

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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

STANFORD INTERNATIONAL BANK, LTD., ET AL.,

Defendants.

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Case No.: 3-09-CV-0298-N

REPORT OF THE RECEIVER DATED APRIL 23, 2009

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REPORT OF THE RECEIVER DATED APRIL 23, 2009

By order dated February 16, 2009, as amended March 12, 2009 (as so amended, the “Receivership Order”), this Court appointed Ralph S. Janvey as Receiver for the assets and records of the Defendants in the above-referenced case and all entities they own or control. The Receivership Order directs the Receiver to prepare and submit periodic reports to the Court and to the parties.

Overview of the Stanford Companies and the Estate

The Stanford companies (“Stanford”) were a complex, sprawling web of more than 100 companies, all of which were controlled and directly or indirectly owned by Allen Stanford.¹ The companies were operated in a highly interconnected fashion, with a core objective of selling certificates of deposit (“CDs”) issued by Stanford International Bank Limited (“SIBL”). Stanford had operations in more than 100 discrete locations spanning 15 states in the United States and 13 countries in Europe, the Caribbean, Canada and Latin America. The operations of all the major companies, including SIBL, were controlled and managed in the United States. Stanford claimed to have more than 30,000 clients located in 133 countries.

These companies were not arranged in a traditional corporate structure. They did not have a typical centralized management hierarchy, nor did they have a typical governance structure for the whole network. In contrast to a conventional multi-tiered corporate structure, the stock of almost half of these entities was owned directly by Allen Stanford, rather than through a central holding company. It appears that very few people were privy to sufficient

¹ A few non-U.S. entities had a nominal percentage of equity owned by persons other than Allen Stanford, presumably to meet legal requirements.

To date, the Receiver has identified approximately 140 entities that are or appear to be included in this network and as to which the Receiver’s team has found appropriate ownership or corporate records. That number does not include more than 100 other potential Stanford entities the names of which are referenced in various documents as having a Stanford relationship but as to which the Receiver’s team has not yet found ownership or corporate records.

information to understand the totality of the operations. The structure was seemingly designed to obfuscate holdings and transfers of cash and assets.

The principal businesses in the Stanford network all involved providing financial products and services. The major financial businesses were:

- Banking, principally through Stanford International Bank Ltd., whose operations were controlled and managed from the United States, though it was domiciled in Antigua.²
- Broker dealer operations, principally through Stanford Group Company, which is headquartered in Houston, Texas and had operations in 31 cities in 15 states and the District of Columbia, as well as through Latin American entities.
- Financial products managed under the auspices of Stanford Capital Management, LLC, based in Houston.
- Trust companies and similar operations, principally through Stanford Trust Company, which was based in Louisiana, as well as through Stanford Trust Company Limited of Antigua.
- Coins and bullion, principally through Stanford Coins & Bullion, Inc., based in Houston.
- Merchant banking and private equity investments, principally through Stanford Venture Capital Holdings, Inc. based in Houston.

To the outside world, before commencement of the Receivership, these financial businesses appeared to be independently viable. The Receiver believes, however, based on his investigation to date, that the principal purpose and focus of most of the combined operations was to attract and funnel outside investor funds into the Stanford companies through the sale of CDs issued by Stanford's offshore entity SIBL. Stanford's financial statements show that the low third party revenue and high cost structures of the U.S. broker dealer and related financial operations were not capable of sustaining freestanding operations without the revenue they received upon their sale of SIBL CDs, as well as the infusion of investment capital, all or most

² SIBL was not a bank in the conventional sense. It did not generally make loans to unaffiliated partners, and its operations were required by Antiguan law to avoid the provision of banking services and products to Antiguans.

substantially all of which was derived from CD sales. The compensation structure highly incentivized Stanford's financial advisors to sell CDs and to discourage their customers from redeeming the CDs. Once CD funds entered the Stanford companies, they were disbursed to Allen Stanford or to other Stanford-owned entities or used to purchase private equity and other investments, to pay CD redemptions and interest or to pay other expenses and obligations.

Although all of SIBL's financial operations, including CD sales, were controlled and managed from Stanford's offices in the U.S., it was domiciled in the Caribbean island nation of Antigua and Barbuda ("Antigua"). It appears that SIBL may have been established in Antigua in order to take advantage of Antiguan bank secrecy laws and to minimize regulatory inspection. At the same time, Stanford's financial advisors used the apparent legitimacy offered by U.S. regulation of Stanford's U.S. brokerage subsidiary in order to generate sales of SIBL CDs worldwide.

The Stanford companies also include a number of non-financial businesses, though none of these businesses were material to the operations compared to the financial businesses. The principal non-financial business was real estate development (including hotels, clubs and golf courses) which was conducted by Stanford Development Corporation and by Stanford Development Corporation Limited. Other non-financial businesses included restaurants, a newspaper and a printing company, all in Antigua, and at one time Caribbean airlines.

As described in further detail below, since his February appointment the Receiver and his team of professionals have made significant progress in identifying and securing Defendants' assets for the benefit of the Estate. The Receiver has begun recovering cash and other assets. In addition, the Receiver has made significant progress in reducing ongoing liabilities.

It is important to emphasize that the Receiver's efforts, especially in the first several weeks of the Receivership, have been hampered by lack of information. Because the Stanford companies were not publicly held, the available public information was quite limited and not always accurate. Much of the critical information about Stanford's operations within its own systems and records has been difficult to locate and is incomplete or inaccurate. The Stanford companies appear to have approximately 200 different accounting systems, most of which do not centrally report. In addition, the Stanford operations appear to have been designed to prevent any one employee (outside of a small handful) from gaining knowledge of the full scope of Stanford's assets and operations and the flow of funds among the Stanford entities.

Initial Conclusions Regarding Viability of Stanford Businesses

One of the first tasks confronting the Receiver was to determine whether any of the Stanford companies were financially viable – and thus could continue to be operated and perhaps sold as going businesses. Analysis of Stanford's financial records and operational data revealed that all the major Stanford U.S. financial businesses depended upon continued CD sales and/or other allegedly fraudulent activities. For example, Stanford's records reflect that from at least 2005 forward, SIBL generally paid Stanford Group Company a commission or fee of approximately 3% of the face amount of each CD sold by Stanford Group Company. Of this amount, the financial advisor who made the sale generally received 1% (plus more in bonuses if certain sales targets were met), 1/2 of 1% was allocated to the branch office where the financial advisor worked and the remaining 1.5 % was allocated to Stanford Group Company overall.³ In 2008, these commissions to Stanford Group Company (including the portion it then paid to financial advisors) totaled approximately \$95 million. These commissions were instrumental to

³ In 2008, the 3% was reduced to 2.75%, with the reduction being applied to Stanford Group Company overall.

the maintenance and viability of Stanford Group Company's operations, constituting 39% of its total revenues of \$246 million in 2008. Even with that infusion of funds, growth of the business required additional investment capital, which was generally obtained from the sale of CDs by SIBL.

Therefore, the Receiver determined that almost all U.S. business operations should be ceased to reduce the ongoing costs of unprofitable operations. This necessitated, among other things:

- The termination of employment of more than 1,000 U.S. employees on March 6, 2009.
- The permanent closure of 36 offices in leased locations in 33 U.S. cities. Before physically closing each office, the representatives of the Receiver have:
 - allowed local employees to collect personal belongings;
 - packed all documentary and electronic evidence and shipped it to a single warehouse in Houston; and
 - liquidated or otherwise disposed of furniture and other fixed assets in a manner that maximizes value to the Estate.
- Termination or rejection of each such lease. A lease is "terminated" if the landlord agrees to termination without further liability on the part of the Estate other than as documented in a termination agreement. The Receiver is unilaterally "rejecting" the remainder of the leases. The Receiver has sent notice of such rejections so that the Estate's ongoing obligation to pay rent for these leases will cease no later than April 30, 2009.

The lack of financial viability is further explained by what appears to have been manipulation of financial records of the Stanford companies, in an apparent attempt to hide the true financial condition of the businesses from regulators and other outsiders.

For example, upon analyzing the financial statements and other financial data for SIBL, FTI Consulting Inc., the forensic accounting firm retained by the Receiver, discovered a series of transactions from April 2008 through December 2008 relating to 1,587 acres of undeveloped and

partially developed real estate in Antigua that SIBL acquired in April 2008 and September 2008. The land was purchased at a cost of \$63.5 million, yet its value was written up to approximately \$3.2 billion prior to year end 2008. Other than the initial purchases of the land, all the transactions appear to have taken place entirely between Mr. Stanford, SIBL and other companies owned by Allen Stanford. Company records indicate that holding companies wholly-owned by Mr. Stanford purchased the real estate from SIBL at the same cost that SIBL originally paid to purchase the acreage. The purchasing companies then immediately wrote up the value of the assets to \$3.2 billion. The write-up would suggest that the value of the property increased fifty-fold in just a few months, during a period that was generally characterized by falling real estate values. The records do not appear to contain any appropriate basis for this extraordinary write-up in value, as would be required by applicable U.S. or international accounting principles. (One sheet has a brief notation that the land should be valued at \$2 million per acre, with a reference to a sale related to Jumby Bay, a highly exclusive resort on a small island off Antigua. The average cost paid by SIBL to acquire the property was about \$40,000 per acre.)

