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The Eastern Caribbean Supreme Court

in The High Court of Justice Antigua and Barbuda
St. John's Antigua
Claim Number: ANUHCV 2009-0149

Joint Liquidators Fifth Report to the Court
In the matter of Stanford International Bank in Liquidation

as at 12 February 2014

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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 fifth report to the Court. The JLS' fourth report to the Court was dated 15 February 2013 ("the Fourth Report").
- 1.2 The Settlement Agreement and Cross Border Protocol ("the Settlement Agreement") was entered into with the US Receiver, The US department of Justice ("the DoJ") and related parties on 8 March 2013. The Settlement Agreement was subsequently approved by the relevant Courts in the United Kingdom, Antigua and the United States.
- 1.3 The Settlement Agreement represents a significant milestone for the management of and cooperation between the two Stanford estates. The benefits of the agreement are discussed in further detail below, including a protocol for the use of the presently frozen funds. The JLS have continued working towards other potential recoveries and updates on the status of their efforts are detailed in this report.

2 Highlights/Focus of efforts since the Last Report

- 2.1 In summary, the accomplishments and significant areas of activity in the liquidation since the Fourth Report are described in the sections following.
- 2.2 We have had stipulations in the Settlement Agreement between the US parties and the JL's affirmed by the US Court, which makes an exception to the order providing us "Non Main" standing under Chapter 15 of the US Bankruptcy code which will enable us to conduct discovery in the US in support of our litigation without any additional restrictions being imposed on the estate.
- 2.3 We have consented to the flow of SIB funds in Canada to the Receiver.
- 2.4 We have continued, in conjunction with the US Department of Justice (DoJ) and the US Receiver, to seek the release of funds in Switzerland for the benefit of the SIB creditors. We have had some limited success, though the majority of the funds of approximately US\$200 million remain subject to Swiss control. We continue to try to satisfy the concerns of the Office of Justice and Prosecutors with respect to the remaining funds. The central principle is for the funds to be released in the most expedient way, whether through the MLAT request or through the Swiss "mini bankruptcy" to then be distributed in accordance with the terms of the Settlement Agreement.

- 2.5 Following the entry into the Settlement Agreement we have met with the US Receiver's team to coordinate the sharing of information between the two estates so that we can assist each other with our respective litigation claims and also to co-ordinate our claims adjudication and distribution processes. We have had a team from the Receiver's lawyer attend in Antigua to review records and we have made a reciprocal visit to Texas after reviewing and identifying specific areas for review.
- 2.6 Discussions, exchanges of information and joint recovery efforts continue in support of our various legal proceedings.
- 2.7 The recovery of funds in Switzerland not covered by the DoJ forfeiture request are also covered by the terms of the Settlement Agreement, and we are working with the US parties to seek their recovery by the most expedient means possible.
- 2.8 The Swiss authorities are still proceeding their own criminal proceedings over at least one of the Stanford entities. There is a further complication in that SG (Private Bank) Suisse are seeking a right of set-off against the frozen funds for any damages that it is ordered to pay in the US for its conduct as one of Stanford's bankers.
- 2.9 As a result none of the Swiss funds are being released to any of DoJ, the US Receiver or the JL's for distribution in accordance with the Settlement Agreement at this time.
- 2.10 As part of our proceeding against TD Bank, we brought a matter of potential conflict to the Court in our action against TD Bank, which was unsuccessful in the face of Supreme Court of Canada decisions on similar matters. This resulted in the "forum non conveniens" hearings being pushed into late 2013. A ruling has now been received from the Quebec Court asserting that this action should be dealt with in Ontario. We are considering the merits of an appeal.
- 2.11 Nothing in this preliminary proceeding against TD Bank nor our continuing investigation has suggested that the claim should not proceed on its merits.
- 2.12 Efforts to market the real property of SIB continued and we have been able to agree a sale, and have the Court approve a sale of the principal properties. The full deposit due has been paid and the application for approval of the purchaser under the Alien Landholders Act has been filed. There are other statutory complications to the sale which we are seeking to resolve. Closing is anticipated in February, although there are provisions for an extension.
- 2.13 Marcus Wide and Hordley Forbes were appointed as Joint Provisional Liquidators ("JPL's") of Stanford Development Company (SDC) following significant effort by the JL's and their team and heavy resistance and delay tactics from Mr Stanford's Antiguan counsel. On further application the appointment as JPL's has been converted to a full liquidation, and a full discovery of its assets and liabilities is underway. A number of sales of its smaller properties are under negotiation. The claim of SIB is subordinate to the claims of ordinary creditors, most of which are local Antiguan suppliers to the development projects of SDC.

