IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	
	§	
	§	Civil Action No. 3:09-CV-0721-N
STANFORD INTERNATIONAL BANK, LTD.,	§	
	§	
	§	
Debtor in a Foreign Proceeding.		

JOINT LIQUIDATORS' ADVISORY OF OBJECTIONS TO RECEIVER'S AMENDED MOTION FOR ENTRY OF AN ORDER (I) ESTABLISHING BAR DATE FOR CLAIMS; (II) APPROVING FORM AND MANNER OF NOTICE THEREOF; AND (III) APPROVING PROOF OF CLAIM AND RELATED FORMS AND PROCEDURES FOR SUBMITTING PROOFS OF CLAIM

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page(s)

CASES

STATUTES

OTHER AUTHORITIES

COME NOW Hugh Dickson and Marcus Wide (together, the "JLs"), the duly-appointed joint liquidators of Stanford International Bank, Ltd. ("SIB") in SIB's liquidation proceeding pending before the High Court of Antigua and Barbuda in Antigua (the "SIB Liquidation"), and file this Advisory of Objections to Receiver's Amended Motion for Entry of an Order (I) Establishing Bar Date for Claims; (II) Approving Form and Manner of Notice Thereof; and (III) Approving Proof of Claim and Related Forms and Procedures for Submitting Proofs of Claim (the "Receiver's Claims Motion")[1] respectfully stating as follows:

PROCEDURAL BACKGROUND

On April 20, 2009, Nigel Hamilton-Smith and Peter Wastell (together, the "Former JLs") filed their Petition for Recognition Pursuant to Chapter 15 of the Bankruptcy Code (the "Petition"). Docket No. 4. Thereafter, the Former JLs, as well as the SEC, the Receiver, and the Examiner filed various briefings and documents in support of their respective arguments for and against the Petition. See Docket Nos. 15-32, 34-38, 59-63, 69. On June 8, 2010, the High Court of Antigua and Barbuda, upon petition of a creditor, removed the Former JLs as SIB's liquidators for cause and, on May 13, 2011, entered an Order appointing the JLs as SIB's liquidators in the SIB Liquidation. Docket Nos. 105-1, 32-33; 105-19; 105-20; 106-1, 10.

On August 24, 2011, the JLs, appointed as replacements and successors to the Former JLs, filed a Motion for Status Conference and for Related Relief before this Court, after which the Court entered Orders setting a status conference in the Chapter 15 proceeding and the SEC Receivership for October 13, 2011. Docket Nos. 76, 83-84. Following that status conference, the Court scheduled an evidentiary hearing regarding the Petition for December 21, 2011 (the "Recognition Hearing"), and set deadlines for related submissions. Docket Nos. 91, 97.

[1] The Receiver's Claims Motion was filed in *Securities & Exchange Commission* ("SEC") *v. Stanford International Bank, Ltd., et. al.*, Case No.: 3-09-CV-0298-N, Docket No. 1470, at pg. 4 ("SEC Receivership").

In anticipation of the Recognition Hearing, the JLs, as well as the Receiver, the Examiner, the Official Stanford Investors Committee ("OSIC"), and the SEC (collectively, the "Receiver Parties"), filed supplemental briefs, submitted sworn written direct testimony of the witnesses intended to be called, and exchanged exhibit lists. This Court conducted the Recognition Hearing on December 21, 2011. Docket Nos. 99-117, 119-121. Following the Recognition Hearing, Proposed Findings of Fact and Conclusions of Law were submitted both by the Receiver Parties and the JLs on March 30, 2012. Docket Nos. 153-54. The Petition thus is fully briefed and awaiting resolution.

In the meantime, in the SEC Receivership, the Receiver filed, among other things, the Receiver's Claims Motion, (Docket No. 1546), and a Motion for Approval of Request to Amend Fee Structure and Holdback (Docket No. 1543) ("Fees Motion"), the latter of which was heard on March 4, 2012. Docket No. 1547. This Court granted in part and denied in part the Fees Motion (Docket No. 1565), set a briefing schedule for the Receiver's Claims Motion, including an objection deadline, and scheduled an April 25, 2012 hearing date. Docket No. 1562.

ARGUMENT

I. Establishment of a Claims Process in the SEC Receivership is Premature Prior to a Ruling on the JLs' Petition Under Chapter 15 of the Bankruptcy Code

Resolution of the Receiver's Claims Motion is premature prior to resolution of the fully briefed and pending Petition, because an order granting either main or non-main recognition of the SIB Liquidation would render the need for a separate SIB claims process in the SEC Receivership duplicative and unnecessary.

Specifically, if this Court were to grant the Petition and recognize the SIB Liquidation as the foreign main proceeding, as the JLs believe it should, the JLs' existing claims process in Antigua, which is already well underway, would take precedence. As a result, there would be no

need for the Receiver to maintain a parallel claims process that would duplicate efforts and create an unnecessary expense for those creditors/victims that deposited monies only in SIB (the "SIB Depositors"). Following this Court's recognition of the SIB Liquidation, and to the extent necessary, the JLs and the Receiver could coordinate efforts to run a combined claims process for SIB Depositors based on the work already being carried out by the JLs.[2]

If this Court were to grant recognition to the SIB Liquidation, the JLs then would be authorized to request this Court, in the best interests of the creditors/victims, to order a combined claims process for SIB Depositors between the Receiver and the JLs. The relevant provisions of 11 U.S.C. § 1520 provides:

> (b) Upon recognition of a foreign proceeding, whether main or non-main, the court may, at the request of the foreign representative, entrust the distribution of all or part of the debtor's assets located in the United States to the foreign representative or another person, including an examiner, authorized by the court, provided that the court is satisfied that the interests of creditors in the United States are sufficiently protected.

11 U.S.C. § 1520. Thus, it would be wholly within this Court's power (and at much less cost to the victims) to authorize the claims process underway in the SIB Liquidation as the claims process to govern all SIB claims, and to set appropriate limitations for distributions to SIB Depositors consistent with Chapter 15, corresponding comity concerns, and Antiguan law. The SIB Depositors make up 99.916% of all creditors in the SIB Liquidation. In contrast, the SEC Receivership has many other non-SIB creditors (and numerous debtors with no assets that should

[2] Running parallel, but uncoordinated claims processes for SIB Depositors would lead to another unfavorable consequence and expense, by forcing the Receiver to account for distributions SIB Depositors already received in the SIB Liquidation. Pursuant to 11 U.S.C. § 1532, "[w]ithout prejudice to secured claims or rights *in rem*, a creditor who has received payment with respect to its claim in a foreign proceeding . . . may not receive a payment for the same claim in a case under any other chapter of this title regarding the debtor, so long as the payment to other creditors of the same class is proportionately less than the payment the creditor has already received." The SIB Liquidation's claim process is statutorily required, and already well underway. *See infra* Point II. Furthermore, there is no reason or authority that the Receiver will not be required to follow a similar procedure as that set forth in § 1532 in making distributions. Accordingly, before making distributions, the Receiver will be required to take into account what distributions, if any, SIB Depositors have already received in the SIB Liquidation and reduce the claim distribution amounts accordingly.

be put through a no-asset Chapter 7 bankruptcy). Thus, the SIB Liquidation does not dilute the amounts that will be paid to creditors/victims, as the SEC Receivership inevitably will.