According to Stanford records, in July 2008, Mr. Stanford transferred to SIBL a portion of the shares of his companies that held the real estate, which appears to have been their only asset. For purposes of the transfer, the shares were valued at \$1.7 billion (reflecting the write-up in value), and this purported value was used to settle a debt of the same amount that Mr. Stanford owed to SIBL. In September 2008, he contributed additional shares in the same companies to SIBL, valuing the transferred shares for purposes of the transaction at \$200 million (again reflecting the same write-up in value). In November 2008, Mr. Stanford contributed to SIBL additional shares in those same companies, valuing these shares for purposes of the transaction at \$541 million (reflecting the same write-up in value).

Based on the write-up in value of the real estate, the September and November transactions resulted in increases in SIBL's 2008 shareholder's equity of \$200 million and \$541 million, respectively. Notations in the records indicate that the purpose of the write-up and related transactions was in part to exceed a "desired level" of \$1 billion of shareholder's equity in SIBL to avoid violating an equity-to-assets ratio required by Antiguan regulators and in part to use as a basis to replace the \$1.7 billion debt owed by Mr. Stanford.⁴

FTI also discovered similarly structured transactions in 2004 and 2008 relating to private equity investments. In these transactions, certain private equity investments were transferred to Mr. Stanford from a Stanford entity owned by him. The investments were valued at cost. Within a matter of a few months, the value of those investments was written up substantially and Mr. Stanford contributed them to SIBL to pay off debts he owed to SIBL. The Receiver has not found any documentation supporting these write-ups in value. In the case of the 2004 transaction, the write-up was almost 200% of the original value and was used as the purported basis to increase SIBL's capital by \$75 million.

Major Groups Principally Affected by What has Happened to the Stanford Companies

Broadly speaking, there are four major categories of people and entities affected by what has happened to the Stanford companies:

- Those who purchased and continue to hold CDs.
- Those who own securities and other assets that are held on their behalf in brokerage, trust and similar accounts at Stanford entities.

⁴ On at least one occasion, Mr. Stanford used the write-ups to reassure employees that all was well. A newspaper story reported that at an Arizona gathering of Stanford financial advisors in November 2008, a Stanford financial advisor who was in attendance said that Mr. Stanford explained "how he'd just replenished his company's rainy-day reserves no less [sic] with an extra \$540 million, which pushed it past a billion dollars." "SEC Says Texas Financier Sir Allen Stanford Swindled Investors Out of Billions," *The Dallas Observer*, April 9, 2009. As noted above, the purported November 2008 equity increase was in the amount of \$541 million.

- Those who do or have done business with the Stanford companies as landlords, vendors, service providers or creditors.
- Employees.

Some of these people and entities were and are in more than one category. There may also be people and entities affected by the Receivership who do not fit in any of these four categories.

Each category has presented issues that have required the Receiver's attention. The following sections discuss each of these four groups and what the Receiver has done to date that affects them.

CD Holders

Based on initial review of the incomplete and inconsistent records of the Stanford companies that the Receiver has assembled to date, it appears that approximately \$7.2 billion of CDs were outstanding and held by public investors as of February 22, 2009. These CDs are held by approximately 21,500 holders, located in the U.S. and in scores of other countries around the world. Holders of CDs have a claim against the Estate for the value of their CDs.

Emails received by the Receiver from some CD holders have indicated that those holders — and perhaps many others — think that the money they paid to buy a CD is currently held in a specific account at SIBL for their benefit, and that the reason they cannot access that money is that the Receiver has frozen the CD account. Some stories in the media have used language to describe the CDs that may have inadvertently contributed to this misunderstanding.

The assumption that a CD represents identifiable funds held in a separate account for the benefit of the individual CD investor is not correct. The CD represents an obligation on the part of SIBL to pay the investor an amount of money. In other words, it is a debt owed by SIBL to the investor. Unlike a brokerage account, it does not represent identifiable funds that are held by

SIBL in a specific segregated account for the holder's benefit. This is true whether the CD is held directly by the holder, by a Stanford company on the holder's behalf, or by someone else.

The money the holders paid to buy CDs from SIBL was used by SIBL and other Stanford companies to buy other assets and/or for other purposes. The Receiver is working to identify assets purchased with proceeds of CD sales and to determine the value of those assets. He is also tracing proceeds into other uses and investments. Although the Receiver has made substantial progress to date, the size and complexity of the task are such that it will likely take considerable time to complete. Based on what the Receiver has learned so far, as further discussed below, it appears that the total value of the assets of the Estate is likely to be only a fraction of the total amount that would be needed to pay all outstanding CDs and other anticipated claims against the Estate. It appears that during the last year, and probably for longer than that, SIBL assets were inadequate to cover the amount of SIBL's liabilities on its issued and outstanding CDs as those liabilities came due. The SEC has alleged in its lawsuit against the Defendants that the CDs were sold in a Ponzi scheme, in which money from sales of new CDs was used to make payments on older CDs instead of invested on the new purchaser's behalf.

Holders of Brokerage and Similar Accounts

These people own securities and other assets that are held in separately identifiable accounts in their names or for their benefit that they established with the Stanford companies. In the U.S., the companies at which these accounts were established include Stanford Group Company and Stanford Trust Company (a Louisiana trust company). Although the assets in these accounts belong to the account owners, the accounts were frozen at the outset of the Receivership pursuant to the Court's order.

As accounts held under the control of Stanford, the accounts were frozen because of the possibility that assets might be misappropriated during the time the Receiver was securing

control and the possibility that the accounts or their owners might be associated with fraudulent products or activities. For example, some accounts are owned by the Defendants or by board members, officers or employees who may ultimately be determined to have participated in fraudulent activities.

In addition, it was clear there would be other customer accounts that were associated with fraudulent products, such as CDs issued by SIBL, even though their owners did not engage in fraudulent activities themselves. For example, customer accounts at Stanford Group Company or Stanford Trust Company may have received amounts from redemption of SIBL CDs or from interest on SIBL CDs, the accounts may have received other amounts directly or indirectly from SIBL or in some way related to SIBL CDs, or the owners of these accounts may have received amounts related to SIBL or SIBL CDs outside of their brokerage accounts, such as in non-brokerage accounts at other Stanford companies. The Receivership Estate may have a claim against these amounts related to SIBL or SIBL CDs for the benefit of the Estate, so that they may be shared equitably with other claimants against the Estate. These other claimants would include people who purchased SIBL CDs but were not able to redeem them before the Stanford companies were placed in receivership.

As of February 16, 2009, Stanford Group Company had approximately 50,000 separate brokerage accounts and the Louisiana-based Stanford Trust Company had an additional 1,438 accounts. Initially, the Receiver could not determine which of these accounts might be associated with fraudulent activities or products.

An initial priority of the Receiver was to determine which of these accounts could be released and which should continue to be frozen, to reduce the difficulty of ultimately recovering amounts the Estate is entitled to recover. Had all the accounts been released, the task of

recovering this value would be far more difficult, which is why the accounts were frozen by the Court's order at the outset.

Working with a multi-disciplinary team of lawyers, broker dealer experts, forensic accountants, and information technology experts, the Receiver collected and analyzed the available data to determine which accounts could be released, using electronic search protocols.⁵ He then filed motions with the Court seeking approval to make releases. This was done in stages. First, Stanford Group Company accounts under \$250,000 were released, subject to exceptions for certain types of accounts and certain types of owners. This resulted in the release of approximately 12,600 accounts, pursuant to transfer procedures posted on the Receiver's website. One week later, an additional 16,000 accounts were made eligible for transfer, constituting all remaining active accounts⁶ other than approximately 4,000 accounts that either reflect certain SIBL or CD related activity or are owned by certain Stanford related persons. Third, the Receiver developed and obtained court approval for an account review process that permits the owners of the remaining 4,000 accounts to provide information to the Receiver that may lead to the release of their accounts.

As of April 22, 2009, a total of 20,840 of the approximately 28,600 accounts that are eligible for transfer have been transferred by their owners to a new firm, and holders of 1,521 of the remaining approximately 4,000 accounts have initiated the account review process.

The Receiver has also conducted a similar analysis of the customer accounts at the Louisiana-based Stanford Trust Company and has filed a motion with the Court seeking Court approval to release accounts in certain categories. Of the remaining Stanford Trust Company

⁵ The task was complicated by the lack of interconnection among relevant electronic data systems at Stanford and by difficulties in accessing and using the data.