- 2.14 A number of legal actions have been taken to preserve and protect assets within SDC and other claims settled to expedite the realisation of its assets, including an application for recognition in St Kitts and Nevis with respect to the forced acquisition of a building by the Government.
- 2.15 Based on information received we are investigating transactions within SDC that may not have been for goods and services provided but were effected as a means of appropriating funds for the benefit of Stanford or insiders.
- 2.16 We have also obtained winding-up Orders against the other members of the Stanford affiliates that own real property including Maiden Island Holdings, Gilberts Resorts and Stanford Hotel Properties. Generally these have very few liabilities and the bulk of the value should flow to the benefit of the creditors of SIB. We have determined that Maiden Island Holdings, which was initially thought to be a subsidiary of SDC, was in fact not.
- 2.17 We have identified what we maintain are "preference payments" totalling the range of \$1.3 billion, which have the effect of oppressing the interests of the other creditors of SIB contrary to the statutes of Antigua. These are payments made during the six months prior to the winding-up of SIB. During this period there was a run on the bank when its liquid resources were drawn down to virtually nothing. These payments were exceptional in nature.
- 2.18 We have obtained an Order permitting us to holdback distributions from persons receiving such payments. Any one objecting can firstly file their objection with the Liquidators who, unless the issue is settled with each objector in the interim, will report these to the Court for final determination. Notices have been sent to those who received "preference payments", and we expect that a representative action will be commenced to make a final determination of the legal position. We understand the US Receiver initially pursued a similar remedy but was refused by the Court of Appeal.
- 2.19 Stanford Trust Company, an affiliate of SIB owns the vast majority of the shares in a Colombian brokerage house (SCB). We have applied for recognition of the Liquidation in Colombia as a mechanism for resolving the remaining impediments to returning funds amounting to approximately US\$12 million to Antigua. This was denied for reasons that are inconsistent with the UNCITRAL recognition protocol. Meetings have been held with the relevant officials in Colombia to address this issue.
- 2.20 There are also proceedings by way of Class Actions in Colombia seeking to recover SIB CD losses by way of a damage claim against funds in SCB. We have taken the position that these claims are properly part of the SIB proceeding, and that these claims are an attempt to obtain a priority over other CD holders and that the actions are preventing the flow of funds ultimately to the SIB estate. Pending final resolution in Colombia we are withholding dividends from the Class Action participants.
- 2.21 We have completed the adjudication of received claims for 16,601 creditor/victims. The total value of allowed claims is in the range of \$4.88

billion, before taking into account any adjustments required with respect to preference payments. We have been cooperating with the US Receiver and have reconciled the two claims processes as nearly as possible. The cost of the claims processing to date is approximately \$1.6 million.

- 2.22 We had two claimants appeal the method of calculation asserting that interest should form part of the claim. The Court, after a fiercely contested hearing, found in favour of the Liquidator' assessment.
- 2.23 We have commenced our first distribution process which will pay 1% of admitted claims not subject to holdbacks. In view of concerns expressed with the difficulties of creditors in clearing cheques and a request for a wire payment option, we have set up a wire payment option, negotiating with a distribution agent to manage this process. This caused a short delay to complete the negotiation and develop the interactive forms required.
- 2.24 Net winners, being those who took out more in cash than they put in, have been identified and are being given the opportunity to make restitution through negotiation. Failing this we have instructed legal counsel to start legal actions for recovery which are now under way.
- 2.25 We continue to pursue settlement with law firms that acted for SIB in the US, being Chadbourne & Parke and Proskauer Rose, and are seeking Court direction for service out of the jurisdiction with a view to litigating these claims. It is our view that these claims are on grounds that are clearly differentiated from claims brought in the US proceeding.
- 2.26 We have joined in an action by the criminal prosecutors in Switzerland with respect to SG (Private Banking) Suisse, and are pursuing a civil claim in conjunction with the criminal process.
- 2.27 We have continued to conduct other litigation necessary for the preservation of assets for the estate as more fully discussed in section 12 below, including the claim of Vantis, its advisors and direct suppliers. It has been resolved that the fees of the professional advisors of Vantis have a direct claim against SIB which has resulted in a multi-party proceeding.
- 2.28 The issues we had with respect to Court access for determination of a substantial number of legal issues and challenges and for the winding up of companies affiliated with SIB have been substantially resolved by the appointment of a special duty Judge in Antigua. To date there have been more than two separate weeks of hearings on SIB and related matters, and it is anticipated that the Eastern Caribbean Supreme Court will continue to make the same special duty Judge available on a timely basis to deal with Stanford matters.
- 2.29 Until the last round of extensive Court hearings, we continued to consult regularly with our Interim Advisory Creditors/Victims Committee (IACC). As at the date of this report we have held twelve meetings, held by teleconference to save costs, and have issued a number of interim reports with respect to reporting significant events. Given that some of the adversarial issues that have arisen in

the estate have impacted a number of the committee members we have for the time being suspended these consultations. Once the impact becomes clearer and the conflicts resolved or conflicted members replaced these will resume.

- 2.30 Marcus Wide and Charles Walwyn, a Partner of the local Grant Thornton firm in Antigua, were appointed Joint Liquidators of Bank of Antigua. On determining that there were claims and creditors of the bank that had not been anticipated, there is concern for potential conflicts between the SIB estate and that of Bank of Antigua. Therefore the appointees have brought an application for permission to resign and new Liquidators to be appointed, and in the meantime the current Liquidators have appointed Agents to act with respect to the areas of potential conflict.

