

**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.	§	

**RECEIVER’S SIXTH MONTHLY REPORT REGARDING
FEES AND EXPENSES INCURRED AS A RESULT OF THE CLAIMS PROCESS**

Receiver Ralph S. Janvey (the “Receiver”) hereby files his Sixth Monthly Report Regarding Fees and Expenses Incurred as a Result of the Claims Process (the “Sixth Monthly Report”), respectfully stating as follows:

BACKGROUND

As noted in the Receiver’s April 27, 2012 Estimated Budget Letter, the Receiver stated that he would “submit monthly reports to the Court reflecting the fees and expenses incurred by the Receiver as a result of the claims process.” [See Doc. 1583 at 4.] On June 8, 2012, the Receiver submitted his First Monthly Report Regarding Fees and Expenses Incurred as a Result of the Claims Process (the “First Monthly Report”) for the period ending May 31, 2012. [See Doc. 1618.] On July 10, 2012, the Receiver submitted his Second Monthly Report Regarding Fees and Expenses Incurred as a Result of the Claims Process (the “Second Monthly Report”) for the period ending June 30, 2012. [See Doc. 1641.] On August 10, 2012, the Receiver submitted his Third Monthly Report Regarding Fees and Expenses Incurred as a Result of the Claims Process (the “Third Monthly Report”) for the period ending July 31, 2012. [See

Doc. 1676.] On September 11, 2012, the Receiver submitted his Fourth Monthly Report Regarding Fees and Expenses Incurred as a Result of the Claims Process (the “Fourth Monthly Report”) for the period ending August 31, 2012. [See Doc. 1700.] And on October 12, 2012, the Receiver submitted his Fifth Monthly Report Regarding Fees and Expenses Incurred as a Result of the Claims Process (the “Fifth Monthly Report”) for the period ending September 30, 2012. [See Doc. 1714.]

STATUS OF PROFESSIONAL FEES & EXPENSES

The Receiver now hereby submits his Sixth Monthly Report for the period ending October 31, 2012, which also includes the figures for the periods subject to the First through Fifth Monthly Reports.¹ As of October 31, 2012, **\$3,841,215.77** in professional fees and expenses were incurred as a result of the claims process. The fees and expenses related to the claims process that are attributable to each of the Receiver’s professional firms are as follows:

GILARDI & CO. LLC		
REPORT PERIOD	PROFESSIONAL FEES	EXPENSES
First Monthly Report (as of May 31, 2012)	\$143,991.25	\$339,260.19
Second Monthly Report (June 1-30, 2012)	\$246,503.66	\$9,141.09
Third Monthly Report (July 1-31, 2012)	\$245,596.97	\$15,189.57
Fourth Monthly Report (August 1-31, 2012)	\$416,174.02	\$1,537.98
Fifth Monthly Report (September 1-30, 2012)	\$371,832.42	\$1,227.73
Sixth Monthly Report (October 1-31, 2012)	\$160,901.12	\$330.04
Gilardi Total (as of October 31, 2012)²	\$1,577,799.44	\$366,686.60

¹ The following figures have been slightly revised as a result of additional fee and expense information received after the filing of the Fifth Monthly Report: (a) FTI’s expense amount for July 1-31, 2012; (b) FTI’s expense amount for September 1-30, 2012; (c) Baker Botts’s fee amount for September 1-30, 2012; and (d) Gilardi’s fee amount as described at footnote 2, *infra*.

² The total amount of Gilardi’s professional fees reflects a reduction of \$7,200.00, as per an agreement between the Receiver and Gilardi relating to activities during July and August 2012.

