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**STANFORD INTERNATIONAL BANK LIMITED – IN LIQUIDATION
HIGH COURT OF ANTIGUA CLAIM NUMBER: ANUHCV**

SECOND REPORT OF THE JOINT LIQUIDATORS

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1 Introduction

1.1 I refer to the appointment of myself, Marcus Wide, and Hugh Dickson as the joint liquidators ("the JLS") of Stanford International Bank Limited ("SIB") by Order of the High Court of Antigua and Barbuda on 12 May, 2011 and in accordance with paragraph 18 of that order, I now submit our second report to the Court. The JLS first report to the Court was dated 12 August, 2011 ("the First Report").

1.2 The JLS are generally satisfied with the progress being made in the liquidation of SIB although disappointed at the vigorous opposition from the US Receiver and the US Department of Justice to our efforts to maximise recoveries to the estate. There are a significant number of areas on which we are focussed with a view to ensuring asset recoveries are maximised for creditors/victims.

2 Highlights/Focus of efforts since the First Report

2.1 In summary the accomplishments in the liquidation since the First Report are as follows:

2.1.1 Recovered US \$3.2 million from Panama.

2.1.2 Resolved boundary and other issues and completed the sale of the former Bank of Antigua building for EC \$12,250,000 (US \$4.5 million approximately).

2.1.3 Obtained a continuation by consent of the freezing order (granted by the Antiguan Court in July 2011) over approximately US \$70 million of assets owned by four of Allen Stanford's companies in Antigua. Pursuant to the terms of this freezing order the JLS have monitored the activity in respect of these assets, including monitoring the movements of the bank account of the companies, and have reviewed and considered requests for consent to proposed asset sales in order to protect the value of the assets owned by these companies for the ultimate benefit of the creditors/victims.

2.1.4 Commenced action against Allen Stanford in connection with the freezing order, referred to at paragraph 2.1.3 above, seeking judgement against him for his failure to account for the approximately \$8 billion reported value of SIB's assets.

2.1.5 Borrowed US \$15 million of funds otherwise "frozen" in UK financial institutions following successful applications to the UK Criminal court. The drawdown of these funds has allowed the estate to pay advisors and investigators so they may continue to work to recover assets for the benefit of creditors/victims. These borrowings are repayable with interest from recoveries in the liquidation.

2.1.6 Traced an interest in real property in the Caribbean but outside of Antigua with a value in the range of US \$6.5 million.

2.1.7 Were appointed as replacement receiver-managers of Stanford Trust Company ("STC") in place of Nigel Hamilton-Smith and Peter Wastell and

filed an application to place STC into liquidation in order to allow us to take steps to protect funds in excess of \$7 million.

- 2.1.8 Analysed, investigated and prioritised potential third party liability claims which, if successful, have the potential to provide significant recoveries for the benefit of creditors/victims.
- 2.1.9 Obtained partial recognition in Canada and permission to sue high value targets thus preventing loss of litigation claims that would have otherwise occurred due to pending expiry of limitation periods.
- 2.1.10 Continued efforts with regards to the recovery of the “frozen” assets in Canada, UK and Switzerland including intervention in Swiss criminal proceedings which allows the JLs access to records and information to assist with our claims.
- 2.1.11 Initiated the formal claims process for the adjudication of claims of creditors/victims in the estate in compliance with the International Business Corporations Act of Antigua and Barbuda and the English Insolvency Rules of 1986 in anticipation of funds becoming available for an interim distribution.
- 2.1.12 Participated in negotiations and mediation with the US Receiver in an effort to agree a cross border cooperation protocol. Following these unsuccessful discussions the JLs participated in further proceedings for recognition as foreign office holders under Chapter 15 of the US Bankruptcy Code and a hearing to consider the JLs' application was heard on 21 December 2011. We are awaiting a decision from the Court on this question.
- 2.1.13 Applied to the Texas Court seeking permission for the JLs to commence legal actions against four U.S. based law firms for their role in facilitating the fraud. These legal actions had not been commenced by the US Receiver or his Investors' Committee and time limits for the bringing of such claims had expired in Texas and were about to expire elsewhere. The Texas Court denied this relief but our actions caused the US Receiver to commence actions in the District of Columbia against two of the four law firms. The JLs have appealed and sought expedited treatment of that appeal.
- 2.1.14 Extracted and began processing of bank records and loading in excess of 2 terabytes of data onto electronic discovery platforms to assist with forensic analysis of records. Commenced examination of hard copy records on site in Antigua. The review of these records is critical to assist in tracing assets and support of litigation claims.
- 2.1.15 Continued to regularly meet with Advisory Creditor/Victim Committee (7 meetings have been held by conference call to date).
- 2.1.16 Communicated openly to all creditors/victims via two online meetings/webinars during which the JLs articulated their plans for the liquidation and responded to questions and received in excess of 3000 written questions, comments and other input from creditors/victims.

- 2.1.17 Continued action for Court review of the Former Joint JLS' fees and expenses totalling US \$18 million. This matter is expected to be heard by the Antiguan Court during the second half of 2012. To date no fees or expenses have been paid by the current JLS to the Former JLS or their advisors for work done prior to the takeover of the SIB Estate by the current JLS.
- 2.1.18 Initiated and currently conducting a comprehensive investigation into the actions of the officers of SIB, conduct of other related parties and possible aiders and abettors to gather facts and evidence to support litigation claims against such third parties.
- 2.1.19 Entered into discussions with prospective buyers for the SIB owned Antiguan lands. Arranged for formal valuations of the lands and sought proposals for the international marketing of the lands from internationally recognised agents in the event that final agreement is not reached with any of the currently interested parties.
- 2.1.20 Met with stakeholders at all levels to explore compromise arrangements with respect to contested issues.
- 2.1.21 Responded to US Senate and Congress resolutions adversarial to this Liquidation in order to correct the record with regards to the many factual inaccuracies and misunderstandings on which these resolutions were based and to avoid the potential for inappropriate censure to the detriment of Liquidation claims to be brought in the US.

