

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

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Case No.: 3-09-CV-0298-N
	§	
STANFORD INTERNATIONAL BANK, LTD., ET AL.,	§	
	§	
Defendants.	§	

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**RECEIVER'S MOTION FOR APPROVAL OF FIFTH INTERIM FEE APPLICATION  
AND BRIEF IN SUPPORT**

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**TABLE OF CONTENTS**

TABLE OF AUTHORITIES ..... 2

REQUEST FOR APPROVAL OF FEES INCURRED FROM OCTOBER 1, 2009 THROUGH  
DECEMBER 31, 2009 ..... 4

A. Significant Accomplishments during the Period Covered by the  
Application..... 5

B. This application and its supporting evidence establish that the fees and  
expenses are reasonable and necessary in light of the extraordinary  
complexity and difficulties of this case. .... 6

1. Krage & Janvey L.L.P..... 7

2. Baker Botts L.L.P. .... 10

3. Thompson & Knight LLP (“T&K”) ..... 22

4. FTI Consulting..... 25

(a) Investor Claims ..... 26

(b) Former Employee Claims ..... 27

5. Ernst & Young (“EY”)..... 30

6. Financial Industry Technical Services, Inc. (“FITS”) ..... 33

7. Strategic Capital Corporation (“SCC”)..... 37

8. 3-4 South Square..... 38

9. Roberts & Co. .... 40

10. Altenburger..... 41

11. Osler, Hoskin & Harcourt LLP ..... 42

12. Liskow & Lewis PLC ..... 43

CONCLUSION..... 43

CERTIFICATE OF CONFERENCE..... 46

CERTIFICATE OF SERVICE ..... 47

TABLE OF AUTHORITIES

	<b>Page(s)</b>
<i>Curtis v. Bill Hanna Ford, Inc.</i> , 822 F.2d 549 (5th Cir. 1987).....	3
<i>Johnson v. Georgia Highway Express, Inc.</i> , 488 F.2d 714 (5th Cir. 1974).....	3, 4
<i>SEC v. Fifth Ave. Coach Lines, Inc.</i> , 364 F. Supp. 1220 (S.D.N.Y. 1973).....	3, 4
<i>SEC v. Megafund Corp.</i> , No. 3:05-CV-1328-L, 2008 WL 2839998 (N.D. Tex. June 24, 2008) .....	3
<i>SEC v. W.L. Moody &amp; Co., Bankers (Unincorporated)</i> , 374 F. Supp. 465 (S.D. Tex. 1974), <i>aff'd</i> , 519 F.2d 1087 (5th Cir. 1975).....	3, 4

**RECEIVER'S MOTION FOR APPROVAL OF FIFTH INTERIM FEE APPLICATION  
AND BRIEF IN SUPPORT**

Ralph S. Janvey, the Court-appointed Receiver in this action, seeks the Court's approval to pay invoices for interim fees and expenses of \$4,764,753.22<sup>1</sup> to the professional firms that rendered services on behalf of the Receivership Estate for thirteen weeks from October 1, 2009 to December 31, 2009.

The firms providing these services have continued to discount their fees by at least 20% each (representing an overall reduction of \$1,455,012.95 for this period) for the benefit of the Stanford investors and other claimants. The work records submitted in support of this application enable the Court to evaluate the tasks performed, and those records are supplemented by the detailed descriptions contained in this application. This application and its supporting evidence demonstrate the necessity for the professionals' services and the reasonableness of their fees and expenses for a case of this complexity, novelty, and difficulty.

Throughout the life of the Receivership, the cost of professional fees and expenses incurred weekly has steadily declined. The Examiner once described the earliest weeks of the Receivership as a "fire drill" – the amount of work and the cost of completing it bear that

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<sup>1</sup> The professional firms' discounted fees and expenses for this period total \$6,111,219.92. At the hearing on September 10, 2009, the Court approved the Receiver's first and second fee applications, subject to a 20% hold back. The Court advised the Receiver that it would impose this 20% hold back on future fee applications, and that at a future date when the results obtained for the Estate are more certain, the Receiver will be permitted to reapply for the amount held back, which for this application is \$1,222,243.99.

For this fee application only, the SEC, Examiner, and Receiver have agreed to an additional hold back of \$124,222.71 in respect of certain objections to the work of FTI Consulting that will be reserved until the Receiver seeks an award of the amount held back. The amount the Receiver requests in fees and expenses for each firm herein has been reduced by the 20% hold back (a 25% hold back for FTI), although the invoices in the Appendix reflect the discounted fees and expenses incurred without the hold back.

The SEC, Examiner, and Receiver reserve the right to file objections when the Examiner and Receiver request an award of any amounts held back.

out. But the weekly cost of professional fees and expenses dropped by more than 56% in months 3 and 4 of the Receivership. These costs have continued to fall at a steady rate of 5% to 9% for the remainder of 2009. Thus, this application reflects an 81% decrease in weekly fees and expenses when compared to the Receiver's first application.

**REQUEST FOR APPROVAL OF FEES INCURRED FROM  
OCTOBER 1, 2009 THROUGH DECEMBER 31, 2009**

The Amended Order Appointing Receiver directs and authorizes the Receiver to retain and compensate professionals in connection with the administration of the Receivership Estate:

[T]he Receiver is specifically directed and authorized to perform the following acts and duties:

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Enter into such agreements in connection with the administration of the Receivership Estate, including, but not limited to, the employment of such managers, agents, custodians, consultants, investigators, attorneys, and accountants as Receiver judges necessary to perform the duties set forth in this Order and to compensate them from the Receivership Assets.

Amended Order Appointing Receiver (Doc. 157) ¶ 5(h).

The Order further directs the Receiver to “[f]ile with this Court requests for approval of reasonable fees to be paid to the Receiver and any person or any entity retained by him and interim and final accountings for any reasonable expenses incurred and paid.” *Id.* ¶ 5(m). Accordingly, the Receiver files this Motion and requests that the Court approve the fees and expenses billed by the retained professionals for work during the period from October 1, 2009 to December 31, 2009.

**A. Significant Accomplishments during the Period Covered by the Application.**

The Receiver has previously briefed the legal standards for evaluating the reasonableness and necessity of professional fees and expenses.<sup>2</sup> This application seeks an award of professional fees and expenses for months 8, 9 and 10 of the Receivership. This was a period in which weekly fees and expenses were further reduced, but because of the knowledge possessed by the professionals, groundwork laid in previous months, and systems put in place by the Receiver, much was accomplished. The Receiver's team negotiated the sales of a yacht, aircraft, and numerous private equity investments; the equity sales will bring more than \$9 million into the Estate. The Receiver filed complaints against hundreds of former Stanford employees and "net winner" investors, seeking the return of hundreds of millions in fraudulent transfers; so far settlements with investors have netted more than \$2 million to the Estate. The bulk transfer of remaining brokerage accounts and transfer of trusts to successor trustees are major milestones in the process of winding up the Stanford business operations, and thus terminating the attendant operating costs.

Months of negotiations on two continents culminated in a contract to sell the Bank of Panama. The Canadian Court of Appeal affirmed a trial court judgment that was

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<sup>2</sup> Courts examining a request for fees and expenses incurred by a receiver must determine whether the time spent, services performed, expenses incurred, and hourly rates charged are reasonable and necessary under the factors set forth by the Fifth Circuit. *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974). These factors are: (1) the time and labor required for the litigation; (2) the novelty and complication of the issues; (3) the skill required to properly litigate the issues; (4) whether the attorney was precluded from other employment by the acceptance of this case; (5) the attorney's customary fee; (6) whether the fee is fixed or contingent; (7) whether the client or the circumstances imposed time limitations; (8) the amount involved and the results obtained; (9) the experience, reputation, and ability of the attorney; (10) the "undesirability" of the case; (11) the nature and length of the attorney-client relationship; and (12) awards in similar cases. *Id.* at 717-19. In applying these factors, "the district court must explain the findings and the reasons upon which the award is based. However, it is not required to address fully each of the 12 factors." *Curtis v. Bill Hanna Ford, Inc.*, 822 F.2d 549, 552 (5th Cir. 1987) (citation omitted). See also *SEC v. W.L. Moody & Co., Bankers (Unincorporated)*, 374 F. Supp. 465, 480 (S.D. Tex. 1974), *aff'd*, *SEC v. W.L. Moody & Co.*, 519 F.2d 1087 (5th Cir. 1975); *SEC v. Megafund Corp.*, Civil Action No. 3:05-CV-1328-L, 2008 WL 2839998, at \*2 (N.D. Tex. June 24, 2008); *SEC v. Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. 1220, 1222 (S.D.N.Y. 1973).

scathing in its assessment of the Antiguan Liquidators' conduct and appointed Ernst & Young as SIBL's liquidator to work in cooperation with the Receiver. Thus, the Receiver was able to secure and analyze for the first time SIBL data that had been spirited to Antigua and deleted from Canadian servers. The Receiver's litigation costs also include the fees and expenses for substantial work devoted to the review and production of evidence and preparation of testimony for a hearing, which was scheduled for January, on the Antiguan Liquidator's chapter 15 petition.

