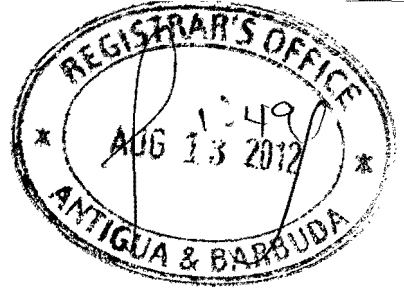




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**STANFORD INTERNATIONAL BANK LIMITED – IN LIQUIDATION
HIGH COURT OF ANTIGUA CLAIM NUMBER: ANUHCV**

THIRD REPORT OF THE JOINT LIQUIDATORS

27 JULY 2012

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1 Introduction

- 1.1 We refer to the appointment of 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, we now submit our third report to the Court. The JLS second report to the Court was dated 10 February, 2012 ("the Second Report").
- 1.2 The JLS are conscious of the need for the earliest possible distribution to creditors. We continue to be frustrated by the efforts of the US Receiver and the US Department of Justice to block our attempts to recover and distribute assets to the creditors/victims that were frozen overseas, which, in the JL's hands, could have been distributed months if not years ago. This is further complicated by the US Courts failure to provide any judgement at the date of this report in response to the hearing held in December 2011 with respect to our application for recognition under Chapter 15 of the US Bankruptcy Code.
- 1.3 On the positive side we have made significant progress in our efforts to recover assets owned by Stanford related companies in Antigua, the marketing of the Antiguan lands has brought in real interest from potential buyers, we are pursuing our other high value litigation claims, and our continued forensic examination of the records indicates that other claims can follow shortly.

2 Highlights/Focus of efforts since the Second Report

- 2.1 In summary the accomplishments in the liquidation since the First Report are as follows:
 - 2.1.1 We have advanced our claim to gather in assets (with an appraisal value in the range of US\$70 million) owned by four of Allen Stanford's companies in Antigua substantially. Pursuant to the terms of a freezing order the JLS have continued to monitor the activity in respect of these assets, including the review and consideration of requests for consent to proposed asset sales in order to protect the value of the assets owned by these companies for the benefit of the creditors of SDC and of SIB. Our efforts in this regard have included attempts from several angles to attempt to gather in these properties and those efforts are discussed in detail in this report.
 - 2.1.2 Our appointment as Receiver Managers of Stanford Trust Company ("STC") was converted to a liquidation. We have made significant efforts to protect potential recoveries from the Colombian subsidiary of STC totalling approximately US\$12 million most of which should flow to the benefit of the SIB estate given the limited claims in STC.
 - 2.1.3 We have 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. Two of these have been filed and more will be over the coming months.
 - 2.1.4 Investigated and filed claim against TD Bank which included the review of thousands of documents, extensive interviews, other investigations and complex analysis of comparative laws and formulation of a claim.
 - 2.1.5 Continued efforts with regards to the recovery of the "frozen" assets in Canada, UK and Switzerland including preparing for and participation in a contested hearing in the UK Court regarding the UK frozen funds responding to affidavits from not only the Department of Justice (DoJ), but also other US interests including the Receiver and allies, although the Receiver had previously indicated he had given up on overseas activities. It is clear to us that we can distribute the bulk of these to SIB creditors quicker (probably at least a year earlier), cheaper and with

greater transparency than can DoJ, whilst avoiding the dilution effect of allowing non SIB creditors to claim against the funds that would be consequent on the DoJ or SEC Receiver making the distribution .

- 2.1.6 Continued the formal claims process for the adjudication of claims of creditors/victims in the estate which now run into excess of 10,000.
- 2.1.7 Filed further advisory's in the US courts in an effort to get the US Court to accept our claims process rather than commence its own, to reduce the cost associated with the Receivership that duplicates the liquidation, and which would be unnecessary if the Chapter 15 application was granted.
- 2.1.8 Continued Forensic work/litigation support investigations on our forensic review platform.
- 2.1.9 Continued to regularly meet with Advisory Creditor/Victim Committee - as at the date of this report we have held nine meetings.
- 2.1.10 Communicated openly to all creditors/victims via a further online meeting/webinars in April during which the JLS explained the practical workings of the claims process and recovery efforts.
- 2.1.11 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 first half of 2013. 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.
- 2.1.12 Refuted a claim based on a default judgement which purported to grant priority to a distribution in favour of a party related to SIB in an amount exceeding US\$10million.
- 2.1.13 Continued efforts to market and sell SIB's Antiguan lands in a controlled manner to maximise value, including the appointment of Smiths Gore as the leader of a consortium of international land agents. Expressions of interest as at the date of this report have been received from 12 parties and are being pursued.
- 2.1.14 Continued to liaise with the US Department of Justice regarding the approach to frozen funds, including making an open offer to them on 3 May 2012 in an effort to avoid the costs of the UK hearings and responding to their request for a summit meeting.
- 2.1.15 Drawn down a further US \$5 million from assets frozen in the United Kingdom bringing total funds drawn down to US \$20 million. 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. This funding has been vital to enable us to pursue the property and issues in 2.1.1 to 2.1.14 above which we anticipate will result in substantial recoveries for creditors.

3 Progress Update - Global Asset Recovery Plan

- 3.1 The assets being pursued with the objective of recovering them and distributing them to the creditors/victims of SIB are summarised in the table below:

Asset	Location	Value (US\$ Millions)
Cash/Investments	Switzerland - SIB	140
	- Non SIB	60
	United Kingdom	100
	Canada	18
	Colombia (Potential STC Recovery)	12
		330
Real Estate	Antigua - SIB	212
	- Non SIB	70
		282
Total		612

- 3.2 In addition we have a number of litigation claims that we anticipate will generate significant recoveries for the benefit of creditor/depositors and claims that we are required to defend which would otherwise result in priority claims in the estate reducing the funds available for distribution. These include;

Litigation Claims Antigua

1. Clawback Claims
2. Bank of Antigua
3. Actions re Former Liquidators' fees
4. Defence of Kippers Claim
5. TD Bank Claim
6. Third party claims against UK and Swiss entities

- 3.3 The above summary does not take into account any assets in the US receivership estates of SIB and other Stanford entities under the control of Mr Janvey. The latest publicly available information indicates that the assets available for distribution are, at this stage, in the range of US\$80 million which we assume will be distributed for the benefit of creditors. This is discussed further below.