FTI CONSULTING, INC.		
REPORT PERIOD	PROFESSIONAL FEES	EXPENSES
First Monthly Report (as of May 31, 2012)	\$167,317.20	\$0.00
Second Monthly Report (June 1-30, 2012)	\$89,735.60	\$0.00
Third Monthly Report (July 1-31, 2012)	\$184,634.80	\$54.60
Fourth Monthly Report (August 1-31, 2012)	\$286,457.60	\$98.23
Fifth Monthly Report (September 1-30, 2012)	\$433,769.20	\$614.19
Sixth Monthly Report (October 1-31, 2012)	\$394,668.80	\$617.31
FTI Total (as of October 31, 2012)	\$1,556,583.20	\$1,384.33

BAKER BOTTS L.L.P.		
REPORT PERIOD	PROFESSIONAL FEES	EXPENSES
First Monthly Report (as of May 31, 2012)	\$53,948.80	\$792.74
Second Monthly Report (June 1-30, 2012)	\$65,978.00	\$303.67
Third Monthly Report (July 1-31, 2012)	\$52,016.00	\$490.39
Fourth Monthly Report (August 1-31, 2012)	\$69,056.80	\$344.48
Fifth Monthly Report (September 1-30, 2012)	\$43,242.00	\$286.23
Sixth Monthly Report (October 1-31, 2012)	\$52,096.00	\$207.09
Baker Botts Total (as of October 31, 2012)	\$336,337.60	\$2,424.60

In April 2012, the Receiver estimated that “the claims process — from notice through claims reconciliation and determination — [would] cost approximately \$3.85 million in expenses and professional fees.” [See Doc. 1583 at 1.] As discussed in the Fifth Monthly Report, the Receiver anticipated that the Estate would expend the remainder of the budgeted amount by the end of October 2012. [See Doc. 1714 at 3.]

As of October 31, 2012, approximately \$8,700 of the original claims-processing budget remains. However, given the claims reconciliation tasks that must still be completed, the Receiver expects that approximately **\$1.1 million** in additional fees and expenses will be necessary to complete CD claims processing and reconciliation through the sending of Notices of Determination.

Although the Receiver's professionals have worked diligently to process and reconcile CD claims efficiently, factors beyond the Receiver's control are responsible for the additional estimated fees and expenses. For example, the Receiver received new and/or revised claims from law firms on behalf of several thousand CD claimants in the days both immediately preceding and long after the expiration of the Bar Date. Once the Receiver's professionals reviewed those claims, they determined that the data — which was internally inconsistent — was not in a usable format and had to request that the data be resubmitted. Furthermore, these claimants had previously submitted nearly 5,000 claims to the Receiver, nearly all of which had been fully processed to completion when the new versions of the claims were received. These claimants' multiple submissions effectively resulted in a larger number of claims submitted to the Receiver than he had originally projected. [*See* Doc. 1583 at 1 (“The primary driver of costs will be the number of claims submitted, which is impossible to know in advance. The Receiver estimates, however, that approximately 30,000 claims will be submitted, including claims by SIB CD holders and other claimants of the Receivership Estate entities.”).] Had the Receiver been informed that the claimants intended to submit wholly revised claims to supersede their prior submissions, he would not have spent resources reconciling the original claims in the first instance. Moreover, when the newer claims were compared to the claimants' prior submissions, the Receiver discovered that approximately 100 were brand new claims from new claimants; numerous claimant names and account numbers had been modified, added, or removed; and many claimed amounts had been revised. For all of these reasons, the length and amount of time required to reconcile CD claims has increased in a manner unforeseeable to the Receiver. [*Cf.* Doc. 1583 at 1 (“[T]here are many factors that are outside of the Receiver's control and that may lead to increased and unexpected expenses.”).]

Furthermore, the Receiver's claims-reconciliation activities have taken longer to complete and have required more professional time because the vast majority of CD claimants submitted claims for fictitious interest. When the Receiver originally forecasted a \$3.85 million budget for claims processing, he anticipated that the Court would grant his Motion for Partial Summary Judgment Against Certain Net Winner Investors³ and that such a ruling would discourage most claimants from asserting claims to recover fictitious interest. [*See* Doc. 1583 at 1 ("This estimate, however, is based on certain assumptions that ultimately may prove incorrect[.]") and at 3 ("Should the Court rule that SIB CD investors are not entitled to fictitious interest, that holding will help limit professional fees and expenses required to address objections relating to fictitious interest.")].] Because a ruling has not issued, however, the professional time necessary to account for and disclaim such fictitious interest has required the Estate to expend additional funds not anticipated in the original budget.