The Receiver filed more than \$700,000 in tax refund requests on behalf of Stanford entities, some of which have since been granted. Week after week the Receiver and his team have accomplished more – in terms of liquidating assets on favorable terms in a difficult economy, bringing money into the Estate, and terminating business operations and their costs – with fewer resources and at drastically reduced expense. The Court should approve payment of their reasonable and necessary professional fees and expenses.

**B. This application and its supporting evidence establish that the fees and expenses are reasonable and necessary in light of the extraordinary complexity and difficulties of this case.**

The Receiver requests approval of fees and expenses for the 12 firms that have rendered services to the Estate during the period from October 1, 2009 to December 31, 2009. Each firm has voluntarily accepted substantial reductions in their customary rates, the rates they understood they would receive at the outset of this engagement, and that they regularly charge other clients. *See Johnson*, 488 F.2d at 717-19 (both fee quoted to client and customary fee are factors for court to consider in calculating fee award). As a result, the fees charged by the firms to the Receivership Estate have been reduced by at least 20% each for a total discount of \$1,455,012.95 for this period. The total voluntary discount of charges during the life of the Receivership is now well over \$10 million.

This application and its supporting evidence establish that the time spent, services performed, hourly rates charged, and expenses incurred were reasonable and necessary, and indeed essential, for the Receiver to perform his Court-ordered duties. As set forth in extensive detail in this application and the Receiver's prior briefing on professional fees and expenses, each of these professional firms was selected because it possesses special expertise required to fulfill the Court's orders. *See Johnson*, 488 F.2d at 718. In response to prior objections by the SEC and Examiner, and because the exigent circumstances of the first few months no longer exist, the professional firms have instituted billing conventions that permit them to calculate the amount of time devoted to particular issues.<sup>3</sup>

Beginning September 1, the professional invoices reflect the amount of time each professional devoted to a particular task on given day. These work records, along with the summaries contained in this application, are the best evidence available to aid the Court in evaluating the Receiver's work.

**1. KRAGE & JANVEY L.L.P.**

During the period covered by this application, the Receiver and other professionals at Krage & Janvey addressed day-to-day operational and administrative needs of the Estate as well as strategic decisions to maximize assets and reduce claims against the Estate. The Receiver and other members of his firm directed, supervised, and coordinated the activities of team members in the fulfillment of his Court-ordered duties. Their services fall into the

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<sup>3</sup> The major categories of activities or issues covered by this application, in the aggregate for all firms are: clawback and fraudulent transfer litigation against investors, including appeal to Fifth Circuit (19.08%); SEC civil enforcement action (18.80%); other general Receivership matters (i.e. accounting, banking, cash management, coins and bullion) (13.79%); cross border matters (12.83%); clawback and fraudulent transfer litigation against brokers (10.56%); brokerage and trust (8.16%); other third party litigation and document production (7.09%); tax matters (6.06%); and Latin American matters (3.62%).

following categories and the percentages indicate the approximate proportion of total fees related to each category.

(1) Estate Administration (49%): Krage & Janvey managed the Receiver's efforts to minimize and estimate costs (of Stanford operations and professional fees and expenses), and reported to the Court and the SEC regarding asset collection and monetization efforts. Krage & Janvey professionals also attended to state and federal tax returns; Pershing indemnity issues; correspondence with the Examiner, the SEC, investors, and coin claimants; private equity matters; corporate structure and dissolution; real property issues including taxes, insurance, bills, theft, weather damage, leases, and utilities; and budgeting, and accounts payable.

(2) Preservation and liquidation of assets (17%): Krage & Janvey has been responsible for the supervision and ultimate decision-making, subject to Court approval, regarding the preservation and disposition of property owned and leased by the Estate. In this period, the following matters required attention: the potential sale of St. Croix properties; valuations of Tupelo properties; the sale of a Hawker aircraft, the vessel "Sea Eagle," cars, and other vehicles owned by the Estate; the sale of Stanford Bank Panama and the release of Panamanian assets in Switzerland; the engagement of a Mexican liquidator; and liquidation of private equity investments including Go Antiques, Spring Creek Ranch, and Health Systems Solutions, Inc.

(3) Litigation supervision (13%): Krage & Janvey receives all pleadings filed in this case and select pleadings from related cases filed in other U.S. jurisdictions. The Receiver reviews every pleading drafted on behalf of the Receivership and provides substantive input prior to filing. Litigation on the following subjects, among others, warranted attention from Krage & Janvey during this period: briefing and strategy for the Fifth Circuit appeal and oral

argument regarding relief defendant claims against investors and the account freeze; identification of “net winners”; possible settlements with brokers and investors; claims against former employees of Stanford’s Baltimore office; the First Amended Complaint Against Former Stanford Employees (No. 09-724, Doc. 118) the First Amended Complaint Against Investors (No. 09-724, Doc. 128); subpoena and document request issues regarding Hunton & Williams, the Gulf Law Group, and Proskauer Rose; a motion to intervene filed by Lloyd’s of London; the Beki Reeves-Stanford contempt proceedings; briefing on bankruptcy and the Chapter 15 proceeding (and preparation for hearings on the same matters); the bulk transfer of brokerage accounts; motions in the criminal proceedings in the Southern District of Texas; and Stanford’s pre-Receivership lobbying efforts.

(4) Communications (11%): Krage & Janvey drafted, reviewed and approved materials for the Receivership website and press releases on various subjects, and responded to inquiries from claimants and media requests from Reuters, the Associated Press, Bloomberg, CNBC, the Miami Herald, the Baton Rouge Business Report, the Austin American-Statesman, Texas Lawyer, American Lawyer and the Financial Times.

(5) Foreign litigation supervision (9%): Krage & Janvey continued to exercise significant oversight of foreign litigation by directing the actions of foreign counsel, and reviewing and editing briefs and proposed orders, and executing affidavits. During this period several issues required the Receiver’s attention, including the Canadian court’s recognition order; court proceedings regarding – and then management of – data located on the Stanford International Bank Ltd. (“SIBL”) servers located in Canada; communications with Vantis representatives regarding Antiguan proceedings; the asset freeze and Stanford Bank in Panama; and recognition issues in Switzerland and the U.K.

(6) Claims analysis (1%): Krage & Janvey worked with the Receiver's outside counsel to develop a strategy regarding new issues related to claims against brokers and former employees, and addressed issues presented by investors and coin claimants.

The fees charged by Krage & Janvey include all compensation being paid for Mr. Janvey's services as the Receiver as well as for the services of the firm's lawyers during the applicable period. Invoices for Krage & Janvey's services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit A, Appdx. 1-68. The Receiver requests approval of payment to Krage & Janvey for \$63,854.40 in fees and \$1,284.50 in expenses.

## **2. BAKER BOTTS L.L.P.**

Baker Botts continued in its role as lead counsel to the Receiver, advising on day-to-day operations of the Estate as well as strategic decisions to maximize assets and reduce claims against the Estate. Baker Botts's services fall into the following categories and the percentages indicate the approximate proportion of total fees related to each category.

(1) Litigation (*SEC v. Stanford International Bank, Ltd.*) (58%): As the Receiver's lead trial counsel, Baker Botts has primary responsibility for representing the Receiver and entities in Receivership in litigation arising from the subject matter of the SEC's civil action. During the period covered by this application, 99 docket entries were made in the SEC's case, and 75 were made in the '724 case (involving claims by the Receiver against Stanford investors and former employees). Specific filings that required attention from Baker Botts included briefing on Lloyd's of London's motion to intervene; briefing regarding the proposed sale of the vessel "Sea Eagle" and a Hawker aircraft; briefing regarding the proposed sales of investment interests in Health Systems Solutions, Inc. and Senesco Technologies, Inc.; the Receiver's status report on asset collection and cost reduction; motions for relief from the injunction contained in the Receivership order; the Receiver's motion to approve sales

procedures for real property and related briefing; and motions to intervene and to compel arbitration.

In October, Baker Botts filed its cross-appellee's brief and prepared for the November 2, 2009 oral argument in the Fifth Circuit regarding relief defendant claims against Stanford investors. Though the Fifth Circuit ruled that the Receiver could not pursue equitable relief defendant claims against investors, the Receiver's pursuit of those claims was in the best interests of *all* of the victims of the Stanford fraud, given the odds of success and the potential for recovery of nearly a billion dollars in proceeds distributed by the Stanford Ponzi scheme. *See Johnson*, 488 F.2d at 718 (attorney should be "appropriately compensated for accepting the challenge" of taking on "[c]ases of first impression [which] generally require more time and effort on the attorney's part"). Moreover, that work laid the foundation for the Receiver's fraudulent transfer and unjust enrichment claims now pending against former Stanford investors in the '724 case, by identifying the investors and dollar amounts subject to such claims. In December, Baker Botts filed the Receiver's First Amended Complaint Against Certain Stanford Investors (No. 09-724, Doc. 128). Baker Botts has further identified numerous investors who received SIBL proceeds in excess of the amount they invested (so-called "net winners"). By December 31, 2009 more than \$1.2 million in funds had been returned to the Estate in settlements with net winners. To date, that amount is more than \$2.7 million.

