

IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO. 0137 OF 2009

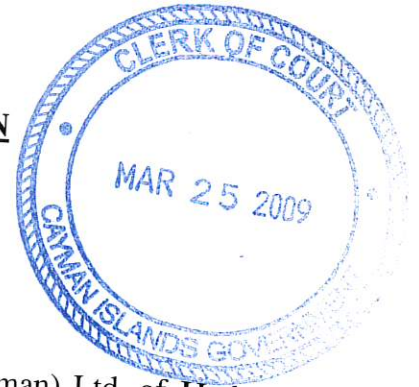
IN THE MATTER OF THE COMPANIES LAW

AND IN THE MATTER OF SECURITY CAPITAL LIMITED (IN VOLUNTARY LIQUIDATION)



To the Grand Court

PETITION FOR COURT SUPERVISION
OF A VOLUNTARY LIQUIDATION



The humble petition of Geoffrey Varga of Kinetic Partners (Cayman) Ltd. of Harbour Centre, 42 North Church Street, PO Box 10387, Grand Cayman, Cayman Islands KY1-1004, and William Cleghorn of Kinetic Partners LLP of One London Wall, Level 10, London, EC2Y 5HB, United Kingdom (the **Petitioners**), as joint voluntary liquidators of Security Capital Limited (the **Company**), shows that:

1. The Company was incorporated under the Companies Law as exempted company no. 84122 on 24 August 1998.
2. The current registered office of the Company is at Harbour Centre, 42 North Church Street, PO Box 10387, Grand Cayman, Cayman Islands KY1-1004.
3. The Company has one shareholder, Queensgate Bank & Trust Company Limited (as trustee of the Security Capital Trust). By a special resolution dated 28 September 2007, the shareholder resolved that the Company be placed into voluntary liquidation and that the Petitioners be appointed as its joint voluntary liquidators.

The Company's business

4. The Company's only business was to lend money. At the commencement of its voluntary liquidation, the Company had outstanding unsecured loans which it had made to six exempted Cayman Islands companies (the **LLCs**) and two individuals (Charles and Sam Wyly (the **Wyllys** and, together with the LLCs, the **Borrowers**) pursuant to a series of promissory notes.

The Company's assets

5. The unsecured loans made by the Company to the LLCs are presently due and payable, but no payments of principal or interest have been received by the Company from the LLCs. As at 3 February 2009 (the relevance of this date is explained below), the following amounts were owed by the LLCs to the Company:

- (a) Balch LLC: US\$14,338,732.27 (comprising principal of US\$9,498,445.43 and accrued interest of US\$4,840,286.94);
- (b) Bubba LLC: US\$14,338,732.27 (comprising principal of US\$9,498,445.43 and accrued interest of US\$4,840,286.94);
- (c) Flo Flo LLC: US\$12,564,967.37 (comprising principal of US\$8,323,445.45 and accrued interest of US\$4,241,521.92);
- (d) Katy LLC: US\$14,338,732.27 (comprising principal of US\$9,498,445.43 and accrued interest of US\$4,840,286.94);
- (e) Orange LLC: US\$14,338,733.05 (comprising principal of US\$9,498,445.43 and accrued interest of US\$4,840,287.62); and

(f) Pops LLC: US\$14,338,732.27 (comprising principal of US\$9,498,445.43 and accrued interest of US\$4,840,286.94),

amounting in total to US\$84,258,629.50.

6. On 3 February 2009, the Company presented petitions to wind up each of the LLCs on the basis of the debts which they owe to the Company. Those Petitions are listed to be heard by the Grand Court on 27 March 2009. If winding up orders are made by the Grand Court then the Company will only be entitled to prove in the liquidations of the LLCs for the principal amount of the loans and interest accrued to the date of commencement of the liquidations, i.e. 3 February 2009. The amount of the Company's aggregate claim against the LLCs in those circumstances will therefore be US\$84,258,629.50.
7. However, the LLCs have informed the Petitioners that the amount of their liabilities to the Company and other creditors exceeds the value of their assets. On that basis it is doubtful that the Company will recover the full amount owed to it by the LLCs. Further, it is not known when any recoveries will be made by the Company from the LLCs, and in particular whether or the extent to which any recoveries will be made within the next 12 months.
8. The unsecured loans made by the Company to the Wyllys are not in default and the Company therefore currently has no rights to demand repayment. The Wyllys have been paying interest to the Company annually in accordance with the terms of the loans. The principal amounts of the loans and their repayment dates are as follows:
 - (a) Charles Wyly: loan of US\$6,000,000 due to be repaid on 30 September 2012;