⁶ Approximately 18,000 of the initial 50,000 accounts were determined to be inactive.

accounts not covered by the request for release, more than 80% hold virtually no assets other than SIBL CDs.

The brokerage accounts operated by the Stanford Fondos in Mexico were seized by government regulators and distributed to investors by the regulators. All other Latin American brokerage accounts are currently frozen as a result of the actions of the various foreign government officials and regulators involved in the respective countries.

Landlords, Vendors, Service Providers and Other Creditors

As a large enterprise, the Stanford companies did business with a large number of landlords, vendors and service providers. Many of these will have claims against the Estate for compensation for goods or services that they provided to the individual Defendants and the Stanford companies prior to the commencement of the Receivership. In addition, many of these will have claims for payment for provision of goods or services or, in the case of landlords, the continued use by the Estate of leased space after the commencement of the Receivership and prior to any rejection or termination of their lease by the Estate.

With respect to creditors that loaned money to the individual Defendants or the Stanford entities prior to the commencement of the Receivership, the records of the Stanford companies reflect approximately \$95 million of debt for money borrowed from unrelated sources that was outstanding at December 31, 2008.⁷ About 97% of this debt appears to be secured by land or other assets.

Employees

At the outset of the Receivership, the Stanford companies had more than 3,000 employees, of whom approximately 1,200 were in the U.S. and the balance in 12 other countries. While it could be anticipated, and in fact is true, that many of those employees were honest and

⁷ The records also reflect outstanding loans to Mr. Stanford of at least \$1.7 billion.

were victims of the fraud themselves, the Receiver had no way of knowing initially which were participants in the fraud and which were not. There was a risk of misappropriation of assets owned by customers or by the Estate and removal or alteration of documents and records. Thus, the Receiver was hampered in his ability to take control of the Estate and manage its operations by uncertainty as to which employees he could rely on. After numerous interviews, the Receiver determined to retain the services of certain employees, principally at the Houston headquarters, in departments such as accounting, information technology, treasury, legal, human resources, brokerage operations and risk management, to assist in winddown of operations. Most employees, though, were asked to await decisions as to which businesses were viable and could continue in operation.

After decisions were made that none of the U.S. financial businesses should be continued, as discussed above, more than 1,000 U.S. employees were laid off. These decisions necessitated a comprehensive review of Stanford's compensation and employee benefits structure, policies and practices and decisions on amendments to employee welfare and benefit plans and other actions required in connection with the reduction in the workforce, as well as restructuring of the compensation and benefits for the retained employees.

Adding to the hardship suffered by employees, including both some that continue to have jobs and some that were laid off, was the fact that many of them were themselves holders of SIBL CDs and had accounts at Stanford Group Company that were frozen. However, other employees, such as many financial advisors, received significant compensation from selling CDs.

Issues Related to Antigua

The Receiver, with the assistance of U.S. and foreign counsel, has been actively analyzing the applicable laws of each of the jurisdictions outside the U.S. in which significant

Estate assets are located and has been devising and implementing appropriate strategies for addressing these assets. In addition, the Receiver has been required to respond to certain legal proceedings in some of these jurisdictions. The jurisdiction in which the most significant issues have been raised is Antigua. These issues, together with related issues in Canada, are discussed below.

Stanford International Bank Limited and Stanford Trust Company Limited (Antigua)

SIBL and Stanford Trust Company Limited (“STCL”) (a different entity from the separate Stanford Trust Company formed under Louisiana law) were chartered by Antigua, under that country’s International Business Corporation Act. SIBL was an offshore bank. STC was a trust company specializing in the administration of trusts established under the trust laws of the British Virgin Islands. Because both entities were owned by Allen Stanford on February 16, 2009, when the U.S. Receivership was instituted, they are among the assets of the Receivership Estate.

On February 19, 2009, the Financial Services Regulatory Commission of Antigua and Barbuda (the “FSRC”) appointed Nigel Hamilton-Smith and Peter Wastell, employees of Vantis plc, as Receivers-Managers over SIBL and STCL. The FSRC is the Antiguan governmental agency that licenses and regulates international banks that operate in Antigua. Vantis is an accounting, tax and business advisory and recovery firm based in the United Kingdom. On February 26, 2009, the Eastern Caribbean Supreme Court, High Court of Justice, Antigua and Barbuda, on the application of the FSRC, appointed Messrs. Hamilton-Smith and Wastell as Receivers-Managers over SIBL and STCL. At the time of both appointments, SIBL and STCL were already subject to the U.S. Receivership Order.

On March 9, 2009, a purported creditor of SIBL filed an application in the Antiguan court, seeking to have SIBL placed into an Antiguan liquidation proceeding. The FSRC then

filed its own application for liquidation, seeking to have Messrs. Hamilton-Smith and Wastell appointed the liquidators. The Receiver sought to intervene in those proceedings in order to request either that the applications be struck or, alternatively, should a liquidation be ordered, that he and an Ernst & Young insolvency practitioner be appointed the liquidators for an Antiguan liquidation proceeding that would be designated as “non-main” or ancillary to the U.S. Receivership. On April 7, 2009, the Antiguan court denied the Receiver’s intervention based on its ruling that the U.S. Receivership Order did not have effect in Antigua and that therefore the U.S. Receiver lacked standing as an “interested person.” On April 17, 2009, the Antiguan court entered an order placing SIBL into liquidation and appointing Messrs. Hamilton-Smith and Wastell as its liquidators. The liquidation order will have effect in Antigua unless and until stayed or reversed, but does not have effect in any other country unless and until recognized by the judicial system of such country.

Notwithstanding the Antiguan receivership and liquidation orders, the U.S. Receiver maintains in the various jurisdictions in which SIBL and STCL assets exist that the U.S. Receivership should be recognized as the “main” or primary proceeding in relation to SIBL and STCL. The Receiver bases his position on several factors supporting the conclusion that the U.S. is the center of main interests for the various Stanford entities, including SIBL and STCL. For example:

- SIBL’s operations were controlled and managed in the U.S. by U.S. citizens, who are subject to the jurisdiction of U.S. courts.
- SIBL was just one company in an integrated network of more than 100 companies based in the U.S. and created for the purpose of attracting and funneling investor funds into the Stanford companies, principally through the sale of SIBL-issued CDs.
- Stanford brokers based in the U.S. generated more SIBL CD sales, by dollar amount, than brokers in any other country.

- SIBL filed forms with securities regulators in the U.S. relating to its CD sales in which it consented to jurisdiction in the U.S.
- Brokers used the apparent legitimacy offered by U.S. regulation of Stanford's U.S. brokerage subsidiary in order to generate CD sales worldwide.
- A significant percentage of the CDs were sold to U.S. citizens. By contrast, few CDs were purchased by Antiguans. Indeed, Antigua's International Business Corporation Act, under which SIBL and STCL were formed, restricted those entities from serving Antiguans. Further, the Receiver believes that most of the CD sales purportedly attributable to Antiguans are related to STCL-administered trusts that have non-Antiguans as beneficiaries.
- Most SIBL loan receivables, by dollar amount, are owed by U.S. citizens.
- Virtually all activity to invest proceeds from sale of CDs was directed from the U.S. and involved institutions located in the United States and other countries outside of Antigua.
- The assets of SIBL are located principally in jurisdictions other than Antigua, and primarily in the United States, Canada, the United Kingdom, Switzerland, Panama, Venezuela and Mexico.
- Most, if not all, of the funds received from the sale of SIBL CDs were transmitted for deposit, not to Antigua, but to Canada and/or England and, from there, primarily to accounts in the United States, England and Switzerland, where they were disbursed among other Stanford entities worldwide, pursuant to the directions of U.S. persons.
- Administrative and other support for the operations of SIBL was located in and managed from the U.S.

In early March 2009, the Receiver suggested a meeting with the Antiguan receivers. A meeting did occur on April 1, 2009. While the tone of the meeting was generally positive, no concrete cooperation agreement resulted. Since the meeting, the Antiguan receivers have sought and obtained, without prior notice to the Receiver, a registrar's order in Montreal, Quebec recognizing them as "foreign representatives" of SIBL and STCL within the meaning of Canada's insolvency laws. The Canadian proceedings are further discussed below. In addition, the Antiguan FSRC moved forward with its application to place SIBL into liquidation and to

have the Antiguan receivers appointed its liquidators, which application resulted in the liquidation order discussed above.