In November, Baker Botts attorneys filed the Receiver's First Amended Complaint Against Former Stanford Employees, (No. 09-724, Doc. 118). These claims, which seek to recover the former employees' compensation related to CD sales ("CD proceeds"), are worth more than \$218 million to the Estate and, most importantly, to the defrauded investors. Baker Botts attorneys analyzed the compensation structure for former Stanford employees and

identified categories of compensation with a connection to CD sales, including Loans, SIBL CD Commissions, SIBL Quarterly Bonuses, Performance Appreciation Rights Plan (“PARS”) Payments, Branch Managing Director Quarterly Compensation, and Severance Payments. In many cases, these payments were a direct incentive for promoting the sale of fraudulent SIBL CDs, and it is thus quite appropriate that the payments be returned to Estate for the benefit of the Stanford fraud victims. Employees began filing answers, motions and counter-claims in December, which were reviewed and analyzed by Baker Botts in collaboration with the Receiver, in preparation for the Receiver’s responsive pleadings due in February 2010.

During this period there was considerable activity related to the Antiguan Liquidators’ petition for recognition under Chapter 15 of the Bankruptcy Code. The Court held a status conference in late October and subsequently entered a scheduling order for document production, briefing, and a hearing at which each side would have 5.5 hours to present argument and evidence. In December, the parties exchanged voluminous documents and information and filed substantive briefs supported by evidence. The Receiver’s team also devoted resources to preparation for the evidentiary hearing that had been scheduled for January 21-22.

(2) Brokerage & Trust (6%): During this period, Baker Botts attorneys with expertise in the operation of brokerage and trust companies, fiduciary account issues, and FINRA rules and guidance continued much of the necessary work initiated during prior months.

Baker Botts attorneys collaborated with the Receiver and other professionals to execute account release and transfer protocols for Stanford Group Company (“SGC”) brokerage accounts and Stanford Trust Company (“STC”) accounts. Baker Botts attorneys also continued to work together with other Receivership representatives and Pershing to prepare and execute the “bulk transfer” of SGC customer accounts from SGC to Dominick & Dominick LLC

(“Dominick”). Baker Botts attorneys finalized the bulk transfer agreement, which was executed on November 25, 2009. In connection with the bulk transfer, Baker Botts attorneys finalized other related documents to be sent to SGC customers regarding the bulk transfer, and they coordinated the mechanics, protocol and timeline of the bulk transfer with Pershing and other professionals.

In order to accomplish the account release and transfer and ultimate wind up of the Stanford Trust Company (“STC”) Baker Botts attorneys provided the following services:

- responded to STC customer inquiries;
- continued to collaborate with SEI Private Trust Company, the custodian for STC accounts;
- conferred with Louisiana counsel regarding applicable Louisiana law, on the regulatory and statutory requirements to surrender STC’s charter, shut down STC operations, and secure the Trust Company’s capital;
- reviewed agreements and other documents related to STC formation and capital;
- continued to facilitate the transfer of released trust and other fiduciary accounts;
- gave considerable attention to the appointment of successor trustees to those trust accounts for which the documentation or governing instruments provided insufficient direction, making judicial action necessary in several jurisdictions, including Louisiana, Connecticut, Florida, and Texas; and
- continued to assist with the transfer or distribution of released individual retirement accounts (“IRAs”), giving particular attention to IRAs that held assets with title issues and, in many instances, had little supporting documentation.

Baker Botts attorneys continued to respond to subpoenas and other document requests received from state and federal regulatory agencies concerning the brokerage and trust businesses and accounts, and continued to supplement prior document requests as additional information became available. Baker Botts attorneys continued to communicate with investors

and their counsel regarding investment funds for which Stanford Capital Management was the general partner, providing investment information and evaluating successor general partner candidates. Baker Botts also assisted with the transition of a new general partner to replace Stanford Capital Management.

Baker Botts attorneys also researched FINRA rules and guidance relating to SGC customer inquiries and complaints with regard to former Stanford brokers and responded to such inquiries. In addition, Baker Botts attorneys reviewed filings and notices related to terminating the registrations of former Stanford brokers and other persons formerly associated with SGC, assisted in revising Uniform Registration Forms for certain former Stanford brokers and employees to incorporate changes in information.

(3) U.K. Litigation (5%): Baker Botts attorneys provided information and input in connection with upcoming appellate arguments and briefing, analyzed the position being taken by counsel for the Serious Fraud Office, coordinated use of James Davis's guilty plea documents as relevant to U.K. recognition, and engaged in several communications with the SEC's U.K. counsel. Baker Botts attorneys also addressed issues related to new affidavits, the Vantis appellate brief, and alleged legal restrictions on the use of U.K. evidence in U.S. proceedings.

Robin Preston-Jones, a solicitor in Baker Botts's London office, prepared the evidentiary "bundles" (the record) and legal authorities for the Court of Appeal hearing held in November and communicated with the clerk of the Court of Appeal and solicitors for the other parties. He also assisted the 3-4 South Square barristers in analyzing the Antiguan Liquidators' new evidence. In addition, Baker Botts lawyers in the U.S., principally Bill Stutts and Bob Howell, reviewed new filings by the Antiguan Liquidators and the U.K. Serious Fraud Office and, in addition, reviewed and commented on Mr. Isaacs' extensive oral argument outline. In

addition, during the hearing (which spanned five days), Baker Botts lawyers researched and provided answers to various questions concerning U.S. law posed by the Court of Appeal panel.

(4) Receivership corporate (5%): Baker Botts has continued to serve as day-to-day legal counsel to the Receiver. This work has included assisting the Receiver in coordinating efforts of other members of his team, including Strategic Capital Corporation, FTI Consulting, Ernst & Young LLP, Financial Industry Technical Services, Inc., CB Richard Ellis, Park Hill Group and several law firms. The firm's lawyers participated in frequent meetings and telephone calls with the Receiver and other members of his team, including Stanford personnel, regarding legal issues facing the Receivership Estate. The firm's lawyers are called upon to address a number of issues regarding the winding down of Stanford's remaining operations. As part of this effort, the firm's lawyers participated in calls with Stanford customers, former employees, creditors and other parties with claims against the Receivership Estate regarding requests for information from the Receiver, the status of claims, and other issues. The firm's lawyers reviewed findings and analysis regarding the operation of the Receivership, recommended courses of action regarding same, and reviewed correspondence to the Receiver and coordinated responses thereto. Baker Botts lawyers assisted with the daily operations of the Receivership by reviewing and coordinating the payment of expenses and other obligations of the Receiver as well as pre-Receivership obligations of Stanford entities. Baker Botts lawyers also reviewed issues surrounding the termination and liquidation of the Stanford political action committee. Baker Botts has continued to review strategies for reducing costs and monetizing assets, including assisting in the wind down of the Receivership Estate's remaining operations. As part of this effort, Baker Botts lawyers reviewed issues surrounding the consolidation of

various Stanford legal entities prior to year-end to reduce operating costs and simplify the Estate's operational structure.

Baker Botts has reviewed and analyzed offers to purchase various Estate assets and has worked with other members of the Receiver's team to develop protocols for liquidating Receivership Estate assets. As part of this effort, Baker Botts has reviewed issues regarding the sale of cars, yachts, boats and other personal property owned by the Estate.

(5) Document production (4%): Baker Botts worked with the Receiver and his team to provide various state and federal authorities—including the SEC; Department of Justice; U.S. Attorney for the Southern District of Texas; and Federal Bureau of Investigation—with information and documents in connection with their investigations of the Defendants and as required under paragraph 5(k) of the Amended Order Appointing Receiver (Doc. 157).

In addition, Baker Botts coordinated the Receiver's responses to investigations conducted by the U.S. Attorney for the Southern District of Florida; United States Department of Labor; FINRA; and the Pennsylvania State Securities Commission. In responding to these various requests, Baker Botts participated in numerous telephone conferences with governmental and regulatory agency representatives; identified and gathered relevant documentation and information and prepared it for production; and coordinated with FTI and other members of the Receiver's team to identify the records requested.

(6) Private equity (4%): The Stanford entities had private equity investments in 40 different ventures as diverse as travel services, health care software, precious metals, antiques, and children's toys. Baker Botts continued to work with the Receiver and his team to review and respond to legal issues related to these holdings. This work included the evaluation of rights and responsibilities with respect thereto; communications with portfolio companies and

counsel regarding the status of investments; evaluation of various investment holdings for potential sale to third parties; and review and negotiation of offers from third parties to purchase certain private equity holdings. Baker Botts assisted the Receiver in (i) the sale of the Estate's interest in Memphis Biomed Ventures II, L.P, which resulted in proceeds to the Estate of \$490,000; (ii) the negotiation and execution of agreements to sell the Estate's interests in Merchants Commercial Bank for the purchase price of \$536,250; (iii) negotiating and executing agreements to sell the Estate's interests in Spring Creek LLC, Mountain Partners and SSM Venture Partners III for aggregate proceeds of \$4.7 million; (iv) completing the sale of Israel Opportunity Fund II for \$1.6 million and Health Systems Solutions for \$350,000, (v) preparing motions to obtain this Court's approval of executed purchase agreements to sell the Receiver's interests in Spring Creek LLC and related entities, Senesco Technologies, The Ultimate Gift, SSM Venture Partners III, ACON and USFR, and (vi) the liquidation of the Estate's interests in IMA St. Kitts and Luminetx Corporation for \$65,000 and \$2.1 million, respectively.