3 Settlement Agreement

- 3.1 The key points to note and actions arising from the Settlement Agreement are as follows
- 3.2 The Settlement Agreement co-ordinates the recovery of the "frozen funds" by both estates and the DoJ in Canada, United Kingdom and Switzerland. This will eliminate costs with respect to contested funds and ensure they flow into the estates with minimum delay. The UK funds have been released as have the Canadian funds.
- 3.3 The funds held in Switzerland are more challenging.
- 3.4 There is agreement in principle that certain funds from the Swiss liquidation of a Stanford property, approximately \$11 million, could be released into the hands of FINMA together with the proceeds of a fine. FINMA is the Swiss agency that controls the local winding up of SIB, and which has recognised the Antigua proceeding as the foreign proceeding. Any funds recovered this way would be distributed in accordance with the Settlement Agreement and would seem to represent the most expeditious means of recovering these funds for CD holders.
- 3.5 Further complications arise in that some funds of approximately \$12 million in the name of Bank of Antigua were not covered in the forfeiture request. It was our intention to seek to put Bank of Antigua into liquidation, with the understanding that the SIB claim was the only claim in that matter, such that funds in the Bank of Antigua estate would substantially flow through to SIB. However, in examining the books after the winding-up order was granted another, very substantial claim, was found. Given our undertaking in the Settlement Agreement to assist in the recovery of the Swiss monies for the benefit of CD holders, the Liquidators of Bank of Antigua, being one of the Joint Liquidators of SIB and a Grant Thornton partner in Antigua were in a position of conflict. They have asked the Court for permission to resign, and appointed interim Agents to deal with the conflict matters.

- 3.6 Meetings were held in Switzerland to try and expedite the release of funds held there, and the US parties and the JLs continue to work for the release of these monies for the benefit of the CD holders.
- 3.7 The JLs and the US Receiver have agreed to co-operate with each other to maximize the value of asset recoveries for the benefit of the creditor-victims through the sharing of information and records to support the various litigation options. To this end we have given access to our electronic data base to the Receiver, and we have access to the Receivers electronic data base. These have been of significant use to us, and we understand that the US Receiver parties have made use of the access to our data extensively. We have also received 18,000 lines of excel spread sheets entries which inventory the Receiver's hard copy records which are warehoused in Houston. We continue to review these in order to make a properly planned search of these records for material relevant to our litigation initiatives.
- 3.8 The US Receiver and the JL's have agreed, to the extent practicable, to co-ordinate their respective claims and distribution processes to achieve efficiencies and to minimize burdens on claimants where reasonably possible. To this end we have been sharing information to ensure consistency in the valuation and acceptance process within the legislative or Court mandated criteria, to ensure equity in the distribution of funds to creditor/victims. We have also worked with creditor representatives in the review and determination of significant blocks of claims.
- 3.9 The US Receiver and the JLs will continue to pursue and initiate claims in jurisdictions in which they are recognized (including the JLs claims against TD Bank in Canada). To the extent there is cross over between the claims the JLs and the receiver will co-operate to maximize the recoveries for the benefit of the creditor-victims.
- 3.10 The parties also agree to assist each other with requesting documents from third parties to ensure the most efficient and cost effective route is used to gain access to documents, clarifies entitlement and permitted assistance and information sharing in pursuit of third party claims to maximise recoveries, recognising the different rights to standing in various jurisdictions and the remedies available to each office holder.
- 3.11 Provision has been made for working capital to be made available to the JLs from the frozen funds released from the UK and held separately, which they can use to manage the SIB Antigua estate and to assist with their asset recovery efforts.
- 3.12 Outstanding litigation between the two estates over both the frozen funds and Chapter 15 recognition proceedings in the US are discontinued. The JLs agreed to the dismissal of their appeal in the Chapter 15 case given that the Settlement Agreement settles the principal issues between the two estates.

- 3.13 It was a condition of the entry of the parties to the Settlement Agreement that such agreement be approved by the courts in Antigua, United States and the United Kingdom. Approvals were granted by each of these courts.
- 3.14 Following the approval from the UK Court funds have been released into the control of the JL's and funds will be available for distribution once the claims adjudication process is complete. This was subject to two appeals of a disallowance of claim by creditors with respect to the basis of assessment arguing that some other basis than the "net cash" basis should be used. These claims had the potential for delaying the distribution. The Court has now dismissed these challenges, and our distribution is proceeding.

4 Claim against TD bank

- 4.1 We determined that the appropriate place for this litigation was in Quebec where SIB had an office and conducted its operations. A number of creditors were also Quebec based. TD bank had extensive business operations in Quebec. Therefore we filed our claim against TD Bank in the Province of Quebec.
- 4.2 TD bank challenged this and brought a motion that the proper forum for litigation was Ontario. This has been the main thrust of the proceeding to date.
- 4.3 It came to our attention that an associate lawyer employed by our Quebec law firm and who had worked on the SIB claim against TD, had been recruited by the firm representing TD bank, and we were unable to establish that the usual "Chinese walls" had been put in place to prevent the confidential information being transferred. However, the Court disagreed with our concern.
- 4.4 The Court has recently determined that Ontario is the proper forum for litigating this claim. We are considering the merits of an appeal.
- 4.5 Nothing in the litigation process nor our continuing investigation to date has caused the JLs to think that our claim is not appropriate and viable.