- 3.4 An update on the JLS' recovery efforts in respect of the cash, real estate and litigation claims is detailed below:

Cash/Investments

(a) Switzerland

- i) There has been no change in position with respect to the Swiss frozen funds. However we have not been inactive in our efforts to gain access to them in the expectation that the largest part of them can be immediately distributed to creditors/ victims if recovered.
- ii) One of the issues in dealing with the Swiss assets is that they are not all in the name of Stanford International Bank. For example funds are held for the account of Bank of Antigua in the amount of approximately \$30 million, and for Stanford Group, as a result of funds in the hands of a Swiss Receiver from the sale of a property for approximately \$9 million.
- iii) We note the US DoJ did not include the Bank of Antigua in the Mutual Legal Assistance Treaty Request (MLAT) lodged in the UK, recognising that this was a domestic bank of Antigua. Its creditors were individuals and small businesses of Antigua. Our own enquiries have determined that the Stanford group in its broad context was a net creditor of the bank. On this basis it is hard to see in the first instance what basis there is for declaring these monies proceeds of crime seeing as they represent the deposits of Antiguans.
- iv) On the basis that SIB is the only source of the non-Bank of Antigua investments we have commenced clawback actions in Switzerland as a means to recover these monies. We assert, as seems to be undisputed common ground, that the only source of cash in the group was the sale of CDs from SIB and that we can claim a "proprietary" interest in these monies. We do not yet have a response to these actions. We have also filed parallel claw-back claims in Switzerland against a further \$30 million of funds held by Stanford (Suisse) AG (in Liquidation), RAS and others.
- v) In the meantime we continue to work closely with FINMA, the Swiss bankruptcy trustee representing SIB, and which recognised the Liquidation as the Foreign Main proceeding over the US Receivership. The Swiss Office of Justice seem determined to try and remit the frozen funds to DoJ as an administrative matter and without Court intervention. FINMA are of the view that the administrative direction on this issue lies in their hands and that they should use it to gather the funds into their hands and then with appropriate assurances with respect to the claims of Swiss creditors pay it into the liquidation estate. In short, there seems to be the same issues over the relative authority of criminal confiscation proceedings and those of established bankruptcy law that is occurring in the UK. We have provided information with respect to the difference of timing with respect to distribution, the open offer we made to DoJ, and issues with respect to the cost of the US distribution process as against ours, and other information that might be persuasive in getting both parties to agree to dealing with the issue administratively in favour of the liquidation and its creditors.
- vi) On a separate matter we have determined as a result of our forensic review and other investigations that there may be liability to the estate based on criminal non-compliance of Swiss law by service providers to SIB. We are in discussions with Swiss prosecutors who may have formed a similar view, and it may be possible to "piggy back" a civil action on the criminal process.

(b) United Kingdom

- i) In accordance with the obligations imposed on us by the UK Court we have continued to report to the SFO both on the use of the funds drawn and with respect to the management of the investments which represent the balance on the restrained funds. At the date of this report we have fully drawn but not spent the full sum permitted under the Order. As noted under accomplishments these monies have allowed the estate to investigate, establish and file claims both to hard assets, as in the case of Stanford Development Company in Antigua, and third party claims such as the claim filed against Toronto Dominion bank in Quebec, Canada. Additional claims are expected. Without the ability to make this investment none of this would have been possible and the expectation for recovery for depositors would be minimal.
- ii) As noted on our second report we anticipated that there would be a hearing with respect to the substantive issues on the estate's right to the UK monies in June, 2012. This took place on 22 and 23 of June, 2012. We are advised by the Judge's clerk that, given the commitments to provide judgments on other commercial matters heard before ours, the Court would be unlikely to have a decision before November, 2012.
- iii) We note that the Serious Fraud Office was supported not only by the US Department of Justice, but by the US Receiver, the US Committee and other self-styled creditor representatives. There was also a small "write - in" opposition by depositors (totalling in the final count 119 virtually identical form letters) to our efforts to recover these funds for the estate. We were concerned that this write in was inspired by an individual whose representations fail to state relevant facts and ignore the rights and remedies available to the estate for the benefit of depositors.
- iv) We responded to each of those who wrote in and as a result have a number of retractions confirming that they did not have a full understanding of the facts and specifically noting in one response that no authority had been granted to any party to represent them. However the continued circulation of misinformation in the face of our factually verifiable responses is an issue which generates problems and costs for the estate.
- v) As directed by the Court we have been attempting to manage the various investments to preserve the value of the frozen assets in the UK, and to prevent further erosion in value by converting them to cash where possible. There has been a slow process in which we have been held up by the holders of the investments, however we have been successful in the most part except for some funds where there is no ready mechanism for redemption. We cannot therefore say with certainty what the actual value of the frozen funds are. In our last report we estimated a value of approximately \$110 million. At this point a more realistic estimate would be \$100 million. Efforts to reinvest the cash realised in US\$ in short term CDs has been complicated by the need to flow any US\$ transactions through a US bank where transactions of SIB assets are still threatened with seizure.
- vi) As a result of the Court's decision in our favour with respect to access to the frozen funds, we were awarded costs which in our last report we anticipated would be in the range of £90,000. As yet the costs amount has not been agreed with SFO and consequently we have not been paid our costs as yet, and the matter has been gone to detailed assessment.