(7) Tax (4%): Baker Botts coordinated the efforts of Ernst & Young, attended to numerous tax-related document issues and discovery requests, researched the priority of tax liens and related claims against Estate assets, and provided tax-related research and advice to the litigation team concerning the sale of the Hawker aircraft, claims against former employees of the Baltimore office, and other issues.

The Internal Revenue Service served a "John Doe" summons on the Receiver requesting voluminous information relating to investor clients of Stanford. Baker Botts attorneys analyzed the summons, assessed arguments investors may advance to challenge the summons, evaluated proper steps the Receiver should take in responding to the summons, and discussed the summons with the IRS and Department of Justice.

(8) Litigation (general) (3%): The Receiver, defendants, entities under Receivership and their agents are also parties to litigation other than the SEC's main case and Baker Botts has primary responsibility for those cases filed since February 2009. More than 50 cases have been filed in state and federal courts in violation of the Order and Amended Order Appointing Receiver. Several of those cases have now been consolidated in the Northern District by the Judicial Panel on Multidistrict Litigation. Several new cases have also been filed and other pending cases required attention because plaintiffs filed amended complaints, refused or otherwise failed to seek an agreed stay, or the court order staying the case requires the parties to file regular status reports. Early in the Receivership many parties filed lawsuits because they were unaware of this Court's litigation injunction and upon notice, most readily agreed to a stay. Most of those who have recently filed suits have done so with full knowledge of this Court's injunction and several appear determined to violate its terms by actively prosecuting their cases. Every such suit requires the expenditure of Estate resources to enforce this Court's orders.

(9) Real estate (3%): The Estate owns and leases a significant amount of commercial and residential real property throughout the United States. Baker Botts attorneys have had primary responsibility for analyzing legal documents to establish ownership and identify the terms of mortgages and leases, evaluating these properties, advising the Receiver of their most advantageous disposition, and drafting instruments or court papers to effectuate the Receiver's instructions. Specifically, Baker Botts real estate attorneys have

- drafted an amendment to the lease agreement between J.S. Development, LLC and Dynamic Brands, LLC for the Forefront Golf facility located at 309 Robert Coggins Jr. Drive in Baldwin, Mississippi;
- drafted a settlement agreement between the Virgin Islands Port Authority, as landlord, and Stanford Real Estate Acquisition Limited Liability Limited Partnership, represented by the Receiver, as tenant, whereby the Receiver rejected the lease and VIPA agreed to accept payment of post-

Receivership rent and the security deposit in full satisfaction of VIPA's pre-Receivership and post-Receivership claims;

- identified, and negotiated with, potential property tax consultants to contest 2009 property taxes for 20 Casuarina, Coral Gables, Florida;
- finalized the settlement agreement between Davis-Pendergest Holdings, LLC, Davis Holdings, LLC and Mr. James M. Davis, all of whom are represented by the Receiver, and Farmers & Merchants Bank in response to Farmers & Merchants Bank's response to the Receiver's motion to approve real property sales procedures;
- drafted and negotiated a settlement agreement between Davis Holdings, LLC, represented by the Receiver, and James Hassell, in response to Mr. Hassell's objections to the Receiver's motion to approve real property sales procedures;
- coordinated with outside professionals to prepare broker opinions of value for the five residential properties in St. Croix, USVI owned by Stanford Real Estate Acquisition LLC, to determine whether there is any equity in those properties and whether to recommend that the Court grant Bank of Houston relief from the Amended Order Appointing Receiver to foreclose its interest in those properties;
- drafted and negotiated a proposed stipulation with Wells Fargo regarding the sale procedures for the 5050 Westheimer property;
- conferred with Charter Title Company regarding the requirements for obtaining title insurance in connection with the sale of Receivership property;
- researched the priority of personal property taxes in receiverships in connection with negotiations with Miami-Dade County Tax Collector regarding 2009 personal property taxes for furniture, fixtures and equipment that were located in the Stanford offices at 210 S. Biscayne Blvd. in Miami and application of the 2008 personal property tax refund thereto; and
- ensured that the Receiver is properly managing and preserving the value of the Estate's real property by coordinating payment of property taxes, insurance and maintenance.

(10) Canadian Litigation (1%): Throughout this period, Baker Botts attorneys supervised and coordinated the work of the Osler firm in Quebec and Ontario. Baker Botts attorneys reviewed information related to non-SIBL computer servers in Canada and addressed

questions about the technical analysis of that information. Once the Osler firm obtained the information, an FTI representative traveled to Montreal to retrieve the data. After preliminarily reviewing indices retrieved from the data and determining that the Canadian data was potentially useful for the Receivership, Baker Botts attorneys then coordinated with the Osler firm to have it obtain court authorization to export a copy of the data to the U.S.

Baker Botts attorneys also worked with the Osler firm and the Receiver in determining the Receiver's strategy vis-à-vis the Ontario litigation and reviewed and edited draft court filings; addressed the use in the U.S. of a Canadian regulator's affidavit; and addressed questions of possible appeals by Vantis. Baker Botts also reviewed, and determined with Canadian counsel, strategic matters related to claims to funds in Ontario, advised the Canadian counsel on the status of Vantis responses to the Receiver's demand for information and assets, performed additional review of a new and unannounced change of position by the Ontario AG in litigation seeking access to information, and defended against an application for information from various claimants in Canadian litigation. More than \$20 million in potential Estate assets are currently held in the registry of the Canadian court pending trial.

(11) Several areas of Estate operations are ongoing, but are stable and/or winding down and require less time and attention. These include: Latin America (1%) (Baker Botts corresponded with the SEC and collaborated as necessary with Thompson & Knight regarding operations and assets in Latin America, including the possible sale of Stanford Bank Panama, and securing the assets of that entity, and Baker Botts attorneys attended to corporate authorizations in Peru and verification of same for regulatory compliance); Insurance (1%) (Baker Botts attorneys responded to a request for information from Judge David Hittner of the Southern District of Texas regarding insurance matters, responded to filings made by Lloyd's in

the SEC case, and reviewed various filings made by Stanford in the U.K. regarding insurance issues as to which Stanford was seeking an expedited hearing, contrary to orders of this Court); Labor & Employment (1%) (Baker Botts attorneys attended to various employee-benefits issues, including the termination of Stanford's 401(k) Plan and related vesting issues and responded to employment-related document requests from various government entities, including the Department of Labor, and corresponded with the California Labor Commission); Antiguan Litigation (1%) (Baker Botts attorneys coordinated and oversaw the work of Roberts & Co. and 3-4 South Square in Antigua, on matters including the application to adduce new evidence in the Antiguan court of appeal, and Fundora's dismissal and simultaneous filing of a new trial court action to remove Vantis as SIBL's liquidator); Banking (1%) (Baker Botts addressed the cash account effects of prioritization of assets for liquidation and the coordination of bank account balances and private equity to insure compliance with cash flow requirements of private equity investments, and attended to a request from Bank of America regarding inaccurate credits to a Bank of Antigua account); Aviation (1%) (Baker Botts attorneys negotiated and obtained court approval for the sale of the last remaining Stanford aircraft, resulting in proceeds of over \$184,000 to the Estate and elimination of significant recurring costs); Coin & Bullion Operations (<1%) (Baker Botts assisted the Receiver and his team in preparing for the release of coins and bullion upon receipt of approval by the Court and reviewed and responded to customer inquiries regarding the status of their coin and bullion claims against the Receivership Estate); Cross Border Receivership Matters (<1%) (Baker Botts attorneys evaluated and counseled the Receiver regarding a settlement proposal received from the Antiguan Liquidators); and Switzerland (<1%) (Baker Botts attorneys coordinated the work of the Altenburger firm, monitored the status of

FINMA responses to recognition applications in Switzerland, and provided additional information where requested by FINMA).

Invoices for Baker Botts's services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit B, Appdx. 69-349. The Receiver requests approval of payment to Baker Botts for \$1,380,370.96 in fees and \$50,960.98 in expenses.

**3. THOMPSON & KNIGHT LLP ("T&K")**

Thompson & Knight has continued to provide legal expertise, advice, and representation to the Receivership in areas such as pre- and post-Receivership litigation, insurance coverage and policy interpretation, the recovery and sale of assets and winding up of Stanford activity in Latin America.

(1) Latin American Matters: T&K continues to serve as the Receiver's primary counsel with regard to operations and winding up of Stanford activities throughout Mexico, Venezuela, Ecuador, Panama, Peru, Guatemala, and Colombia.

In this period, T&K attorneys represented the Receiver before government and regulatory agencies and in court in Mexico regarding corporate organization; labor and employment; tax issues; vendor reimbursement; account freezes; and re-establishing accounts to facilitate the winding up of activities in all of Stanford's former offices in Mexico. T&K attorneys represented the Estate in court and before the Mexican Labor Board in actions brought against it by individual former employees and contract employees, coordinated the disposal of leased property and the recovery of leasing deposits, oversaw the finalization and delivery of the external audits, managed salary and payroll issues pertinent to liquidation and winding up, coordinated the transition of information to the SEC and to the Mexican government and regulatory agencies regarding the appointment and installation of the liquidator for all of the Stanford Mexican entities, continued preparation of a liquidation plan, and researched Mexican

investor status and other issues at the request of the CNBV (Mexico's agency for securities regulation).

