

**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 THIRD INTERIM REPORT REGARDING STATUS OF  
RECEIVERSHIP, ASSET RECOVERY AND ONGOING ACTIVITIES**

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The Receiver hereby submits for the Court’s consideration the following information regarding the status of the Receivership, asset recovery efforts and other ongoing activities. Unless otherwise stated herein, the information in this report is current as of November 10, 2011.

**I. Financial Status of Receivership**

On February 11, 2011, the Receiver submitted to the Court his Second Interim Report Regarding Status of Receivership, Asset Collection and Ongoing Activities. (Doc. 1236). As an appendix to the Second Interim Report, the Receiver included an exhibit that summarized the financial status of the Receivership (“Receivership Financial Summary”), including cash flow of the Receivership between February 17, 2009 and January 31, 2011, restricted and unrestricted cash on hand as of January 31, 2011 and material receivership assets. Attached as

part of the appendix hereto is an updated Receivership Financial Summary, current as of October 31, 2011.

## **II. Status of Receiver's Analysis of Stanford Ponzi Scheme**

The Second Amended Order Appointing Receiver authorizes the Receiver “to immediately take and have complete and exclusive control, possession, and custody of the Receivership Estate and to any assets traceable to assets owned by the Receivership Estate.” Second Amended Order Appointing Receiver (Doc. 1130) at ¶ 4. Paragraph 5(c) of the Order specifically authorizes the Receiver to “[i]nstitute such actions or proceedings [in this Court] to impose a constructive trust, obtain possession, and/or recover judgment with respect to persons or entities who received assets or records traceable to the Receivership Estate.” Second Amended Order Appointing Receiver (Doc. 1130) at ¶ 5(c). From the date of his appointment, the Receiver’s efforts to carry out these duties have included an examination of available records that provide insight into the details of the complex and far-reaching Stanford Ponzi scheme. However, the Receiver’s analysis continues to be impeded by the lack of access to records related to the Ponzi scheme, which the Receiver knows are held both in Antigua and by foreign banks such as Société Générale Private Banking (Suisse) S.A. What follows are the Receiver’s conclusions concerning the flow of funds into and through the Ponzi scheme.

Based on the analysis by the Receiver and his professionals, the Receiver has concluded that the Stanford entities, including SIBL, were operated as a Ponzi scheme from at least 1999 forward and that SIBL was insolvent (*i.e.* its liabilities exceeded the fair value of its assets) from at least 1999 forward. Although SIBL’s records reflected total CD account balances of \$7.2 billion as of February 16, 2009, the market value of all known assets for all Stanford entities (including SIBL) combined totaled approximately \$500 million.

### **III. Investor Deposits and Fictitious Interest**

SIBL records available to the Receiver state that approximately \$10.2 billion was recorded by SIBL as investor deposits in the Stanford Ponzi scheme prior to February 16, 2009. However, this total includes a substantial amount of fictitious interest that was simply credited to investor accounts and characterized in SIBL records as deposits or included in the balances in the investors' CD accounts. Due to a lack of access to records residing in Antigua, the Receiver has been unable to reach a definitive conclusion as to the precise aggregate amount of the deposit balances which are in fact fictitious interest. However, even though SIBL's records reflect that at the inception of the Receivership on February 16, 2009, SIBL had total CD account balances of approximately \$7.2 billion, the Receiver has concluded from SIBL records that just during the period of 2004 through 2009, approximately \$1.3 billion in fictitious interest was credited to SIBL CD balances but was not actually paid to investors.

### **IV. Stanford Defendants' Use and Disposition of SIBL CD Sale Proceeds**

Stanford's available records show that during the time the Ponzi scheme was in operation, at least \$8.5 billion flowed through the Ponzi scheme to a variety of recipients, the major categories of which are set forth below. In order to identify potential sources of recovery for the Receivership Estate, much of the Receiver's analysis has focused on determining how CD investor funds were used and disposed of by R. Allen Stanford, James Davis, Laura Pendergest-Holt and the Stanford entities. The Receiver's team has made the following determinations regarding the Stanford Defendants' use and disposition of SIBL CD investor proceeds as part of its analysis to date.