On April 20, 2009, the Antiguan receivers-liquidators filed in this Court a petition for recognition under Chapter 15 of the U.S. Bankruptcy Code with respect to SIBL, as well as a motion in the present case seeking, in effect, a retroactive lifting of the injunction against the filing of bankruptcy petitions contained in the Court's Receivership Order. The objective of the two motions appears to be to transfer control, away from this Court's jurisdiction to the Antiguan court system, of the winding up of SIBL and the distribution of its asset value to claimants. The Receiver intends to oppose both filings and any impingement on this Court's jurisdiction over the totality of the Stanford group of companies. This Court was the first to place SIBL and the other entities owned by Allen Stanford into receivership. Further, as described above, the contacts between the Stanford entities and the U.S. are far more extensive than those between the Stanford entities (including SIBL) and Antigua.

The Antiguan liquidators essentially request that the U.S. Court cede to the Antiguan court system control over the marshalling, liquidation, claims adjudication and distribution process. That, in the Receiver's view, would be unwise and detrimental to claimants, as the Antiguan court system lacks experience in the administration and winding up of a business of the size and scope of the Stanford family of companies. Further, the Antiguan liquidators have liquidation authority over only SIBL, which is just one of the more than 100 Stanford companies involved in what was an integral – and allegedly fraudulent – operation.

In sum, the Receiver has found it necessary to oppose the Antiguan receivers in court in multiple jurisdictions. The Receiver will continue, though, to look for opportunities in which

cooperation with the Antiguan receivers is possible and reasonably likely to benefit the Receivership Estate.

The issues identified in Antigua have begun to emerge in proceedings and activities in England. According to statements made by the Antiguan-appointed receivers, these issues also may come into play in Panama, Israel and Switzerland.

Bank of Antigua

Bank of Antigua is a domestic bank of Antigua. Because it was owned by Allen Stanford on February 16, 2009, when the U.S. Receivership Order was instituted, it was among the assets of the Receivership Estate.

Subsequent to entry of the U.S. Receivership Order, there was a “run” on Bank of Antigua by persons seeking to withdraw deposits. This resulted, on February 20, 2009, in the Eastern Caribbean Central Bank (“ECCB”), the central banking authority for Antigua and seven other Caribbean island nations, taking control of the Bank of Antigua.⁸ The Receiver is of the view that property of the Bank of Antigua that existed on February 16, 2009, falls within the scope of the U.S. Receivership Order and is therefore within the Receivership Estate. To avoid confusion, however, the Receiver has been in contact with the ECCB concerning the amounts in accounts of Bank of Antigua, and has agreed to release to Bank of Antigua the following:

- securities and funds sent to Bank of Antigua accounts after the ECCB intervention with the Bank of Antigua;
- securities that were in Bank of Antigua accounts prior to the ECCB intervention, but that are owned beneficially or of record by someone other than the Bank of Antigua (or, if relevant, any other Stanford entity); and
- funds that were in accounts maintained in the name of the Bank of Antigua prior to the ECCB intervention, but that are owned by a person other than the Bank of Antigua (or, if relevant, any other Stanford entity).

⁸ The Receiver notes that the description of the ECCB set out above corrects an error in the description of the ECCB contained in the Receiver’s filing with this Court dated March 2, 2009.

Action by Antiguan Parliament Authorizing Expropriation of Real Estate

The Antiguan Parliament has authorized the expropriation by the Antiguan government of most of the real estate owned by Stanford entities in Antigua. The expropriation has not yet been finalized. If it is completed, the Receiver cannot predict what amount, if any, will be paid in compensation as required by the Antiguan constitution.

The Receiver has also learned of a lawsuit pending in Antigua challenging the constitutionality of the proposed government expropriation of real estate. The lawsuit was purportedly filed by former employees of certain Stanford entities, on the purported authority of a former director of SIBL. The Receiver is currently monitoring the lawsuit and assessing appropriate actions with respect to both the suit and the threatened expropriation.

Canadian Matters

As indicated above, the Receiver recently learned that the Antiguan receivers had obtained an ex parte registrar's order in Montreal recognizing them as "foreign representatives" of SIBL and STCL under Canada's insolvency laws. The Antiguan Receivers did so without notice to the Receiver and apparently without adequately disclosing to the Quebec registrar (whose jurisdiction, absent consent of affected parties, extends only to uncontested matters) the existence of the U.S. Receivership or the U.S. Receiver's claim to SIBL and other Stanford assets located in Canada. The Receiver also obtained information suggesting that, before issuance of the ex parte recognition order, representatives of the Antiguan receivers entered SIBL's Montreal offices and purposely "wiped" SIBL's servers there, after first imaging the servers and sending the copy images to Antigua, and out of the jurisdiction of Canadian courts.

In response, the Receiver filed a motion in Montreal Superior Court requesting that:

- the previous recognition of the Antiguan receivers be revoked, and the Antiguan Receivers be found not to be suitable persons to serve as receivers for SIBL under

Canadian laws, as they did not meet the requirements to be receivers in that country;

- the Receiver be recognized as the “foreign representative” for all Stanford entities; and
- a Canadian receivership be instituted for assets located in Canada and that it be made ancillary to the U.S. Receivership, with Ernst & Young appointed the Canadian receiver and instructed to cooperate with the U.S. Receiver.

This motion was only recently filed and remains pending.

The Receiver had previously been in contact with Toronto Dominion Bank to assure that funds it holds for SIBL, STCL and the Bank of Antigua are not transferred to unauthorized persons.

In addition, on April 17, 2009, several Canadian CD investors filed two suits in Calgary, Alberta – one against SIBL and other Stanford entities seeking actual and punitive damages and another against Toronto Dominion Bank seeking, among other forms of relief, imposition of a constructive trust on SIBL and other Stanford entity funds held by Toronto Dominion Bank. The Receiver, with the help of Canadian counsel, is assessing how best to respond.

Latin America Matters

The Stanford companies include various and significant operations in Latin America, including Colombia, Ecuador, Mexico, Panama, Peru and Venezuela. Stanford owned banks in Panama and Venezuela, and banking and/or brokerage businesses in each of those other Latin American countries. The Panama bank is now under the control of government regulators, with whom the Receiver has agreed to work closely. The Panamanian regulators have currently decided not to liquidate the business in its entirety, and the Receiver is taking steps to enhance the possibilities for sale of the business units. The Venezuelan bank was also seized and put under the control of Venezuelan interveners on February 18, 2009. The government-appointed interveners in Venezuela have thus far refused to work jointly with the Receiver, and the

Receiver has been told that his interests in the Venezuelan bank will be subordinated to any and all claims by Venezuelan clients, employees, and the Venezuelan government.

The Receiver is investigating and preparing for sale of the local business units in Columbia, Ecuador and Peru. At this time, the Colombian entity is essentially under the control of the Antiguan receiver. Nonetheless, the Receiver is exploring all avenues for recovery related to the Colombian assets. In Ecuador, the Receiver is investigating the possibilities of sale of the unit. The Receiver is also working with the Peruvian regulators in order to permit the sale of the Peruvian business assets.

The anticipated potential recovery from the sale of the above-mentioned Latin American units is currently estimated to be in the range of \$30 million. The various Stanford offices in Mexico have been closed. Operations and customer accounts in Mexico have been handled in a manner similar to the process used in the U.S.

The Receiver is reviewing information to determine whether proceeds from CD sales exist in Latin America that may be recoverable by the Estate, and is taking steps to protect assets in each Latin American location with attention to the unique scenarios posed by the government regulators and representatives in each nation.

Assistance to and Communication with Governmental and Regulatory Agencies

The Receivership Order directed the Receiver to promptly provide the SEC and other governmental agencies with all information and documentation they may seek in connection with their regulatory or investigatory activities. The Receiver and his team have spent substantial amounts of time on these activities. The principal such activities have been coordination with the SEC, the FBI and the Department of Justice in identifying and gathering large amounts of documents and information relevant to their ongoing investigations and responding to numerous and extensive requests from the SEC, the FBI and the Department of Justice to analyze and

provide information and documents. In addition, the Receiver and his team have responded to numerous information requests and investigations by many other governmental or regulatory agencies, in both the U.S. and other countries, and many of these matters are ongoing. As further detailed below, these additional authorities in the U.S. have included at the federal level the Department of Justice, the Internal Revenue Service, the Drug Enforcement Administration, the Postal Inspector, the Department of Labor, the Financial Industry Regulatory Authority, the Department of the Treasury and the Board of Governors of the Federal Reserve System. At the state level, they have included at least 24 different state securities and banking regulators in at least 19 states. As noted above, the Receiver has also dealt extensively with regulatory authorities in foreign jurisdictions.

Asset Recovery

The balance sheets, in the aggregate, of the 62 Stanford companies for which balance sheets were maintained listed total assets of approximately \$10.6 billion as of December 31, 2008. Because of significant doubt about the accuracy of these balance sheets, the Receiver has directed Ernst & Young to compile balance sheets as of the outset of the Receivership. This work is ongoing, but the work to date suggests that the value of virtually all non-cash assets listed on the December 31, 2008 Stanford balance sheets is substantially overstated.