Accordingly, in the absence of a decision by this Court to deny any recognition to the SIB Liquidation, which, as the JLs have extensively argued, is wholly unsupported in law, approval of a claims process as to SIB in the SEC Receivership now would be premature, possibly unnecessary and/or duplicative, and contravene the efficiencies and policies underlying the JLs' Petition and, indeed, the entirety of Chapter 15 of the Bankruptcy Code.

II. Duplicate Claims Processes Will Lead to Unnecessary Expense and Depletion of Funds Available for Distribution

The Receiver's proposed claims process, at least as to SIB, does nothing more than cause additional fees to be incurred, at a substantially higher cost, for work well underway by the JLs. SEC Receivership, Docket No. 1546. The Receiver has not offered any reason (and none exists) for why he needs to incur the substantial expense of running a parallel claims process for SIB Depositors, which undisputedly were the source of the bulk of all funds that came into the purported "Stanford Enterprise." The Receiver's proposed claims process entails hiring two firms, Gilardi & Co. ("Gilardi"), a class action claims administrator, and FTI Consulting, Inc. ("FTI"), a forensic accounting firm, to run the process, in addition to what no doubt will be extensive involvement by the Receiver and his expensive legal team, and possibly the Examiner and the OSIC. The Receiver recently admitted that, if approved by the Court, his claims process will be completed, at the earliest, by the end of this year. The Receiver also admitted that the claims process, in addition to other anticipated (although unidentified) work, will cost millions of dollars. Fees Hearing Tr., at 20 (claims process will be completed by year-end, by which time the amount available for distribution, from the approximate $100 million allegedly currently available, will be between $55 to $65 million).

As the Receiver is well aware, the JLs, pursuant to the International Business Corporation Act ("IBCA") are already statutorily required to run a claims process in the Antiguan Proceeding. Docket No. 106-1, p. 12.[3] Consistent therewith, in mid-January,[4] the JLs launched a straightforward and cost-efficient process handled almost exclusively by Grant Thornton and local SIB staff, for which over 6,000 claims have already been received, and at least an additional 6,000 are expected over the next several months based on the pace of the registration process instituted by the Former JLs. By the end of August of this year, this claims receipt process will be nearly completed, and the JLs will be in a position to commence interim distributions for accepted claims.

Specifically, the JLs posted pdf and excel versions of the claim form on their website, at www.sibliquidation.com, easily accessible to all depositors for download or printing. The JLs also made an electronic version of the claims form available on the internet, allowing claimants to input necessary information online, print out the final product, and sign. The claimants are required to provide their basic personal information, their account number(s), information as to monies deposited and/or received from SIB or any other source related to such deposits, and to execute the forms. Only one claim form needs to be submitted per creditor/victim for all accounts and CDs held at SIB. In turn, the claim forms then can be returned to the JLs either by e-mail, regular mail, or facsimile.

[3] The Receiver contends that the JLs launched their claims process unilaterally without seeking to consult with, or give notice to, the Receiver. That is false. Shortly before launching the claims process, Co-JL Marcus Wide spoke to the Receiver advising him that the JLs were moving forward with their claims process and to confirm that both estates would be using the net deposit formula for fixing claims, as had been used in the Madoff bankruptcy, which the Receiver confirmed. The Receiver thanked the JLs for the courtesy and at no time asked to coordinate his contemplated claims procedure with the SIB Liquidation claims procedure. Indeed, the only reason why the claims process was not launched earlier was as an accomodation to this Chapter 15 case, as the IBCA requires launching of same immediately upon appointment.

[4] The JLs have provided notice to all SIB estate creditors for whom e-mail addresses were on file of the claims process, as well as providing notice on their website, at webinars presented for creditors, on various blogs dedicated to the Stanford fraud, and a press release, which was published world-wide by Bloomberg.

In the interim, the JLs also have an adequate number of staff members, former bank employees, local staff, and GT personnel, available to assist claimants with filling out their claim forms. Specifically, in addition to a dedicated e-mail and a 1-800 number, requests for information may be submitted by claimants by e-mail, mail, or facsimile. Additionally, to the extent the claim forms are incomplete due to lack of information on the creditor's/victim's behalf, the JLs are undertaking the task of verifying the amount of each claim against SIB's records, which constitute a complete set of each claimant's file, and send the revised claim forms to the claimant.[5] Only the JLs have this capability.[6] Should the claimant dispute the claim, as revised, they have the opportunity to seek review from the appointing court in Antigua and appellate avenues to the Eastern Caribbean Court of Appeal and, if appropriate, the Privy Council in the United Kingdom.

The existence of a second, parallel claims process by the Receiver for SIB results only in additional confusion and burden on the creditors/victims and additional pressure on what amounts to a failed receivership estate, based on the Receiver's recoveries to date, at substantial expense. *See discussion infra*.

III. The Procedures Proposed in the Receiver's Claims Motion Are Inefficient, Ineffective, and Inappropriate

In developing, from whole cloth, an overly complicated and procedurally deficient claims process, the Receiver has needlessly and inappropriately failed to utilize the well-developed, time-tested, and familiar statutory, procedural, and jurisprudential framework provided by the United States Bankruptcy Code ("Bankruptcy Code") and instead has tried to create a parallel ad hoc system – one of the main reasons why the SEC Receivership has been so inefficient and costly.

[5] The JLS can set a claims bar date by giving thirty (30) days' notice of intention to make a distribution, whether interim or final.

[6] This is a function that only the JLs truly can undertake as complete records only exist at the Bank in Antigua and are not available to the SEC Receiver or anyone else, including the DOJ.