#### **A. Diversions of Funds by SIBL to Allen Stanford and Other Stanford Entities**

At least \$3.7 billion of SIBL CD sale proceeds were diverted to other Stanford entities between 1998 and 2009, which included:

- \$1.4 billion in referral and management fees paid to other Stanford entities between 1998 and 2009.
- At least \$2.3 billion diverted to other Stanford entities and/or Allen Stanford directly. The funds diverted to the other Stanford entities were transferred without any exchange of legitimate services or products and substantial amounts of the funds were used for the personal benefit of Allen Stanford including the purchase of homes, luxury cars, yachts, airplanes, payments to wives and girlfriends, *etc.* Over \$1.5 billion of these funds were diverted between April 2004 and 2009, and at least \$800 million were diverted prior to April 2004. These transfers were not disclosed to investors and were classified after the fact as “Loans to Shareholder” (*i.e.* Loans to Allen Stanford). The undisclosed Loans to Shareholder were not actual arms-length loans but were merely bookkeeping entries used to cover up the fact that SIBL was sending funds to other Stanford entities for the benefit of Allen Stanford, to cover up improper accounting practices and to obtain favorable tax results for Allen Stanford.

**B. Private Equity “Investments” and Real Estate Purchases**

SIBL made private equity and real estate investments totaling at least \$542 million between 1997 and December 31, 2008. Such investments included approximately \$496 million between 2004 and 2008 as well as at least \$46 million between 1997 and December 31, 2003. Contrary to SIBL’s assurances to customers that its investments consisted of “highly marketable securities issued by stable governments, strong multinational companies and major international banks” so as to “maintain[] the highest degree of liquidity,” these real estate and private equity investments were illiquid and highly speculative.

**C. Tier 2 Investments**

SIBL also invested funds in what it referred to as Tier 2 investment accounts. These accounts typically were managed investment accounts holding securities and other relatively liquid assets. Between 2003 and 2009, SIBL made a net investment (*i.e.* deposits

minus withdrawals) in Tier 2 accounts of approximately \$357.5 million. Although lack of access to records in Antigua precludes a complete accounting of Tier 2 deposits prior to 2003, records available to the Receiver show that the Tier 2 investment portfolio balance as of December 30, 2002 was approximately \$111 million. Between 2002 and 2009, SIBL had *negative* earnings on these investments of over \$129 million.

**D. Payments to Investors**

Between 2002 and February 2009, SIBL paid at least \$4.4 billion to SIBL investors in purported principal payments, interest payments and loan proceeds. At least \$322 million of the total amount paid to investors between 2002 and February 2009 constituted fictitious interest. Such amounts did not represent actual returns on any legitimate investments held by SIBL.

**E. On-Going Asset Recovery Work**

The Receiver is not devoting resources to tracing or recovering assets being pursued or already secured by the United States government in the U.S. or foreign jurisdictions.<sup>1</sup> The Receiver's asset tracing work is focused on that which is required to prosecute his separate asset-recovery lawsuits. There does not appear to be substantial evidence in available records<sup>2</sup> that significant amounts of CD investor proceeds are unaccounted for in the analysis of the flow of funds described in this Report. If in the course of pursuing his asset-recovery claims, the

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<sup>1</sup> As stated in the Receiver's Second Interim Report Regarding Status of Receivership, Asset Collection and Ongoing Activities dated February 11, 2011, "[w]ith respect to the funds and assets subject to law enforcement actions and freezes in the United Kingdom, Canada and Switzerland, the SEC has requested, and the Receiver has agreed, that the Receiver will not incur further significant fees and expenses relating to those funds and assets without first conferring with and obtaining the consent of the SEC and Department of Justice." Doc. 1236, p. 10. The Receiver is not informed of any ongoing asset tracing efforts by any government agency.

<sup>2</sup> Records held in Antigua and held by foreign banks likely contain information concerning additional assets traceable to the Stanford Ponzi scheme, such as funds that flowed through foreign banks like Société Générale and funds or assets held by Bank of Antigua as of February 2009. However, the Receiver has no access to such records.

Receiver becomes aware of the location of specific additional assets, he will of course take all appropriate action to secure those assets, where it is legally possible and cost-justified to do so. A recent example of such action is the Receiver's claim against the Libyan Investment Authority and Libyan Foreign Investment Company to recover \$55 million in CD proceeds fraudulently transferred by the Ponzi scheme shortly before it collapsed.

The Receiver will supplement this report as circumstances develop, or if the information herein materially changes, or additional records currently being withheld from the Receiver become available to him for analysis.

Dated: November 11, 2011

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 11, 2011, 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