There are three categories of value and potential value that could be used to satisfy claims against the Estate:

Cash and Other Assets The first source is cash and other assets owned by the Estate and identified to date, as follows:

- Approximately \$66.5 million of cash on hand in the Estate's bank account as of April 22, 2009 (net of operating expenditures since February 17, 2009 of approximately \$15.8 million for expenses such as employee salaries and benefits, utilities, insurance and expenses for office closures).

- More than \$300 million of cash held in non-U.S. bank accounts that are also claimed by the Antiguan receivers.
- Cash in the range of \$30 million that may be realized from sale or liquidation of Stanford Latin American entities.
- Private equity investments; although the value (based on cost) of the private equity investments shown on Stanford's balance sheet at December 31, 2008 was \$652.5 million, the realizable value of the portfolio appears to be only a fraction of that amount.
- Real estate, the value of which is uncertain; the book value, as noted above may not be indicative of fair market value, and in addition much of the real estate is mortgaged to secure debt.
- Aircraft estimated to be worth several million dollars (net of associated debt).
- Coin and bullion inventory, estimated to be worth several million dollars.

Claims Against Third Parties The Receiver recently filed claims against former Stanford financial advisors seeking disgorgement of more than \$40 million in compensation they received related to the sale of SIBL CDs. The Receiver is considering filing other claims to recover substantial amounts of cash, including claims to "claw back" proceeds received by a number of customer account holders from redemption of SIBL CDs, or interest paid on SIBL CDs. If the clawbacks were to extend back to monies received within a year prior to the commencement of the Receivership, current estimates of amounts that could be sought would be in the range of \$300 million, or possibly more, but this analysis is ongoing and the estimate may change. If the time period were longer than that, the amount would be larger.

Cash Unaccounted For Extensive but still preliminary analysis of Stanford's available financial records indicates that a very substantial amount of cash received upon sale of SIBL CDs over the last few years (assuming the accuracy of available financial records regarding the amount of CDs sold and redeemed) cannot be accounted for by the amount of cash that the records reflect was invested in other assets or spent on operations of the Stanford companies.

Some of this cash may have been spent in ways that are not reflected in any of the available financial records and/or that did not result in the acquisition of assets, such as cash that may have been loaned to Allen Stanford or distributed to him as sole shareholder and then spent on personal consumption by him. Some of this cash may have been transferred to Mr. Stanford and then used by him to purchase personal assets or invested in personal bank accounts that are not reflected in available financial records. This value may be recoverable once identified. This preliminary analysis suggests that the aggregate amount of such unaccounted for cash may be in the range of \$1 billion. For that reason, the Receiver intends to continue searching for cash accounts and assets under Mr. Stanford's direct or indirect control.

Personal Investments of Allen Stanford and James Davis

The SEC has alleged that two of the principal perpetrators of fraudulent activities by the Stanford companies were Allen Stanford and James Davis. Although neither of them has filed with the Court the accounting of his own investment accounts and other assets that the Court ordered them to provide and neither has been available to be interviewed by the Receiver, it does not appear from available records of the Stanford companies that either of them invested his own money in SIBL CDs or in Stanford customer accounts. The records of SIBL do not reflect any ownership of CDs by Mr. Stanford or Mr. Davis, either at the time the Receivership commenced or at any time during the period January 2003 to the present, the time period for which CD ownership records are available. The records of Stanford Group Company and Stanford Capital Management do not reflect any ownership of accounts at either such company by Mr. Stanford or Mr. Davis, either currently or during the period September 2007 to the present, the time period for which account ownership records for those companies are available. The available records of Stanford Trust Company are limited to records regarding ownership when the Receivership

commenced, and such records do not reflect any ownership of accounts by either Mr. Stanford or Mr. Davis.

Claims

The Receiver has posted on the Receivership website a procedure that permits persons who believe they have a claim against the Estate to file a notification of their claim, to provide the Receiver a source of information about claims in addition to Stanford's internal records. The procedure asks claimants to indicate which of the following categories applies to their claim:

- Certificate of deposit claims.
- Secured creditor claims.
- Coin and bullion claims.
- Employee claims.
- Vendor claims.
- Landlord claims.
- Other claims.

This procedure is voluntary, not mandatory, for purposes of establishing a claim. To identify claims, the Receiver is also reviewing the records of the Stanford companies. Using data from all available sources, including both internal records and notifications of claims filed by claimants, the Receiver will propose and file with the Court a list of proposed recognized claims at a later stage of the case. This list will be subject to comment and objection by affected parties.

Major Activities and Priorities for the Near Term

The Receiver anticipates that his major activities and priorities for the near term will include the following:

- Continuing to search for and secure cash for the Estate from a variety of potential sources, and determining how CD funds were dispersed.
- Continuing to reduce costs of administering the Estate.
- Continued participation in litigation or appeals in Antigua, Canada and England to the extent assets in those locations are subject to risk of loss to adverse claims.
- Securing and centralizing hard copy files, documents and electronic records.
- Developing and implementing plans to sell or monetize Estate assets, including real estate, private equity investments and other assets.
- Recovering Receivership assets from foreign entities, including opposing competing claims to those assets.
- Releasing additional frozen Stanford Group Company and Stanford Trust Company customer accounts, where appropriate, through processes approved by the Court.
- Analyzing and cataloging potential claims against the Estate, including by collecting and processing claims through the Receiver's online procedure.
- Developing and implementing plans to initiate litigation to recover value for the Estate as appropriate.
- Responding to claims and litigation initiated by others.
- Assisting, reporting to and responding to governmental and regulatory agencies as appropriate. including responses to:
 - inquiries from the SEC, Department of Justice and FBI in connection with their investigations;
 - discovery requests from the IRS with respect to tax audits of Mr. Stanford;
 - audits and criminal investigations by various divisions of the U.S. Department of Labor regarding employee benefit plan issues and federal wage and hour laws compliance; and
 - an investigation by the State of Louisiana of Stanford Trust Company operations.
- Communicating with this Court, customers, current and former employees, claimants, other constituents of the Estate, and the public.
- Working with the Examiner appointed by this Court on April 20, 2009.

- Working with receivers and other appointed officers in other jurisdictions.
- Closing operations of Stanford Group Company, Stanford Capital Management, Stanford Trust Company, and Stanford Coins & Bullion.
- Developing protocols for review and release of customer accounts and assets in entities in which that has not yet been done.
- Winding-down of Stanford employee benefit plans and arrangements.

In addition, it is likely that the Receiver and his team will be confronted with and have to respond to emergencies and other matters that cannot be anticipated at this time.

Estate Resolution Process

The goal of the Receivership is to maximize recovery for the Estate and distributions to defrauded investors and other claimants worldwide. As indicated above, the Receiver expects that the total value that will ultimately be available for distribution will be far less than the total amount of claims. Once the Receiver has identified, recovered and monetized the available assets and identified the claims against those assets, he will develop and file with the Court a plan for equitable distribution of value to claimants. This plan will be available for comment and objection by affected parties at that time, pursuant to procedures to be approved by the Court. After collection of comments and objections, the Court will be asked to issue a decision regarding the plan, with such modifications, if any, as the Court deems appropriate after hearing from affected parties. Upon approval of a plan, distributions will be made. Because of the complexities of the case and the fact that asset recovery efforts are still in an early stage, the Receiver cannot at this time estimate when he will be able to propose a plan.

Additional Information Regarding Activities and Accomplishments

The following sections contain additional information regarding the major actions taken by the Receiver and his team to date to implement the Court's orders and their accomplishments to date.

Locating, Securing and Monetizing Assets

Securing the Estate

The Receivership Order directed the Receiver to take control of the Receivership Estate; to collect, marshal and take custody of the assets and records of the Estate; and to enter and secure the premises of the Stanford companies. In addition, the TRO/Freeze Order imposed a freeze on accounts held in the name, on behalf or for the benefit of Defendants at financial institutions. To accomplish these directives, assure that the Freeze Order was implemented, and preserve the assets and records of the Estate, the Receiver and his team:

- On February 17, took possession of major U.S. control locations in Houston, Memphis and Tupelo, Mississippi, using multidisciplinary teams assembled by the Receiver and with the assistance of SEC representatives and U.S. Marshals.
 - These efforts included securing electronic and paper records, making photographic or video documentation, changing locks and security codes and posting security personnel as appropriate.
- Over the next several days, closed and ceased operations at 32 additional Stanford offices in 29 U.S. cities, four offices in Mexico and one office in St. Croix (other Latin America offices are under the control of government administrators in their respective countries), pending decisions on whether to continue operations.
- Interviewed numerous key Stanford employees in the U.S., the US Virgin Islands and Mexico in major operational departments.
 - These interviews included employees in treasury, accounting, information technology, human resources, risk management, real estate, building operations, aviation, security, private equity investments, broker-dealer operations, compliance, legal and Latin American operations.
 - The interviews covered numerous topics to acquire information related to existence of data systems, human resource involvement, location of assets, establishment of timelines, collection of cash, identification of related entities, and corporate structure.
- Served more than 120 affiliated entities and known control persons in the U.S. and outside the U.S. with the TRO and the Order Appointing Receiver.
- Communicated with approximately 240 banks and bank branches in and outside the U.S. holding Stanford cash and investments on deposit to advise them of the

TRO/Freeze Order and the Order Appointing Receiver and to direct them to cease electronic transfers.