Without the benefit of the Bankruptcy Code's framework, the Receiver is left with claims procedures that are inadequate, onerous, potentially violative of due process, and fail to account for the most basic of requirements of transparency and equitable treatment of similarly-situated creditors. As such, the Receiver's proposed claims procedures must either be radically altered, or dismissed as inefficient, ineffective, and ultimately unfair.[7] Sections 501 through 511 of the Bankruptcy Code provide specific and well-established procedures for filing and adjudicating claims that should be adopted by the Receiver, thereby preventing the reinvention of the entire claims process.[8]

The Receiver's Procedures Improperly Lump All Debtors Together to the Substantial Detriment of Creditors/Victims. One of the most fundamental concepts of debtor/creditor law is that a creditor expects and relies upon the debtor with which it conducted business to pay its obligations, and the creditor's claim must be paid from the assets of the debtor entity with which it had a financial relationship.[9] Unless a debtor is substantively consolidated[10] with related entities,

[7] The JLs review herein, with particularity, a number of the more glaring issues with respect to the Receiver's proposed procedures. However, the JLs propose that a wide variety of issues are likely to arise without the benefit of the broad jurisprudential and procedural structures offered by the Bankruptcy Code (without any means of dealing with those issues).

[8] On May 11, 2009 and September 9, 2010, certain investors represented primarily by Mr. Morgenstern filed motions (Docket Nos. 367, 772) requesting that the Court modify paragraph 10(e) of the Amended Receivership Order (Docket No. 157) to enable the filing of an involuntary bankruptcy petition against the Stanford defendants. These motions promoted the benefits of a bankruptcy process and were opposed by the U.S. Receiver and the SEC. Ultimately, these bankruptcy motions were denied as "moot" by the Court after an agreement was reached between the parties (with the consent of the Examiner) allowing for the formation of the OSIC and authorizing the OSIC to prosecute actions on behalf of the Receivership Estate on a contingency basis. Moreover, while the OSIC is supposed to represent a "cross-section of the Stanford investors" the reality is that three of the six members are lawyers who are not Stanford investors and who stand to receive substantial contingency fees prosecuting claims that belong to the Receivership Estate. One of these lawyers, Mr. Morgenstern, is the same individual who openly advocated for a bankruptcy process by filing the bankruptcy motions mentioned previously.

[9] *See, e.g.*, *In re Owens Corning*, 419 F.3d 195, 211 (3d Cir. 2005) ("Limiting the cross-creep of liability by respecting entity separateness is a 'fundamental ground rule.' As a result, the general expectation of state law and of the Bankruptcy Code, and thus of commercial markets, is that courts respect entity separateness absent compelling circumstances.") (internal citations omitted).

[10] "Substantive consolidation may take multiple forms, but 'it usually results in, *inter alia*, pooling the assets of, and claims against, the two entities; satisfying liabilities from the resultant common fund; eliminating intercompany claims; and combining the creditors of the two companies for the purposes of voting on reorganization plans.'" *In re Pacific Lumber Co.*, 584 F.3d 229, 249 (5th Cir. 2009) (internal citations omitted).

claims must be filed against each respective debtor, and only the assets of that particular debtor can be distributed to satisfy those creditors' claims.[11] Failure to either establish a legitimate basis for substantive consolidation or matching claims to appropriate debtors prejudices the rights of all creditors to a lawful distribution of assets.[12] Without substantive consolidation, recovered assets should be allocated to the individual debtors, and creditors should submit claims against the specific debtor with which they have a claim.[13] As set forth below, most of the Receivership Entities likely are bereft of assets and a creditor of such entity is entitled to no recovery on its claim.

The Bankruptcy Code only requests proofs of claims to be filed by creditors for those debtors with assets actually (or foreseeably) available for a potential distribution. Among other reasons, such a requirement saves debtors from the significant time, effort, and resources that must be expended to respond to (much less actually reconcile) claims for which no distributions will reasonably be made. To do otherwise is a waste of estate resources and is inherently unfair to creditors/victims.

In this case, the Receiver includes a number of debtors in his Claims Motion without identifying which, if any, may have distributable assets. Yet, the procedures propose pursuing the

[11] Courts, including the U.S. Court of Appeals for the Fifth Circuit, have held that ""[s]ubstantive consolidation is an 'extreme and unusual remedy.'" *Id*. (*citing In re Gandy*, 299 F.3d 489, 499 (5th Cir. 2002)) (emphasis added); *see also In re Augie/Restivo Baking Co., Ltd*., 860 F.2d 515, 518 (2d Cir. 1988) ("substantive consolidation 'is no mere instrument of procedural convenience ... but a measure vitally affecting substantive rights,' to 'be used sparingly.'" (internal citations omitted); *In re Bonham*, 229 F.3d 750, 767 (9th Cir. 2000) (substantive consolidation "as almost every other court has noted, should be used 'sparingly'").

[12] Although the Receiver's proposed procedures prefer that claimants identify the relevant entity, they do not require identification, provide a procedure for addressing unidentified claims, or account for the manner of distribution.

[13] As set forth in the evidence presented at the Recognition Hearing, the majority of SIB Depositors are outside of the U.S. While such creditors are relying upon the Receiver and the Court to conduct these proceedings in a fair, efficient and transparent manner, they are unlikely to understand the legal basis for a distribution of assets from an entity which owed them money to creditors of other entities. This violates basic concepts of fairness, transparency and established case law. Furthermore, to the extent the Receiver has not kept adequate records as to the debtor to which assets recovered pertain, that analysis should be undertaken. In light of the *de minimis* recovery to date, and that a substantial portion of such recovery is comprised of assets readily available at the time of the Receivership's commencement, the task should not be difficult.

same vetting and reconciliation process for all claims. Doing so is both wasteful and inefficient when it applies to entities with no assets, or claimants who may receive no distribution as a result. Thus, only those entities with potential distributable assets should be subject to the claims process. Regarding entities with no assets, notification should be sent to all creditors of such entities that the applicable debtor has no assets and that, at this point, there will not be any foreseeable distributions to such creditors. Notice of any claims process should only be necessary for creditors of debtors with potential distributable assets.

The Receivership is an Ersatz Bankruptcy Without The Safeguards to Which Creditors are Entitled. The management and handling of the SEC Receivership creates uncertainty with respect to the claims distribution process and undermines the ability of creditors/victims to meaningfully participate in the orderly liquidation of the Receivership Estate. The SEC Receivership, as currently run and administered, is ill-suited for dealing with what has been called one of the largest Ponzi schemes of all time, involving billions of dollars in potential claims.

As a preliminary matter, while the SEC Receivership purports to liquidate and distribute funds to creditors/victims, the Receiver Parties have not afforded creditors/victims even a fraction of the rights and protections that are provided as a matter of course to creditors in the bankruptcy context.