(c) Canada

- i) As previously reported, the US Receiver was granted standing as Foreign Representative under the Canadian Bankruptcy and Insolvency Act (as it then was), and his principal objective as stated in his application was the recovery of SIB funds in Toronto Dominion Bank. These funds of approximately US\$23 million became subject to a Court freeze on the application of the Attorney General of Ontario (AGO) under a civil forfeiture procedure.
- ii) In the event the Receiver negotiated an arrangement with DoJ and the AGO under which he would withdraw his claim to the funds, where upon they would be released to AGO who would in return release them to DoJ (less certain sums to be returned to depositors, whose funds were in transit and received in the account after the receivership order, a provision for other possible claimants who had not yet pressed claims and a \$100,000 allowance for the AGO's costs). It was not clear from the documents what would happen in due course if the provision funds were not claimed - whether they would be retained by AGO or paid on to DoJ.
- iii) We took the view that the Receiver had abrogated his obligations to recover the funds as directed by his Order and that a release of funds was contrary to his stated purpose for obtaining recognition. We therefore applied to have his standing revoked for this purpose and for the JL's to be appointed in his place, or at least for standing as an interested party to oppose the settlement. The settlement itself had to be approved not only in the insolvency proceeding in Quebec but also in the forfeiture action in Ontario. We also expressed concern that there had been little or inadequate disclosure with respect to the settlement.
- iv) We are advised by our legal counsel that the AGO has no authority to enter into an extra-jurisdictional settlement of this nature. The settlement also fails to take into account the employees who have a preferred standing and the ordinary creditors of the insolvency of SIB (including Canadian creditors) who are accorded equal standing in the winding-up, subject to a priority in favour of small depositors, and that this is not in fact the quickest, cheapest or most equitable way of dealing with the claims of all the creditors in the SIB liquidation.
- v) In summary to direct the funds to the DoJ is to ignore the priority of payment of claims that both the Bankruptcy and Insolvency Act (under which the Receiver's recognition was granted) and the International Business Corporations Act provide in a winding up, while admitting a variety of other claims. It is simply not appropriate for the Receiver recognised under the BIA to abandon assets to another process which will direct payment, net of costs and other claims not subject to Court review or process, to a single group of creditors.
- vi) On 27 July, 2012, the date of this report, the Receiver made an application in Quebec for approval of the settlement with AGO with an expanded commentary as to the facts and a more detailed agreement than previously submitted which purportedly addresses our concerns. We are considering our response.

(c) Colombia

- i) STC was placed into liquidation on 30 March 2012, and Hugh Dickson and I were appointed as joint liquidators. Prior to this, the JLs had acted as receiver managers after taking over this role from Messrs' Hamilton-Smith and Wastel. The Liquidation of STC is a separate matter which will be the subject of its own report to the Court.

- ii) In summary however, STC's principal asset is an interest in a Colombian entity which in turn holds cash and investments with a value in the range of US\$13 million. Messrs Wide and Dickson as Joint Liquidators of STC have intervened directly in the Colombian proceeding and replaced the STC liquidator, an appointee of Hamilton-Smith/Wastel. The appointee had been acting without supervision, approving his own fees and entering into what appear to be transactions with related parties that may not have been in the full economic interests of the estate. Further claims against the Colombian company by SIB depositors were not being vigorously defended and funds otherwise payable to STC were prejudiced.
- iii) As far as SIB is concerned it is unlikely that there are significant creditors in STC and therefore any recoveries will be for the ultimate benefit of SIB either as a result of a tracing claim, or a creditor claim which will be shared with the other creditors if any.
- iv) Columbia is a country which has adopted the UNCITRAL model law and discussions with regulators in Columbia suggest that they would welcome an application for recognition under that law. In the meantime we are investigating the issues of repatriating funds from Columbia, and have determined that claims of those local creditors of SIB who are trying to seize assets to settle their claims outside the SIB liquidation process will be defended.

(e) "Frozen Funds" Generally

- i) We remain of the view that the Liquidation estate is the proper person to receive and deal with the assets of the Bank in Liquidation and that the "freeze" undertaken by the US Department of Justice (DoJ) has not offered any additional protection to the depositors. At the time of the freeze orders the funds were never at risk of not going into one of the two Court supervised proceedings, and certainly were never at risk of falling into the hands of Stanford or his associates. In fact all that has happened is that these funds, which could have been distributed to depositors years ago with some small part retained to operate the estate and generate additional recovery opportunities such as those reported earlier in this report, have remained in limbo.
- ii) Even now while the DoJ continues to assert a claim to these funds it is not in a position to distribute them under their forfeiture process until such time as the Stanford appeals have run their course and his conviction and forfeiture order are final. By the DOJ's own estimate that is unlikely to occur before the third quarter of 2013.
- iii) Recognising this and the continuing costs, on 3 May 2012, well in advance of the UK hearing in late June, we made a proposal that, if the DoJ were to consent to release their freeze, we would agree to deem them forfeit. Subject to our right to retain 20% for use in the operation of the estate, including executing on our recovery strategy to generate what we believe will be very substantial incremental returns for depositors, we undertook to distribute the 80% balance to depositors by 30 September, 2012.
- iv) The DoJ response on 25 May, 2012 was that it did not accept or reject our proposal, but suggested a summit meeting of interested parties to try to resolve all the contested issues between the DoJ, the US Receiver and its parties, various depositor groups, and the Liquidation. That remains its position today and it has made no counter proposal or other proposition to move the matter forward.
- v) In our opinion any direct recovery by the DoJ will further delay getting money into the hands of depositors, and will inhibit the generation of additional recoveries for depositors. That this position is represented as being in the interests of creditors is

simply extraordinary given the negative impact on depositors who could have had a return to them literally years ago had DoJ not intervened.