5 Real Property of SIB

- 5.1 Our real estate agents have continued to market the land and liaise with interested parties. Whilst there were a number of interested parties making inquiries serious expressions of interest supported by offers have been limited and prices suggested were well short of expectation. However in the last quarter of 2013 we were approached by a Chinese interest and as result of continuing negotiation we were able to agree on a price in our target price range for the principle properties that SIB had on offer, and a request for a right of first refusal on other properties in Stanford Development Company, Maiden Island and Gilberts affiliated companies. At the time we did not have final winding up Orders against any of those entities.

- 5.2 The properties we refer to as "SIB" properties in Antigua, are in fact owned by a chain of companies through BVI and the Isle of Man, all ultimately controlled by SIB. The ultimate owner and vendor is Asian Village (Antigua) Limited, a BVI company. The flow of the proceeds of sale back to SIB will have to follow this chain, and the companies wound up to provide finality to the process. This is not expected to create any significant delay in the flow of funds, however there is always a cost element to complexity.
- 5.3 Court approval was subsequently obtained for the sale, due diligence was done to the extent possible and a full agreement of purchase and sale entered into. The agreed price is US\$60 million for the lands at Crabbs Peninsular, Guiana Island, Hawes Island and Rabbit Island; in total approximately 1,584 acres. Under Antiguan property law we were obliged to have these and the other properties re-surveyed to confirm boundaries at an approximate cost of \$400,000.
- 5.4 Closing was set for 30 December, 2013, subject to conditions with respect to an Alien Landholders license being acquired.
- 5.5 Although the required 10% deposit has been paid into an escrow account, the closing has been delayed to allow further time for the Alien Landholder license application to be dealt with. We are not aware of any issues with this application and while we hoped to close this transaction in February, it is more likely that closing will take place in late March, 2014. In this context a notice extending the date of closing by 30 days has been received from the buyer.
- 5.6 We have examined various issues with respect to the potential exposure to a variety of taxes and levies that could have had a substantial adverse impact on the sale proceeds. These include a punitive tax on lands which are subject to development agreements but not developed, which in this instance could have consumed virtually all the value of the sale. As a result of a Court ruling which negated an earlier attempt to have these lands subject to the undeveloped land tax, we have concluded that this does not apply.
- 5.7 Remaining properties, primarily Pelican Island, continue to be marketed.
- 5.8 The Government of Antigua recently has introduced an Antiguan Citizenship by Investment Program. The "SIB" properties and some of the affiliated company properties discussed below are eligible for the Citizenship-by-Investment program currently, which may increase their value and saleability.

6 Affiliated companies

- 6.1 With access to the Courts having been improved with the appointment of a Special Duty Judge to deal with Stanford related matters, we were able, amongst other things, to get a petitions for winding up a number of Stanford related entities including Stanford Development Company (SDC) heard. This petition was heavily opposed by Stanford acting through local counsel. Ultimately we prevailed on the basis of funds traced from SIB into the affiliates. In view of allegations of potential conflict, Mr Hordley Forbes, principal of a local

accounting firm was added to the application as initially Joint Provisional Liquidator and subsequently as Joint Liquidator, to resolve any possible conflict of interests with the SIB estate. We note it is usual for related companies to be wound up by the same Liquidator(s).

- 6.2 In the first instance we were able to obtain a Provisional Liquidation Order, as an interim step which allowed us to protect the assets, which primarily consist of buildings and land. We have advanced funds to SDC from SIB to pay for insurance over the buildings, given that hurricane season was almost upon us. This was critical as any loss or damage to the property resulting in loss in value, would fall directly to the disadvantage of SIB's interest and the creditor/victims of SIB.
- 6.3 This also enabled us to take steps to intervene in the operation of the business, and carry out some necessary remedial maintenance required both from a safety point of view and to preserve value, and to prevent the further sale of property at less than fair value.
- 6.4 Based on the advances which were traced into SDC from SIB and which are characterized as "shareholder contributed capital" on the SDC balance sheet, we were ultimately successful with the petition and a final Winding Up Order has been granted. Alan Stanford asserted that he was the only shareholder during this process.
- 6.5 There are a number of challenges and matters of concern with respect to litigation, legal fees charged to SDC before the Provisional Liquidation Order, related party transactions, dispositions of assets, potential diversion of funds, and tracing proceeds of a forced acquisition of a property in St Kitts by the Government there, that require investigation time and attention, with it likely being necessary to engage the support of the Court in the examination of persons knowledgeable in the affairs of SDC.
- 6.6 Throughout the petition period it was our understanding that SDC owned all the shares of Maiden Island Holdings which in turn owns the marina/dock and other facilities on Crabbs peninsular. This was based on information with respect to the location of and name on the share certificate which had been viewed by a creditor. In this instance it was our view that given the few creditor claims in Maiden Island Holdings, that the bulk of the value of that facility would flow back into SDC. Our continuing examination of the ownership of SDC has failed to support this contention, and the contention of management and the organisation charts available to us that Maiden Island was a RAS owned company seem to be correct.
- 6.7 In this instance the value of the Maiden Island properties will not flow into the SDC estate. The principal assets which exist in SDC itself are the SIB office building on Airport Drive, the Stanford cricket grounds and Sticky Wicket, the Athletic Club, Pavilion Restaurant, the former Stanford Trust building, lands and buildings within the airport itself, and a number of small residential and commercial properties with a total value in the range of US\$9 to \$15 million.