A liquidation proceeding under the U.S. Bankruptcy Code is specifically designed to maximize recoveries for all creditors while providing a transparent process where all parties have the right to participate and protect their interests. Consistent therewith, a chapter 7 or chapter 11 proceeding under the Bankruptcy Code and the Bankruptcy Rules is subject to numerous provisions relating to creditor protections and benefits. *See, e.g.*, 11 U.S.C. §§ 307, 363, 1102, 1104; Fed. R. Bankr. P. 2002.

Most significantly, the Bankruptcy Code provides for the statutory application of a classification of creditors and priority scheme providing creditors with clarity and predictability with respect to the determination of priority claims and the distribution of estate assets at the conclusion of a case. *See* 11 U.S.C. §§ 507, 726. Here, to date, no priority distribution scheme has been established or even proposed. Nevertheless, the Receiver's proposed proof of claim form ***requires the claimants to subject themselves to the jurisdiction of the United States District Court*** and be bound by all determinations made by that Court. The creditor classification and priority scheme should be set out and delineated so that creditors of all types understand the treatment their claims will be accorded. Failure to do so lacks transparency and predictability, and is fundamentally unfair.

The Procedure for the Review, Reconciliation, and Determination of Claims is Unclear, Needlessly Complicated, Onerous, and Unnecessarily Costly. Over the course of many decades, procedures and principles for adjudication of creditor claims have been carefully developed and well-established under U.S. Bankruptcy law. These claims procedures should be used in the Receiver's claims process. To do otherwise would be imprudent and inefficient.

Bankruptcy Courts have established the minimum proof necessary to properly evidence a claim and, in coordination with the Bankruptcy Code, rules have been promulgated as to the procedure and content required to file and establish a basis for a proof of claim.[14] For example, Bankruptcy Rule 3001 sets forth the procedures necessary to file a proof of claim; Rule 3001(a) sets forth the form and content of proofs of claims; Rule 3001(b) provides for who may file and execute a proof of claim; and Rule 3001(c) establishes requirements for providing supporting

[14] Without the benefit of the Bankruptcy Code and related jurisprudence, the Receiver is forced to go so far as to define a "Claim." It defies logic to reinvent something that already exists and has been extensively vetted and approved, particularly where such reinvention is so costly to the creditors/victims.

information to establish a basis for a proof of claim.[15] Application of the foregoing Rules provides both transparency and uniformity to the claims process and should be utilized in the Receiver's claims process.[16]

There is no need to deviate from the claims assertion and objection processes outlined in the Bankruptcy Code. Although time periods for filing claims-related documents can differ from case to case, generally, in the bankruptcy context: 1) a creditor files a proof of claim, 2) if the debtor disagrees with the proof of claim, it files an objection (or combine as many as 100 objections as an "omnibus objection"), 3) if the creditor wants to continue to prosecute the proof of claim, it files a responsive pleading and, depending on the circumstances, the parties can negotiate and gather additional information in an attempt to settle the matter, subject to court approval, or can set the matter for hearing for determination by the Court.

In contrast, the Receiver proposes the following procedure: 1) a creditor files a proof of claim, 2) the Receiver can send, but not file, a "Notice of Deficiency" setting forth additional information the Receiver needs to process the claim (to which a claimant has 60 days after to respond or risk disallowance of its claim),[17] 3) the Receiver sends to the claimant, but does not file, a "Notice of Determination," setting forth the allowed and disallowed portions of the claim, 4)

[15] Bankruptcy Rule 3001(e) also provides useful procedures regarding the transfer of claims that should be adopted by the Receiver. The Court should establish a time period by which purchasers/transferees of claims must file notice of such transfers as well as evidence of the terms of the transfer and information identifying the parties to the transfer by proper individual or corporate name, address, and contact information (including e-mail address and telephone number). Additionally, the Court should establish a procedure, paralleling Section 502(d) of the Bankruptcy Code, providing for the disallowance of any claim subject to the claimant being required to repay the debtor because of a fraudulent conveyance or other sums due to the respective debtor.

[16] Thus, by way of example, holders of certificates of deposit ("CDs") should be required to attach a copy of the CD to their proofs of claim, along with an itemization of any interest or principal payments received, including the amount and date of each transaction. Any proceeds received by the creditor from any other source – such as a governmental agency or from another proceeding (foreign or domestic) – should be submitted and credited against any overall outstanding balance. Creditors should also be required to amend proofs of claim within thirty (30) days after their receipt of any additional funds, to be credited against the balance of the claim.

[17] With respect to the additional procedural deadlines such as this, reasonable accommodations are not made for claimants in foreign jurisdictions. As the result of mail delays and/or processing, an extended period should be provided to creditors in jurisdictions outside of the U.S. with respect to these post-Bar Date deadlines.

a claimant who disagrees with the Notice of Determination must serve, but not file, within 30 days of the date of the Notice of Determination, an objection, 5) if the parties cannot resolve the objection, then, within 60 additional days from the date of the Notice of Determination, the claimant must file the objection with the Court,[18] 6) the Receiver then may move the Court within 60 additional days to uphold his Notice of Determination (though the parties may still informally resolve their dispute without a hearing or oversight by the Court).

In addition to the inefficiency of the Receiver's procedures, there is a lack of transparency to the Receiver's proposed process (which the U.S. bankruptcy procedures seek to foster). Other than the submission of a proof of claim, the rest of the Receiver's process minimizes oversight by parties-in-interest and the Court. The Receiver's proposed procedures do not balance desired efficiencies with needed notice and transparency of the claims process. The standard bankruptcy claims process has been developed to achieve exactly this result and should be utilized in these proceedings.

To this end, and like the Bankruptcy Code provides, the Court should establish a monthly docket for the hearing of claims objections. A monthly claims objection docket should be a non-evidentiary hearing that will allow the Court to determine the scope of the claim objection and address the time and resources needed to schedule and conduct an evidentiary hearing. As part of this procedure, the Receiver should be required to file written objections detailing (i) the specific bases for his objections and (ii) that portion of the proof of claim that is undisputed. This process will delineate the precise and limited issues which the claimant must address in a responsive

[18] If not timely filed, the procedures grant the Receiver the extraordinary authority to deem the objection waived and overruled without need for further Court order as to requirements 4 and 5.

pleading.[19] In the interest of expediting the review, determination, and resolution of claims, the Court should further establish a deadline by which the Receiver must file objections to timely-filed proofs of claims. If no objection is filed by that deadline, the claim will be deemed allowed for the purposes of distribution from the appropriate debtor or debtors' assets. This procedure, which mirrors common bankruptcy practice, will more properly balance the need for court oversight and transparency of the process with the Receiver's ability to effectively manage that process.