3 Progress Update re Global Asset Recovery Plan

3.1 Attached to our First Report was a Global Asset Recovery Plan summarising the known SIB assets remaining totalling approximately US \$500 million. These assets consist of real property in Antigua, assets under the control of Mr Janvey in his capacity as the US Receiver for distribution through the receivership, and cash/investments frozen in bank accounts in Switzerland, the United Kingdom and Canada. In addition to these known assets the Global Asset Recovery Plan also identified other avenues of potential recovery for the JLS to pursue. The most significant other avenues of recovery are claims against third parties for their roles in facilitating this fraudulent scheme. If successful such claims will by far potentially provide the largest recoveries for the estate.

3.2 **An update on the JLS' recovery efforts is as follows:**

3.2.1 Cash/Investments

(a) Recovery from Panamanian bank totalling US \$3.2 million

Following legal advice from Panamanian counsel, extensive negotiations with HSBC Panama and discussions with the Superintendent of Banks, it was finally agreed that if the JLS attended in person at HSBC Panama that these funds would be released to the estate. Although it was necessary to incur the time and expense of travel to Panama, the result was the JLS successful recovery of US \$3.2 million.

(b) United Kingdom – Frozen assets of approximately US \$110 million

As advised in the First Report, the Liquidators were successful in obtaining the right to draw up to US \$20 million in funds from SIB's assets frozen in the UK. These are presently in the form of borrowings repayable with interest in the event the Serious Fraud Office (SFO) for the account of the US Department of Justice (DoJ) is successful with its forfeiture. In reality the net cost to the victim body is nil as this takes funds from one pocket from which creditors/victims can be paid to another. However this dramatically reduces cost to the whole creditor/victim body against the cost of funding the estate from external borrowings, when the cost of such borrowings would have been substantial and would have reduced the total pool for creditors/victims.

Given that the JLs' application was successful costs have been awarded against the SFO which, while not yet settled, we expect will be in the range of £90,000, and which substantially mitigate the cost incurred in getting access to this funding. This is therefore a win/win for creditors/victims.

Subsequent to the order releasing these monies from the Central Criminal Court in London, the JLs had to return to Court seeking further clarification in respect of the first order so as to get the financial institutions in the UK to comply with the JLs' instructions for access to the funds and to participate in the management of the residual balances. Following the granting of a further order, these issues have now been resolved and the JLs have been successful in drawing down funds totalling US \$15 million into the liquidation bank account.

The successful release of this money has been critical for the estate in order to secure continued services by professionals retained by the JLs and other service providers, such as electronic review platform providers to enable the forensic examinations of records.

A further key feature of the order has been to grant the JLs powers to manage SIB's assets frozen in the UK. In this regard, the JLs have commenced the process of requesting and reviewing information regarding the non-cash assets in order to determine what steps they need to take to protect the value of these investments for the estate. As part of this process, the JLs have investigated the potential sale of a portfolio of shares to monetize these assets.

A requirement of the orders of the Central Criminal Court is that the JLs report to the UK Serious Fraud Office ("SFO") in connection with the funds drawn down and the usage to which those funds have been put. The JLs have complied with their reporting requirements although the SFO have asked for more detailed reporting on areas we believe are the prerogative of the Antiguan court. On this basis and on the grounds that preparing a comprehensive response would incur unnecessary costs, we have denied this request.

There are a number of applications before the Courts in the United Kingdom to consider issues surrounding the freezing of these assets and the question of whether these funds should be handed over to the US Department of Justice ("DoJ") pursuant to their claims that these funds are the proceeds of crime or whether they should be handed over to us in our capacity as the JLs of SIB who have been

recognised by the Courts in the United Kingdom as the proper representatives of SIB.

A hearing before the Central Criminal Court in London was held on 16 January 2012 to provide directions on a number of matters related to this case. At this hearing the SFO's repatriation application to have the fund's handed over to the control of the DoJ was dismissed. It is still open to the SFO to file a new repatriation application. At the 16 January hearing the SFO were also ordered by the Court to pay the costs of the Liquidators, which we have indicated we will settle at approximately £90,000 to avoid the costs of taxation. It is not clear if these costs are being born by the British taxpayer or if in fact the DoJ is underwriting this expense.

At another hearing before the Supreme Court of the United Kingdom, leave to appeal the earlier ruling of the Court of Appeal with respect to the former Joint JLs' application to release the "frozen" funds was also granted. In its ruling, the Supreme Court also recognised that the fact situation as presented by the JLs based on information not available at the initial hearing might fundamentally change the basis of the lower Court's decision, and left it open for the lower Court to deal with arguments based on the new facts. The JLs are pressing to have a hearing before the Central Criminal Court in London as soon as possible which may resolve this issue. We understand this matter is likely to be heard in June 2012.

These monies, along with similar funds "frozen" in Switzerland and Canada are the funds of SIB and should have been released to the JLs at the outset of the liquidation. Had they been released to the JLs in a timely manner not only would the liquidation have been able to progress much quicker but a large part, if not all, of them could have been delivered to depositors by way of an interim distribution. Access to these funds would also have expedited the ability to carry out the recovery activities accelerating the pace at which realisations could have been made and the rate at which distributions could have been made.

The concerns we expressed in our last report with respect to the issues of forfeiture and the inappropriate use of forfeiture as a means of compensating the victims of fraud remain.

(c) Switzerland

As advised in the First Report, an estimated US \$140 million of SIB assets are frozen in Switzerland. Again, these assets are subject to competing claims from both the JLs and the DoJ. The estate's interests, and therefore the liquidation's, are represented by FINMA, the Swiss national regulator of banks. FINMA has been appointed as the Swiss trustee of a Swiss "mini bankruptcy" following the recognition of the Antiguan JLs as the foreign representatives of SIB by the Swiss Court over the interests of the US Receiver. The DoJ's interests are represented by the Office of Justice ("the OoJ"). The JLs and their advisors have been in correspondence with FINMA, including meetings with them, the latest of which was in November 2011, to provide them with full details of the liquidation, the nature of the assets, and the claims admission and distribution process, so that they can fully understand the position in Switzerland and the facts to assist in asserting the claims on behalf of the Antiguan liquidation.