- vi) The "frozen funds" issue is also an issue entirely distinct from the issues between the US Receiver and the estate, with respect to our application for standing under Chapter 15 of the US Bankruptcy Code and related protocols. Simply this issue has nothing to do with the criminal process of trying and convicting Stanford and implementing any forfeiture of assets that arises as part of that criminal process. We have had the issue mediated (unsuccessfully) and have subsequently had the issue heard by the US District Court in December 2011. We are waiting for the Court's ruling, and in light of the continued delay in what is meant to be a process for speedy relief we have now asked the Court to expedite its decision. These issues on the face of it are outside the DoJ's control and interest.
- vii) To try and progress matters we have agreed in principal to a summit, but have asked for a pre-summit meeting with DoJ, at which we intend to explore the possibility of actually getting a response or at least counter proposal to our offer, and to agree on the terms of reference for the summit, including what interests should attend and what role they should play.

Real Property

(a) Under SIB ownership or direct control

- i) Land ultimately owned by SIB in Antigua is scheduled below.

Property	Size (approx.)
Pelican Island	32 acres
Crump Peninsula	987 acres
Guiana Island	478 acres
Crump Island	52 acres
Rabbit Island	5 acres

- ii) As detailed in our Second Report we have previously obtained a valuation for these lands from BCQS, a regionally based appraiser, for \$212 million. The amount ultimately realised from these assets will depend on current demand and even with careful marketing, releasing the various parcels into the market on a controlled basis, it is possible that the final recoveries could be less.
- iii) What is certain is that a forced "fire sale" which might occur if the estate is not funded sufficiently to hold the lands over the time required to maximise recoveries, will dramatically reduce values.
- iv) Following our request for proposals from several internationally recovery real estate agents, we selected Smiths Gore as the lead supported by CBRE, as the estates exclusive real estate agents to market these lands internationally and solicit interest from prospective pursuers of these lands. We have worked with them to develop the marketing strategy for these islands and lands and as a result of these efforts they have received, to the date of this report, expressions of interest from 12 prospects. In addition we continue to liaise with buyers that have historically been interested in these lands.
- v) Despite the depressed nature of the property market and the difficulties with many current development projects, we are hopeful that this interest will mature into offers in the near term.

(b) **Real Property not under SIB control**

- i) As previously reported we commenced an action to freeze the substantial real property assets of four Antiguan companies owned by R. Allen Stanford (RAS). The principal company, Stanford Development Company, was intended to act as the development arm of the Stanford group of companies. Prior to the current JLS becoming involved, SDC fell under the control of Ms Stoelker, a former fiancée of RAS acting under a Power of Attorney executed by him.
- ii) As previously reported, based on evidence that these companies, and SDC in particular, were funded entirely from funds raised in SIB, and that they have virtually no income of their own to meet any of the costs of its day to day operation, let alone land acquisition or construction costs, we obtained an Order of the Antiguan Court preventing the sale of any real property without our consent. We have consequently approved a number of minor transactions with respect to the sale of assets from these companies after having the properties concerned independently appraised. These appraisals indicated that the proposed sales were at undervalue. However it was clear that the litigation cost of opposing these sales was disproportionate to the undervalue, and mindful of the estate's best interest made a business decision not to incur that cost, and Court sanction was given to allow those sales to proceed. The sale proceeds were either deposited to the account designated in our freeze order from the Court, which we are able to monitor, or the transaction price reduced claims against SDC which would otherwise have priority to other interests.
- iii) Our claim against these companies for the benefit of the SIB estate is in part characterised as (a) a shareholder claim based on funds (totalling US\$303 million as at year end 2006) advanced from depositor monies as contributed equity, (b) in part a creditor claim based on the same funds being advanced from SIB depositor funds, or alternatively (c) a proprietary claim for those same funds which we can trace to SIB. In the first instance recoveries will be fully diluted by creditor claims, in the second there will be a pro-rata sharing, and in the last option all recoveries will flow directly into the SIB estate.
- iv) In our view it will be very difficult for SDC to dispute the "shareholder" claim as we have a clear trail following the monies advanced from SIB as well as testimony from RAS's criminal trial from an insider bookkeeper. The alternative argument available to SDC that these were in fact loans does not change the outcome materially. On this basis, but not to the exclusion of our other options, we have filed an application for summary judgment under our initial application against SDC. If successful we would seek to execute the judgement against the assets and undertaking, or seek a winding up order.
- v) As a further development we have recently learned that RAS has revoked his Power of Attorney in favour of Ms. Stoelker, which leaves the companies with a management vacuum. We do not yet know how it is proposed that this vacuum be filled, but note that under recent changes to Antiguan company law in such a situation the Attorney General is entitled to seek the appointment of an Inspector to assess the affairs of the company and report as to whether it is in the interest of Antigua for it to continue in business.
- vi) Concurrently we have correspondence and communications from SDC indicating that it cannot operate without the sale of assets to finance day to day operations. In our experience this is an admission of insolvency, and the Directors and officers in continuing to attempt to operate the business while knowingly depleting the assets

available to meet creditor claims may become personally liable for those losses.

- vii) We have also intervened in the matter of a lease granted at less than fair value, based on a realtors evaluation. The Court has confirmed that we are entitled to review this transaction. The tenant is already in possession, and it is not clear what the outcome will be if the Court upholds our objection on the grounds of inadequate value being given for the lease.
- viii) However it is evidence of the willingness of SDC not to follow the protocol of the Court freeze in spirit. In addition we have obtained evidence of rents of SDC property not being paid into the designated account. This evidence is now before the Court in support of our application for Summary Judgment.
- ix) While this dispute with SDC is costly, the underlying value of the assets is substantial and we intend to pursue our claim as forcefully as possible.

Other Claims – Litigation

Potentially the largest assets of the estate are litigation claims against “aiders and abettors”, which, if successful, could provide the most significant source of recoveries to the estate. To be able to pursue these claims requires that the estate be funded to conduct the litigation which we anticipate will in most cases be strongly resisted. This requires investment which has to be drawn from the recoveries of the estate or 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.

