
 
$$A + B + C + FC = \text{Initial Premium}$$
  8. The maximum additional premium that can be assessed to an insured due to an unsatisfactory loss level is an amount equal to its "A" contribution for that year. ... Therefore, the expected maximum premium that a shareholder insured would pay for that year is:

$$2(A) + B + C + FC \text{ Contribution} = \text{Expected Maximum Premium}$$

...

11. *If there is an assessment for an additional contribution to the "A" Fund, it will be assessed 50% in Year 2, 30% in Year 3 and 20% in Year 4." (emphasis added)*

6 The Plaintiff will rely on the said Shareholder Agreement and all documents incorporated thereby for their full meanings, terms and effect.

7 Pursuant to the provisions of the Experience Rated Formula, the Defendant's additional contributions to the "A" Fund for the underwriting years 2000/01, 2001/02 and 2002/03 have been assessed and are US\$306,862, as particularized in the attached schedule marked Appendix A. Pursuant to clause 11 of Section II of the Experience Rated Formula, the amounts payable by the Defendant to the Plaintiff for those underwriting years are 100% due and payable.

8 The Plaintiff has received payments totaling US\$53,814 from the Defendant or from the Defendant's broker.

#### PARTICULARS

8.1 In February 2002, US\$6,494 was received from the Defendant's broker.

8.2 In July 2002, US\$6,094 was received from the Defendant's broker.

8.3 In August 2002, US\$2,449 was received from the Defendant's broker.

8.4 In April 2003, US\$38,777 was received from the Defendant.

9 The outstanding "A" Fund contributions due from the Defendant to the Plaintiff are US\$253,048 ("**Outstanding Contributions**").

10 The Plaintiff claims contractual interest of 1% per calendar month on the Outstanding Contributions, being a Shareholder Obligation as defined in the Shareholder Agreement, in an amount of US\$49,630 as at 1 February 2006, and as may further accrue. Alternatively, the Plaintiff claims interest pursuant to the Judicature Law (2004 Revision).

11 The Defendant is further liable for the payment of United States' federal excise tax as defined in clause 1.13 of the Shareholder Agreement, at the rate of 4% on the total of the Outstanding Contributions plus interest, as explained in the Information Memorandum, which states at page 29:

*"If a United States shareholder insured experiencing greater A Fund Losses than expected becomes subject to assessment in any amount up to 100 percent of its A Fund Contribution, the payment of the additional assessment by the United States shareholder insured to [the Plaintiff] would be subject to the FET [i.e. federal excise tax] at the four percent rate imposed on direct insurance premiums."*

12 Since 2003, the Plaintiff has sent quarterly invoices to the Defendant demanding payment of the sums then due and outstanding. The most recent demand for payment of the Outstanding Contributions plus interest and federal excise tax was sent on 1 February 2006, and is attached as Appendix B. In breach of the Shareholder Agreement, the Defendant has failed and/or refused to pay the Outstanding Contributions plus interest and federal excise tax demanded.

**AND THE PLAINTIFF CLAIMS:**

1. Judgment against the Defendant in the sum of US\$253,048;
2. Interest of \$49,630 to 1 February 2006, and further interest at the rate of 1% per month on the sum of US\$253,048 from 1 February 2006 until the date of judgment;
3. Alternatively, interest pursuant to the Judicature Law (2004 Revision);
4. Federal excise tax at the rate of 4% on the sum of the judgment debt and interest;
5. Costs; and
6. Such further or other relief as the Court deems fit.

*Maples and Calder*

Maples and Calder  
Attorneys-at-law for the Plaintiff

This Writ was issued by Maples and Calder, Attorneys for the Plaintiff whose address for service is Ugland House, South Church Street, PO Box 309GT, George Town, Grand Cayman. (Ref. MWI/615325)

Statement of Claim

Appendix A

|                                   | <b>2000</b>     | <b>2001</b>      | <b>2002</b>       |                  |
|-----------------------------------|-----------------|------------------|-------------------|------------------|
| A Fund Premium                    | \$20,534        | \$194,267        | \$259,320         |                  |
| A Fund Losses Paid                | (\$24,198)      | (\$264,626)      | (\$347,117)       |                  |
| A Fund Loss Reserves              | <u>(\$0)</u>    | <u>(\$0)</u>     | <u>(\$50,759)</u> |                  |
| A Fund Profit/(Loss)              | (\$3,664)       | (\$70,359)       | (\$138,556)       |                  |
| Risk Sharing Received             | (\$6,438)       | (\$67,477)       | (\$20,368)        |                  |
| C Fund Transferred                | \$0             | \$0              | \$0               |                  |
|                                   |                 |                  |                   | <u>TOTAL</u>     |
| <b>Gross Assessment in A Fund</b> | <b>\$10,102</b> | <b>\$137,836</b> | <b>\$158,924</b>  | <b>\$306,862</b> |