Although the Former JJs obtained recognition in Switzerland in contested administrative proceedings with the US Receiver, the DoJ successfully requested (through the Mutual Legal Assistance Treaty (MLAT) process) that the OoJ restrain the Swiss assets as apparent proceeds of crime. As such, these assets are currently unavailable to the SIB estate.

The treaty obligation is not absolute and OoJ effectively can decide to whom the frozen funds are released in the first instance. We understand that there are administrative protocols in place under which FINMA indicated that OoJ is obliged to release the money to FINMA, and they advise that they are pressing this claim against OoJ.

If FINMA is successful in recovering these funds from the OoJ it will in due course release monies (net of any secured claims by Swiss holders of the assets) once it has first ensured that Swiss preferential creditors, a narrow class consisting mainly of employees which would not appertain in this case, are paid out and second that there would be no prejudice to Swiss ordinary creditors in releasing the monies. The logical recipient would be the JJs. However, although the Antiguan proceeding has been recognised as the “main proceeding,” there may be some administrative hurdles to be resolved before these monies can flow to the JJs' account for distribution.

The amount and timing of any such recovery for the SIB estate from these assets is therefore uncertain.

In addition to the approximate US \$135 million of SIB assets frozen in Switzerland, there are further assets that have been frozen by the Swiss authorities which are held in bank accounts in the name of Mr Stanford personally and other Stanford related entities. Based on the JJs' investigations to date it is clear that these funds originated from SIB. Therefore, the JJs and their advisors have taken steps to assert claims to these assets also. The JJs do not currently have complete information regarding these non-SIB assets but believe they could total in the region of US\$70 million.

The JJs are concerned that the Swiss assets (totalling approximately US \$205 million) are not being managed to preserve their value and large “management fees” are still being charged by the fund custodians, which would end if these investments were monetized. Some of the Swiss assets appear to be in the form of hedge fund and equity investments and they need to be actively managed to ensure that their value is not eroded. The JJs have expressed these concerns to FINMA in the hopes they will be able to acquire a right to manage the investments or at least end the current fees being charged.

(d) “Frozen Funds” Generally

It is noted that all the challenges to SIB recovering its assets from its accounts in the UK, Switzerland and Canada are driven by the US DoJ, not the US Receiver. One of the DOJ's principal themes is that the money should not be allowed to fall into the hands of Liquidators who might waste them on managing the estate and chasing litigation claims. While laudable, this declared purpose is inconsistent with the failure of the DoJ to seek forfeiture of liquid funds and investments in the US. Moreover, this is particularly troubling when the US Government has allowed the

US Receiver to consume in excess of \$118 million in professional fees and expenses, including fees and expenses held back, as at October 31, 2011, his last reporting date.

Unfortunately, the DOJ fails to understand or dismisses as a whim of the JL's without merit, that, while the vast bulk of these recovered funds can immediately be distributed, a small portion of these funds should appropriately be retained to fund third party claims, which are the only way either the JLs or the US Receiver will be able to generate the funds to make a meaningful distribution to creditors/victims. It also fails to address the critical issues of whether any assets forfeited to the DoJ will be open to claims from parties other than SIB depositors, such as claimants against Alan Stanford personally (which includes substantial claims by US tax authorities), and the additional costs of duplicative claims and distribution processes.

It is also clear that neither the US Receiver nor the JLs can function without funding. If the "frozen funds" are forfeit by DoJ the consequence is that either the litigation opportunities will not be pursued or if they are it will be at a dramatically larger cost than using the available funds. In this event the "victims", who are as yet to be defined by DoJ will likely only receive a small onetime dividend with no further expectation of recovery.

(e) United States

Claims issues

Latest reports of Mr Janvey indicate that his estate holds approximately US \$80 million in net unrestricted cash under his control. These assets are only available for distribution through the US Receivership. We understand the US Receiver, at the request of the supervising Court in Texas, has brought an application for approval of a claims process. It is not presently clear how or when this will be approved nor how much of the US\$80 million under his control, if any, will be available for distribution to creditors/victims. We note that at a court hearing in Texas, the US Receiver and the Investors' Committee advocated against any distribution at present on the basis that it would be uneconomical to do so unless there were additional recoveries made.

Coming out of the hearing for recognition under Chapter 15 of the US Bankruptcy Code, it is clear that the US Receiver advocates a combined claims and distribution process under which the assets and funds recovered will be distributed to all creditors of the combined Stanford entities, regardless of the source of those recoveries. It is our view that it is straight-forward to determine from which entity recoveries came from and apply those to the claims in those same individual entities. To do otherwise risks the result of CD holders funds being used to pay claims to landlords and others who made commercial decisions to advance credit to those entities which may or may not have assets at the time of the appointment of the US Receiver and JLs and which were not creditors of SIB. To merge or consolidate the "receivership" entities, which includes Mr. Stanford, opens the possibility that the income tax claim against Mr. Stanford may dilute recoveries

available to be distributed to creditors/victims, including SIB's creditors/victims. We view this as very much to the detriment of the creditors/victims of SIB. However without standing in the US we are unable to express this concern formally. It will however make a single co-operative claims process between the two estates significantly more difficult to accomplish, as we could not and would not agree to payments to non-SIB creditors from SIB assets.

Cross border protocol.

Since the First Report, the JLS have continued to communicate with Mr Janvey in an attempt to agree a cross border insolvency protocol between the two estates. These efforts included a proposal being put forward by the JLS, a number of conference calls and face to face meetings, and a mediation process under a retired US Bankruptcy Court Judge. We were unable to reach agreement for a protocol which properly allowed the US Courts to supervise the actions to be taken in the US, but which respected the independence of the Antiguan Court in the exercise of its authority over the JLS in all other areas.

The hearing before the Texas Court in December related to recognition in the US as a foreign proceeding under Chapter 15 of the US Bankruptcy code. We believe and are advised that this recognition in the US would enable the liquidation of SIB to bring actions where the JLS have better legal standing than both the US Receiver and the US Investors' Committee thus enhancing the chances of recovering assets from these actions. These benefits are more fully discussed in section 4 of the report. We are currently awaiting the Court's decision from this hearing.