These claims include other litigation which the JJs have been required to take to protect the assets of the estate from spurious claims and therefore ensure that the assets are not diluted, and the amounts paid out to its legitimate creditors/depositors are maximised.

(a) Antigua –

i) SDC/Stanford Related Companies

As discussed at length above, we have actions against Antiguan based companies, and particularly SDC, which we will not repeat here.

ii) Clawbacks

These claims fall into three main categories:

1. Those who were successful in taking out more money than they put in, sometimes referred to as net winners. Given the nature of the fraud, funding for the gain had to come from other depositors' money and to their detriment. To permit the "net-winners" to retain their gains is to give effect to the fraud.
2. In the final months, significant redemptions occurred at a time when the Stanford companies were on the verge of collapse. This allowed some depositors to be "preferred" over others.
3. Payments were made from SIB sourced funds for which value was not received.

This last category of claw-back claims would appear to have been fully explored by the US Receiver and there does not appear to be a set of claims of this kind for the Liquidation estate to pursue.

With respect to the first two, we note the Receiver has in some cases commenced claims but for want of jurisdiction has not pursued them, while others are being actively pursued. Clearly where the Receiver is taking current action we will not duplicate those actions, although a release from the Receiver does not, in our view, release the claim of SIB. In these cases, we are making individual decisions, starting with jurisdictions in which we are currently recognised.

iii) Bank of Antigua

We have commenced a claim against Bank of Antigua in respect of: (a) assets of SIB that it received without any proper consideration; (b) its assistance in facilitating the fraud against SIB; and (c) debits made from SIB bank accounts held with it without any authority or legal justification. Bank of Antigua was intervened upon by the Eastern Caribbean Central Bank ("ECCB") on 20 February 2009. The ECCB subsequently commissioned Ernst & Young to prepare a valuation of Bank of Antigua which concluded that its fair market value was nil based upon a deficiency in its assets. The ECCB oversaw the transfer of certain assets and liabilities from Bank of Antigua to the newly created Eastern Caribbean Amalgamated Bank on 18 October 2010. Notwithstanding the transfer, it is believed that Bank of Antigua retains substantial assets against which a judgment could be enforced.

iv) Former Liquidators

As stated previously, we have objected to fees incurred by the former JL's in respect of SIB and also STC.

The last directions hearing for this application was 15 June 2012 in Antigua. At this hearing the Court set a deadline of 10 September 2012 for the Estate to respond to evidence filed by the Former JLs in April of this year. Once this response evidence has been filed the parties will exchange legal submissions at a mutually convenient date and liaise with the Antiguan Registry to schedule a three day hearing. It is expected that this hearing will take place early in 2013.

v) Kippers

On 26 June 2009, an ex-vice president of SIB, Mr. Eugene Kippers, two of his relatives or affiliates and an associated company (the "Kippers Claimants") issued proceedings in the High Court of Antigua and Barbuda for the total sum of approximately US\$9.9million under four separate claim numbers, ANUHCV2009/347, ANUHCV2009/348, ANUHCV2009/349, and ANUHCV2009/350 (the "Kippers Claims").

The basis of the Kippers Claimants' respective claims is that each of them allegedly wrote to SIB on 17 February 2009 requesting that their respective express accounts at SIB be closed and that the funds held in those accounts be transferred to different banks. Although the Kippers Claimants allege that their SIB accounts were closed on 17 February 2009, the sums held in the SIB accounts were not received by them. The Kippers Claimants continue to claim they are entitled to these monies and that such funds do not form part of the assets of the SIB Estate.

The Joint Liquidators do not consider the Kippers Claimants' views of their respective claims to be correct and consider that the Kippers Claimants should at best, given their "inside" knowledge, rank *pari passu* with the other unsecured creditors in accordance with

the statutory priority of payments set out in the Antigua International Business Companies Act.

The Kippers Claimants subsequently issued an amended application to continue their claims against SIB. We have also filed an application seeking to strike out the Kippers Claims as we are still of the view that the Kippers claims are wholly flawed and without merit. We believe that the Kippers Claimants ought properly to file a Proof of Debt within the liquidation proceedings for adjudication, together with all other creditors' claims rather than put the Estate to the significant expense of defending separate proceedings which will ultimately prejudice the creditors of SIB.

The Court has ordered that these two applications be heard together in the last quarter of 2012, on a date yet to be fixed by the Court. We believe that it is important to continue to defend these proceedings robustly as a positive result for the Kippers Claimants would result in the sums claimed by the Kippers Claimants being ring-fenced and paid in full ahead of a distribution to other unsecured creditors of SIB.

We are disappointed that we are forced to spend valuable estate resources in defending these claim but failure to do so would put at risk assets that may subsequently become available for distributions to creditors/victims.

(b) Canada

- i. SIB maintained a number of accounts at the Toronto Dominion Bank in Canada, which acted as the principal funnel through which depositors' funds were collected and then disbursed. Based on our review to date it appears that as much as US \$9 billion may have flowed through these accounts.
- ii. Our investigations have shown that there was a significant amount of information in the public domain to suggest that Stanford and his bank should have been a source of very serious suspicion and concern to the bankers involved in servicing Stanford and his related entities, including SIB. Our statement of claim filed in Quebec, Canada, the location of the only SIB office outside Antigua, more fully sets out our position.
- iii. This statement of claim is the result of an intensive and extensive investigation including interviewing more than 30 potential witnesses, the completion of a retrospective review of publicly available information (or "red flags" of suspicion of money laundering activity), at various times during the life of SIBL, including an examination of the circumstances of the winding up of another Antigua based bank for which TD was its main correspondent bank, a detailed review of the records of SIB involving hundreds of thousands of documents and emails, and reviews of thousands of banking transactions.
- iv. We have also consulted with leading legal and Anti-Money Laundering professionals in the area of duties of a bank in the US, UK, Canada, and other relevant jurisdictions, and considered the outcome of other similar claims, to ensure that the underpinnings of our claim are sound, anticipating that there will be a vigorous defence, and that the substantial cost of investigating and bringing this claim are merely the first costs in the process.
- v. After this consultation and a full discussion with our Creditors' Committee we are satisfied that our claim is well founded, that Quebec is the proper jurisdiction in which to bring it, and that the prospects of success warrant the costs of litigation.

