

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. 557 OF 2006

**BETWEEN: PFA ASSURANCE GROUP, LTD.
(IN OFFICIAL LIQUIDATION)**

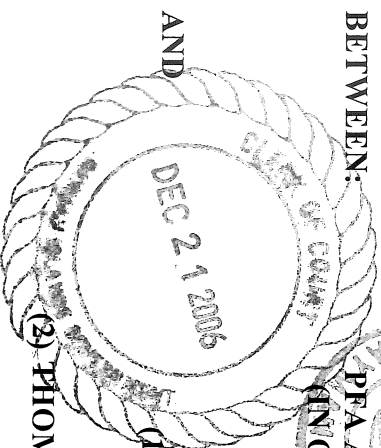
PLAINTIFF

AND (1) SCOTTISH RE LIMITED

FIRST DEFENDANT

**(2) THOMAS SCHULTZ (AS RECEIVER OF
THE PLAINTIFF)**

SECOND DEFENDANT



WRIT OF SUMMONS

To: Scottish Re Limited of Tower Bridge House, St. Katharine's Way, London, E1W 1AA, United Kingdom.

And to: Thomas Schultz of 1441 Brickell Avenue, 15th Floor, Four Seasons Tower, Miami, Florida 33131, 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 14 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 495G, George Town, Grand Cayman, the accompanying Acknowledgement of Service stating therein whether you intend to contest these proceedings.

If you fail to satisfy the claim or to return the Acknowledgement within the time stated, or if you return the Acknowledgement 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 ~~Day~~ **Delay of December 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 Acknowledgement of Service are given with the accompanying form.

STATEMENT OF CLAIM

1. The Plaintiff (the **Company**) was incorporated on 2 September 2002 as an exempted Cayman Islands company. It was granted an Unrestricted Class B Insurer's Licence by the Cayman Islands Monetary Authority (**CIMA**) on the same date.
2. The Company was formed for the purpose of providing life insurance / investment products to the clients of Pension Fund of America L.C. (**PFOA**), a consulting firm specialising in pension funds. PFOA was incorporated on 6 June 1999 as a Florida limited liability company. The Company and PFOA are in the same group of companies.
3. The Company and PFOA offered "retirement trust plans" to investors, principally in South America, which combined life insurance with investments in mutual funds.
4. The Company issued the life insurance policies to the investors. From 1 January 2003 onwards, 90% of the risk under those life insurance policies was reinsured by the First Defendant (**Scottish Re**), a company incorporated in the United Kingdom.
5. The reinsurance was placed by Arthur J. Gallagher (UK) Limited (**AJG**). AJG issued cover notes documenting the reinsurance contracts between the Company (as reinsured) and Scottish Re (as reinsurers).
6. A cover note dated 18 March 2003 contained the terms of a continuous reinsurance contract between the Company and Scottish Re commencing on 1 January 2003 (the **First Reinsurance Contract**). By an addendum dated 5 September 2004, the First Reinsurance Contract was cancelled for new business

with effect from 1 September 2004, with all other terms, conditions and clauses remaining unaltered.

7. A cover note dated 5 September 2004 contained the terms of a continuous reinsurance contract between the Company and Scottish Re commencing on 1 September 2004 (the **Second Reinsurance Contract**).

8. The First Reinsurance Contract and the Second Reinsurance Contract each contained very similar provisions regarding the payment of reinsurance profit commissions (the **Reinsurance Profit Commissions**). In relevant part, those provisions were as follows:

“PROFIT COMMISSION: 60% of net profit. Reinsurers expenses 10%.

(Net earned reinsurance premiums less incurred claims less reinsurers expenses).

Subject to a minimum of 300 lives.

To be calculated annually, 60 days after the end of each contract year.

[Deficit carried forward three years] [This sentence was only included in the Second Reinsurance Contract]...

ACCOUNTS AND

PAYMENTS:

The Reinsured shall provide monthly accounts to the Reinsurers within 30 days of the end of each month, providing details of the reinsurance premiums due for the month, commissions and claims.

If the balance is due to the Reinsurers then the payment shall be made within a further 30 days. If the balance is due to the Reinsured then the

payment shall be made within a further 30 days of receipt of the accounts.

The Reinsured to provide with each monthly account a full list of all cases reinsured.