Whilst we await the Court's decision following the hearing in December we recently sought permission from the US Courts to allow us to bring negligence actions against law firms that represented SIB in the US. These claims had not been commenced by the US Receiver, and the limitation period within which such claims must be brought in Texas, where the US Receiver is required by his own Court to bring these claims, had expired. We are advised that these claims are not available to the US Receiver or the US Investors' Committee and therefore should be brought by the JLS. Limitation periods in other available US jurisdictions expire in early February 2012 and therefore we sought urgent permission from the US Court to bring such claims in Washington DC.

The US Receiver and the US Investors Committee have opposed this application for permission indicating that they intended to bring these claims although no reason for the three year delay in bringing them was offered, nor as to why this was not noted as an outstanding issue at the US Receiver's status conference in Court in Dallas in October 2011. The US Receiver and the "Official Stanford Investors Committee" have now filed (on January 27, 2012, after the JLS sought permission to file) a multi-count complaint against two of the firms the JLS intended to file suit against, Chadbourne Parke and Proskauer Rose in the U.S. District court in the District of Columbia, and our application has been refused. We have some concerns that the arguments advanced against our Chapter 15 application run contrary to the arguments now advanced against these law firms, and it is possible this may dilute the merits of the action to the detriment of SIB's depositor/victims. These concerns are sufficient that we have asked for a review of the matter by the 5th Circuit Court of Appeal.

The reasons why we believe that the US recognition of the Antiguan liquidation will prove beneficial for the SIB estate are covered in further detail at section 4 below, but to be clear, and contrary to the representations to the US Court made by Janvey at the Chapter 15 hearing, it is not and never has been our intention to interfere with any of the proceedings being pursued by the US Receiver at the time of the hearing, but simply to reinforce those legal proceedings which are presently being challenged in the US Courts and which would benefit from the support of the Antiguan SIB estate. Further, we would also rely on such recognition to allow us to bring claims that we believe cannot be brought solely or properly by the US Receiver, such as the negligence claims against the law firms discussed above.

(e) Canada

The Ontario Superior Court of Justice currently holds approximately US\$18 million of SIB funds net of other possible and unproven “tracing” or ownership claims. These funds were frozen by the Attorney General of Ontario (AGO) on its own initiative. It is our view that the Ontario forfeiture statute requires the AGO to distribute any and all of these funds to those victims that can be identified. There is no statutory provision which allows the AGO to deal with these funds by any other method. However, we understand that the AGO has entered into an arrangement (which we have not seen) with the DoJ to turn over these funds to the DoJ, presumably as its agent, for distribution. The AGO has sought Canadian Court approval for this arrangement and Mr Janvey has consented to this proposed transfer of the funds as has the Interim Receiver, Ernst & Young Inc.

We are advised that SIB has good defences to the forfeiture. Further, despite the argument that these funds if forfeited will simply flow to depositors, that argument fails to recognise the legitimate interests of the non-depositor creditors of SIB, limited though they are, and fails to recognise the costs to be deducted by AGO and DoJ under the settlement agreement before these funds are distributed. In contrast, given the liquidation has started its claims process under its statutory obligation to do so, the incremental cost of distributing these monies would be nil. We are strongly of the view that this settlement is an improvident transaction detrimental to the financial interests of the creditors/victims of SIB, and that by agreeing to it the US Receiver and Interim Receiver are failing in their obligations to the creditor/victim body as a whole.

On 12 August 2011, we filed an application with the Supreme Court of Canada to substitute and take the place of the Former JLS in seeking leave to appeal the Quebec Court of Appeal Decision which granted recognition of the US Receivership and Mr Janvey as a foreign proceeding and foreign representative of SIB respectively. Our application for substitution was granted but our request for leave to appeal was refused. As is usual with such applications this is entirely within the discretion of the Court and no reasons were provided.

We have therefore sought limited recognition, under the revised Canadian Bankruptcy and Insolvency Act, for standing to allow us to advance the claims of the Antiguan SIB estate to these assets. Mr Janvey had indicated that he has no intention of trying to claim these funds for his receivership despite initially advising

the Canadian Court that this was a reason for his seeking recognition in Canada in the first place. As we understand it from the evidence at the hearing on Chapter 15, Mr Janvey has taken the position that it is inappropriate for an officer of the US Court to oppose the Government of the US, as represented by the DoJ, notwithstanding that the order appointing him, and the Interim Receivership order in Canada, charges him and the Interim Receiver in the ancillary Canadian proceeding, with recovering the assets of SIB and other related Stanford entities. Further, Mr Janvey had previously vigorously pursued the same assets as the DoJ in the United Kingdom and Switzerland until he was refused standing in those countries. We are currently awaiting a hearing on this application for limited recognition and will update creditors/victims in due course. We have recently learned that the US Receiver is now actively opposing our application and is expending receivership monies on this despite his abandonment of the frozen funds to the Ontario forfeiture action, and despite the fact his estate has no continuing ostensible financial interest in the outcome.

3.2.2 Real Property

(a) Under SIB ownership or direct control

SIB owns Antiguan land assets which, according to property advisors retained by the estate, have a "fire sale" value of approximately US\$45 million. We have also obtained fair market valuations, which assume an orderly sale over a period of time. These are set out in the table following

Property	"Fire sale" value	Fair Market Value
Guiana Island	\$30 million (incl. Crump)	\$71 million
Crump Island & peninsula	As above	\$124 million
Pelican Island	\$15 million	\$17 million
99 year lease on Athletic Club	\$1 million	Not appraised
Total	\$46 million	\$ 212 million +

We have had some preliminary advice that, to achieve the highest value for the lands, some modest capital improvements might be appropriate. To date we have not yet had the necessary funding available for such investment, and we have not properly explored the market to make the determination as to whether this would be a prudent investment. No investment will be made without first canvassing the issue with our Creditors/Victims Committee.