In addition, T&K attorneys continued to facilitate the sale of Stanford Bank Panama, by negotiating, amending and revising the asset purchase agreement and acting as liaison between the Estate, Panama's new Banking Superintendent, the Panamanian Bank Re-Organizer, various other regulatory and governmental authorities, and potential purchasers. T&K attorneys continued communication with Swiss counsel and officials regarding negotiations for release of Stanford Bank Panama funds in Switzerland as well as for the release of other assets in Europe. T&K attorneys responded to inquiries regarding the release of Stanford Bank Panama's Swiss accounts, negotiated with the Swiss prosecutor and various Swiss banks regarding objections to the release of funds, and communicated with Panamanian auditors regarding due diligence and the proposed sale of the bank.

T&K attorneys communicated with Peruvian securities regulators regarding the release from regulation of Stanford entities and customer accounts and regarding proposed resolutions for the approval of the Receiver and stockholders. T&K attorneys continued to oversee and manage the settlement of lawsuits in Venezuela, the appraisal and receipt of offers to purchase Venezuelan real estate, the preparation of documents for court authorization to sell and various issues related to the seizure of the Venezuelan Bank.

(2) General Receivership Matters and Litigation: T&K has supported the day-to-day operations of the Receivership by providing information and legal guidance for several court filings, as well as analysis on a variety of post-Receivership issues. T&K attorneys have continued to oversee the handling of litigation pending against the Estate upon appointment of the Receiver, have assumed responsibility for certain litigation instituted against the Estate post-

Receivership, and have maintained communication with all twenty-two outside counsels regarding issues arising in these matters. T&K attorneys have responded on behalf of the Receiver to numerous production requests from third parties. T&K attorneys have advised the Receiver regarding numerous issues arising out of the federal criminal prosecution of two former Stanford employees in Florida including requests for production of computer hardware and requests for protective orders from the Defendants. T&K conducted an extensive privilege review and document production related to numerous subpoenas, DOJ and third-party discovery requests and acted as liaison between the Receiver and the DOJ regarding discovery and production issues.

T&K attorneys continued to oversee the withdrawal of all trademarks owned by Stanford Financial Group Company worldwide and managed litigation regarding the Stanford Condominiums. Finally, T&K attorneys continued to attend to final issues regarding locating and securing all property of the Estate including issues arising out of the closure of Stanford's Baltimore, Maryland office.

(3) Insurance: T&K has had primary responsibility for the analysis of existing insurance coverage for all Stanford entities and has counseled the Receiver on issues related to this coverage. T&K attorneys with expertise in insurance law continued to provide considerable guidance to the Receiver related to the Estate's interest in the proceeds of Stanford's D&O and other insurance policies. During this period, T&K attorneys monitored claims made against Stanford insurance policies in U.S. courts, advised the Receiver regarding issues involved in the arbitration of insurance claims, responded to new claims filed in Mexico, Venezuela, Peru, Panama and Ecuador, prepared notices of the claims, and communicated with the insurer regarding the defense of claims against Stanford in Latin America. T&K attorneys continued to

provide guidance to the Receiver regarding policy interpretation; representation in London regarding the arbitration of claims under the Venezuelan policy and rights under that policy; additional D&O issues; authority over insurance proceeds; and the preparation and prosecution of political risk claims.

Thompson & Knight's work in October and November consisted of the following categories and the percentages indicate the approximate proportion of total fees and expenses related to each category: Receivership Administration and Enforcement (46%), Analysis and Advice (18%), External Communications (13%), Legal Research (13%), Internal Communications (4%), Written Motions and Pleadings (3%), Asset Analysis and Recovery (3%), and Trial and Hearing Attendance (<1%). Thompson & Knight's work in December consisted of the following categories and the percentages indicate the approximate proportion of total fees and expenses related to each category: Latin American Matters (Mexico) (28%); Litigation (28%); Latin American Matters (Panama) (25%); D&O Insurance (9%); Receivership Administration (6%); Latin American Matters (Peru/Ecuador) (2%); Government Document Production (1%); and Latin American Matters (Venezuela) (1%).

Invoices for Thompson & Knight's services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit C, Appdx. 350-428. The Receiver requests approval of payment to Thompson & Knight for \$242,782.04 in fees and \$18,939.38 in expenses.

#### **4. FTI CONSULTING**

FTI is a global business advisory firm comprised of professionals such as forensic accountants, electronic evidence specialists, litigation support consultants, expert data analysts, and interim management consultants. Since the inception of the Stanford engagement, FTI has provided services to the Estate such as forensic accounting and asset tracing, electronic evidence

acquisition, electronic evidence processing and review, complex data analysis, litigation support, interim management and operational support. FTI has also assisted the Receiver by responding to numerous governmental and regulatory requests for information including the Securities and Exchange Commission, the U.S. Department of Justice, the Federal Bureau of Investigation, the U.S. Postal Service, and the Internal Revenue Service to name a few.

During this period, FTI continued to provide forensic investigation, accounting, financial, and technological support services to the Receivership. FTI has assigned a core team of dedicated professionals to maximize efficiency and to minimize expenses to the Estate, and has reduced its team relative to prior periods. FTI's services fall into the following categories and the percentages indicate the approximate proportion of total fees related to each category. Many of the specific tasks described below were relevant to more than one category.

(1) Relief defendant and fraudulent transfer litigation analysis (49%): Claims against Stanford investors, former Stanford employees, and other parties holding assets traceable to the Estate represent one of the largest potential sources of recovery available to the thousands of defrauded Stanford investors. FTI has been instrumental in assisting the Receiver and his team in investigating and pursuing these claims.

*(a) Investor Claims*

FTI continued to gather and reconcile data from SIBL records, SGC records, bank records, documentation submitted by investors, and other information available to the Receivership to provide a comprehensive analysis of the flow of funds in and out of SIBL CD accounts. FTI also continued to analyze and classify payments representing the redemption of purported principal versus payments of purported interest and to identify those investors who received returns in excess of their investment ("net winners"). This analysis involved numerous types of transactions and SIBL accounts including: Express accounts, Performance accounts,

Premium accounts, CD accounts, Index Linked CD accounts, and Loan accounts. The analysis also required the development of a methodology for assessing the treatment of each distinct transaction as well as the treatment of related accounts. Based on this analysis, Baker Botts filed a First Amended Complaint Against Investors on December 7, 2009 (No. 09-724, Doc. 128). This analysis is necessarily complicated, but absolutely essential to the Receiver's claims against investors under the law of fraudulent transfer. FTI's analysis has enabled the Receiver to settle with numerous "net winner" investors, which to date has brought \$2.608 million into the Estate for the benefit of claimants, which favors payment under *Johnson*.

FTI played a central role in the investigation and analysis of the Receiver's investor relief defendant and fraudulent transfer claims by identifying the investors and amounts subject to potential claims. In November, Baker Botts appeared on behalf of the Receiver before the Fifth Circuit regarding the investor relief defendant claims. Although the Fifth Circuit ruled against the use of the relief defendant claims, all of the work done to analyze the clawback amounts for relief defendants was also necessary and used for the "net winner" calculation required by the Court. Once it was determined that the "net winner" analysis was required, the same data and "tagging" of the electronic data was used and FTI's technical experts set out immediately to modify the computer coding to produce the information necessary to identify the proper defendants. Reconciling and testing the new computer coding took time, but FTI's flexible system allowed the same general process already in place to be used to identify the net winners.

(b) *Former Employee Claims*

FTI also assisted with the Receiver's investigation of relief defendant and fraudulent transfer claims against former Stanford financial advisors and other former employees. These claims are worth more than \$218 million to the Estate and, most importantly,

to the defrauded investors. A full review of the classes of these former employees' CD compensation—Loans, SIBL CD Commissions, SIBL Quarterly Bonuses, Performance Appreciation Rights Plan (“PARS”) Payments, Branch Managing Director Quarterly Compensation, and Severance Payments—required FTI to comprehensively review all compensation and payroll records available to the Receivership, as well as numerous accounting records. For some of the bonuses paid to former employees (many received more than one type of bonus) the analysis required FTI to review and test monthly and quarterly compensation calculations prepared by the various Stanford entities and to develop a method of determining what portion of the compensation related to SIBL CDs. The analysis also required the development of a process to verify that the funds were paid to the employees. The Receiver relied on FTI's analysis in filing his First Amended Complaint Against Former Stanford Employees on November 13, 2009 (No. 09-724, Doc. 118). FTI also analyzed the CD proceeds received by former Stanford employees who owned their own SIBL CDs.