- (b) Charles Wyly: loan of US\$25,000,000 due to be repaid on 28 February 2018;
 - (c) Sam Wyly: loan of US\$15,000,000 due to be repaid on 15 February 2012; and
 - (d) Sam Wyly: loan of US\$10,000,000 due to be repaid on 14 July 2018.
9. The Company is therefore owed the aggregate principal amount of US\$56 million by the Wyls but, provided that they continue to pay the interest accruing on their loans in accordance with the terms of the promissory notes, the Company will not be entitled to repayment of that principal until 2012 (when US\$21 million will become repayable) and 2018 (when the remaining US\$35 million will become repayable). The Wyls (via their representative) have informed the Petitioners that they do not currently intend to exercise their contractual rights to repay the principal amounts of the loans before the contractual repayment dates in 2012 and 2018.
10. As of 23 March 2009, the Company's assets comprise cash at bank of US\$6,506,155.59 and the loan receivables from the LLCs and the Wyls.

The Company's liabilities

11. The loans made by the Company to the Borrowers were funded using cash which the Company borrowed from three companies: Greenbriar Limited (**Greenbriar**), Gorsemoor Limited (**Gorsemoor**) and Newgale Limited (**Newgale**) (together, the **Lenders**). The interest rates payable on these loans by the Company to the Lenders were slightly lower than the interest rates payable by the Borrowers to the Company. The cash generated for the Company from the interest rate differential was approximately sufficient to meet its administration and management costs and expenses while it continued in business.

12. As of 28 September 2007 (the date on which the Company went into voluntary liquidation), the Company owed the following amounts to the Lenders:
 - (a) Gorsemoor: US\$33,455,944.86;
 - (b) Newgale: US\$26,109,076.37; and
 - (c) Greenbriar: the lesser of (i) approximately US\$76,800,000 and (ii) the amount that the Company recovers from the LLCs.
13. The terms of the promissory note in relation to the loan made by Greenbriar to the Company provide that Greenbriar's recourse under the loan is limited to the lesser of the outstanding principal amount of the loan (approximately US\$76,800,000 at the commencement of the Company's voluntary liquidation) and the amount that the Company recovers pursuant to the corresponding loans that it made to the LLCs. The amount of the Company's liabilities is therefore affected by the amount that it recovers from the LLCs.
14. The Company is in default in respect of all of the above loans. Each of the Lenders has given notice of default in accordance with the terms of the applicable promissory notes, and the above amounts are presently due and payable by the Company to the Lenders.
15. The Company also owes approximately US\$143,000 to its service providers in respect of services provided before the commencement of the voluntary liquidation.
16. The Petitioners have admitted proofs of debt in respect of all of the liabilities referred to above.

17. The Petitioners are not aware of any other creditors of the Company. They invited creditors to prove in the liquidation through an advertisement published in the Cayman Islands Gazette shortly after their appointment as Joint Voluntary Liquidators, but no creditors other than those identified above did so.
18. Assuming that the Company recovers more than approximately US\$76,800,000 from the LLCs (i.e. so that its liability to Greenbriar is limited under the terms of the promissory note to approximately US\$76,800,000), the Company's liabilities to its creditors will amount in aggregate to approximately US\$136,508,000.