We are presently dealing with prospective buyers but at present it is not possible to say if this interest will result in an offer or if any offer will be within an acceptable price range in the context of the wide range of values between "fire sale" and "fair market" values.

In order to maintain the momentum for the disposal of the property, in the event the current prospects do not result in an acceptable offer, we have asked a number

of international property sales companies to provide proposals for the marketing of these lands. As of the date of this report we have received one proposal and are waiting on two more.

(b) Real Property not under SIB control

A portfolio of approximately 34 separate parcels of Antiguan real estate is held by Maiden Island Holdings Limited, Gilberts Resort Development Holdings Limited, Stanford Development Company Limited and Stanford Hotel Properties Limited. Each of these companies is beneficially owned by Mr Stanford. Our investigations show that the money with which each of these companies used to purchase their assets were received from SIB and SIB received no benefits in return for these monies. We are in the process of reviewing 60 bankers boxes of documents which we believe provide clear evidence in support of our claims that the money with which these companies used to purchase their assets came from SIB. This exercise has already provided very helpful information to support our claims against these assets.

As reported previously, given that our mandate from the Court does not directly include these entities, we have brought an action against Allen Stanford directly seeking that he account for the assets of SIB and their obvious failure to be sufficient to cover its debts. As part of this action we seek judgement against him, and against the share holdings of the Antiguan companies in which this land and other assets are held.

As advised in the First Report, in the context of this claim we were successful in freezing the Antiguan real property ex-parte. At a hearing on the merits of the action on 30 August 2011 the Court made an order, which had been negotiated between the JJs and the defendants by consent. Under this order the JJs have the right to be advised of any potential sale and to have the right to object, and to have the Court adjudicate on the proposed transaction. Funds from any sale or from the operations of the defendants are to be placed in a specified bank account which the JJs are able to monitor on-line to ensure that any such funds are used solely for the operation of the business, including paying the claims of its creditors, as approved by the Court.

Mr Stanford filed an application to challenge jurisdiction over him in this case. He also claims that he was mentally incompetent and unable to understand the nature of the claims against him, and moreover that he was not properly served with the proceeding in any event. A hearing was recently held before the Antiguan Court to consider this issue and we are awaiting a decision.

A second issue was raised immediately before the hearing, and in our view without proper notice. In this they argued that Stanford was already being sued in the US on the same grounds. In fact he is being sued in the US on his borrowings from Stanford Financial Group, not on the same grounds.

Based on our investigations to date, the assets owned by these companies in Antigua include:

- (i) seven office buildings, a daily newspaper printing facility, two warehouses and twelve completed single-family residences in a subdivision called Cedar Valley Springs;
- (ii) the Crabbs Port seaport facility in which US\$55 million of capital that we believe derived from SIB was invested;
- (iii) two restaurants and an international cricket facility;
- (iv) Maiden Island, including a harbour dock for Maiden Island located on the Antigua mainland and called Barnacle Point in which US\$5 million of capital that we believe derived from SIB was invested;
- (v) a six year old airplane hangar and Fixed Based Operation facility for private aircraft with a VIP lounge, conference rooms and offices on 18 acres of land next to the VC Bird International Airport in Antigua (the "Airport"), in which an estimated US\$20 million of capital that we believe derived from SIB was invested;
- (vi) a 300 space car park at the Airport;
- (vii) some US\$2 million in building materials and several hundred thousand dollars in new furniture and some heavy construction equipment; and
- (viii) other miscellaneous parcels of land, (together, the "SDC Properties").

Based on our investigations to date, the combined "fire sale" value of the SDC Properties is approximately US \$70 million (against which there appears to be approximately US \$13 million of third party liabilities which will likely be required to be paid). As these properties are not yet in our possession we have not been able to have them appraised as yet to private, fair market valuations.

We have however consented to the sale of two houses at what we consider fair market value under the Court mandated protocol.

We have also been made aware of the interest of the Government of Antigua in acquiring two parcels of land adjoining the airport as part of a project for a renovation of the airport. These lands are relatively small and are a small part of the current parking lot and the taxi stands in front of the current terminal building, and as such have a very limited, if any, market.

We understand that an arrangement has been proposed under which a government agency would give up its judgement and execution order (resulting from unpaid service invoices) against the property of Stanford Development Company Limited ("SDCL") in exchange for these parcels being sold to the Government of Antigua. Provided this sale is at fair value, this arrangement is advantageous to the interests of the SIB estate because it prevents a forced sale of other lands owned by Stanford Development Company, it reduces the value of SDCL's creditors (the claims of whom would need to be paid in advance of those of SIB), and deals with what might otherwise be difficult lands to sell. If we are asked to consent any consent provided will be based on a careful examination of the economic benefit to SIB and if we

were not satisfied as to the commercial merits, then the Court would be the final arbiter.

3.2.3 Other Claims – Litigation

Potentially the largest asset of the estate is litigation claims against “aiders and abettors”, which, if successful, could provide the most significant source of recoveries to the estate. One group of these are the law firm advisors to SIB which we discussed under the cross border protocol issue above. To be able to pursue these claims requires that the estate be funded to conduct the litigation to the full extent required. In order to do this requires investment which has to be drawn from the recoveries of the estate from other sources. We have conducted an economic review of what this cost might be and the results we would hope to achieve. This was discussed at our creditors' webinar in December 2011, and we set out the key elements of this discussion in the following paragraphs.

The identifiable assets discussed above, consisting of cash and investments in various jurisdictions and real property in Antigua, total in the region of US \$500 million (with land at “fire sale” values) from all sources including the net funds held by the US Receiver.

In the event that this US \$500 million was immediately available to distribute (which it is not) to creditors/victims this would allow for a distribution in the range of 11%+/-, on the basis that total claims appear likely to be in the range of \$4.4 billion after restating depositor balances to reflect the net cash invested. This distribution estimate does not take into account any dilution for the costs of distribution. There could be as many as three separate distribution processes if the US Receiver the DOJ both commence such processes (not to mention the one potentially by SIPC and one by the Ontario AG). If the \$500 million was immediately available for distribution and was to be distributed then that distribution would be the first and last distribution from this liquidation, as no assets would exist to fund further recovery action. The reality is these funds are not immediately available for distribution.