9. The First Reinsurance Contract and the Second Reinsurance Contract each expressly provides that it is governed by the laws of the Cayman Islands.
10. On 28 March 2005, on the Motion of the Securities and Exchange Commission (the **SEC's Motion**), the Second Defendant (the **US Receiver**) was appointed as Receiver over the assets of the Company, PFOA and certain related entities and individuals (together, the **Receivership Defendants**) by order of the United States District Court for the Southern District of Florida.
11. The SEC's Motion alleged various violations of the antifraud provisions of federal securities law. It alleged that the Receivership Defendants had defrauded investors by making material misrepresentations and omissions in relation to the "retirement trust plans" and by misappropriating investor funds.
12. In addition to seeking the appointment of the US Receiver, the SEC's Motion sought (among other relief) orders directing the Receivership Defendants (including the Company) to disgorge all profits or proceeds that they had received as a result of the acts and/or courses of conduct complained of, and to pay civil money penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. §77t(d), Section 21(d) of the Exchange Act, 15 U.S.C. §78u(d), and Section 209(e) of the Advisers Act, 15 U.S.C. §§80b-9(e).
13. On 19 April 2005, CIMMA appointed Kenneth Kryss and Christopher Stride as Controllers of the Company pursuant to the Insurance Law (2004 Revision).

14. On 23 September 2005, Messrs Kryss and Stride were appointed by Order of the Grand Court as Joint Provisional Liquidators of the Company.
15. On 28 April 2006, the Grand Court ordered that the Company be wound up and that Messrs Kryss and Stride be appointed as the Company's Joint Official Liquidators (the **Liquidators**).
16. The Liquidators understand that Scottish Re is holding Reinsurance Profit Commissions which are due to be paid to the Company under the terms of the First Reinsurance Contract and/or the Second Reinsurance Contract. The Liquidators do not know the amount of the Reinsurance Profit Commissions which are due to be paid to the Company.
17. The Liquidators understand that Scottish Re does not dispute its liability to account to the Company in respect of such Reinsurance Profit Commissions.
18. The Liquidators are entitled on behalf of the Company to be paid the Reinsurance Profit Commissions which are due from Scottish Re to the Company.
19. The US Receiver claims to be entitled on behalf of the Company to be paid the Reinsurance Profit Commissions which are due from Scottish Re to the Company. The Liquidators are not aware that the US Receiver has sought recognition from the Courts of the Cayman Islands.

AND THE PLAINTIFF CLAIMS:

- A. An account, or alternatively an inquiry, as to the amount due and owing from the First Defendant to the Plaintiff in respect of the Reinsurance Profit Commissions.

B. Payment to the Liquidators on behalf of the Plaintiff of such sums as are found to be due and owing from the First Defendant to the Plaintiff in respect of the Reinsurance Profit Commissions.

C. Interest pursuant to Section 34 of the Judicature Law (2004 Revision).

D. Costs.

Dated this 21st day of December 2006

Campbells

CAMPBELLS
Attorneys-at-Law for the Plaintiff

This Writ of Summons is filed by Campbells, of 4th Floor, Scotia Centre, George Town, Grand Cayman, Attorneys for the Plaintiff which is a company in official liquidation, the official liquidators of which are Kenneth Krys and Christopher Stride of RSM Cayman Islands, Commerce House, Dr Roy's Drive, George Town, Grand Cayman (AJW/GM/12286)

DIRECTIONS FOR ACKNOWLEDGMENT OF SERVICE
OF WRIT OF SUMMONS

1. The accompanying form of *Acknowledgment of Service* should be completed by an Attorney acting on behalf of the Defendant or by the Defendant if acting in person

After completion it must be delivered or sent by post to the Law Courts, P.O. Box 495, George Town, Grand Cayman

2. A Defendant who states in his Acknowledgment of Service that he intends to contest the proceedings *must also serve a defence* on the Attorney for the Plaintiff (or on the Plaintiff if acting in person).

If a Statement of Claim is indorsed on the Writ (i.e. the words "Statement of Claim" appear on the top of page 2), the defence must be served within 14 days after the time for acknowledging service of the Writ, unless in the meantime a summons for judgment is served on the Defendant.

If the Statement of Claim is not indorsed on the Writ, the defence need not be served until 14 days after a Statement of Claim has been served on the Defendant.