The Company's insolvency

19. The Company has been in voluntary liquidation for approximately 18 months and has not paid its debts. For the reasons set out above, the Petitioners are presently unable to pay the Company's debts in full (with or without interest) from the liquidation estate and it is uncertain to what extent (if any) the Petitioners will recover further assets during the next 12 months from which the Company's debts could be paid.
20. Even if the Company recovers the full amount of US\$84,258,629.50 from the LLCs within the next 12 months (which would cap its liability to Greenbriar at approximately US\$76,800,000 and therefore its total liabilities at approximately US\$136,508,000), the Company would still not be able to pay its debts in full within that period unless either (a) the Wylys voluntarily make early repayment of their unsecured loans during the period (and as noted above they have indicated to the Petitioners that they do not intend to do so) , or (b) the Wylys default on their interest payments under the unsecured loans and, on enforcing the events of default, the Company is able to recover a substantial portion of the principal amounts owed by the Wylys within the next 12 months.

21. If recoveries from the LLCs are completed within the next 12 months and the total amount which the Company recovers from the LLCs is less than approximately US\$76,800,000, its liability to Greenbriar will be limited under the terms of the Greenbriar promissory note to the amount recovered by the Company from the LLCs. In those circumstances, because the two amounts would be the same, they would effectively “cancel each other out” for the purpose of assessing the extent to which the Company would be able to pay its debts within the next 12 months. In that scenario, the Company’s other liabilities would amount to US\$59,708,046.98, and its other assets would comprise the cash at bank of US\$6,506,155.59, any interest payments received from the Wyllys, and the loan receivables from the Wyllys. However, even if the Wyllys defaulted on their loans and the Company was able to recover the principal amount of US\$51 million and all accrued interest from them in full within the next 12 months, the Company would still have insufficient assets to be able to pay its debts in full within that period.
22. For the reasons set out above, the Company is insolvent within the meaning of Section 131 of the Companies Law (2007 Revision).
23. Further, bringing the liquidation of the Company under the supervision of the Court would facilitate a more effective, economic and expeditious liquidation in the interests of creditors and contributories by facilitating co-operation with the liquidators both within and outside the Cayman Islands.
24. The Petitioners believe that it is appropriate in all of the circumstances set out above that the liquidation of the Company should continue under the supervision of the Court.

YOUR PETITIONERS THEREFORE HUMBL Y PRAY THAT:

- (1) The liquidation of the Company be continued under the supervision of the Court.

(2) Geoffrey Varga of Kinetic Partners (Cayman) Ltd. of Harbour Centre, 42 North Church Street, PO Box 10387, Grand Cayman, Cayman Islands KY1-1004, and William Cleghorn of Kinetic Partners LLP of One London Wall, Level 10, London, EC2Y 5HB, United Kingdom be appointed as official liquidators of the Company.

(3) In addition to their powers prescribed in Part II of the Third Schedule to the Companies (Amendment) Law, 2007 which are exercisable without sanction of this Court, the official liquidators are hereby sanctioned:

(b) to exercise the powers set out in Part I of the Third Schedule to the Companies (Amendment) Law, 2007; and

(c) to take any such action as may be necessary or desirable to obtain the recognition of their appointment in any other relevant jurisdiction and to make applications to the courts of such jurisdictions for that purpose, including, without limitation, the filing of a petition under Chapter 15 of the United States Bankruptcy Code (for which purpose the official liquidators be designated as the foreign representative of the Company),

and for the avoidance of doubt the powers bestowed on the official liquidators may be exercised by them within and outside the Cayman Islands.

(4) The voluntary liquidators' costs of this petition shall be paid out of the assets of the Company as an expense of the liquidation, such costs to be taxed if not agreed with the official liquidators.

AND your Petitioners will ever pray, etc.

Dated the 24th day of March 2009.

Campbells

CAMPBELLS

Attorneys-at-law for the Petitioners

Note: It is intended to serve this Petition on Security Capital Ltd. (in Voluntary Liquidation) at its registered office.

INDORSEMENT

This Petition having been presented to the Court on the Law Courts, George Town, Grand Cayman on as soon thereafter as the Petition can be heard.

March 2009 will be heard at
at a.m./p.m. or

This Petition is filed by Campbells, Attorneys-at-Law for the Petitioners, whose address for service is that of their Attorneys-at-Law, Fourth Floor, Scotia Centre, P.O. Box 884, George Town, Grand Cayman, Cayman Islands, B.W.I., Tel: 345 949 2648 (Ref: JRM/GM/14431)