Similarly, without appropriate court oversight of the consultants' and professionals' activities in these proceedings, the cost of the Receiver's proposed process could entirely subsume the amount of distribution otherwise available to creditors (especially considering the likely minimal distributions available). For example, the agreements between the Receiver and Gilardi and FTI for which the Receiver seeks approval, propose to charge for work on an hourly basis—with FTI's rates being $180.00 - $720.00 an hour. These unreasonable and unnecessary consulting and professional fees will accrue very quickly if both Gilardi and FTI work on a pure hourly basis. In addition, an additional level of analysis (and corresponding cost) will be conducted by the Receiver and its counsel, the Examiner, and OSIC. To rationalize the claims reconciliation process, the Court should require each involved consultant and professional to report its related time and costs for the handling of a particular claim to the Receiver, who must aggregate and report the overall cost for the review and analysis of each individual proof of claim to the Court. By this means, the Court can determine if the time expended was reasonable and necessary.

To further streamline and enforce efficient efforts with respect to individual claims, the Court should determine a maximum amount which Gilardi and FTI can charge for the review of

[19] The Receiver should only be allowed to obtain information in regard to filed proofs of claim through the claims objection process. Any other issues or information outside of that process are not relevant, nor proper, and place undue burdens on creditors.

each proof of claim before having to provide justification for any additional costs and expenses.[20] Without some limitation, the entire claims process will cost several multiples of what would be required in a bankruptcy claims review and objection process and will expend significant additional funds that could be distributed to creditors. Such a result would be unreasonable and inappropriate.[21] Review of fee applications after the fact is unlikely to provide the mechanism necessary to ensure that the claims process work *should have been done* as opposed to merely whether the work was done. As such, the Court should institute a structure which clearly establishes the reasonable and necessary amount of fees to expend in initial review of a proof of claim, and require further specific justification beyond this amount. Creditors (particularly the victim depositors who are being victimized all over again) and claimants are entitled to know, and the integrity of the process requires, that professionals and consultants are entitled to compensation because their work was actually necessary, rather than because it was simply performed.

IV. The Receivership, as a Failed Estate, is Ill-Equipped to Administer the Claims Process

The Receivership, and the Receiver in particular, have come under heavy criticism by the press, depositors, and others for what some have referred to as a "floundering receivership."[22] Even the SEC recently referred to the SEC Receivership as being in "dire financial straits." SEC Receivership, Docket No. 1553, at pg. 4. This Court has even commented that it is being

[20] Checks and balances on the amounts expended by professionals, available in the bankruptcy context, such as the debtor's management's attempt to limit fees that could be used for restructuring in Chapter 11 bankruptcies and fiduciary duties owed by bankruptcy trustees to the estate, are absent in SEC Receiverships such as this one. This is particularly true here as neither the Receiver nor the Examiner has the appropriate expertise to undertake the imposition of such checks and balances (*see* Footnote 24 *infra*).

[21] For example, a combined charge of $1,000.00 for the examination of each claim of a CD holder (which should be a very straightforward matter) would clearly be excessive and detrimental to the recovery of each claimant. If the consultants and professionals review each claim at their hourly rates, the cost of such a review could easily approach $5,000.00 per claim, which at 21,000 claims would cost over $10 million.

[22] *See, e.g.*, Munday, Oliver, *Squeeze Play*, the American Lawyer, 15-17 (Oct. 2011).

contacted continually by creditors/victims. Fee Hearing Tr., at 3 ("I have probably received a dozen letters about this from investors who, perhaps unsurprisingly, say they haven't gotten a nickel, and Mr. Janvey wants a raise and they're not terribly happy about that"). Every Trustee/Receiver/JL received some criticism by those who do not or chose not to understand the issues confronted in a complicated case, (all of which cannot be discussed in public), or by those that are overwhelmed by emotion and frustration. *See* Diana Henriques, *Wizard of Lies*, p. 244-47. However, in this case, there is a plethora of specific bases for such criticisms that could lead one to conclude that the SEC Receivership is a failed receivership that does not deserve the continued confidence of this Court or the creditor body, undermining its ability to even run a claims process.

The Receiver's Net Recovery Has Been Abysmal. According to the three (3) Interim Reports Regarding Status of Receivership, Asset Recovery and Ongoing Activities filed by the Receiver in the SEC Receivership, Docket Nos. 1117-1118, 1236-1237, and 1469-1470, the Receiver has recovered assets in the amount of $216,900,000.00 (the "Total Recoveries") for the period February 17, 2009, through December 31, 2011. Of this amount, $63,100,000.00 was available, in cash, at the time of his appointment, requiring no effort on his part. *Id.* Reducing this amount, the actual earned recoveries by the Receiver is approximately $153,800,000.00 (the "Actual Recoveries").

During this same time period, the Receiver incurred professional fees and other expenses totaling $112,322,829.52 (the "Receivership Expenditures"). *Id.*, Docket Nos. 384-85, 669, 671, 820-21, 914-915, 1033-34, 1084-85, 1132-33, 1163-64, 1183-84, 1247-48, 1297-98, 1383-84, 1443-44, 1463-64, 1480, 1482 and 1540-41 (fee applications). The Receivership Expenditures are

comprised of: (i) $62,022,829.52 for professional fees and expenses[23] plus (ii) $50,300,000.00 for "winding down" costs. *Id.*, Docket No. 1117, at p. 10. With respect to the "winding down" costs, there is a total lack of transparency as to who, why, and when, these funds were paid.[24]

In light of the asset recoveries and fees and costs incurred to date by the Receiver and his professionals, the cost-to-recovery ratio between the Total Recoveries and the Receivership Expenditures is only 51.78% (*i.e.*, $0.52 cents were spent to recover $1.00) whereas the cost-to-recovery ratio between the Actual Recoveries and the Receivership Expenditures is an astounding 73.03% (*i.e.*, $0.73 cents were spent to recover $1.00). Moreover, if the amount of professional fees and costs is increased by the "hold back," amounting to $16,000,000.00 (Fees Hearing Trs., at 56:-5-6), the recovery ratio increases to **83.43**% (*i.e.*, $0.83 cents were spent to recover $1.00). In short, the Receiver's track record is abysmal and the prospects of further recoveries appear bleak.