- Ceased all other known transfers of assets out of the Estate while its holdings were inventoried.
- Issued directions to cease sales of SIBL CDs and the Stanford Allocation Strategy mutual fund wrap program.
- Directed that all activity in Stanford customer accounts cease, in order to preclude potential theft and to permit time to analyze which accounts might be associated with fraudulent products or activities.
- Coordinated with Pershing LLC and J.P. Morgan Clearing Corp. to accomplish freeze of customer accounts pursuant to TRO/Freeze Order.
- Identified and gathered strategic electronic and paper files and had them shipped to a central location.
- Imaged approximately 500 computer hard drives and other devices, collected approximately 120 fileshares from multiple servers, locked down the email system and reviewed and took possession of information from approximately 38 file servers from around the world – which resulted in the securing of more than 60 terabytes of information – to preserve information and to avoid potential data alteration.
- Collected and secured Stanford electronic data systems to provide information for 138 operational and forensic accounting purposes. These systems include accounting, human resource, and investment systems which are integral to understanding the flow of funds and human resource issues and for identifying assets held by the Stanford entities.
- Locked down documents, data and unsecured assets.
- Filed section 754 notices in 30 federal district courts in 16 States, the District of Columbia, Puerto Rico, American Samoa and the Virgin Islands in order to gain control of assets in these jurisdictions.
- Secured agreed stays of seven federal lawsuits filed after the Receivership was instituted; in seven other federal and state cases, filed joint motions to stay that are pending or otherwise achieved stays of the cases by agreement with plaintiffs' counsel.
- Established Receivership oversight of numerous litigation matters pending at the time of the Receivership. This effort involves monitoring and evaluation of approximately 70 cases pending in the United States, the Caribbean, Latin America and Europe.

- Obtained dominion of many deposit accounts and securities accounts of the Estate including, after extensive discussion and negotiation with certain custodians, both U.S. and foreign.
- Secured a fleet of 6 aircraft and 2 marine vessels.
- Developed and implemented policies and protocols to deal with lending matters and lenders.
- Conferred with government officials in Canada, Colombia, Ecuador, Guatemala, Israel, Mexico, Panama, Peru and Venezuela.
- Collected and analyzed records to determine identity and status of entities subject to the Order.
- Arranged physical security assistance in U.S. control centers and certain international locations.
- Developed and implemented document management and control policies and procedures.

Other Efforts to Recover Cash

The Receivership Order directed the Receiver to collect, marshal and take control of assets of the Estate. Efforts by the Receiver and his team to recover cash for the benefit of the Estate have included the following:

- Identifying accounting and financial information to secure and track cash, and tracing of cash activities through a large number of banks and Stanford's general ledger system to determine the ultimate recipients of funds for possible retrieval by the Estate.
- Identified all known Stanford accounts maintained at financial institutions, including banks and investment houses (more than 300 accounts).
- Compiled a comprehensive listing of all available information regarding cash, cash equivalents, marketable securities and private equity investments.
- Determined contact information including name, telephone number, email address, etc., for each cash account for which assets were believed to be available for potential recovery, and pursued all available contacts in efforts to recover cash.

- Analyzed clearing agreements with Pershing and JP Morgan, and negotiated stipulation with Pershing to release from its custody \$10 million of proprietary funds belonging to Stanford.
- Negotiated with an investment fund and obtained approximately \$10.5 million in cash related to investments held in the name of a Stanford entity.
- Negotiated with a brokerage firm and obtained an agreement to release approximately \$5.6 million in cash that had been held in the name of Stanford entities; filed a motion with the Court seeking to obtain an additional \$500,000.
- Negotiated with a bank and obtained the return of approximately \$17 million in cash held in the name of Stanford entities.
- Negotiated with escrow agent for pending private equity transaction and obtained the return of \$9.7 million in cash to the Estate.
- Negotiated with a hedge fund to obtain \$4 million on an early redemption of an interest in the fund, without payment of early redemption fee.
- Negotiated with a bank and obtained the return of approximately \$1.3 million in cash collateral related to letters of credit.
- Requested that elected officials and campaign committees to whom Defendants and their political action committees had made political contributions return those amounts to the Estate for the benefit of claimants against the Estate; to date, 15 elected officials have returned a total of \$72,300 to the Estate and an additional 5 have advised the Estate that they intend to return a total of \$16,300.
- Requested law firms that had received legal retainers to return those monies to the Estate.
- Analyzed broker/financial advisor compensation information for purposes of recovering for the Estate compensation paid to advisors for sale of fraudulent CDs.
- Performing extensive funds tracing through available bank account records and entities, including reviews of significant wire transfers and other disbursements.
- Performing extensive but not complete funds tracing of disbursements through the companies' general ledger system to identify the ultimate third-party recipients of disbursements from the company.
- Conducting review of the companies' financial records pertaining to certain pre-paid asset accounts to identify possible sources of asset recoveries.

- Performed relevant investigative due diligence checks on entities and individuals identified, as needed, and determined and documented existing relationships with Allen Stanford, Stanford entities and/or other Stanford employees.
- Aggregated names of current and former employees most likely to provide relevant information in regards to other assets/accounts and conducted selected interviews.
- Contacted all foreign locations and inquired as to the existence of all assets that may be available for potential recovery.
- Performed extensive “hard copy” document reviews for documents obtained in control centers in Houston, Tupelo and Memphis to identify other possible accounts containing cash and/or investments that could be recovered for the Estate.
- Conducted targeted e-mail searches for selected custodians to identify other possible accounts containing cash and/or investments that could be recovered for the Estate.
- Conducted other efforts to recover cash and other assets that are listed in other sections below, including those relating to real estate, private equity and aircraft.

Corporate Structure Analysis

In order to properly identify and categorize assets and claims, the Receiver needs to identify all Stanford entities and accurately understand the ownership relationships among them. Upon taking control, the Receiver found numerous inconsistent organizational charts and plans for internal restructuring. To compile accurate information, the Receiver and his team have worked to:

- Develop master lists of Stanford entities (this ongoing work has resulted in the identification of approximately 140 potential Stanford entities so far; that number does not include more than 100 other potential Stanford entities the names of which are referenced in various documents as having a Stanford relationship but as to which the Receiver’s team has not yet found appropriate ownership records and/or other corporate or financial records).
- Develop an understanding of a complex and often confusing corporate structure and the business operations of these companies.
- Develop detail regarding parent/subsidiary and other relationships among entities.

Preparation of Financial Statements

In order to marshal, value and ultimately monetize the assets of the Estate and to determine the claims against the Estate, the Receiver needs to have reliable financial statements and data. The Receiver engaged Ernst & Young to summarize combined financial statements, working with best available Stanford Group data. Much of the necessary data has resided outside the U.S., presenting logistical challenges in locating it. Ernst & Young has:

- Worked to summarize a combined balance sheet, as of February 19, 2009 and as of December 31, 2008, for all identified Stanford controlled entities located throughout the world.
- Gathered supporting documentation to assist with summarizing a combined balance sheet, as of February 19, 2009.
- Worked to identify available assets for all entities controlled by the Estate along with associated liabilities.
- Reviewed company books and records, collected and analyzed electronic and paper-based evidence and engaged in numerous interviews with Stanford personnel to assemble information.
- Generated lists of assets by category (such as private equity investments, real estate, financial assets and coin and bullion inventory) under the control of the Estate, as well as associated liabilities, so that the Receiver can properly preserve or dispose of the assets and deal with the liabilities, as appropriate.

Real Estate

With a view to maximizing the value of the Estate, the Receiver and his team have taken the following actions regarding real estate:

- Developed comprehensive listings of 54 owned properties and 58 leased properties in 17 U.S. states, Canada, St. Croix, St. Kitts and Europe, with information regarding ownership, encumbrances and value, as well as 49 owned properties in Antigua.
- Worked to collect information and determine rights with respect to owned and leased real property in the Estate by reviewing leases, deeds, mortgages, insurance schedules, financial information and other relevant documentation.