- 6.8 We are presently resolving a number of boundary issues, encroachment by the airport development, and other property issues.
- 6.9 It is possible that the sale of these properties will not provide a net yield sufficient to see creditors in SDC paid in full. This depends both on the prices obtained, and the claims actually filed in the liquidation. A formal claims process is now underway. In this situation SIB's equity advances in SDC may have no value.
- 6.10 Therefore, while the Joint Liquidators of SDC will continue to wind up the company with all its complexities and distribute funds to creditors, this is not a function that justifies further SIB funding.
- 6.11 We understand from reliable sources that SIB funds paid into SDC were channelled to fictitious suppliers, or real entities that delivered no services, as a means of diverting cash to RAS or other insiders. We are examining vouchers relating to significant payments to see if we can identify such payments and seek recovery.
- 6.12 Properties owned by Stanford Hotel Properties and Gilberts Resort Development are subject to on-going sale negotiations. These are stand-alone companies owned by RAS with few direct liabilities.
- 6.13 However as each of these entities are separately in Liquidation, the formal liquidation process, including claims process and adjudication is required for each one. It is possible there may be disputes in the claims process which require resolution before funds can be distributed to SIB for distribution. Again there is a cost associated with this complexity, hopefully minimal unless there are legal issues raised.

7 Net Winners and Preferences

- 7.1 As previously reported, we are pursuing two categories of claw back claims. Firstly, there are those who were successful in taking out more money than they put into SIB. They are sometimes referred to as 'net winners'. Given the nature of the fraud on SIB, funding for the gains enjoyed by 'net winners' 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. The US Court has affirmed this position with respect to creditors within its jurisdiction.
- 7.2 The purpose of both these actions is to have the Court order the return of the "wins" and preferences which we assert were oppressive on the other CD holders, and to make those funds available for re-distribution to all creditor/victims. In total these amount approximately US\$1.3 billion. Thus those who were left behind in either getting all their money out, or getting some portion of their funds out during the run on the bank in its last six months, will then get to share in that increased pool on an equal basis with those who received preferences by being paid monies during the run on the bank or were repaid more than their cash investment.

- 7.3 Our actions to claw back the "net wins" will not overlap with those already taken by the US Receiver, but will extend to those out-side of the US Receiver's jurisdiction with his co-operation. This co-operation will enable us to save significant costs.
- 7.4 Presently we have notified the net winners of our claim against them and are attempting negotiated settlements. However we have also prepared to take action through the Courts to enforce recovery where necessary. The CD's themselves provide that the applicable jurisdiction for actions under them is Antigua and we anticipate that enforcement procedures for judgement delivered by the Court in Antigua will enable us to seek assets and to execute against any found in numerous other jurisdictions. The division of responsibility to pursue net winner claw backs is defined in the Settlement Agreement, which also provides for cooperation with that process.
- 7.5 In the final months of the operating life of SIB, significant redemptions by CD holders occurred at a time when the Stanford companies were on the verge of collapse. This allowed some depositors to be "preferred" over others to a significant extent, in effect creating "winners" and "losers"; "losers" being those who were unable to get to the front of the queue when the run on the bank was taking place. This concept is well established in many insolvency regimes across the world, and Antigua is no exception.
- 7.6 Specifically the statutes in Antigua provide relief from actions of a company which results in "oppression" of the interests of other stakeholders in the company.
- 7.7 As an interim step in the recovery of preferences we applied to the Court to hold back distributions to those who we identified as receiving preferences. The Court as part of its Order in response to our application, directed that within 120 days of notice of the preference creditors who objected to the JL's position should write and advise them of the objection. We will attempt to resolve these disputes but where this is not successful, a report will be made to the Court, and further direction sought at the end of the 120 day period. This Order is available for review on our website.
- 7.8 However in order to expedite resolution of the issue, it is our intention to bring a representative action, which can hopefully be heard by the Court within the 120 day period. This will either affirm the position we have taken or reject it. Either way it will bring certainty to the rights of both the estate and its creditors, and those we assert received preferences.
- 7.9 We are in the process of determining who might be an appropriate party for the representative action and how the process can be expedited to bring certainty to the issue as soon as possible.
- 7.10 If the Court rules in favour of the estate, the JLs will be empowered to seek to effect full recovery of preference payments, and not simply rely on hold-back of current and future distributions.

- 7.11 As many of those who are either net winners or recipients of preferences are located in Latin America, the JLs have Latin American lawyers specifically dedicated to these issues.
- 7.12 While there is nothing fair about being the victim of a fraud, our purpose in taking these actions is to make it the least unfair to as many of the victims of the fraud as possible. We note that the US Receiver commenced essentially similar claims which were set aside by the 5th Circuit Court of Appeal. These were brought under a different legal premise than is available to the JLs with respect to claims they can properly bring in Antigua.
- 7.13 The total value of the claw back being pursued is in excess of \$1.3 billion, which if recovered in full, will increase recoveries by 20% to 25% of claims, to the vast majority of CD holders who are not subject to the claw back process.
- 7.14 The JLs expect that many those subject to claw backs will strongly resist. While there are a number of enforcement remedies available to the JL's, with respect to claims they bring in Antigua, it would not be realistic to expect full recovery on all claw backs. At present it is not possible to make an informed view of the likely outcome except that the costs of proceeding are a fraction of the potential benefit to the vast majority of creditors and we are obliged to proceed.