Moreover, the Receiver recently requested (and the Court granted) the majority of the relief requested in the Receiver's Fee Motion, giving the Receiver and his professionals the right to charge their 2012 hourly rates from January 1, 2012, forward, and reducing the holdback from 20% to 10%. SEC Receivership, Docket Nos. 1543, 1544, 1565.[25] The granted relief, which was

[23] The highest payments have been made as follows: (a) Baker Botts LLP has been paid $22.275 million; (b) FTI has been paid $21.513 million; (c) Ernst & Young has been paid $6.992 million; and (d) Thompson & Knight has been paid $3.771 million. These figures do not include the portion of professional fees "held back" in the approximate amount of $16,000,000.00. Fees Hearing Tr., at 56:-5-6.

[24] Why these payments were made up front is questionable at best. The Receiver's task is to marshal assets that can be paid to proven creditors through a claim process, not to prefer one class of creditors (landlords, employees, etc.) over other creditors, such as SIB depositors. In other words, the Receiver should not have treated these creditors preferentially by paying out $50 million that might otherwise have been distributed to all creditors. There may be good reasons why $50 million was spent to "wind down" these defunct businesses, but due to the lack of transparent detailed reporting, no one outside the Receiver Parties knows the answer. An open question is whether it would have been necessary to pay any of that amount if this was a bankruptcy proceeding from the beginning?

[25] Notably, neither the Receiver nor his counsel are cross-border insolvency practitioners. The Receiver testified before this Court that he served as a receiver only three (3) times prior to his appointment in the SEC Receivership. SEC Receivership, Docket No. 116-11, pg. 2. Nor did the Receiver testify as to any trusteeship, complex fraud, or cross-border insolvency experience, instead pointing to his corporate and securities law background. *Id.* This lack of cross-border insolvency experience is compounded by his choice of lead counsel, who does not appear to have any receivership experience, or related insolvency, cross-border insolvency or complex fraud experience, and who only focuses on "civil litigation and . . . major energy, technology and service firms in the defense of tort, contract, statutory and intellectual property claims," as well as employment matters, including discrimination claims, non-

opposed in whole or in part by the SEC and OSIC (but not the Examiner), and at least one intervenor, cut by half one of the few mechanisms designed to protect creditors and victims against the Receiver's and his professional's substantial expenditures.

The Receiver's Recovery on Clawback Claims Has Been Minimal. After three (3) years, the Receiver has only been able to obtain settlements in the approximate amount of $13 million from all clawback claims. Fees Hearing Tr., at 21:6-7. Assuming *arguendo* that the Receiver's $608.6 million valuation of the entire body of current litigation claims is correct (which it is not, *see infra*), the amounts recovered represents only 2.13% of the represented value of the litigation claims (4.47% if the actual value of those claims, $290.3 million, is considered). In addition, the Receiver's actual valuation of his litigation claims at approximately $290.3 million is a very generous valuation since it does not take into account the affirmative defenses available to a large group of defendants. These affirmative defenses include, but are not limited to, good faith and the provision of reasonable equivalent value in exchange for the funds received from the Stanford entities.[26] In addition, some defendants have asserted substantial counterclaims against Stanford entities which are far in excess to the claims asserted by the Receiver. For example, The Golf Channel, Inc. asserted a counterclaim against the Receiver for approximately $14,315,302.67 in the action captioned Ralph S. Janvey and *Official Stanford Investors Committee v. The Golf*

---

competition agreements, trade secret disputes and, civil investigations. The implications for the victims and creditors of the Stanford fraud - acknowledged by all parties to be among the largest and most pernicious in history - cannot be overstated. This is the second largest Ponzi scheme in world history and thus not the case to be used for "on the job training" as to what is a very complex area of practice, better handled by experienced international insolvency and asset-recovery counsel. One day the SEC may be asked to explain and justify what criteria it employed to select both counsel and the Receiver to run the SEC Receivership. In contrast, the JLs and the members of their legal team have worked on dozens of liquidations, including Caribbean bank liquidations, the crafting of Chapter 15, numerous Chapter 15 proceedings, and high profile cross-border asset recovery matters.

[26] The Receiver has brought claims against many legitimate providers of services and goods that allegedly received the transfers from Stanford entities in good faith and for reasonable equivalent value. These defendants include for example: IMG Worldwide, Inc.; the International Players Championship, Inc.; David Wayne Toms and David Toms Golf, LLC; PGA Tour, Inc.; The Golf Channel, Inc.; and ATP Tour, Inc.. Some, if not most, of these claims are questionable in light of the availability of these affirmative defenses. These claims should not have been brought if the Receiver would have performed a proper cost-benefit analysis.

Channel, Inc., Case No. 3:11-cv-00294. On the other hand, the total damages sought by the Receiver in that action only amount to $5.9 million thereby producing a negative valuation of that claim to the tune of approximately $8.4 million.

The Receiver's Valuation of Clawback Claims is Overstated. The Receiver has reported that it is prosecuting litigation claims valued at $608.6 million, excluding the $1.8 billion in claims filed against Robert Allen Stanford (SEC Receivership, Docket No. 1470, p. 4), and recently represented to this Court, through counsel, that he is "suing hundreds of people for hundreds of millions of dollars." Fees Hearing Tr., at p. 21:6-13. The reality is that the potential amount of recoveries from all of the domestic litigation claims brought by the Receiver and jointly by the Receiver and OSIC is approximately $290.3 million, *less than 50% of the amount represented to the Court*. The reason for this substantial overstatement is that: (a) many defendants already have been dismissed; (b) as to the vast majority of defendants, there is no record evidence that service ever has been effected; and (c) this Court already has ruled that the Receiver is not likely to prevail on the merits of an action where the damages sought were about $54.8 million.

First, of the 876 defendants sued in the ten (10) cases against "net winner" defendants,[27] there is proof of service of process for only 194 defendants, representing only $39.1 million out of the total $222.9 million sought in damages against them. Moreover, 85 net winner defendants have been dismissed, representing approximately $11.6 million of those claims. In short, at present, the Receiver is likely to be able to recover, at best, $39.1 million or a mere 17.55% out of the $222.9 million sought against all net winner defendants. This discrepancy needs to be

[27] The fraudulent transfer actions against the "net winner" defendants are as follows: (i) *Janvey v. Alguire*, Case No. 09-724 (Docket Entry Nos. 128-129 set forth the Receiver's action against the "net winners"); (ii) *Janvey v. Venger*, Case No. 10-366; (iii) *Janvey v. Rodriguez Posada*, Case No. 10-478; (iv) *Janvey v. Gilbe Corp.*, Case No. 10-617; (v) *Janvey v. Buck's Bitts Service, Inc.*, Case No. 10-528; (vi) *Janvey v. Johnson*, Case No. 10-617; (vii) *Janvey v. Barr*, Case No. 10-725; (viii) *Janvey v. Indigo Trust*, Case No. 10-844; (ix) *Janvey v. Tonya Dokken*, Case No. 10-931; and (x) *Janvey v. Fernandez*, Case No. 10-1002.

explained to the Court and the creditor body. During the Fee Hearing Motion, failing to bring this to the Court's attention was a gross failure of the Receiver's duty.