- Began efforts and engaged brokers to assess values and markets in an attempt to monetize real estate assets.
- Assessed threats and risks of expropriation of Antiguan lands and related procedures, determinations and requirements.
- Developed an overall strategy and plan regarding rejection of leased properties, in order to save costs, and prepared and filed motion with the Court regarding procedures for rejection of leases and sale of furniture and equipment in leased space.
- Facilitated the lease rejection process, including removal of files and personal property, sale of furniture, rejection of leases (subject to execution of termination agreements with landlords whereby the Receiver agreed to quitclaim the personal property in exchange for landlord's full waiver and release of claims) and negotiations with landlords regarding the amount to be paid as administrative costs for the period of time of the Receiver's occupancy of the space, credits for furniture and limits on unsecured damage claims.
- Researched landlord's lien law in several jurisdictions as it relates to the Receiver's ability to sell the personal property free and clear of liens.
- Worked to determine rights with respect to security deposits and letters of credit in the Receivership in an attempt to free up cash that is tied up as collateral.
- Worked to implement the relocation of the Receiver's team, including retained Stanford Houston employees, from rented to owned space so that the lease on the larger leased space can be rejected, in order to save costs; negotiated with the landlord of the Houston headquarters to obtain its cooperation with the relocation process so as to maintain the Receiver's operations with minimal disruption.
- Collected and responded to multiple default notices and lien notices from landlords and contractors.
- Prepared letters to landlords regarding the effects of the receivership on their ability to exercise remedies.
- Prepared letters to tenants regarding payment of rent.
- Coordinated property tax appraisals, insurance, maintenance and other activities necessary to preserve value of owned properties.
- Coordinated management and leasing activities of Stanford in its capacity as landlord of the St. Croix properties related to the continuing occupancy by building tenants.

- Implemented required procedures to collect back rent from the General Services Administration for office space in St. Croix.
- Developed procedures for sale of real property that is owned by the Estate and prepared and filed motion with the Court for approval of these procedures.
- Established brokerage arrangements with CB Richard Ellis to market and sell owned properties in a reasonably expeditious manner while attempting to maximize value.

Private Equity

With a view to maximizing the value of the Estate as directed by the Receivership Order, the Receiver and his team have taken the following actions regarding the numerous private equity investments held by the Estate:

- Developed comprehensive listings of private equity holdings, with information regarding ownership, potential current value and loans outstanding.
- Reviewed information and contracts related to private equity investments and evaluated rights and responsibilities with respect thereto.
- Communications with portfolio companies and counsel regarding status of investments and rights to immediate cash withdrawals where available.
- Evaluated various investment holdings for potential sale to third parties; these efforts have included, with respect to several investments, negotiations with potential interested purchasers.
- Interviewed potential advisors regarding possible engagement to market Stanford's private equity holdings.

Aircraft

With a view to maximizing the value of the Estate as directed by the Receivership Order, the Receiver and his team took the following actions regarding the six aircraft held by the Estate:

- Supervised security and developed protocol for dealing with aircraft and aircraft facilities, including maintenance and insurance issues.
- Reviewed information and contracts related to aircraft title and liens.
- Communicated extensively with the lender that holds liens on five of the six Stanford aircraft to obtain two independent fair market value appraisals of the five

aircraft, in connection with negotiations concerning orderly sale and/or return of the aircraft to the lender and release of a portion of the substantial cash collateral held by the lender to the Receiver.

- Began making arrangements, including retaining aircraft broker, to assist in the sale of the Stanford aircraft.

Litigation and Interaction with Governmental and Regulatory Agencies

Litigation and Other Disputed Matters Commenced at or after Appointment

The Receiver's tasks included responding to the proceedings in or related to this case. In particular, the Receiver or his counsel:

- Appeared and filed papers at two preliminary injunction hearings in this Court, and prepared for potential Receiver testimony at those hearings.
- Appeared at two TRO hearings in the Southern District of Texas at the request of the Judge in that Court.
- Briefed and defeated a petition for mandamus to the Fifth Circuit related to this Court's jurisdiction to appoint the Receiver.
- Initiated litigation against financial advisors who sold fraudulent CDs, to seek return of more than \$40 million in commissions and other tainted compensation.
- Responded with two consolidated briefs to more than 40 motions by account holders and brokers seeking intervention or similar relief.
- Considered scores of communications and demands by putative intervenors and their counsel.
- Litigated matters related to coin and bullion disputes.
- Analyzed and responded to motion to appoint an examiner.
- Analyzed and filed responses to motions to permit filing of litigation in other forums.
- Filed show cause motion to force the return of \$3 million to the Receiver.
- Filed show cause motion to stop litigation against the Receiver in the Southern District of Texas.
- Communicated with counsel and other courts to obtain abatements in light of this Court's stay of litigation against the estate.

- Addressed issues raised by the individual Defendants regarding Receivership actions.
- Served subpoenas on several third parties who are in possession of Stanford records or assets that must be turned over to the Receiver.
- Prepared and filed appropriate papers regarding account release procedures and approvals.
- Prepared and filed appropriate papers regarding Receiver's procedures for rejection of leases.
- Responded to inquiries from numerous claimants regarding the injunction against proceedings outside the Northern District of Texas.

Assistance to and Communication with Governmental and Regulatory Agencies

The Receivership Order directed the Receiver to promptly provide the SEC and other governmental agencies with all information and documentation they may seek in connection with their regulatory or investigatory activities. To accomplish this direction, the Receiver and his team:

- Conducted numerous telephone conferences and meetings with governmental and regulatory agency representatives, including meetings with SEC representatives to advise them of the Receiver's work plans and progress to date, and to coordinate regarding numerous issues related to administration of the Receivership.
- Coordinated with the SEC, the FBI, the U.S. Postal Inspector and the U.S. Department of Labor in identifying and gathering documents and information relevant to their ongoing investigations and responded to numerous requests from these authorities to analyze and provide information and documents.
- Presented the results of preliminary investigative work to representatives of the Department of Justice, FBI, IRS, and U.S. Postal Services, including collection and provision of supporting corporate documentation.
- Communicated with FINRA regarding broker dealer activities, regulatory reporting and compliance issues.
- Working with employees in Stanford Capital Management's compliance department, considered compliance issues related to termination of personnel as well as updating filings related to the Investment Advisors Act of 1940, the broker-dealer regulations under the Securities Exchange Act of 1934 and applicable FINRA regulation.

- Communicated with the Board of Governors of the Federal Reserve System on banking and trust matters.
- Established, with the assistance of the SEC and Texas State Securities Board, a weekly call with various state securities regulatory authorities to respond to their information requests and to provide such regulators with status reports.
- Communicated with state banking agencies in Texas, Louisiana, North Carolina and Florida regarding Stanford branches and other offices.
- Communicated with foreign bank and securities regulators, particularly Mexico, Panama and Canada regarding wind-down of operations, liquidations, investor questions and arrangements for claims processes.
- Communicated with the Secretary of State and staff of various states to discuss issues regarding broker dealer activities and Stanford Trust Company.
- Responded to, and gathered documentation for production relating to, subpoenas and other formal document requests made by various state regulatory agencies.
- Conferred and coordinated with officials in Canada, Colombia, the Eastern Caribbean, Ecuador, Guatemala, Israel, Mexico, Panama, Peru, and Venezuela regarding Estate issues in those jurisdictions.

International Matters

For a discussion of matters related to Antigua and Canada, see “Issues Related to Antigua” in this Report above.

Latin American Matters

The Estate includes several Latin American subsidiaries with numerous offices and assets located in several countries. In this connection, the Receiver and his team have:

- Coordinated resources and researched locations of Stanford offices and receivership assets and records in Colombia, Ecuador, Mexico, Panama, Peru and Venezuela.
- Conferred and coordinated with SEC and Latin American securities and bank regulators regarding office closures and asset recovery in Latin America.
- Conferred, coordinated and attended numerous meetings with officers of Comision Nacional Bancaria Y De Valores (CNBV) and Mexican government officials regarding access to and securing of receivership assets in Mexico and regarding funds revocation and liquidation process under Mexican law.

- Prepared authorization letters and necessary powers of attorney, reviewed public deeds, obtained access to and closed and secured Stanford offices in Mexico City, Monterrey, and Puebla, Mexico.
- Conferred with Peruvian Embassy representatives regarding concerns of Peruvian investors and regarding asset recovery efforts.
- Conferred with Panamanian regulators regarding access to Stanford assets in Panama and extensively coordinated with those regulators regarding Stanford Bank (Panama).
- Reviewed and analyzed communications regarding leads for disposition and recovery of assets in office in Ecuador.
- Communicated with regulatory officials in Colombia regarding access to and securing of Stanford office for the Receiver; prepared Colombian proxies and prepared for shareholders meeting.
- Investigated, researched and advised Receiver regarding situation of Stanford Venezuelan bank and assets.
- Researched and began preparation of appropriate corporate resolutions and documentation to allow the recovery of Receivership assets from the various foreign entities.
- Worked to assist sales processes for Stanford bank and brokerage accounts in Panama and brokerage accounts in Columbia, Ecuador and Peru.
- Analyzed specific information regarding Latin American cash and investment accounts, as well as investments noted in over ten Latin American entities for asset identification.