(2) General litigation (32%): FTI conducted extensive research and analysis to support declarations and briefs filed in the Chapter 15 litigation (No. 09-721), in which the Antiguan liquidators sought recognition of the Antiguan insolvency proceedings as a foreign main proceeding under the Bankruptcy Code. In November, the Court set an evidentiary hearing for January 21, 2010 in which the Antiguan liquidators, the Receiver, the Examiner, and the SEC would present evidence regarding the location of SIBL's “center of main interest,” as defined by the Bankruptcy Code (Doc. 53). FTI was instrumental in preparing evidence for this hearing, which had to be disclosed to the other parties no later than December 3, 2009 (Doc. 54). FTI also analyzed various documents, previous court filings and declarations, and electronic data to assist in both document production and in support of FTI's Senior Managing Director, Karyl Van

Tassel's, planned testimony at the hearing. FTI's research and analysis provided the significant evidentiary data and support needed to complete the various filings related to this proceeding.

In addition, FTI retrieved and analyzed documents and financial information stored on computer servers in Montreal, Canada, to which the Receiver previously lacked access. The retrieval of this information required a site visit to Montreal as well as the initial performance of several different types of diagnostic tests on the data to ensure its integrity. Even after the data was retrieved, obtaining useful financial information was difficult because of the complex server architecture employed by Stanford, consisting of dozens of redundant virtual servers. FTI's investigation narrowed the scope of the virtual servers requiring analysis by removing duplicates and excluding servers based on other criteria. FTI also analyzed Stanford electronic and hard copy documents for use as evidence and assisted with the preparation of declarations for filing in litigation in the U.S., Canada, and the U.K., and was instrumental in searching for documents responsive to third-party subpoenas directed at Stanford entities.

(3) Cash management (10%): FTI continued to supervise and assist with the transfer of bank and investment account balances to the Receivership's control and possession. FTI performed daily treasury procedures, prepared cashflow/forecasting models, and assisted in the accounting function. As part of this effort, FTI prepared, reviewed, and tracked all disbursements related to the daily operating expense incurred by the Receivership and its various assets, including normal course of business accounts payable and payroll payments. The Receivership's accounting functions were supported by assisting with cash reconciliations and journal entry support, and review of monthly balance sheets for the Stanford entities. FTI also managed the distribution of stipulated funds of former clients held in escrow by the

Receivership. Additionally, time incurred under this category included the monitoring and management of all Receivership assets, not just those traditionally defined as “cash.”

(4) FTI also performed work in the following categories: General Receivership Matters (4%) (including managing Receivership staff involved in Estate administration and preparing reconciliation of employee and vendor filed claims to Stanford records); Claims Management (3%) (FTI analyzed submitted claims and managed a database of those claims allowing easy access by the Receiver and his team; this work is preliminary to developing a comprehensive claims process for Court approval and ultimately to processing and evaluating all submitted claims); and Government Document Production (>1%).<sup>4</sup>

Invoices for FTI’s services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit D, Appdx. 429-673. The Receiver requests approval of payment to FTI for \$1,711,760.40 in fees and \$151,580.39 in expenses.<sup>5</sup>

##### **5. ERNST & YOUNG (“EY”)**

EY is an international accounting and professional services firm providing investigative support and tax services to the Receiver. EY’s work product has permitted the Receiver to assert his jurisdiction over many far flung and diverse corporate entities that are owned and/or controlled by the Defendants and also provides a road map for tracing Estate assets

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<sup>4</sup> FTI invoiced the Receivership for several computer hard drives during this period. Those hard drives were used either (a) in connection with transmitting data to government agencies and others in response to document requests, or (b) to create permanent backups of electronic data and evidence for the Receivership’s files. FTI also invoiced the Receivership for data processing and hosting fees in connection with its management of vital electronic evidence and making such evidence available for remote review by the Receiver and his team.

<sup>5</sup> For this fee application only, the SEC, Examiner, and Receiver have agreed to a 25% hold back in respect of certain objections to the work of FTI Consulting that will be reserved until the Receiver seeks an award of the amount held back. The amount the Receiver requests in fees and expenses for FTI has been reduced by the 25% hold back although FTI’s invoices in the Appendix reflect the discounted fees and expenses incurred without the hold back.

around the world. The work of EY has had a direct impact on the recovery of assets for the Receivership Estate.

EY's team is comprised of the forensic and tax professionals with the skill and expertise required to conduct the investigation, compile financial statements, review corporate documents and assemble ownership information, and prepare tax returns for the Stanford entities, both domestic and foreign. EY's team of professionals has been tasked to the Stanford engagement since the inception of the Receivership, thereby avoiding the cost of bringing new personnel up to speed. In order to maintain the base knowledge gained and provide the Receiver with the quality of support expected, EY personnel have been required to travel both from their home locations to the Stanford headquarters in Houston and to the Receiver's offices in Dallas to secure and review data. Despite its reduced team size, EY forensics consultants have worked diligently to respond to inquiries from the SEC attorneys, regulators and interested parties and to provide guidance and oversight for the remaining Stanford operational staff. EY has performed its work with fewer people than in previous periods, has never added unnecessary resources, and has continued to release personnel as soon as their primary functions have been completed.

EY's services fall into the following categories, with percentages indicating the approximate proportion of total fees related to each category.

(1) State tax return preparation and analysis (42%): EY prepared over 80 state returns in dozens of jurisdictions for approximately 12 Stanford entities. The majority of state returns were for Stanford Group Holdings, Inc., Stanford Group Company, Stanford Financial Group Company, and Stanford Venture Capital Holdings, Inc. During the preparation of returns, EY worked with the Receiver to determine which returns were necessary and to minimize the Stanford tax reporting requirements.

(2) Administration of tax department matters (14%): EY processed and responded to tax notices from the IRS and other jurisdictions; reviewed and processed property tax valuation notices; developed property tax payment schedules; and consulted with Baker Botts on tax issues.

(3) Advisory (13%): EY continued to identify information about Stanford entities which appear to have been operative. To date, EY has identified the business operations of 149 Stanford entities, most of which were not even known in February 2009. In addition, EY continued to research information obtained by Stanford personnel and EY Tax related to an additional 100+ entities that appear to have been incorporated or chartered, but for which sufficient corporate records have yet to be found.

EY has advised the Receiver that the IRS will require separate tax filings for each Stanford entity at least through 2009. This necessitates that the Receiver have up-to-date financial statements and supporting detail for each of the remaining Stanford entities. It is essential that the Receiver gain an understanding of these entities, as they may represent Estate assets and liabilities. EY analyzed the Stanford entities' corporate structure and financial statements to determine which companies could be deemed inactive, collapsed, combined, or terminated prior to December 31, 2009, and met with Stanford accounting staff, the Receiver, and Baker Botts regarding same. It was decided at these meetings that 13 entities would file for termination at year-end 2009.

(4) Analysis of client information for minimization of state taxes (12%): EY reviewed and consulted on state apportionment factors, property tax valuations included in tax returns, and positions taken by Stanford in prior tax years. EY reviewed the assets of Stanford Venture Capital Holdings to determine the impact of their fair market value on Mississippi and

Tennessee state tax returns. EY also reviewed and consulted on property tax renditions to determine payment obligations and begin review of asset valuations for January 2010. EY also provided research regarding minimization of the Texas Margin Tax for Stanford Group Company.

(5) Sales and use tax audit and refund requests (14%): EY filed more than \$700,000 in refund requests on behalf of Stanford entities. In February, the Texas authorities advised the Receiver that they would refund approximately \$285,000 to the Estate. EY also attended to the appeals process for the refund claims and gathered additional documents to support the claims. EY also met with Florida auditors and officials in both Houston and Tallahassee to discuss the refund claims.

(6) Tax research and consultation requested by Receiver and Baker Botts (5%): EY participated in various meetings with the Receiver and the Stanford accounting department regarding tax returns, entity elimination, and related issues.

Invoices for EY's professional services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit E, Appdx. 674-710. The Receiver requests approval of payment to EY for \$263,106.40 in fees.

**6. FINANCIAL INDUSTRY TECHNICAL SERVICES, INC. ("FITS")**

The Receiver continues to be responsible for the operation of the Stanford broker-dealer and Stanford Trust Company. A team of five (reduced to three by year-end) FITS professionals has attended to thousands of accounts, owned by thousands of customers, which require ongoing service. These professionals have been required full-time on the Stanford engagement (at voluntarily discounted rates) and thus have been precluded since February 2009 from seeking work paying their customary rates, which favors payment under the *Johnson* factors.

FITS professionals have continued to oversee and supervise the day-to-day activities of the brokerage business which has required FITS personnel to be physically on site at Stanford headquarters in Houston. The FITS professionals on this project have expert knowledge in broker-dealer, registered investment advisor, trust and clearing firm management and operations and firsthand experience in all aspects of Pershing's clearance systems and operations. FITS has operated with the minimum amount of FITS personnel by leveraging the skills of the remaining Stanford employees to reduce costs to the Receivership. FITS' "real world" experience made this possible and its efforts have directly resulted in the identification and recovery of a significant amount of assets for the Receivership. FITS has maintained a core team of senior personnel throughout the project on site and available locally seven days a week and twenty-four hours a day, as needed, without substitutions and relocation of staff.