Second, of the 414 former employee defendants sued in nine separate lawsuits,[28] there is proof of service for only 159. Based on the case numbers, all of these cases are pending since at least 2010. In the absence of proof of service, the Receiver cannot be said to be "prosecuting these claims" against those 254 employee defendants for the approximate $58.5 million in claims asserted against them. Moreover, the claim already dismissed against one defendant for $2.5 million is not viable. Thus, of the total of $272.6 million in claims against the former employee defendants, the Receiver will be able to recover, at best, $211.5 million.

Lastly, this Court has already ruled that the Receiver is not likely to prevail on the merits in the action captioned *Ralph S. Janvey v. Libyan Investment Authority, et. al.*, Case No.: 3-11-CV-1177-N, in which the Receiver seeks damages in the amount of approximately $54.8 million. *Id.*, Docket No. 71, at p. 12.

The Receiver and OSIC have continued to misrepresent to this Court and creditor body that the potential recoveries from the litigation claims are $608.6 million, when in fact, they know or reasonably should know, that the actual potential for recoveries is less than half of that amount *in a best case scenario*. From the examples listed, the Receiver's valuation of the pending litigation claims should be reduced by at least $318.3 million.[29] The failure to bring this to the Court's attention (or to clarify the Receiver's reports) is a material misstatement of the state of the

[28] The fraudulent transfer actions against former employees are as follows: (i) *Janvey v. Alguire*, Case No. 09-724 (Docket Entry Nos. 156-157 set forth the Receiver's action against the "former employees"); (ii) *Janvey v. Wealth Management, Ltd.*, Case No. 10-477; (iii) *Janvey v. Wieselberg*, Case No. 10-1394; (iv) *Janvey v. Tonarelli*, Case No. 10-1955; (v) *Janvey v. Rodriguez-Tolentino*, Case No. 10-2290; (vi) *Janvey v. Suarez*, Case No. 10-2581; (vii) *Janvey v. Bogar*, Case No. 10-2583; (viii) *Janvey v. Alvarado*, Case No. 10-2584; and (ix) *Janvey v. Stinson*, Case No. 10-2586.

[29] This sum is as to defendants apparently not served is as follows: (a) $183.8 million from claims asserted against net winner defendants; (b) $61.1 million from claims asserted against the former employees; (c) the $54.8 million asserted against the Libyan defendants; and (d) $18.6 million of clawback claims the largest of which is against Franz Vingerhoedt.

SEC Receivership to the Court and to the creditors – particularly the victim depositors. The Receiver's counsel easily could have clarified this during the Fee Motion hearing, when counsel used the pendency of these cases as a basis for seeking the increase in fees and reduction in holdback and to stave off the Court's suggestion that this case be converted to a bankruptcy. Equally surprising is the Examiner's failure to point out this mischaracterization.

In light of the foregoing, and the Receiver's counsel's misrepresentations as to the effort and costs that prosecution of the pending litigation will entail, this Court should require the Receiver to submit a report as to the expected costs that it foresees in prosecuting each pending action, and the likely recovery expected to be recovered as a result of each. Only then will the Court, and the public, be able to conduct an educated cost-benefit analysis as to whether prosecution of these claims is warranted or whether prosecution will result only in further waste and unjustified expenditure of funds that otherwise might be available to distribution to the creditors/victims.

Frozen Funds Reported are Overstated. According to the Receiver's Third Interim Report Regarding Status of Receivership, Asset Recovery and Ongoing Activities, the Receiver has frozen $80 million of third-party funds pursuant to injunctions. SEC Receivership, Docket No. 1470, p. 4. Although the Receiver has never provided an accounting regarding the composition and source of the $80 million of frozen funds, it is undisputed that at least $54,823,740.83 from this pool of frozen funds belongs to the Libyan Investment Authority ("LIA"), a defendant in an action brought by the Receiver against LIA and co-defendant, the Libyan Foreign Investment Company ("LIFCO").

This Court has already denied the Receiver's Motion for a Preliminary Injunction under which the LIA funds were originally frozen pursuant to a Temporary Restraining Order because

"*the Receiver has failed to show that he is likely to succeed on the merits of his claim*." SEC Receivership, Docket No. 71, p. 12. This Court found that only LIFCO was an investor in SIB and, after conducting a detailed veil piercing analysis, concluded that LIFCO is not LIA's alter ego. *Id.* Although the approximately $54.8 million of LIA funds remain frozen pending the Receiver's appeal of this Court's decision to the Fifth Circuit, the reality is that the Receiver is likely to lose. The salient point is that the Receiver failed to explain that it is more likely than not that the amount frozen will be reduced to approximately $25 million.

Conversely, the JLs stand in a better position to pursue a traditional preference claim against LIFCO in an offshore jurisdiction where they have been recognized, which is being investigated.

The Receiver and OSIC Have Failed to Comply With Their Reporting Duties to This Court. The February 25, 2011 Order Granting Agreed Motion for Order Authorizing and Approving Receiver's Agreement with OSIC Concerning Prosecution of Certain Fraudulent Transfer and Other Claims, (SEC Receivership, Docket No. 1267), requires "the Receiver and the Committee to submit joint reports to the Court on a quarterly basis stating the number of [claims] they have settled, the amounts the Receiver has received relating to such settlements, and the amount of fees and expenses paid by the Receiver to counsel and other professionals retained by the Committee" *Id.* (emphasis added). Given the dismal ratio of recoveries to expenditures, it comes as little surprise that the Receiver and OSIC have failed to do so as to three (3) of the four (4) quarters requiring reporting.