(c) **United Kingdom**

Given our limitation of resources, we investigated potential high value claims in order of perceived magnitude and quality. While we believe the quality of our possible claims in the UK are sound, the potential value is significantly less than the Canadian claims. Our investigation is not, therefore, sufficiently advanced at the date of this report to know what claims will ultimately be derived from this work.

(d) **Switzerland**

As with the UK, our analysis has been constrained by resources and work in this area deferred while the potentially larger areas for recovery were dealt with. However, we have identified potential third party claims of substance. We expect to be able to report more fully in our next report to the Court.

(e) **United States**

Subsequent to the hearing with respect to recognition under Chapter 15 of the US Bankruptcy Code on December 2011 and subsequent filings made further to a timetable set by the court, we had not by late July had any ruling. This Court will recall that Chapter 15 provides for the efficient communication between estates in a multi-national insolvency setting, including authority for the Court's involvement to communicate directly with each order as part of ensuring the efficient administration for a proceeding. We therefore filed a notice of pendency and request for ruling as we were concerned, amongst other things, that:

- i. the Receiver had commenced a claims process which duplicated at a significantly greater cost, the JLs process which had then been running for several months.
- ii. the lack of ruling impaired any prospect of an information sharing agreement.
- iii. need for the JLs to conduct discovery in the U.S.
- iv. this led to uncertainty with respect to claw-back claims, especially net-winner litigation
- v. this delay eliminated through passage of time the 2-year tolling period provided by the Code.
- vi. claims buyers are reluctant to commit without certainty with respect to the distribution process.

This issue with respect to the willingness of claims buyers to commit, is particularly unfortunate. We have been given to understand that there are a number of transactions awaiting certainty on distribution, at prices that approximate what would be paid out on the basis of an immediate distribution of available assets. This would provide an option for those who did not want to wait for the benefit of our litigation programme.

As at the date of the report, we are waiting to see if our notice has any effect.

4 Investigations/Forensics support

4.1 The Bank's building in Antigua contains a massive amount of hard copy and electronic records of SIB. The JLs have spent significant time i) determining the best approach to analysed this data; ii) setting up a platform to review this data; and iii) conducting review/analysis of data. The focus of the JLs review and analysis has been to trace assets, investigating and supporting litigation claims and to support the creditor's claims management system.

4.2 The records can be broadly broken down into three categories:

- i) Hard copy records - the JLs and their staff completed an initial review of the hard copy records on site and identified key documents for detailed review and analysis. These key documents, which totalled over 70 boxes, have been scanned and uploaded to a review platform to allow review and analysis.

The JLs have completed analysis on over 200,000 transaction documents that has allowed JLs to trace funds paid from SIB to various entities and rectify potential targets.

- ii) Unstructured electronic records (includes emails and soft copy documents). The JLs IT experts were instructed to extract all data from the banks servers and employee laptops. This exercise resulted in over 2 terabytes of data and over 8 million individual records being extracted. The JLs have employed the use of a "review platform" that is designed to manage, sort and search this volume of data and allows a systematic review to be conducted.

The review platform uses "predictive coding" to "teach" the software the type of records that are relevant to the JLs investigations and remove records that are irrelevant. This means that the amount of records that actually need to be reviewed by professional staff is drastically reduced from the 8 million held. The JLs have broken down the potential targets into approximately 30 categories and have been using the review platform to investigate each target.

The cost to the estate for the use of this software is approximately \$50,000 per month, but has drastically reduced the professional time that would have otherwise be spent on the review of these records.

- iii) Banking data reconstruction – over the last 10 years the Bank used three different banking and accounting software programs. The latest banking application used was only put in place in February 2008.

These banking applications were specifically designed and tailored for the Bank. The two historic banking systems were no longer online at the time the Bank went into liquidation and were not accessible.

It has proved to be extremely difficult to extract this data and turn it into a usable format. Our IT experts have been working with each of the Banking software providers with the objective of creating one database which brings together all of the information from each of the different systems used.

4.3 The primary use of this data is to:

1. Produce a summary of the "net cash position" for each account. At present, in order to produce the "net cash position," we have to rely on the physical bank statements which take time to compile for any individual depositor.
2. Rebuild SIB's bank and investment accounts and create a global cash flow to determine exactly where what cash came into the Bank and where it went, to ensure that we can account for the depositors' money.

4.4 The extraction and building of these databases is an extremely difficult task and has required consultation with numerous service providers. The JLs are hopeful that the databases will be up and running during August 2012 and that this will add significant benefits to the efficient administration of the estate and asset recovery efforts.