If, as discussed, creditors/victims were prepared to forgo approximately 2%-3% of the potential 11% distribution from the currently available assets, it is our view that this investment (i.e. the 2-3%) combined with other litigation funding options, such as contingency fees, where permitted, or specialist litigation funding, would enable the estate to pursue very substantial third party liability claims, which if successful could result in ultimate distributions in the range of 40%-50% or higher.

This is essentially the same strategy followed in the Madoff matter where returns that initially looked to be a few cents on the dollar are now projected into the range of 70% - 80%. This strategy is the norm for insolvencies involving fraudulent schemes. Any other strategy results in a very limited recovery which in this instance is likely to be diluted through multiple distribution processes and, with respect to the US Receiver's funds, dilution by claims of creditors of non-SIB entities.

The JJs have worked closely with their advisors to consider potential claims against third parties and have already commenced significant investigations to assist them in

formulating some of these claims. The work required to develop such claims is considerable and such litigation is often very lengthy and expensive. This combined with the fact that this is a very large, complex international fraud adds another layer of challenge to the task of pursuing such litigation.

The JLS and their team have put significant effort into organising the books and records of SIB so they may be efficiently and effectively reviewed. This process, which is critical to support the asset recovery process, will provide information to assist with the recovery of identified assets and also with the litigation claims against third parties. This process is now well advanced and the electronic records located at SIB in Antigua, consisting of records on the servers and records located on computers of the staff, have now been copied by our forensic experts and loaded onto e-discovery platforms. This significantly enhances the efficiency and effectiveness of the review process for the review of over two terabytes of data.

In addition we are well into the review of hard copy records located at SIB in Antigua. One part of these records consist of over 60 bankers boxes of original bank transaction information for which we have hired local Antiguan staff to assist in the review of this transaction information. These documents trace the flow of funds from SIB into the other Stanford entities and are vital in pursuing claims such as the SDC assets and potentially other similar claims.

Further, in order to build up evidence to support our litigation claims we have hired investigative staff and other specialised experts to assist with interviews of key people, possible witnesses and assembling other evidence.

At this stage we are unable to provide further details about the litigation strategy and will be in a better position to provide further details in due course.

4 The benefits of recognition of the Antiguan Liquidation in the United States.

As discussed in the First Report and outlined above we have continued our efforts to enter into a cross border “insolvency” protocol with Mr Janvey with a view to agreeing the methods in which we could work collaboratively on this matter.

Unfortunately, and as stated previously in this report, those protocol discussions were not successful and a hearing was held before the USDC in Dallas, Texas on 21 December before Judge Godbey to consider our application to be recognised in the US as the foreign proceeding. We are currently awaiting the decision from this hearing. The JLS believe, and are advised, that recognition of the liquidation in the US is important to maximise the recovery prospects of the estate. We have therefore invested significant time and cost into the process of trying to secure the rights that would be available to us upon recognition in the US.

There are a number of reasons we continue to seek recognition in the US, but the principal ones are access to information and witnesses (which have been actively opposed by the US Receiver), and to utilise the benefits of the differences in legal standing in actions against third parties. In saying this we note the difficulties that have been encountered by the US Receiver and associated parties in progressing some of their claims. For example those claims rejected by the Court on standing grounds could be recast with the JLS becoming

parties, which we believe would allow those claims to proceed. As an example we have referred to litigation against law firms that formally advised SIB earlier in this report.

Further benefits to the SIB estate in obtaining recognition of the JLs as foreign representatives of a foreign proceeding in the United States include:

- o Both the US Receiver and his creditors' committee have launched some 54 claw-back and third party liability actions in the Texas Court. Although the lower Court has ruled the US Receiver has standing to bring these claims this has been defended in some instances on the grounds that only the JLs have standing to bring such claims. By joining such actions as co-plaintiffs we can strengthen the quality of those claims and avoid at least that prong of the challenge by a defendant, and enhance the prospect of realisation.
- o By obtaining "foreign main" recognition it is possible to import Antiguan law, which provides more generous limitation periods for a claimant than in the United States for claw-back or third party liability actions as well as a broader legal bases on which a claim may be founded.
- o A favourable Court ruling in Texas under Chapter 15 of the U.S. Bankruptcy Code is expressly designed to foster cooperation between officeholders such as the US Receiver and the JLs in complex cross-border insolvency cases such as this.
- o Chapter 15 is also designed to provide a framework for Judges from different Court systems such as the US Court and the Antiguan Court to communicate directly in the interests of reaching complementary rulings and promoting the cost-effective administration of cross-border estates.
- o Neither the US Receiver nor the Antiguan estate have consolidated all of the records of SIB into one database. A successful Chapter 15 application will allow for the combined use of all of the information of the bank available to it (with limited exceptions such as depositor information). This will aid in the asset tracing and recovery processes. While this could be done outside of recognition, it is not clear how the information, outside a protocol, would be used to ensure that the benefits to creditor/victims are maximised.

It is our clearly stated position that it is not our intention to supplant the Receiver nor to interfere with his, or his Committee's efforts, but to act in supportive roles where appropriate, and to take action on claims the Receiver may not be able to pursue. This cannot be accomplished without standing. We note that the SEC and DoJ are both opposed to us having any standing in the US on any basis. Efforts to arrive at a compromise with the US Receiver remain on going and we have indicated to both the SEC and the DoJ we remain open to discuss any compromise that will increase recoveries to creditors/victims.

5 Claims process

The Antiguan International Business Corporations Act mandates that we run a claims process and the mandatory mechanics of that process are found in that statute and the English Insolvency Rules of 1986.

We have posted claim forms on our website (www.sibliquidation.com/claims-administration) along with a brief explanation as to the nature of the process, its statutory background and notes to assist with completing the forms.