FITS professionals have continued to perform the day-to-day tasks required to continue the operations and ultimate wind down of the Stanford Trust Company ("STC"), as well as to assess, research, analyze, and organize its books and records. At the inception of the Receivership, STC's records were disorganized and in many cases absent. Only one STC employee has been available to assist the Receiver's team (from a remote location). Every inquiry related to trust operations and customer account issues (identification and release) has to be processed by FITS. This includes: answering all customer questions (phone and email), tracking and processing all transactions through the SEI processing system, researching and analyzing requests from legal and FTI regarding customer accounts, reconciling bank accounts, identifying cash flows, reviewing all customer accounts to ensure interest is posted correctly, closing accounts on the SEI system, liquidating proprietary account holdings, providing support for all court motions, and interfacing with regulators.

Some of the specific tasks FITS has engaged in during the period covered by this application included:

- analyzing records related to commissions, forgivable loans, and PARS payments;
- providing to SEI a weekly list of accounts to close;
- creating procedures for transfer of non-traded assets (*e.g.* real estate, partnerships, closely held stock, private companies and mineral rights);
- creating procedures for dealing with customer notifications that are returned by the post office;
- facilitating the transfer of released customer accounts;
- providing information responsive to third party subpoenas;
- providing information responsive to requests from government agencies, including the SEC, DOJ, FBI and state regulators;
- providing information responsive to requests from clients regarding statements, fees, and coins;
- providing information responsive to requests from the Examiner;
- providing information responsive to requests from former financial advisors;
- providing information responsive to requests from FINRA;
- executing transfers of trust accounts to successor trustees;
- reconciling physical CD information to SEI records;
- contacting customers who have not begun to transfer their SEI accounts;
- liquidating Stanford proprietary trading accounts;
- reconciling fees (charges) to the Stanford sundry account;
- processing the release of accounts pursuant to stipulations with Stanford customers and facilitating action by Pershing;
- managing the processing of customer requests – Letters of Authorization (LOAs);

- establishing and reviewing procedures for winding down SGC operations;
- processing the release of all customer accounts held at Pershing LLC, JP Morgan Clearing Corp., and SEI, in accordance with the Fifth Circuit's ruling;
- researching and following up on inquiries raised by Receiver's counsel regarding specific customer account release status;
- creating a list of customer accounts that will be included in the bulk transfer to Dominick & Dominick, and using this list to send negative consent letters to each customer who would be included in the transfer;
- creating daily reports: (1) customer accounts included in the bulk transfer, and (2) customer accounts pending a residual sweep;
- monitoring inquiries related to bulk transfer of customer accounts;
- monitoring and assisting customers that choose to "opt-out" of bulk transfer;
- developing processes to identify accounts eligible for bulk transfer;
- developing procedures for implementing the bulk transfer of customer accounts;
- coordinating weekly conference calls regarding the bulk transfer;
- coordinating bi-weekly conference calls with Pershing LLC;
- creating daily reports of customer / non-customer SGC & SEI accounts held and released by the Receiver;
- creating weekly reports that reflect the updated net worth of all held accounts;
- creating and updating monthly report of the Stanford deposit account held at Pershing LLC, and reporting the monthly activity;
- reconciling KVT-4 report against SGC and SEI accounts held and adding Express Account information into the reconciliation;
- researching and analyzing FA compensation structure;
- researching, analyzing and providing support for the transfer of customer accounts held by non-US (Colombia, Panama, Peru) Stanford entities;

- creating and updating a weekly report of Stanford Panama and Colombia customer accounts pending transfer;
- negotiating and recovering funds invested by Stanford affiliated entities in private limited partnerships; and
- supervising day-to-day SGC brokerage activities.

FITS's services fall into the following four categories and the percentages indicate the approximate proportion of total fees and expenses related to each category: (1) trust matters (43%); (2) brokerage firm matters (30%); (3) account review process matters (26%); and (4) Latin American matters (1%).

Invoices for FITS's services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit F, Appdx. 711-820. The Receiver requests approval of payment to FITS for \$290,320 in fees and \$51,452.70 in expenses.

#### **7. STRATEGIC CAPITAL CORPORATION ("SCC")**

All services rendered to the Receivership by SCC were performed by its CEO, Malcolm Lovett. SCC continued to provide a broad range of services necessary for coordination of the wind down and liquidation of the Stanford financial services operations. During the period covered by this application, SCC advised the Receiver on various operational issues, in areas such as:

- work plans;
- efficient staffing and budgeting;
- operations and security;
- winding down operations of Stanford Capital Management, LLC;
- winding down brokerage and trust operations;
- the Havell Fund;

- real estate leases, sales, administrative claims, and property management issues;
- real estate property tax issues;
- protocols and release of customer accounts;
- analysis of financial advisor accounts;
- cash disbursement and treasury management;
- wind down of Stanford benefits and qualified plans;
- claims of employees and vendors;
- coins and bullion;
- year-end HR matters and employee benefits issues;
- bulk transfer of customer accounts;
- accounts payable; and
- general operations and coordination of the Receiver's team.

Invoices for SCC's services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit G, Appdx. 821-35. The Receiver requests approval of payment to SCC for \$11,440.64 in fees.

**8. 3-4 SOUTH SQUARE**

Stuart Isaacs, QC, Felicity Toubé, Jeremy Goldring, and Georgina Peters, all of whom are barristers affiliated with the 3-4 South Square chambers, have continued to represent the Receiver in matters in England, including the appeal of the English trial court's decision denying recognition to the Receiver and instead recognizing the Antiguan Liquidators as SIBL's "foreign representatives" in England. Jeremy Goldring and Felicity Toubé assisted Stuart Isaacs, QC, in preparing for oral argument in the Court of Appeal, which was held over five consecutive days, from November 16 through 20. The preparation included not only reviewing an extensive

record, but also reviewing and analyzing additional evidence filed by the Antiguan Liquidators, part of which sought to explain away the Antiguan Liquidators actions in Canada. Among the issues in the appeal were whether the U.S. Receivership qualifies as a “foreign proceeding,” whether the U.S. Receiver qualifies as a “foreign representative,” and whether SIBL’s COMI was in the United States or Antigua, all within the meaning of England’s version of the model cross-border insolvency act.

In addition to preparing for and arguing the English appeal, the 3-4 South Square barristers drafted an application to adduce fresh evidence (e.g., the Canadian judgment and the Davis guilty plea), with related affidavits and written argument, for filing in the Antiguan appeal. They also analyzed and advised the Receiver with regard to Fundora’s dismissal of his appeal and simultaneous filing of a High Court application to replace Messrs. Wastell and Hamilton-Smith with PricewaterhouseCoopers.

Invoices for 3-4 South Square’s services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit H, Appdx. 836-72. The Receiver requests approval of payment to Isaacs, Toube, Goldring, and Peters for \$228,776.56 in fees.<sup>6</sup>

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<sup>6</sup> Three of the professional firms submitted invoices for fees and expenses in foreign currency. The exchange rates published by the Wall Street Journal on November 2, November 30, and December 31, 2009 were used to calculate these amounts in U.S. dollars for billings in the months of October, November, and December, respectively. On November 2, those rates were: (1) .9277 for Canadian dollars (Osler); (2) .9782 for Swiss francs (Altenburger); and (3) 1.6397 for British pounds (3-4 South Square). *See* [http://online.wsj.com/mdc/public/page/2\\_3021-forex-20091102-data.html?mod=mdc\\_pastcalendar](http://online.wsj.com/mdc/public/page/2_3021-forex-20091102-data.html?mod=mdc_pastcalendar)

On November 30, those rates were: (1) .9472 for Canadian dollars (Osler); (2) .9954 for Swiss francs (Altenburger); and (3) 1.6452 for British pounds (3-4 South Square). *See* [http://online.wsj.com/mdc/public/page/2\\_3021-forex-20091130-data.html?mod=mdc\\_pastcalendar](http://online.wsj.com/mdc/public/page/2_3021-forex-20091130-data.html?mod=mdc_pastcalendar)

On December 31, those rates were: (1) .9512 for Canadian dollars (Osler); (2) .9658 for Swiss francs (Altenburger); and (3) 1.6163 for British pounds (3-4 South Square). *See* [http://online.wsj.com/mdc/public/page/2\\_3021-forex-20091231-data.html?mod=mdc\\_pastcalendar](http://online.wsj.com/mdc/public/page/2_3021-forex-20091231-data.html?mod=mdc_pastcalendar)

**9. ROBERTS & CO.**

Sir Clare K. Roberts and attorneys with his firm represent the Receiver in Antigua. During this period, Roberts & Co. attorneys drafted and filed the Receiver's application to adduce new evidence and related filings, communicated with Stuart Isaacs of 3-4 South Square, and conferred with opposing counsel regarding same. The Receiver's new evidence included the recently issued Canadian judgment and the Davis guilty plea and related factual statement.

Sir Clare and his firm worked to prepare the record in connection with the Receiver's appeal to the East Caribbean Court of Appeal. They also looked into the expense of placing "restrictions" on the property records of Stanford real estate located in Antigua, answered certain questions from U.S. counsel regarding assets of Stanford entities other than SIBL that are located in Antigua, and kept the Receiver's U.S. counsel updated on events in Antigua, including changes at the Financial Services Regulatory Commission.