In the only Joint Report of the Receiver and OSIC, filed in July 2011, (SEC Receivership, Docket No. 1416), the Receiver and OSIC acknowledge the obligation to file quarterly reports (*Id.* at p. 1, fn. 2), but fail entirely to address the amount of fees and expenses paid by the Receiver to

counsel and other professionals retained by OSIC. This failure, and the failure to file the three (3) joint quarterly reports due since then, are made all the more ominous by the provisions in the Agreement between the Receiver and OSIC relating to the prosecution of estate claims by OSIC providing that, "[p]roceeds of any settlement or disposition of [a] Claim shall be paid directly to a receivership account to be designated by the Receiver. Upon receipt of the settlement proceeds, the Receiver shall promptly pay to Committee counsel the contingency fee set forth in paragraph 5 above." SEC Receivership, Docket No. 1208, p. 8, ¶ 6. In turn, the Court's February 25, 2011 Order approving that same Agreement provides that, "[f]ee claimants need not make further application to this Court prior to payment unless required by Rule 23." SEC Receivership, Docket No. 1267. The alignment of interests between the Receiver, his counsel, the Examiner (who signed the Agreement), and the lawyers for OSIC (some of whom are members of the OSIC) has resulted in a bunker mentality that may explain the utter failure of any party – particularly the Examiner – to bring this to the Court's attention. Such disregard of this Court's Orders should not be allowed.

The Receiver Parties Continue to Flip Flop as to Aggregation of Stanford Entities. The Receiver Parties' position as to whether the entities that comprise what they term the "Stanford Enterprise" must be aggregated is a moving target, apparently changing depending on what is most convenient to them at any given time. Historically, the Receiver Parties have presented the following inconsistent positions:

- In the SEC Receivership, in the context of the claims bar date process, the Receiver requested the Court to approve a claims process that required creditors to file claims against each Receivership Entity. See SEC Receivership, Docket No. 1473;
- In this case, in opposition to the Petition, the Receiver Parties argued that, for purposes of determining whether the SIB Liquidation was a foreign main or non-main proceedings, all entities in the Stanford enterprise should be aggregated. Docket Nos. 109; 114, pp. 5-7.

- In the Receiver's Claims Motion, SEC Receivership, Docket No. 1546, the Receiver states that, as a result of the Examiner's proposal that Stanford creditors should not be required to identify the specific entity against which they assert a claim: "A Claimant must identify, in the Proof of Claim, the Receivership Entity against which it is asserting a Claim *if such information is available to the Claimant* . . . If the Receiver or his Claims Agent requests additional information regarding the identity of the Receivership Entity or Receivership Entities . . . the Claimant must respond to the request and provide the requested information if available to the Claimant." *Id*., p. 8.

Most significantly, at Receiver's Fee Motion hearing, both the Receiver and the Examiner reverted to their position that, for purposes of the SEC Receivership, the entities are separate. Specifically, at a hearing held before this Court on April 4, 2012, the Receiver indicated that "SIPC would only have jurisdiction, if you will, over one piece of the Stanford empire, that is, the brokerage company, not the bank, not the various other entities that Mr. Janvey has jurisdiction over pursuant to the Court's [O]rder." Fees Hearing Tr., p. 43. Along the same vein, the Examiner stated that "SIPC's jurisdiction only goes to the brokerage firm" and that it would be limited to funds of the brokerage company itself, of which there, in fact, were none as such company was a "net loser" and was infused with money every year by other entities. *Id.* at 60-61.

It is curious that when faced with the Chapter 15 Petition, the Receiver takes the position that everything has to aggregated, and when seeking to explain away the possible impact of a SIPC bankruptcy proceeding the Receiver takes the contrary position that each of the entities will have to be treated on their own. Again, which is it, and why has the Receiver taken no action to seek a judicial determination of this important issue? In fact, as the JLs repeatedly have argued, no basis exists to aggregate the individual entities of the purported Stanford Enterprise, and aggregation is harmful to the SIB Depositors as they will receive less money than they would in the SIB Liquidation, which is not consolidated.

CONCLUSION

For the foregoing reasons, the JLs respectfully object to the Receiver's Claims Motion and request this Court to abstain from ruling on said Motion, at least as to SIB, until resolution of the Petition for Recognition filed in this action.

Respectfully submitted this 20th day of April, 2012.

MUNSCH HARDT KOPF & HARR, P.C.

By: /s/ Joseph J. Wielebinski
Joseph J. Wielebinski (TX Bar No. 21432400)
3800 Lincoln Plaza
500 N. Akard Street
Dallas, Texas 75201-6659
Telephone: (214) 855-7500
Facsimile: (214) 855-7584
jwielebinski@munsch.com

-and-

ASTIGARRAGA DAVIS
Gregory S. Grossman
Edward H. Davis, Jr.
701 Brickell Avenue
Telephone: (305) 372-8282
Facsimile: (305) 372-8202
ggrossman@astidavis.com
edavis@astidavis.com

-and-

HUSCH BLACKWELL LLP
Christopher J. Redmond
4801 Main Street
Suite 1000
Kansas City, MO 64112
Telephone: (816) 983-8000
Facsimile: (816) 983-8080
christopher.redmond@huschblackwell.com

COUNSEL FOR HUGH DICKSON AND MARCUS WIDE, JOINT LIQUIDATORS OF STANFORD INTERNATIONAL BANK, LTD.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that, on this 20th day of April, 2012, he caused a true and correct copy of the foregoing document to be served on all parties requesting electronic notice via the Court's ECF system as well as on the following parties via electronic mail:

Counsel for the Securities and Exchange Commission
David B. Reece
D. Thomas Keltner
J Kevin Edmundson
Michael D King
Steve J Korotash
U.S. SECURITIES AND EXCHANGE COMMISSION
Burnett Plaza, Suite 1900
801 Cherry Street, Unit 18
Fort Worth, Texas 76102-6882
Email: reeced@sec.gov
Email: keltnerd@sec.gov
Email: edmundsonk@sec.gov
Email: kingm@sec.gov
Email: korotashs@sec.gov

Counsel for the Official Stanford Investors Committee
Peter D. Morgenstern
BUTZEL LONG, P.C.
380 Madison Avenue
New York, New York 10017
Email: morgenstern@butzel.com

Counsel for Receiver Ralph S. Janvey
Kevin M. Sadler
David T Arlington
Robert I Howell
BAKER BOTTS LLP
98 San Jacinto Boulevard, Suite 1500
Austin, Texas 78701
Email: kevin.sadler@bakerbotts.com
Email: david.arlington@bakerbottscom
Email: robert.howell@bakerbotts.com

Court Appointed Examiner
John J. Little
LITTLE PEDERSEN FANKHAUSER LLP
901 Main Street, Suite 4110
Dallas, Texas 75202
Email: jlittle@lpf-law.com

/s/ Joseph J. Wielebinski
Joseph J. Wielebinski