In the case of a fraudulent investment scheme where the above market rate returns on investments are heavily or wholly dependent on further subscriptions by victims it has been common practice by insolvency practitioners to admit claims on the basis of net cash invested, as the best way to reflect that new depositors in essence funded the redemption and interest payments of earlier depositors and to minimise the inequities that result. While this has been historic practice there was a challenge to it in the Madoff matter, and the US Second Circuit Court of Appeals confirmed that the net cash invested was the appropriate amount on which claims should be admitted.

We are of the view, having carried out distributions on the same basis elsewhere in the Eastern Caribbean, that the Court in Antigua would adopt the reasoning of the Madoff Court and would confirm this process if there were to be any similar challenge in this proceeding. Further in discussion with the US Receiver we understand that his claims process is intended to run on the same principle. This opens the door to synchronizing the two distribution processes at some later date.

Our claim forms are in essence a work sheet to calculate that number. It is appreciated that many depositors will not have all the information to make that assessment. While it is part of the statutory claims process that everyone has to make and “prove” their claim (i.e. that is it is not up to the JJs to do it), we will assist where we can, recognising that with approximately 21,000 account holders, this could swamp the resources available. To assist with this we intend to take on local personnel at local rates of pay to minimise professional costs.

Based on comments from creditors we hope to have an improved on-line version of this claim form linked to a web-based tutorial, to supplement the current written instructions. This will hopefully simplify the process both for creditors and for us in the review process. We are also trying to develop a simple electronic database combining the various platforms on which the records of the bank were kept, so that the account information for any depositor will be in a single searchable place, and, with appropriate security arrangements, available for account holders to view. In the interim we will continue to assist account holders with information from the hard copy records even though this is both cumbersome and time consuming.

6 Antiguan Operation of the SIB Estate

The headquarters of SIB were maintained in Antigua. SIB only had one other small office outside Antigua when it operated (namely, in Montréal). The SIB estate occupies the same Antiguan building as the operating bank did. It contains a massive volume of hard copy and electronic records of SIB.

The SIB estate continues to employ five local residents of Antigua to provide IT, accounting, document management, security and clerical support, and to assist in the claims administration process. An additional five temporary workers have been employed recently to assist in the review of records to support the asset tracing process and to assist in the claims review process.

The JLS have procured a software program suitable to search and analyse in excess of two terabytes of data of SIB. This is essential for the development of robust claims against third parties, claw-back claims, asset tracing claims and for the overall sound administration of the estate.

7 Costs of the Liquidation

Attached is a Receipts and Payments account of the JLS for the period of their appointment on 12 May 2011 to 31 January, 2011.

The fees of the JLS and their advisors are subject to review by the Antiguan Court. The JLS envisage making an application to the Antiguan Court during the first quarter of 2012 for fee approval.

The JLS are sensitive to the requirement that all professional work completed for the SIB estate be done effectively, efficiently and at a price that represents good value for money.

Controls have been put into place to assist in achieving this end. Uniform commercial terms of all letters of engagement ("LOE") with each law firm serving the estate have been agreed. Each service provider must deliver work in progress ("WIP") reports to the JLS on a regular basis showing a detailed breakdown of what tasks were completed by which fee earner and in what period of time to one-tenth (0.10) of an hour.

The three principal service providers to the SIB estate are the JLS and their staff at Grant Thornton, Martin Kenney & Co Solicitors and Astigarraga Davis. Each of these firms has agreed to bill the SIB estate for work performed at a reduced 75% of hourly rates to minimise the downside cost to the estate and to preserve the available funding. In return we will be seeking from the Court a success component based on recoveries to compensate for this risk.

Given the scale of the claims we intend to pursue, risk/benefit sharing arrangements for funding those actions will be entered into so as to protect the recoveries made in the estate from other sources.

The JLS and their team have had to work in a state of heightened urgency since 12 May 2011. This was due, in part, to the estate having been substantially mothballed by the Former JLS. The Former JLS simply failed to organise funding that was adequate for the tasks that had to be completed.

The creditor who brought the removal application against the Former JLS, Alexander M Fundora of Miami, Florida, was awarded his costs against the estate in both the High Court and the Court of Appeal. These costs came to approximately US\$3 million. This is an indication of the extent of the removal litigation which ran from October 2009 until 12 May 2011. These costs have been paid by the estate in accordance with the order of the Court. Moreover, these costs will be more than compensated for by the savings in any fees to be paid to the Former JLS.

The fees, disbursements and expenses which the SIB estate has incurred to date and under the JLS' watch are approximately US \$7 million. This includes third party costs incurred as part of efforts to obtain external funding for the estate amounting to \$683,481. These

costs are broadly in line with those previously approved by the Court, which efforts and costs were approved by the Creditors Committee. As noted earlier in this report the terms of borrowing, which is an internal cost, is considerably less than the cost of the proposed external funding, which cost would have reduced the total funds available to depositor/creditors.

In view of the work carried out to date in this liquidation and the results achieved, the JLS believe that that the fees incurred by the estate are reasonable and represent considerable value to the estate.

Other factors that should be taken into account when considering these costs include the following:

- this is a complex international fraud
- there are in excess of 21,000 creditors/victims with losses in excess of US \$4 billion.
- the JLS face significant hurdles in their efforts to recover assets which are located in more than 10 different countries
- the global nature of this liquidation has necessitated the JLS retaining and managing fifteen separate law firms to advise them on their asset recovery efforts in these numerous jurisdictions. Recovery efforts have been strongly opposed.

8 Fees of Former Liquidators

The JLS have mounted a defence against the request of the Former JLS for an award of approximately US\$18 million in outstanding charges and disbursements in connection with the provision of their services from their appointment on 19 February 2009 until their removal on 12 May 2011. The JLS object to this measure of compensation sought by the Former JLS on a number of grounds.

In the two years and four months following the date when the Former JLS were first appointed to office as Receiver Managers on 19 February 2009, the Estate did not make recoveries of any material value.

This issue will be considered by the Antigua Court at a hearing during 2012, which will resolve the payment that the Former JLS should receive for their work and disbursements.

