Grant Thornton

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1 June 2012

Mr. Fredrick Reynolds
Deputy Chief Asset Forfeiture and Money Laundering Section
US Department of Justice Criminal Division
1400 New York Avenue, N.W., Room 10102
Washington, DC 20530

Re: **Stanford International Bank Limited (In Liquidation) (SIB)**

Dear Mr. Reynolds:

Thank you for your letter of May 25, 2012.

We entirely share your dismay at what on clearly has been a counterproductive disagreement between the SEC Receiver and the Joint Liquidators ("JLs") and agree the priority is to maximize the recovery to victims. However your letter fails to provide any route to that urgent goal. The Department of Justice ("DoJ") has chosen at every turn to interpose itself in that disagreement, and your letter appears to be directed to furthering the divergence between the three of us rather than finding the common ground you profess to seek.

At the end of your second paragraph you bemoan the fact that the JLs continue to seek control of assets properly within the liquidation of SIB and suggest that this has continued "despite [the Department's] best efforts." The implication is the DoJ has sought to find common ground with the JLs. The reality has been quite the reverse; the DoJ has vigorously resisted every application wherever it has been able to gain standing, and has not offered any compromise of any sort in response to the JL's offers. Thus, it is the intransigent stance of the DoJ which has increased the costs and accounts for the delays.

Further, in the context of protecting the assets for victims we note that the DoJ did not seek forfeiture of assets in Panama, Ecuador and most particularly the US, which you permitted to be recovered by the SEC Receiver, and which he has largely spent in the administration of the US Receivership - where gross recoveries of $216.9 million are reduced to a Net Unrestricted Cash after Hold Back of $80.1 million after costs of $136.8 million as of the last report from the US Receivership.

We note your referencing in a footnote an "unverified report" from a "non-US victim committee" as to allegations of how much the JLs have spent thus far. With all due respect, the DoJ could have easily verified on the JLs website that the report is false.

Lastly in this area, had the funds been released at the time the UK Courts and Swiss authorities recognized the Liquidation, they would have distributed in large part to creditors long ago, and the balance used to fund the asset recovery process, much of which could have been resolved by now and further distributions made to creditors. It is solely as a result of your continued intervention this has not happened. This is very much to the detriment of the creditors the DoJ says it seeks to protect.

Our letter of May 4 set out a compromise proposal for the distribution of all the "frozen funds" as an open offer - posted on our website – there was nothing hidden. The implication in your fifth paragraph that we are in some way taking a position in private discussions which is inconsistent with the position the JLs have taken publicly is not correct. Our actions have been entirely transparent in this regard. We note that you have not responded directly to our proposal and we would be grateful if you would now do so. If our proposal is rejected, please provide your reasons for that rejection which we can then consider; further, or in the alternative, please propose a counter offer.

We note that you are in the process of negotiating an agreement with the SEC Receiver to put in place a joint claims process. This is the very same SEC Receiver that you asked the Serious Fraud Office to maintain should not receive the funds in the early proceedings in the United Kingdom. You set out conditions for this agreement which presumably would also apply to the JLs. By your first condition you appear to imply that judges outside the United States are either incapable of or unfit to oversee the distribution process. We find this stance inexplicable in the context of our experience with multi-jurisdictional insolvencies and in working in the countries served by the Eastern Caribbean Court. We fear that the stance of the DoJ is driven by a refusal to accept the JLs as being engaged in a valid legal process. Your second and third conditions appear to be inconsistent; you appear to simultaneously seek oversight of fees incurred in the distribution process and an assurance that no part of the funds in relation to which forfeiture is sought will be used to meet those fees. In any event the cost of distribution will come from other funds in the Receivership or the Liquidation and will therefore be at the expense of the creditors. By dealing with the US Receiver, you are accepting the higher cost of claims processing of the US Receivership as against the lower cost of the liquidation distribution process.

Instead of making any concession or counter proposal, you suggest a "summit" of "stakeholders" to find a resolution to the "infighting that plagues this case". We have already had extensive dealings, discussions, meetings, conference calls, and exchanges in writing, all leading up to a mediation held on November

29, 2011 pursuant to an order of the District Court of Texas made on October 21, 2011. Not only were the JLs, the SEC, the SEC Receiver, the Examiner and members of OSIC all present, the parties retained the services of retired US Bankruptcy Judge Steven A. Felsenthal to act as mediator. Far from endeavoring to find the common ground which you profess to seek to broker, the mediation divided into two caucuses, with the JLs in one room and all the other parties forming a single caucus in another room. The six issues which you raise in your letter were all raised by the various parties against the JLs, and the implicit and explicit allegations were refuted. We regret that the DoJ and the other "stakeholders" to whom you refer seem either incapable of or wholly unwilling to consider any issues other than the ones you raise in your letter, or to accept any answer put forward by the JLs which does not amount to a complete capitulation. We would have expected your proposed meeting to focus, positively, dispassionately and objectively, on identifying how all parties can best proceed for the benefit of the victims.

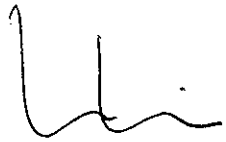
Having spent significant resources on trying to reach a compromise, we do not see that your proposed "summit" would achieve anything other than a revisiting of old arguments and the further expenditures of time and money associated with that. Given there is no significant change in the position of the US parties and in particular no recognition that the liquidation is a legitimate process, that does not have to be fully subordinate to the jurisdiction of the US Courts, we are of the view that clarity needs to be brought to the current situation via the Courts and as quickly as possible.

Given the proximity to the hearing in London, failure to take advantage of the Court merely invites additional wasted cost and further delay in getting money into the hands of creditors, unless you are willing to accept our open offer, which it appears you are not. If there were any genuine movement in the position of the US parties we do not rule out future compromise discussions.

Finally in your letter you state that it is the position of the U.S. Internal Revenue Service that it will not file any claim to the funds currently restrained in the United Kingdom, Switzerland or Canada. This is simply not consistent with the intervention of the IRS in the SEC Receivership proceedings and its assertion of a lien over at least $104 million of any funds recovered in that receivership, with the potential for a considerably larger *pro rata* claim which already total over $226 million. The proposed arrangement whereby the SEC Receiver would act as distributor for funds forfeited can only serve to complicate this position. Even if the IRS were to forego such claim, which we doubt, there must be a legitimate concern that it will seek to make good any diminution in its overall claim from other assets which would otherwise be available for victims. Consequently we would be grateful if you would obtain written and unequivocal confirmation from the U.S. Internal Revenue Service of its position towards funds recovered in both the SEC Receivership and the forfeiture proceedings brought by the DoJ, including its agreement to not assert a lien over any funds in the US Estate (not just the restrained funds), its agreement to not seek to share pro rata in any Estate assets (not just the restrained funds) and its agreement to withdraw its intervention in the

US Receivership and formally withdraw its lien. This confirmation would make matters much clearer for the creditors, and take the concern off the table. It seems to us that if the IRS in fact agrees with your position you should have no trouble obtaining this confirmation in short order and certainly before the UK hearing. What is beyond argument is that the IRS can have no claim in the SIB Liquidation.

Yours faithfully,



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