8 Stanford Trust Company (STC) and Colombian subsidiary (SCB)

- 8.1 The JLs are continuing their efforts to try to recover funds from STC over which Messrs. Wide and Dickson are also Liquidators. It is anticipated that the bulk of the recoveries in STC, which has very limited creditors, will flow through for the benefit of SIB and its creditors.
- 8.2 The principal asset is STC's interest in a subsidiary brokerage company in Columbia (SCB) where there are now liquid assets of approximately US\$12 million. This company was put into Liquidation by the Liquidators of STC and the local liquidator has been successful in dealing with its claims. Part of the liquid assets are available to the Liquidator, and have been invested in a manner such that to date income from the investments have covered the costs of the liquidation and settlement of claims. It is our objective that these monies should flow up through STC to the SIB estate for the benefit of its creditors, without dilution.
- 8.3 However the greater part of the funds are under a freeze issued by the Superintendent of Finance for the benefit of claims of local persons who bought SIB CDs through SCB who are asserting damages for the wrongful sale of the CDs which have turned out to be essentially worthless. Our initial review showed two legal actions, with a limited number of claimants with a total value of \$2 million, against which approximately \$8million was frozen.
- 8.4 It was also apparent that as holders of CDs the claims should properly be asserted in the SIB proceeding, and that efforts to obtain recovery elsewhere from assets that would otherwise flow to the benefit of the SIB estate and its

creditors were frustrating both the SIB liquidation and gave rise to the potential of a full recovery or more to certain creditors to the detriment of the remaining CD holders. In order to intervene we filed an application under the foreign representative section of the Colombian companies legislation which embodies the principles of the UNCITRAL model law on international insolvency proceedings. This has been rejected by the local Court, although as a result of recent meetings we held with the Superintendent of Companies this ruling is being reviewed. A formal appeal is also being pursued.

- 8.5 Further investigation into the two actions against SCB disclosed that they are in fact Class Actions and open to anyone who acquired CDs through SCB or on a referral from SCB. This expands significantly both the numbers of claimants and the total claims that might be asserted. We have therefore taken the position that until these claims are resolved within SCB, we will not make distributions to CD holders that we can identify as buying CDs through SCB or on referral by SCB.
- 8.6 We have met with the legal team representing the Class Actions and have advised that this is our position, and suggested that recoveries in the SIB process are likely to generate an equivalent return in less time than pursuing the Class Actions. The JJs working with the SCB liquidator are working towards a negotiated solution.
- 8.7 If necessary we will request that the SCB Liquidator defend the Class Action. We are advised that there are good defences.

9 Other litigation claims

- 9.1 We have joined in a criminal prosecution initiated by a Swiss Prosecutor, in which we will be seeking restitution/compensation within the criminal proceedings against Blaise Friedli and ultimately we anticipate SG (Private Bank) Suisse. This action has relatively recently been initiated by the Prosecutor and at this point it is difficult to comment on the timing or outcome.
- 9.2 We have prepared claims against US law firms, Proskauer Rose and Chadborne & Parke, that acted for SIB and failed to protect its interests while doing so. These claims are based on principles not found in US proceedings against the same parties and therefore stand separate and apart. We anticipate these will be served shortly but require an Order for direction on serving the defendant law firms outside of Antigua, which we expect to obtain at the next sitting of the Special Judge.
- 9.3 We have an action against a former President of SIB and Stanford associate for the recovery of funds paid to him without apparent justification.
- 9.4 We continue to investigate other potential claims.

10 Bank of Antigua

- 10.1 Charles Walwyn, a Partner of the local Grant Thornton firm in Antigua, and Marcus Wide, were appointed Joint Liquidators of Bank of Antigua (BoA). At the time of bringing the petition to wind-up the bank, the records available and discussions with Government interests suggested that the creditor claims were nominal. Thus even if these were paid in full there would be virtually no dilution to the dividend paid to SIB as the principle creditor. Thus, provided the nominal claims were settled in full, the Liquidator would be at liberty to give releases in other matters that would free up funds frozen elsewhere to the benefit of SIB's creditor/victims.
- 10.2 However, on the appointment and examination of the records that then came into the possession of the BoA Liquidators, it was discovered that there were other claims, potentially running to several million US dollars, that created a conflict with the JLs undertakings within the SIB liquidation. The appointees have brought an application for permission to resign and new Liquidators to be appointed, and in the meantime appointed Agents to act with respect to the areas of potential conflict.
- 10.3 We had anticipated that the hearing on substitution would be heard in February. However we have preliminary indication from the Court that the next sitting will be in mid to late March.