Sir Clare and his firm also analyzed the impact on the Receiver's appeal of certain actions taken by a creditor, Mr. Fundora—namely Mr. Fundora's dismissal of his own appeal, which was due to be heard in conjunction with the Receiver's appeal, and his simultaneous filing in the trial court of a new action to remove Vantis as SIBL's liquidator. This required research by Sir Clare into, among other issues, the novel question of the ability, under East Caribbean procedural rules, of an appellant to dismiss his appeal without leave of court and for the purpose of pursuing a new, albeit related, trial court action. Mr. Isaacs and Ms. Toube researched other Commonwealth procedural analogues. Sir Clare, Mr. Isaacs and Ms. Toube prepared and filed a written argument opposing Mr. Fundora's dismissal without leave of court. Sir Clare continued to follow other developments in Antigua affecting SIBL and Stanford interests, including Mr. Fundora's request for expedited consideration of his new trial court application to remove

Vantis. In addition, to avoid the cost of two separate court of appeal hearings, Sir Clare arranged for the hearing on the Receiver's motion to adduce new evidence to be rescheduled so as to coincide with the hearing on the Receiver's appeal.

Invoices for Roberts & Co.'s services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit I, Appdx. 873-88. The Receiver requests approval of payment to Roberts & Co. for \$85,698 in fees and \$108.42 in expenses for this period.

**10. ALTENBURGER**

Altenburger, a Swiss law firm, has continued to advise and represent the Receiver in connection with his efforts to seek recognition as SIBL's foreign representative in Switzerland, where more than \$100 million in potential Estate assets are at issue. Altenburger attorneys communicated with the pertinent Swiss Federal Prosecutor and officials in the Swiss Federal Office of Justice in an attempt to ascertain what actions the Swiss government has taken respecting particular Estate accounts and assets. Altenburger attorneys, with assistance from Baker Botts, obtained documents requested by FINMA, the Swiss governmental agency charged with deciding which liquidation/receivership regime to recognize.

In addition, attorneys with the Altenburger firm, after consulting with attorneys at Baker Botts, prepared and sent to FINMA correspondence on an issue raised by the Antiguan Liquidators. They also analyzed, for relevance to the Swiss recognition action, the Canadian court of appeal decision dismissing the Antiguan Liquidators' appeal. Altenburger attorneys also worked with attorneys at Baker Botts in connection with certain Stanford investments in Swiss companies.

Invoices for Altenburger's services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit J, Appdx. 889-912. The Receiver requests approval of payment to Altenburger of \$9,285.18 in fees and \$570.25 in expenses.

**11. OSLER, HOSKIN & HARCOURT LLP**

Attorneys with the Osler firm in Montreal prepared for oral argument and argued the Receiver's Motion to Dismiss the Antiguan Liquidators' appeal from the trial court judgments that recognized the U.S. Receivership as the controlling foreign proceeding for the winding up of SIBL and appointed Ernst & Young as Canadian interim receiver, to work in conjunction with the U.S. Receiver. When the court of appeal handed down its judgment dismissing the Antiguan Liquidators' appeal as non-meritorious, Osler attorneys reviewed and analyzed same and advised Baker Botts and the Receiver regarding its effect. Osler attorneys also made contact with the Ernst & Young receiver, Mr. Rosenthal, and briefed him on the case and assisted him in transitioning into his role. In addition, Osler attorneys researched certain privacy issues in connection with the Receiver's request to repatriate SIBL data to the U.S. for further analysis.

There are also three on-going cases in Ontario. One matter was commenced when the Ontario Attorney General applied for civil forfeiture of the SIBL funds located in Toronto Dominion bank and successfully petitioned to have the court compel Toronto Dominion to pay the funds in its SIBL accounts into the registry of the court, pending trial. More than \$20 million in potential Estate assets are currently held in the registry of the Canadian court. Separate from this action, two different groups of Stanford investors have filed what are known as "Norwich" applications to compel Toronto Dominion to turn over records for the SIBL accounts so that they can attempt to trace their individual investments into the funds presently held in the registry of the court in the forfeiture action. On behalf of the Receiver, Osler attorneys intervened in the two Norwich applications and opposed the turnover of records on two principal grounds: (i) the Toronto Dominion records would necessarily reveal the private financial information of many investors from all over the world, and (ii) even if the applicants were given the records, they

would be unable to trace their particular funds into the moneys currently held in the registry of the court because of extensive commingling and massive turnover in the Toronto Dominion accounts. Osler attorneys attended cross-examinations (depositions) of the individual applicants.

Osler attorneys required the Antiguan Liquidators to turn over all Stanford records they gathered from Canada, including the electronic records they had shipped out of Canada. They also arranged for an FTI representative to examine the records in Montreal. It was learned that at least some of the data represented backups of data in Antigua, some of which the Receiver did not previously have. When it was determined that the information required further analysis in FTI's forensics lab in the U.S., Osler attorneys moved for court permission to have a copy of the data made and sent to the U.S. Following a hearing, permission to do so was granted.

Invoices for Osler's services for the period from October 1, 2009 to December 31, 2009 are attached as Exhibit K, Appdx. 913-56. The Receiver requests approval of payment to Osler for \$187,647.61 in fees and \$12,153.15 in expenses.

## **12. LISKOW & LEWIS PLC**

Attorneys with Liskow & Lewis advised the Receiver in December regarding the dissolution of Stanford Trust Company in Louisiana and corresponded with Receiver's counsel regarding same. A bill for Liskow & Lewis's services for the period from October 1, 2009 to December 31, 2009 is attached as Exhibit L, Appdx. 957-61. The Receiver requests approval of payment to Osler for \$2,213.28 in fees and \$447.99 in expenses.

## **CONCLUSION**

The fees and expenses requested by the Receiver are necessarily substantial, but have decreased significantly as the Receivership has progressed. The fees and expenses incurred for the period covered by this applications are 81% less than those requested in the first

application (measured by weekly rate of expenditure), and 45% less than those requested for work performed during June through August (measured by weekly rate of expenditure). After consulting with each of the primary professionals, the Receiver expects to continue reducing professional fees where it is appropriate to do so consistent with his duties.

The fees requested herein were both appropriate and necessary to carrying out the Amended Order Appointing Receiver. Accordingly, the Receiver requests that the Court enter an order approving \$4,764,753.22 of the fees and expenses incurred for the period from October 1, 2009 to December 31, 2009, and that the Receiver be permitted to seek payment of the \$1,346,466.70 hold back for this period at a later date.

Dated: March 11, 2010

Respectfully submitted,

BAKER BOTTS L.L.P.

By: /s/ Kevin M. Sadler

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**ATTORNEYS FOR RECEIVER RALPH S. JANVEY**

**CERTIFICATE OF CONFERENCE**

Counsel for the Receiver conferred with the parties to this case. Counsel for the Receiver conferred with David Reece, counsel for the SEC, who stated that the SEC does not oppose this motion and the relief sought herein.

Counsel for the Receiver conferred with Manuel P. Lena, Jr. counsel for the DOJ (Tax Division) who stated that the IRS (Tax Division) takes no position on this motion or the relief sought herein.

Counsel for the Receiver attempted to confer with Jack Patrick, counsel for the DOJ (Fraud Division), but did not receive a response before filing this motion.

Counsel for the Receiver conferred with Jeff Tillotson, counsel for Laura Pendergest-Holt, who stated that Ms. Pendergest-Holt does not oppose this motion and the relief sought herein.

Counsel for the Receiver conferred with David Finn, counsel for James Davis, who stated that Mr. Davis takes no position on this motion and the relief sought herein.

Counsel for the Receiver conferred with Ruth Schuster, counsel for R. Allen Stanford, who stated that Mr. Stanford opposes this motion and the relief sought herein.

Counsel for the Receiver contacted Lee Shidlofsky, who stated that he does not represent Gilberto Lopez in this action. Thus Mr. Lopez has not yet entered an appearance and was not consulted on this motion.

Counsel for the Receiver attempted to confer with Gregg Anderson, counsel for Mark Kuhrt, but did not receive a response before filing this motion.

LeRoy King has not yet entered an appearance in this action and thus was not consulted on this motion.

Counsel for the Receiver attempted to confer with Joe Kendall, counsel for Susan Stanford, but did not receive a response before filing this motion.

Counsel for the Receiver conferred with Julie Biermacher, counsel for Trustmark National Bank, who stated that Trustmark National Bank does not oppose this motion and the relief sought herein.

Counsel for the Receiver conferred with Jason Brookner, counsel for HP Financial Services Venezuela C.C.A., who stated that HP Financial Services Venezuela C.C.A. takes no position on this motion and the relief sought herein.

Counsel for the Receiver conferred with John Little, Court-appointed Examiner, who stated that he does not oppose this motion and the relief sought herein.

The motion, therefore, is opposed.

/s/ Kevin M. Sadler

Kevin Sadler

#### CERTIFICATE OF SERVICE

On March 11, 2010, I electronically submitted the foregoing document with the clerk of the court of the U.S. District Court, Northern District of Texas, using the electronic case filing system of the court. I hereby certify that I have served the Court-appointed Examiner, all counsel and/or pro se parties of record electronically or by another manner authorized by Federal Rule of Civil Procedure 5(b)(2).

/s/ Kevin M. Sadler

Kevin M. Sadler