**Temporary Services Insurance Ltd.**

2nd Floor, Genesis Building, George Town  
 P O Box 10027APO, Grand Cayman, Cayman Islands  
 Tel: (345) 946 2100; Fax: (345) 946 2110

Invoice # 105-1014400-189912  
 Invoice Date February 1, 2006

Invoice to: Hobbs

|  | 2000/01 U/W Year |          |        | 2001/02 U/W Year |          |         | 2002/03 U/W Year |          |         | 2003/04 U/W Year |          |    | 2004/05 U/W Year |          |        | TOTAL<br>\$ |
|--|------------------|----------|--------|------------------|----------|---------|------------------|----------|---------|------------------|----------|----|------------------|----------|--------|-------------|
|  | Date Due         | Qtrs Due | \$     | Date Due         | Qtrs Due | \$      | Date Due         | Qtrs Due | \$      | Date Due         | Qtrs Due | \$ | Date Due         | Qtrs Due | \$     |             |
| Gross Assessment **  |                  |          | 10,102 |                  |          | 137,836 |                  |          | 158,924 |                  |          | -  |                  |          | -      | 306,862     |
| Net Assessment   |                  |          | 10,102 |                  |          | 137,836 |                  |          | 158,924 |                  |          | -  |                  |          | -      | 306,862     |
| Payable  |                  |          |        |                  |          |         |                  |          |         |                  |          |    |                  |          |        |             |
| 50%  | 31-Dec-01        | 4        | 5,051  | 31-Dec-02        | 4        | 68,918  | 31-Dec-03        | 4        | 79,462  | 31-Dec-04        | 4        | -  | 31-Dec-05        | 4        | -      | 153,431     |
| 30%  | 31-Dec-02        | 4        | 3,031  | 31-Dec-03        | 4        | 41,351  | 31-Dec-04        | 4        | 47,677  | 31-Dec-05        | 4        | -  | 31-Dec-06        | 1        | -      | 92,059      |
| 20%  | 31-Dec-03        | 4        | 2,020  | 31-Dec-04        | 4        | 27,567  | 31-Dec-05        | 4        | 31,785  | 31-Dec-06        | 1        | -  | 31-Dec-07        | 0        | -      | 61,372      |
| Assessments Now Due  |                  |          | 10,102 |                  |          | 137,836 |                  |          | 158,924 |                  |          | -  |                  |          | -      | 306,862     |
| Assessments Due by BOD Resolution  |                  |          | -      |                  |          | -       |                  |          | -       |                  |          | -  |                  |          | -      | -           |
| Cash Received  |                  |          |        |                  |          |         |                  |          |         |                  |          |    |                  |          |        |             |
| Received in prior periods  |                  |          | 7,201  |                  |          | 46,613  |                  |          | -       |                  |          | -  |                  |          | -      | 53,814      |
| Received this period   |                  |          | -      |                  |          | -       |                  |          | -       |                  |          | -  |                  |          | -      | -           |
|  |                  |          | 7,201  |                  |          | 46,613  |                  |          | -       |                  |          | -  |                  |          | -      | 53,814      |
| Balance Outstanding  |                  |          | 2,901  |                  |          | 91,223  |                  |          | 158,924 |                  |          | -  |                  |          | -      | 253,048     |
| Finance Charges  |                  |          |        |                  |          |         |                  |          |         |                  |          |    |                  |          |        |             |
| Charged in prior periods   |                  |          | 597    |                  |          | 14,325  |                  |          | 27,117  |                  |          | -  |                  |          | -      | 42,039      |
| Charged this period  |                  |          | 87     |                  |          | 2,737   |                  |          | 4,768   |                  |          | -  |                  |          | -      | 7,591       |
| Received   |                  |          | -      |                  |          | -       |                  |          | -       |                  |          | -  |                  |          | -      | -           |
| Now Due  |                  |          | 3,565  |                  |          | 108,285 |                  |          | 190,809 |                  |          | -  |                  |          | -      | 302,678     |
| ** This invoice is based upon the financial statements to: June 30, 2005 |                  |          |        |                  |          |         |                  |          |         |                  |          |    |                  |          |        |             |
|  |                  |          |        |                  |          |         |                  |          |         |                  |          |    |                  |          | FET:   | 12,107      |
|  |                  |          |        |                  |          |         |                  |          |         |                  |          |    |                  |          | TOTAL: | 314,786     |

STATEMENT OF CLAIM  
 APPENDIX B