If the Defendant fails to serve his defence within the appropriate time, the Plaintiff may enter judgment against him without further notice.

3. A *Stay of Execution* against the Defendant's goods may be applied for where the Defendant is unable to pay the money for which any judgment is entered. If a Defendant to an action for a debt or liquidated demand (i.e. a fixed sum) who does not intend to contest the proceedings states, in answer to Question 3 in the Acknowledgment of Service, that he intends to apply for a stay, execution will be stayed for 14 days after his Acknowledgment, but he must, within that time, *issue a Summons* for a stay of execution, supported by an affidavit of his means. The affidavit should state any offer which the Defendant desires to make for payment of the money by installments or otherwise.

See over for notes for guidance

Notes for Guidance

1. Each Defendant (if there are more than one) is required to complete an Acknowledgment of Service and return it to the Courts Office.
2. For the purpose of calculating the period of 14 days for acknowledging service, a writ served on the Defendant personally is treated as having been served on the day it was delivered to him.
3. Where the Defendant is sued in a name different from his own, the form must be completed by him with the addition in paragraph 1 of the words "sued as (*the name stated on the Writ of Summons*)".
4. Where the Defendant is a **FIRM** and an attorney is not instructed, the form must be completed by a **PARTNER** by name, with the addition in paragraph 1 of the description "Partner in the firm of (.....)" after his name.
5. Where the Defendant is sued as an individual **TRADING IN A NAME OTHER THAN HIS OWN**, the form must be completed by him with the addition in paragraph 1 of the description "trading as (.....)" after his name.
6. Where the Defendant is a **LIMITED COMPANY** the form must be completed by an Attorney or by someone authorised to act on behalf of the Company, but the Company can take no further step in the proceedings without an Attorney acting on his behalf.
7. Where the Defendant is a **MINOR** or a **MENTAL PATIENT**, the form must be completed by an Attorney acting for a guardian *ad litem*.
8. A Defendant acting in person may obtain help in completing the form at the Courts Office.

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CAUSE NO.

OF 2006

BETWEEN: PFA ASSURANCE GROUP, LTD.
(IN OFFICIAL LIQUIDATION)

PLAINTIFF

(1) SCOTTISH RE LIMITED

FIRST DEFENDANT

AND

(2) THOMAS SCHULTZ (AS RECEIVER OF THE
PLAINTIFF)

SECOND DEFENDANT

ACKNOWLEDGMENT OF SERVICE
OF WRIT OF SUMMONS

If you intend to instruct an Attorney to act for you, give him this form IMMEDIATELY.

IMPORTANT. Read the accompanying directions and notes for guidance carefully before completing this form. If any information required is omitted or given wrongly, THIS FORM MAY HAVE TO BE RETURNED.

Delay may result in judgment being entered against the Defendants whereby they may have to pay the costs of applying to set it aside.

1. State the full name of the Defendant by whom or on whose behalf the service of the Writ is being acknowledged.

2. State whether the Defendant intends to contest the proceedings (tick appropriate box)
 yes no

3. If the claim against the Defendant is for a debt or liquidated demand, AND he does not intend to contest the proceedings, state if the Defendant intends to apply for a stay of execution against any judgment entered by the Plaintiff (tick box).
 yes

Service of the Writ is acknowledged accordingly

(Signed)

[Attorney] for
[Defendant in person]
Address for service:
Please complete overleaf

Notes on address for service

Attorney: where the Defendant is represented by an attorney, state the attorney's place of business in the Cayman Islands. A Defendant may not act by a foreign attorney.

Defendant in person: where the Defendant is acting in person, he must give his post office box number and the physical address of his residence or, if he does not reside in the Cayman Islands, he must give an address in Grand Cayman where communications for him should be sent. In the case of a limited company, "residence" means its registered or principal office.

Indorsement by Plaintiff's attorney (or by Plaintiff if suing in person) of his name, address and reference, if any, in the box below.

Campbells
Attorneys-at-Law
Fourth Floor,
Scotia Centre,
P. O. Box 884,
George Town,
GRAND CAYMAN
KY1-1103
Ref: AJW/GM/12286

Indorsement by Defendant's attorney (or by Defendant if suing in person) of his name, address and reference, if any, in the box below.