11 Claims Process and Distribution

- 11.1 We have now completed the adjudication process for 16,601 claims and sent notices confirming the amount of their admitted claims which total \$4.88billion.
- 11.2 Throughout the period covered by this report we continued to review and improve our claims processing system with an effort to make it more efficient. Since our last report we have created a unified database that pulls together the information that was previously located in two separate databases and has historically been difficult to access.
- 11.3 We continue to send out notifications to creditors/victims of the amount of their claim admitted as the review process is completed subject to satisfactorily being able to reconcile our process with that of the US Receiver to the extent possible. As required by legislation creditors/victims are provided with 21 days to dispute the amount of their claim admitted in the liquidation. We have substantially reconciled our claims with the US Receiver and in accordance with the principles espoused in the Settlement Agreement have accepted claims in our estate that were only filed with the US Receiver after reconciliation of the amounts claimed.
- 11.4 The US Receiver is limited by a claims bar date such that he was not able to accept claims filed only in our estate past the claims deadline. However it is our intention to adjust distributions, in accordance with the express terms and the

spirit of the Settlement Agreement, so that no claimant is disadvantaged by being included in one estate only.

- 11.5 The minimal disputes with the allowed claims have now been resolved. The only disputes taken to Court were two challenges on the "net cash" basis for admitting claims. This had already been resolved in the US proceeding and as the application had been made to the Court we were able to schedule a hearing on the matter on a timely basis. The Court after considering various other options for calculating claims ruled in favour of the "net cash" basis adopted by the JJs, which is consistent with the US court ruling on the same issue.
- 11.6 The statutory framework under which we operate is intended to ensure that no one is barred from making a claim should they, through inadvertence or otherwise, not file on a timely basis. However it is our position that late filers will only be entitled to distributions subsequent to the date of their filing. Additional notices to those who have not filed are required prior to proposed distributions.
- 11.7 We are aware of claims buyers who have purchased claims from creditors/victims and have recognised a number of these transfers to date. 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. There is an obligation under Antiguan law to register assignments.
- 11.8 As noted earlier the Court has endorsed hold-backs from the current distribution for those who received preference payments. Also we are holding back distributions from those Colombian investors seeking relief in Colombia under the Class Actions discussed earlier in this report to prevent double recovery.
- 11.9 With the benefit of the experience of the Receiver's distribution, it became clear that a significant number of creditors had difficulty clearing cheques and we received numerous requests that wire transfers be offered as an option in our distribution process. In order to accommodate these requests we interviewed a number of potential distribution agents who would take on the management of this process, which could otherwise have been an expensive administrative process for the estate. As a result we have engaged ItalBank of Puerto Rico to facilitate this process so that any creditor preferring a wire transfer has that option. This has caused a slight delay in the distribution process but has met the concerns of creditors. The cost to the estate is minimal, with the bulk of the costs for wire transfers being met by the creditor making that choice.

12 Other estate matters

- 12.1 We are moving forward with the judicial determination of the fees of the former Receivers and former Joint Liquidators collectively represented by Vantis and its successors, FRP.

- 12.2 We have determined that the fees of their professional advisors are direct claims on the estate and can be adjudicated separately from the office holders themselves. In this regard we are mindful of the cost of taking these to Court and are making individual determinations of the fair value of these fees to the estate, with a view to arriving at a settlement of the claims payable when there are clear funds in the estate from which they can be paid.
- 12.3 The fees of Vantis are of greater concern given the issues and the costs and losses to the estate arising from their time in office and delays in having their continuing standing dealt with by the Court.
- 12.4 The JLs have from the outset been concerned with the funding available to the estate and wanted to ensure that the litigation issues which represent the most significant potential recovery should not fail for want of adequate funding. With this in mind a line of credit was obtained with a minimum draw of \$5 million, with significant additional credit available. The principal advance with interest is secured on real property of SIB, but the additional return is payable solely from litigation recoveries. With the sale of the better part of the SIB lands imminent, we anticipate that the principal and interest will need to be repaid. It is our expectation that the net recovery from the land sales will provide adequate cash reserves for funding litigation.
- 12.5 The estate continues to incur approximately \$120,000 per month in expenses in relation to the Antiguan operations, related to records maintenance, claims processing and support of the electronic platform used to locate evidence and documents. We regularly conduct detailed reviews of these costs to ensure that costs are minimised. Presently we are of the view that these costs are necessary. We can expect some reduction once the claims review process has been completed. We are also looking at ways we can more cost effectively store data.
- 12.6 We continue to use 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 as required, and also actively monitor the operations on a daily basis from Grant Thornton's office.
- 12.7 In a Court Liquidation, and particularly one of this scale, the cost of compliance with statutory obligations are substantial and continuing. The JLs continue to closely monitor the cash position of the estate and only conduct critical work where cash is required to pay for the same on a current basis in order to extend the ability of the estate to operate. 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.
- 12.8 We have now had a total of 12 meetings with our Creditors' Committee to discuss key issues and seek approval for our actions. However some of the estate issues, particularly those with respect to preference payments, has brought the personal affairs of some of the Committee members into conflict with the interests of the estate and its creditors generally. Until some of these issues are clarified we have suspended meetings. This is unfortunate and we are hoping

that the areas of potential conflict can be resolved such that the Committee can reconvene and its useful input resume.

