

TROUBLE WITH THE WORRALL TRUST

We will be meeting to discuss problems that have been encountered with the Worrall Trust.

The Worrall Trust was established by a Mr Worrall as a STAR trust governed by Cayman Islands law. It is a broad discretionary trust for the benefit of the settlor's children and remoter issue. There is currently only one member of that class, Mr Worrall's adult son, Courtney. The trust includes an exoneration and indemnity clause for the benefit of the trustees and the enforcer. There is no specific provision for any person to have standing to enforce the enforcer's duties.

The trustee is a Cayman Islands private trust company bereft of any substantial assets, Sobers Ltd, the directors of which are Mr Worrall (i.e. the settlor) and his lifelong friend Mr Kanhai. The enforcer is another friend of theirs, Mr Lloyd.

Mr Kanhai has substantial property interests in New York.

The following property was settled on the trust:

- (a) The entirety of the share capital of Kallicharran Ltd, a BVI company whose sole asset is a valuable property in Mayfair, London.
- (b) 100% of the shares in Lara Corp, a Caymanian company.

The Mayfair Property

Before settling the trust, Mr Worrall came to an informal understanding with a Mr Benaud that, if Mr Benaud did not bid at auction for a Mayfair property Mr Worrall would bid for it and, if successful, Mr Benaud would have a 25% interest in the property. Mr Benaud, who had previously indicated an interest in the property, did not bid. In the event, Mr Worrall arranged for Kallicharran Ltd to bid for the property. Immediately before the auction, he settled the

shares in Kallicharran Ltd on the Trust. At the time, the directors of Kallicharran Ltd were unaware of Mr Worrall's arrangements with Mr Benaud. Mr Benaud subsequently asked that either 25% of the shares in Kallicharran Ltd be issued to him or a 25% interest in the property be granted to him. His request has been rejected.

Lloyd then purchased the shares in Kallicharran Ltd from the Trust at a value fixed by an independent valuer appointed jointly by Sobers Ltd and Lloyd. The property itself is now vacant and on the market.

Lara Corp

Lara Corp is essentially a hedge fund. Its directors (the settlor and Lloyd) relied on a firm of investment managers in the city of London, Chappell and Co, in relation to the hedge fund investments. Lloyd and the owner of Chappell and Co are best friends. Chappell and Co claimed to undertake extensive research before placing funds on behalf of clients, for which they charged a fee of 2% on funds invested. In fact they merely acted as a feeder to one of the Madoff funds, which had produced consistent returns of 13.888% for each of the last 10 years. The entirety of the Lara Corps' assets, \$100M, was invested in a Madoff controlled fund. As things presently stand, the likelihood of anything other than a small dividend being realised is remote. Nevertheless, Lara Corp is (for reasons that have not been divulged) reluctant to pursue a claim against Chappell and Co.

You will be privileged to eavesdrop on a meeting at which the following representatives of various parties attempt to make sense of the whole mess (but should note that the settlor has declined to become involved):-

Benaud – **David Lord QC**

Courtney – **Andrew Child**

Kanhai & Sobers Ltd – **Teresa Rosen Peacocke**

Lloyd – **Andrew Cosedge**

Chappell and Co. – **Anna Dilnot**