EXAMINER'S STATEMENT
Regarding Efforts to Obtain SIPC Coverage

Dallas, Texas January 7, 2011

The Examiner has received a number of communications concerning efforts undertaken by the Stanford Victims Coalition ("SVC") to obtain coverage under the U.S. Securities Investor Protection Act ("SIPA") for Stanford Investors who were clients of Stanford Group Company ("SGC"), a member of the Securities Investor Protection Corporation ("SIPC"). Those communications reflect a fair amount of confusion and misinformation concerning this topic. The Examiner offers this statement as an attempt to provide some clarity.

SIPA is intended to provide protection to customers of SEC-registered broker dealers whose securities or funds have been stolen or are otherwise missing when a broker dealer closes, due to bankruptcy or other financial difficulty, by unwinding the broker-dealer and distributing its assets to customers and other creditors.

It is important that Investors understand that SGC was the only Stanford entity that was an SEC-registered broker dealer and as such, a member of SIPC. The SIPA specifically excludes coverage of securities sold by foreign affiliates of SIPC members or by financial advisors not registered as a representative of a SIPC member.

Many of the communications that have been received by the Examiner contain wildly inaccurate numbers concerning the number of Stanford investors that might be eligible to file claims for SIPC coverage if the SEC does order a SIPC liquidation of SGC. At the request of the U.S. Congressional Budget Office, the Receiver provided the following information concerning the Stanford CD investors.

- There are **21,434** investors who hold **$7.2 billion** in SIB CDs.
- Of the 21, 434 investors, **7,814** are SGC customers holding **$3.5 billion** in SIB CDs. These 7,814 SGC customers include both US residents and residents of various other jurisdictions.
- The remaining **13,620** investors had no relationship with SGC and hold **$3.7 billion** in SIB CDs. This category of Investors includes both US residents and residents of various other jurisdictions.

The foregoing data provided by the Receiver suggests that approximately half of the outstanding CDs (in dollar value) belong to SGC customers.

It is also important that all Investors understand that there is an enormous amount of uncertainty concerning whether SIPC coverage will be extended to any Stanford investors and, if so, under what circumstances. The leadership at SIPC has made it absolutely clear that SIPC does not believe any Stanford Investors qualify for coverage. The SEC, which oversees SIPC, has not yet made its formal determination about whether the SIPA applies to SGC.

The SVC obtained outside counsel to advance its legal arguments for coverage; i.e., to liquidate SGC under SIPA, to the SEC and is now in the final phases of providing documentation supporting those arguments. There is no way to predict when the SEC will finally make a decision concerning the availability of SIPC coverage.

In addition to the pending SEC determination about whether or not SGC should be liquidated under the SIPA and SGC customers allowed to file claims, an amendment to the SIPA statute to clarify the definition of "customer" to include SGC customers was introduced as part of the House Financial Services Appropriations Bill, which passed at the committee level in August. That bill must still be voted on by the entire House of Representatives. There is no way to predict at this time when that might occur, nor what the outcome of that vote might be. A similar bill is expected to be introduced in the Senate. It is critical for Investors to understand that neither the SVC nor the Examiner can predict whether these legislative efforts will succeed.

In the event the SEC determines that SIPA coverage should be extended to SGC customers, or that Congress enacts legislation that extends SIPC coverage to some group of Stanford CD investors, it is equally important that all Stanford Investors understand that SIPC coverage benefits the individual customers of a broker dealer. In order for any customer of SGC to file SIPC claims, the SEC must first order a liquidation of SGC under SIPA. If a liquidation of SGC is ordered, individual Investors will have an opportunity to present their claims for coverage to a SIPC trustee for review. If the SIPC trustee approves an Investor's claim, it will make an advance of up to $500,000 directly to the Investor. There is no set of circumstances under which SIPC would transfer funds to the Receiver (or to the Investors Committee or to any other similar Investor "representative") – SIPC would only pay claims directly to the individual Investors who present valid claims.

Finally, a number of Investors have expressed concern that the extension of SIPA to SGC customers will somehow eliminate the recovery by other, non-SGC customers, via the Receivership. Some Investors are under the impression that any SIPC claims paid to SGC customers will be considered a "loan" from the Receivership and that all SIPC claims that are paid to SGC customers will be owed back to SIPC by the Receiver for the other Stanford entities. This is not accurate. In the event there is a liquidation of SGC under SIPA, SIPC would advance payments to SGC customers who present a valid claim. SIPC would then use SGC assets and customer property (to the extent those exist) to fund repayment of the amount of the SIPC advance. If there are not enough funds to repay SIPC, the amount remaining will be a loss to SIPC.

At this point in the process, it is not possible for anyone to predict with any accuracy how an extension of SIPC payments to some group of Stanford CD investors will impact the recovery of those Stanford CD investors who do not have valid SIPC claims. That is so for a number of reasons (in addition to those already addressed above). A SIPC trustee might have the right to assert a claim against the assets the Receiver has collected (if there are any) that belong to SGC customers or SGC as an entity. The Examiner is not aware of any situation in which SIPC or its trustee could seek assets of other Stanford entities that did not belong to SGC or its customers. The investigation that has been done by the Receiver's forensic accountants suggests that there aren't any significant SGC assets. The Examiner understands SGC was a money-losing operation that survived because of the cash transferred to it by Stanford International Bank ("SIB") and other Stanford entities. If a SIPC trustee is appointed to liquidate SGC and he or she attempts to litigate claims for assets held by the Receiver for other non-SGC Stanford entities, the Examiner anticipates that the Receiver would actively oppose such claims and could even assert a counter claim against SGC based on the many cash transfers that went to SGC from other entities (the Receiver would not be able to claim actual SIPC assets).