5 Claims process

- 5.1 Subsequent to our previous report filed in February of this year, we have made improvements to our on line claims form to make it easier for creditor/victims to complete the claims filing process. The new form allows a creditor/victim to add as many accounts as necessary in multiple currencies. Once complete, the form must be printed and signed by all signatories on the account and then submitted to our claims team in Antigua. The completed proof of debt form can be submitted by email, fax or post/courier.
- 5.2 We have a dedicated team of staff processing claims and account statement requests as they are received. The team is made up of local Antiguan staff with the majority of their wages ranging from EC\$15 to EC\$25 (US\$5.50 to 9.25) per hour depending on experience. The process is overseen locally by a former employee of SIB who is knowledgeable about SIB accounting procedures and the operation of individual accounts, again working at local rates of pay. Once finally adjusted, or where in substantive dispute, claims are reviewed by the JLs staff and either approved or referred back for further work.
- 5.3 To date we have received approximately 10,000 claims and are sending out notifications to creditors/victims of the amount of their claim admitted as the review process is completed. As required by legislation creditors/victims are provided with 21 days to dispute the amount of their claim admitted in the liquidation. To date we have had minimal disputes and have settled all disputes that we are aware of without use of the court process.
- 5.4 We have met with a number of law firms that represent multiple creditors/victims and agreed to a protocol to allow for them to streamline the submission of claims for their clients. We expect this will result in a significant increase in the number of claims submitted in the coming weeks.
- 5.5 The formal process for agreeing former employee claims has also commenced and claim forms have been dispatched to the former employees for completion. Claims calculations have been prepared which summarise the amounts owed to each employee based on legal advice we have obtained indicating the majority of employee claims will be preferential or a cost of the liquidation. All former employees have been contacted and meetings were held with all staff that were available in Antigua on July 17 and 18. Claims forms have been made available at the Bank for former employees unavailable on these dates and forms will be sent by email to all former employees no longer living in Antigua.
- 5.6 The JLs have been approached by a number of investors interested in buying creditor/victims claims. While we do not endorse any of the claims buyers and have clearly indicated that all creditors/victims must complete their own due diligence before selling their claims, we have posted the contact information for these investors on the liquidation website (www.sibliquidation.com/claims-administration) and continue to work with them to streamline the process for anyone wishing to sell their claims.

- 5.7 Part of the claims process is to set up the distribution process at the same time. While we have no "claims bar date", we are able to distribute on 30 day's notice to known creditors who have not at that time filed their claims, to provide them an opportunity to file.
- 5.8 It is an additional feature of our process that no legitimate creditor is actually excluded from receiving distributions, up to the final distribution. Late filing creditors are entitled to participate in distributions after their date on which they file. They are not entitled to catch-up distributions. However once the estate has given notice of intent to make a final distribution, the Court has approved the final accounts, and the notice period has expired, no further claims are admissible.

6 Antiguan Operation of the SIB Estate

- 6.1 The SIB estate continues to occupy the same Antiguan building as the operating bank did and employs four permanent staff and one contractor to provide IT, accounting, document management and clerical support. The bank also currently employs temporary staff who have been hired to assist with the claims process.
- 6.2 The estate is incurring approximately \$100,000 per month in expenses in relation to the Antiguan Operations, mostly related to records maintenance and support of the forensic platform. We regularly conduct detailed reviews of these costs to ensure that costs are minimised. For the time being, we are satisfied that the \$100k per month is reasonable and is properly incurred.
- 6.3 The JLs have considered the option of relocating to a smaller office in order to save on electricity and maintenance costs, but the Bank has prepaid rent on the current location which is unlikely to be recoverable. It was therefore determined that any saving from relocating would be outweighed by the increase in rent, the relocation costs required to remove and reassemble the banks IT systems and storage of the hard copy records.
- 6.4 While using local staff as much as possible with a view to reducing the cost to the estate the JLs staff are still required to be actively involved in the management and monitoring of the Antiguan Operations. The JLs staff are onsite at the Antiguan building whenever required and are currently on site approximately 2 – 3 days per week, every other week, and also actively monitoring the operations on a daily basis from Grant Thornton's office in the BVI.

7 Administration of SIB Estate

- 7.1 The JLs closely monitor the cash position of the estate and only conducts critical work in order to minimise cost to the estate. However, the JLs and their staff and advisors have spent significant time, and will continue to do so, mostly in pursuit of assets and recoveries. In a liquidation of this size the administration matters required to run the estate are significant and will continue to be incurred.

8 Costs of the Liquidation

- 8.1 Attached is a Receipts and Payments account of the JLs for the period of their appointment on 12 May 2011 to 30 June, 2012.
- 8.2 The fees of the JLs and their advisors are subject to review by the Antiguan Court. The JLs have applied to the Antiguan Court for approval of their fees and are awaiting a hearing date for that application.
- 8.3 The US\$20million loan from the UK Frozen Funds has now been drawn down in full and the balance of cash in the estate at 30 June, 2012 totals \$8,098,785. To date none of the events that would trigger repayment of this loan or interest have occurred. As we have not made any recoveries that trigger the obligation to pay interest or repay principal.

- 8.4 The JLS are closely monitoring all expenditure and looking to minimise expenditure wherever possible.
- 8.5 Fees paid in the period 1 February 2012 to 30 June 2012 total approximately \$5,563,700.
- 8.6 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.

9 Communications with Creditors/Victims and other Stakeholders

9.1 The Joint Liquidators held their third online webinar in April to continue to provide creditors/victims with information on the administration of the liquidation. The webinar was held in English with simultaneous translation into Spanish. The focus of this webinar was on the claims process and an update on the progress of the estate. As with prior webinars, where possible, questions being submitted were dealt with during the webinar. In addition, the FAQ's available on the liquidation website were updated to answer many of the key questions submitted by participants. A number of video clips have also been added to the liquidation website covering topics that may be of interest to creditor/victims.

9.2 Since the previous report, the Joint Liquidators have met with or communicated with representatives of the following stakeholders in the Estate:

- a) the US Receiver
- b) the US Department of Justice
- c) FINMA and the Swiss criminal prosecutor

9.3 We have now had a total of nine meetings with our Creditor Committee to discuss key issues and seek approval for our actions.

9.4 We have also filed an application in Court for approval of our actions to date and in respect of fees. After discussions with the Committee, we will be making a modification to our proposal fee prior to the hearing of the application.