- 12.9 After a period of difficulty in getting Court time for the difficult commercial issues that needed resolution in the SIB insolvency, the Eastern Caribbean Supreme Court appointed a Special Duty Judge to take on these matters, and some other pressing commercial matters in Antigua. This was extremely helpful in getting a plethora of legal matters resolved and setting down a proposed timetable for taking on some of the longer term litigation matters and new issues as they arise in the administration of the SIB and ancillary estates.
- 12.10 Under this schedule it was anticipated that we would have Court time available in each of February and April 2014. As of the date of this report we do not have dates set but it is likely that time will be available towards the end of March 2014. Our legal counsel is communicating with the Court through the local Registrar and we hope that we can get dates in the near future.
- 12.11 We attach a Statement of Receipts and Payments to 31 December 2013.
- 12.12 Of the funds held at that time, \$39,598,304 represents funds which we are committed to ultimately distribute to creditors and may not be applied to the working capital of the liquidation. Some part of this will be paid out in the current distribution process and some held back until the issue of our claw back process is dealt with by the Court or the expiration of the 120 day time limit for objections.
- 12.13 A further sum of \$18,010,666 is set aside to provide supplemental working capital to the estate but pursuant to the Settlement Agreement will only be released for that purpose as funds are recovered from the Swiss frozen assets. It is possible that other recoveries in the estate may provide sufficient continuing working capital to pursue the litigation claims, and that these monies could be in part be released for distribution. However that determination cannot be made at this time.

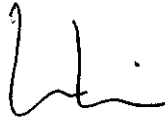
13 Future Distributions

- 13.1 Based on the known funds, hard assets available and the costs incurred to date, we anticipate that without contribution from claw backs and litigation, the maximum that creditors can expect to receive from a combination of the two proceedings is 7% to 9%. With the uncertainty regarding the timing of the release of funds in Switzerland it is not possible to predict when a further distribution from this source is possible.
- 13.2 In is our expectation that the combined claw back could contribute a further 20% to 25% for those who are not subject to the claw back process, if we able to recover them in full. The JJs expect that the estate's claw back claims will be strongly resisted and cannot at this point make a reasonable estimate as to the impact they will have on future distributions. We also note that some of the net winner claims are being pursued by the US Receiver and where he is successful,

those net recoveries will be passed on to creditors through his distribution process.

- 13.3 At this point it is not possible to make a realistic prediction on the outcome of existing litigation claims, nor ones that might yet be filed. However they remain the best prospect of a substantial return to victims of the fraud. Litigation is expected to be a long term source of recovery.

Respectfully submitted

A handwritten signature in black ink, appearing to read 'M. Wide', with a stylized flourish at the end.

Marcus A. Wide
On behalf of the Joint Liquidators, Stanford International Bank Limited.

STANFORD INTERNATIONAL BANK LIMITED (IN LIQUIDATION)
 Receipts and payments statement for the period
 1 July 2013 - 31 Dec 2013

	Balance as of 31 Dec 2013 (USD)
Receipts	
UK recoveries	95,111,096
3rd Party Funding (Hamilton)	5,001,000
ECAB building sale process	4,537,037
HSBC , Panama	3,275,228
Rental receipt (ECAB building)	255,556
Settled legal claims	249,930
Settlement on pricing error	230,710
Cash at bank on appointment	42,645
Sale of two plots of land	45,929
Interest earned	61,645
Miscellaneous income	17,006
	<u>108,827,782</u>
Less: Cost Awarded for removal of former liquidators	-3,185,338
Total Receipts	<u>105,642,444</u>
Payments	
Liquidators fees & expenses	
Grant Thornton fees	6,745,274
Grant Thornton expenses	701,384
Co-lead legal advisors fees and expenses	
US - fees	2,326,743
US - expenses	138,585
Caribbean - fees	7,881,383
Caribbean - expenses	398,535
Other legal advisors fees and expenses	
Canadian - fees	5,844,975
Canadian - expenses	756,352
UK - fees	1,850,369
UK - expenses	519,810
Other US - fees	1,644,019
Other US - expenses	96,100
Swiss - fees	1,033,605
Swiss - expenses	48,828
Latin American - fees	407,118
Latin American - expenses	51,056
Other Caribbean - fees	368,970
Other Caribbean - expenses	65,994
Other advisors fees	
Consultants / Agents / Experts	737,849
Antiguan Property related fees	985,047
Other expenses	
Antiguan operations (Note 2)	2,110,736
SIB staff - former	1,052,064
SIB bank software	15,000
IT fees / eDiscovery Platform	1,928,694
Advertising	440
Court related	24,578
Bank Charges and foreign exchange movements	145,148
Costs in respect of third party funding	788,481
Swiss Financial Market Supervisory	72,311
Loans to Stanford affiliates	1,306,309
Total Payments	<u>40,045,758</u>
Balance on Hand	<u>65,596,686</u>
	<u>65,596,686</u>
Distribution Account	39,598,304
Supplemental Working Capital Account	18,010,666
Working Capital Account	7,987,716
	<u>65,596,686</u>

Notes:

1. Includes all expenses in operating the Antiguan premises of SIB such as wages for 6 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 and claims processing.
2. 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\$.