The Receiver's best estimate of \$1.1 million in fees and expenses to complete the CD claims processing and reconciliation through Notices of Determination does not include fees and expenses related to the receipt and resolution of objections. Many such objections will require Court involvement, specifically in regard to fictitious interest, and the Receiver cannot anticipate how many claimants will object to the Notices of Determination. After all Notices of Determination are sent, and following the expiration of the 30-day deadline for claimants to serve objections to those Notices of Determination [*see* Doc. 1584 at 17-18, 51], the Receiver will notify the Court of the number of objections and the amount of additional fees and expenses expected to be incurred as a result of handling such objections. In addition, this estimate does

³ [*See* Case No. 3:09-CV-0724-N-BL, Doc. 615; Case No. 3:10-CV-0366-N-BL, Doc. 145; Case No. 3:10-CV-0415-N-BL, Doc. 46; Case No. 3:10-CV-0478-N-BL, Doc. 46; Case No. 3:10-CV-0528-N-BL, Doc. 30; Case No. 3:10-CV-0617-N-BL, Doc. 26; Case No. 3:10-CV-0725-N-BL, Doc. 24; Case No. 3:10-CV-0844-N-BL, Doc. 31; Case No. 3:10-CV-0931-N-BL, Doc. 43; and Case No. 3:10-CV-1002-N-BL, Doc. 89.]

not include fees and expenses related to claims other than CD claims, given that the Receiver has thus far given priority to reconciling CD claims.

ONGOING ACTIVITIES

The following is an update concerning the activities of the Receiver and his professionals with regard to claims processing:

- The Receivership received 19,850 claims through October 31, 2012 as a result of the Court-approved claims process. Of these, 3,938 were received online, and 15,912 were received via mail, electronic mail, fax, or courier delivery.
- In accordance with the Court's Bar Date Order, as of October 31, 2012, Gilardi had sent 19,521 confirmations to claimants via e-mail or mail stating that the Receivership had received their claim forms.
- The following statistics reflect the status of the 33,826 claims (whether CD or non-CD) received through both the prior claims process and the Court-approved claims process as of October 31, 2012. Please note that these numbers will continue to fluctuate based upon continuing reconciliation activities and, in particular, due to the claims only recently submitted by thousands of CD claimants represented by law firms (discussed *supra*).
 - Reconciliation activities regarding 14,759 claims were completed based on information processed to date. The reduction in this number as compared to the Fifth Monthly Report relates to the claims recently submitted by thousands of CD claimants represented by law firms.
 - 3,320 claims were being manually reconciled, as follows: (a) Gilardi was reconciling 37 CD claims; (b) Stanford Staff was reconciling 1,873 CD and non-CD claims; (c) FTI was reconciling 1,292 CD claims; (d) Baker Botts was reconciling 47 non-CD claims; and (e) Gilardi and FTI were appending additional claims-related data to 71 claims.
 - 939 claims were deficient due to a lack of required information on the claimants' claim forms. Gilardi has thus far contacted claimants for 741 of those claims — whether through the dissemination of formal notices of deficiency (710 claims) or through more informal means of communication (31 claims) — to obtain the missing information. In addition, Gilardi is in the process of contacting claimants who submitted 102 claims that, while not facially deficient, require additional documentation to effectively reconcile their claims.
 - 9,153 claims were identified as duplicates of claims already submitted.

- 5,227 claims were in the beginning stages of intake processing, initial review, and claim type determination. The significant majority of these claims were related to the claims received from law firms on behalf of thousands of CD claimants in the days both immediately preceding and long after the expiration of the Bar Date.
- 326 claims were served upon the Receiver after the Court-approved Bar Date expired.
- As discussed above, Baker Botts drafted and submitted the Fifth Monthly Report on October 12, 2012 and continued to monitor and oversee the claims process and fees and expenses related thereto.
- Through October 31, 2012, the Receivership received approximately 8,100 telephone calls (of which approximately 4,100 were escalated to a customer service representative) and approximately 10,800 inquiries via electronic mail.

Dated: November 6, 2012

Respectfully submitted,

BAKER BOTTS L.L.P.

By: /s/ Kevin M. Sadler

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**ATTORNEYS FOR RECEIVER
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CERTIFICATE OF SERVICE

On November 6, 2012, 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