9.5 We also advise the Court that Alex Fundora, the petitioning creditor in both the initial liquidation and the replacement of the former liquidators a member of our Committee, and a U.S. national, was subpoenaed and examined by the US Receiver under an Order from Judge Godbey. It appears the award of costs on his successful petition for removal of the former JLS was the trigger for this, rather than any effort to interfere with our Committee and its workings which would be regrettable. There seemed to be a misunderstanding from the U.S. legal team on the cost issue, who incorrectly thought that the award had enriched Mr. Fundora rather than being a reimbursement for costs expended.

9.6 As mentioned in previous reports, the Joint Liquidators continue to reach out to the various victims groups or "blogs" in an effort to improve communications and correct factual inaccuracies that continue to be promulgated despite us providing information and opportunity for verification of these issues.

9.7 We continue to encourage creditors/victims to monitor the liquidation website (www.sibliquidation.com) for updates as this is the Joint Liquidators primary tool for communicating information to the creditors/victims. In particular, we continue to update the site with links to the latest webinars, frequently asked questions, media reports, court filings and other information. Creditors/victims are also able to send emails to;

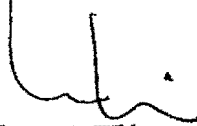
stanford.enquiries@uk.gt.com

or speak to a representative in English or Spanish at +1 268 480 3700 between the hours of 9:00 am and 5:00 pm Atlantic Standard Time. A dedicated Spanish line and after hours message system will also be added in the coming weeks.

10 Next Steps

- 10.1 We will continue to press our claim against TD in Quebec which we anticipate will be heavily resisted.
- 10.2 We will continue to pursue our remedies against SDC et al.
- 10.3 We will continue to defend claims against the bank from the former JJs and other claimants such as the Kipper claim.
- 10.4 We will be working with our land sales team to expedite interest and offers for the SIB lands.
- 10.5 We will continue to update creditors/victims via online webinars, continuous updates to the liquidation website and further reports such as this.
- 10.6 We will continue to consult with our Creditor Committee for input and advice
- 10.7 We will participate in the DoJ Summit in the hope that a communally acceptable agreements can be reached.
- 10.8 Absent agreement coming out of the DoJ summit we will continue to press our claim to the "frozen" assets of the Bank, as mechanism for the earliest possible distribution to creditors/victims, and maximising recoveries
- 10.9 We will complete our analysis of rights and remedies elsewhere in the world, concentrating on the UK and Switzerland initially, but not exclusively, and where appropriate commence litigation.

Signed at Road Town, Tortola, British Virgin Islands



Marcus A. Wide
for the Joint Liquidators

Significant Subsequent Events

Subsequent to the date of this report Judge Godbey issued his ruling giving Non-Main recognition to the JJs subject to extensive conditions. Given the nature of the conditions, the JJs have decided not to seek the assistance of the U.S. Court until the conditions are removed and in that context have filed an appeal.

Stanford International Bank Limited - in Liquidation
Receipts and payments statement for the period 12 May 2011 to 30 June 2012

	12 May - 31 January USD	1 February - 30 June 2012 USD	Total USD
RECEIPTS			
ECAB Building sale proceeds	4,537,037	-	4,537,037
HSBC, Panama	3,275,228	-	3,275,228
Rental receipts (ECAB Building)	255,556	-	255,556
Cash at bank on appointment	39,133	1,729	40,861
Sale of two plots of land		45,929	45,929
Interest earned	2,342	16,683	19,025
Miscellaneous income	1,231	2,603	3,834
	8,110,527	66,944	8,177,471
Less: Costs Awarded for Removal of Former Liquidators	(2,822,495)	(362,843)	(3,185,338)
	5,288,032	(295,899)	4,992,133
Add: Borrowed Funds drawn from UK Frozen Assets (see Note 1)	14,740,076	4,795,160	19,535,236
TOTAL RECEIPTS	20,028,108	4,499,261	24,527,369
PAYMENTS			
<i>Liquidators fees & expenses</i>			
Grant Thornton fees	1,442,238	1,345,661	2,787,899
Grant Thornton expenses	188,556	91,144	279,700
<i>Co-lead legal advisors fees & expenses</i>			
Astigarraga Davis - fees	481,433	656,861	1,138,294
Astigarraga Davis - expenses	35,116	40,920	76,035
Martin Kenny & Co - fees	1,291,508	1,429,066	2,720,574
Martin Kenny & Co - expenses	75,978	58,084	134,062
<i>Other legal advisors fees and expenses</i>			
Canadian legal advisors fees	1,314,954	686,667	2,001,621
Canadian legal advisors expenses	58,717	110,380	169,097
UK legal advisors fees	505,975	643,513	1,149,488
UK legal advisors expenses	28,235	210,349	238,583
US legal advisors fees	642,978	536,878	1,179,855
US legal advisors expenses	23,353	18,560	41,913
Swiss legal advisors fees	167,186	112,830	280,015
Swiss legal advisors expenses	3,185	2,397	5,582
Latin American legal advisors fees	168,645	70,460	239,104
Latin American legal advisors expenses	3,773	20,541	24,314
Caribbean legal advisors fees	64,646	81,762	146,408
Caribbean legal advisors expenses	10,483	12,615	23,098
<i>Other advisors fees</i>			
Consultant, Investigators and other Expert fees	99,454	241,611	341,065
Antiguan property related fees	324,174	439,480	763,653
<i>Other Operational expenses</i>			
Antiguan operations (see Note 2)	399,208	453,727	852,935
SIB staff wages incurred but unpaid by former J.Ls	50,422	134,328	184,750
SIB Bank Software fees	15,000	-	15,000
I.T. fees / eDiscovery platform	7,191	814,757	821,948
Advertising fees	440	-	440
Bank charges and Foreign Exchange movements	31,008	98,661	129,668
Costs in respect of third party funding	683,481	-	683,481
Total payments	8,117,334	8,311,250	16,428,584
Balance on hand	11,910,774	(3,811,989)	8,098,785

Notes:

- 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.
- 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.
- 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\$.