9 Communications with Creditors/Victims and other Stakeholder

The JLS have held two online webinars, in English with simultaneous translation into Spanish, in order to advise creditors of the progress in the estate, advise on intended actions and to solicit feedback. The two webinars had attendance of over 3,000 creditors/victims. Where possible any questions were dealt with during the webinar; however the sheer volume made that difficult and many were subsequently responded to via our frequently asked questions list that is regularly updated on the liquidation website.

This approach has been very productive in terms of communicating with creditors/victims and getting feedback on what we have done and what we propose to do. To date we have had virtually no negative feedback with respect to our liquidation and recovery programme. On the contrary we have had significant positive feedback in endorsement of our plans.

Having found these webinars to be an effective method of communicating with a large body of creditors/victims located in numerous countries we will continue to use this form of communication to update creditors/victims and to solicit feedback on our performance. The JLs anticipate the next webinar will be held during March 2012 and will advise of the final date in due course.

Since entering into office, the JLs have met or communicated with representatives of the following stakeholders in the Estate:

- a) the SFO;
- b) the DoJ;
- c) the Official Stanford Investors' Committee;
- d) the US Receiver;
- e) staff counsel of the Attorney General of Ontario;
- f) the Financial Services Regulatory Commission of Antigua
- g) the Attorney General of Antigua;
- h) FINMA and the Swiss criminal prosecutor;
- i) the SEC;
- j) the U.S. State Department; and
- k) the staffs of various members and committees of the U.S. House of Representatives and the U.S. Senate.

As a result of these meetings, the JLs obtained a clear understanding as to how all relevant stakeholders in the affairs of the estate view (i) their relationship to date with the estate; (ii) their own goals, objectives and mandates; and (iii) how the historically fractured nature of some of these important relationships might be improved and disputes resolved.

Creditors/victims are encouraged to monitor the liquidation website (www.sibliquidation.com) for updates as this is the JLs' primary tool for communicating information to creditors/victims. The JLs are continually adding new information to the website including links to the online webinars, frequently asked questions, media reports, court filings and other information.

At the same time the JLs have continued to meet with their Creditors Committee and in the nine months from their appointment to date have held seven meetings with them via conference call and recently provided them with a confidential update memorandum pending the next meeting anticipated in late February. The JLs will continue to seek their views on key issues facing the estate and have found their input to be very helpful in guiding them.

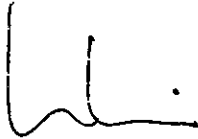
We have also reached out to the various victims groups or "blogs" in an effort to improve communications and to correct factual inaccuracies that continue to be promulgated despite us providing information and the opportunity for verification of these issues. It is our intention to meet or hold discussions with each of these organisers of these groups on a continuing basis.

10 Next Steps

The JLs and their team, supported by the Creditors Committee, will continue to pursue the asset recoveries on the basis outlined above. We will also seek to obtain access to outside funding to ensure that the actions taken on behalf of creditors are not threatened by forfeiture actions against SIB's assets.

We will continue to update creditors/victims via online webinars, continuous updates to the liquidation website and further reports such as this.

Signed at Road Town, Tortola, British Virgin islands this 10th day of February 2012

A handwritten signature in black ink, appearing to be 'M. Wide', with a small dot at the end of the horizontal stroke.

Marcus A. Wide
Joint Liquidator

Stanford International Bank Limited - in Liquidation
Receipts and payments statement for the period 12 May 2011 to 31 January 2012

	USD	USD
RECEIPTS		
ECAB Building sale proceeds	4,537,037	
HSBC, Panama	3,275,228	
Rental receipts (ECAB Building)	255,556	
Cash at bank on appointment	39,133	
Interest earned	2,342	
Miscellaneous income	1,231	8,110,527
Less: Costs Awarded for Removal of Former Liquidators		2,822,495
		5,288,032
Add: Borrowed Funds drawn from UK Frozen Assets (see Note 1)		14,740,076
TOTAL RECEIPTS		20,028,108
PAYMENTS		
<i>Liquidators fees & expenses (see Note 2)</i>		
Grant Thornton fees	1,442,238	
Grant Thornton expenses	188,556	
<i>Co-lead legal advisors fees & expenses (see Note 3)</i>		
Astigarraga Davis - fees	481,433	
Astigarraga Davis - expenses	35,116	
Martin Kenny & Co - fees	1,291,508	
Martin Kenny & Co - expenses	75,978	
<i>Other legal advisors fees and expenses (see Note 4)</i>		
Canadian legal advisors fees	1,314,954	
Canadian legal advisors expenses	58,717	
UK legal advisors fees	505,975	
UK legal advisors expenses	28,235	
US legal advisors fees	642,978	
US legal advisors expenses	23,353	
Swiss legal advisors fees	167,186	
Swiss legal advisors expenses	3,185	
Latin American legal advisors fees	168,645	
Latin American legal advisors expenses	3,773	
Antiguan legal advisors fees	64,646	
Antiguan legal advisors expenses	10,483	
<i>Other advisors fees</i>		
Consultant, Investigators and other Expert fees	99,454	
Antiguan property related fees	324,174	
<i>Other Operational expenses</i>		
Antiguan operations (see Note 5)	399,208	
SIB staff wages incurred but unpaid by former JLs	50,422	
SIB Bank Software fees	15,000	
I.T. fees	7,191	
Advertising fees	440	
Bank charges/foreign exchange movements	31,008	
Costs in respect of third party funding	683,481	
Total payments		8,117,334
Balance on hand at 31 January 2012		11,910,774

Notes:

1. Following Orders of the UK Central Criminal Court these funds were drawn down from the UK frozen assets of SIB and interest is being charged at the rate of 5.4% per annum.
2. Represents fees and expenses incurred to 30 November 2011.
3. Represents fees and expenses incurred to 30 September 2011.
4. Represents fees and expenses incurred to 30 November 2011.
5. Includes all expenses in operating the Antiguan premises of SIB such as wages for 5 full time staff, expenses associated with the premises such as electricity, maintenance and wages of temporary staff employed to assist with reviewing and sorting large amounts of records.
6. Please note that liquidation bank accounts are maintained in EC\$, US\$ and £. For the purposes of this statement we have converted all currencies to US\$.