See also the discussion under “Latin American Matters” in this Report above.

Switzerland Matters

The Estate includes a Swiss entity, Stanford Group (Suisse) AG, that owns substantial assets, including cash on deposit and an office building. In this connection, the Receiver and his team have:

- Placed various Swiss banks holding Stanford accounts of the Swiss entity and other Stanford entities on notice of the Receivership.
- Participated in efforts with Swiss directors of the Swiss entity regarding orderly wind-down of that entity to preserve and monetize assets; these efforts include

wind-down of business activities, managing employee reductions, marketing and sale of Zurich office tower currently owned by the entity, handling existing liabilities, addressing leased properties, resolving liquidity issues, and appointment of liquidator.

- Examined issues of Swiss procedural expectations and venues as related to liquid assets in Switzerland.
- Evaluated issues raised by Swiss federal prosecutor's investigation into Stanford activities in Switzerland.
- Retained Swiss counsel to assist in the above efforts.

Customer Related Matters

Releases of Stanford Group Company Customer Accounts from Freeze and Related Broker Matters

The accounts at financial institutions that were frozen by the TRO/Freeze Order included Stanford customer accounts. Following efforts to confirm that the freeze had been implemented as directed by the TRO/Freeze Order, the Receiver collected data to analyze the accounts and the potential that the accounts or their owners were associated with fraudulent products or activities. The Receiver engaged in a balancing of the hardship the freeze was causing to owners of the accounts compared to the benefits of the freeze to the Estate, considering both the likelihood that the accounts are associated with fraudulent products or activities and the amount potentially recoverable by the Estate from those accounts if they are tainted. These activities led to the filing of motions with the Court requesting permission to release certain accounts, in stages, and the release of those accounts upon Court approval. In addressing these issues, the Receiver, assisted by a multi-disciplinary team of lawyers, forensic accountants, broker dealer experts and information technology experts:

- Established protocols to allow liquidating orders and other interim measures to provide customers flexibility to reduce market exposure.

- Analyzed certain mutual fund assets of Stanford clients held outside of Stanford's custodial arrangements and determined that they should be released from the freeze.
- Developed criteria by which Stanford Group Company customer brokerage accounts could be evaluated and released:
 - Approximately 50,000 accounts at Pershing and JP Morgan were initially identified.
 - The number was reduced to approximately 32,000 accounts after identifying and eliminating dormant accounts.
- Identified, gathered, analyzed and applied information for purposes of potential release of accounts, including available databases regarding potential for accounts having a probability of being associated with fraudulent products or activities, as well as lists of directors, senior management and employees.
- Coordinated with Pershing to develop procedures for transferring eligible account assets using ACATS process.
- Prepared motions and orders for release of two rounds of customer accounts totaling 28,452 accounts; as of April 22, 2009, transfers of 20,840 accounts had been completed.
- Developed an account review process to enable owners of the remaining approximately 4,000 Stanford Group Company accounts to provide information to the Receiver that may be relevant to whether their accounts should be released; filed motion with the Court seeking approval of the process; and upon receiving such court approval, implemented the process with both online and mail-in versions and began processing applications; as of April 22, 2009, this process had been initiated by holders of 1,521 accounts.
- Filed motions to approve compromises concerning releases of certain frozen accounts in which the Receiver will retain certain funds in the accounts pending final adjudication of Receiver's claims.
- Reviewed Stanford Group Company's form client agreements, analyzed the legal requirements and obligations of the parties and developed a strategy to unwind such relationships.
- Reviewed and analyzed Clearing Agreement between Stanford Group Company and Pershing LLC and other relevant documentation regarding rights and obligations of Pershing LLC and Stanford and applicable expense and fee arrangements.

Stanford Trust Company Matters

- Communicated and met with the Commissioner and staff of the Louisiana Office of Financial Institutions to discuss regulatory matters related to Stanford Trust Company.
- Conducted the same analysis of Stanford Trust Company accounts that was performed for Stanford Group Company accounts, including gathering and reviewing similar types of information, in order to make the same type of decisions, with respect to the approximately 1,480 accounts at Stanford Trust Company.
- Prepared and filed a motion with the Court seeking approval of a process to release Stanford Trust Company accounts in certain categories; this motion is pending.
- Gathered trust documents from Stanford Trust Company locations and began to review those documents to determine the legal requirements applicable to having a successor trustee appointed under each trust instrument.

Stanford Private Label Funds

During Stanford's operations, it had, to varying degrees, formed, promoted and managed several private-label investment funds, including SCM Alternative Income I, L.P. and SCM Beta Partnership I, L.P. Stanford also promoted and sometimes invested in other investment funds. The establishment of the Receivership and implementation of the TRO/Freeze Order affected the day-to-day operations of some of these funds and the oversight and information reporting functions of some others. In addition, the existence of the Receivership has created concerns of various customers, vendors and other contractual counter-parties related to the continued viability of these funds as well as the effect of the TRO/Freeze Order on them. To provide information to these persons and to begin to resolve the issues related to these funds, the Receiver and his team:

- Reviewed and analyzed the agreements and private placement memorandums related to these funds regarding the legal rights and obligations of investors, Stanford and third-parties.

- Began developing strategies to facilitate the appointment of a successor general partner for the fund, terminate Stanford's involvement in the fund and/or recover funds for Stanford's investments in the fund to the extent possible.
- In some cases, began a dialogue with some of the largest investors in the fund regarding resolution of these issues.
- Responded to numerous requests for information from investors related to Stanford's private-label investment funds.
- Analyzed various issues under partnership agreements and applicable law related to investors' rights for information regarding the private-label investment funds.
- Reviewed and analyzed Financial Services Agreement by and between MadisonGrey Fund Services, LLC and Stanford and other supporting documentation regarding administrative services provided to the private-label investments funds regarding relative rights and obligations of MadisonGrey and Stanford.
- Interfaced with MadisonGrey, the administrator of the Stanford private-label funds to attempt to maintain the level of administrative services being provided to investors as well as respond to investors' information requests.

Coins and Bullion

One of the Stanford entities is Stanford Coins and Bullion, which engages in trading and customer investments in coins and gold bullion. In connection with this operation, the Receiver and his team have:

- Analyzed coin and bullion company operations.
- Moved coin and bullion inventory from Stanford facilities to large commercial bank safety deposit boxes to assure safety.
- Conducted physical inventory of coin and bullion inventory.
- Retained a numismatic consultant to assist in valuation and wind down of coin and bullion operations.
- Begun an analysis of customer claims to coins and bullion held by Stanford Coins and Bullion.
- Begun a review process to enable customers, vendors and other persons to provide information to the Receiver that may be relevant to determine the status of their claims.

- Reached agreements with two coin and bullion companies involving settling of disputed accounts between Stanford Coins and Bullion and these companies.

Operational and Administrative

Operations

The Order directed the Receiver to conserve, hold, manage and preserve the value of the Estate. The Receiver and his team:

- Analyzed available financial and other information to determine whether the Stanford companies included businesses that could continue as viable businesses.
- Soon after taking control, upon concluding that most of the businesses of the Stanford companies were not financially viable, issued directions and began implementing plans to cease those business activities.
- Developed and implemented protocol, consistent with regulatory and other requirements, for the receipt and delivery of mail at Stanford's headquarters in Houston, as well as implemented plan to coordinate the collection of mail at all domestic and St. Croix offices for forwarding to a central location.
- Reviewed existing operational roles and identified critical personnel to retain for continued administration of corporate functions.
- Developed and implemented procedures for payment of payroll, including the administration and resolution of pre-receivership payroll obligations.
- Coordinated with company personnel to ascertain ongoing operational obligations of the Stanford entities.
- Developed and implemented protocol for the identification and payment of other expenses and obligations of the Estate, as well as pre-receivership obligations of Stanford to certain critical vendors necessary to ensure ongoing operations and liquidation of the Estate.
- Developed and implemented treasury functions, including the establishment of new and secure bank accounts.
- Developed operational protocols for obtaining and moving cash to the new bank accounts.
- Developed operational protocols for the creation, approval and submission of wire transfer and other payment types for the payment of vendors.

- Completed permanent physical closure of 24 U.S. branch offices of Stanford entities through April 20, 2009 so that applicable office leases can be rejected in order to reduce ongoing expenses of the Estate; closure of an additional 12 U.S. offices is scheduled; each such shutdown required sending personnel to the branch office to oversee the closing process, including removal and safeguarding of records and documents.

Employee Matters

At the outset of the Receivership, the Stanford Companies had more than 3,000 employees, of whom approximately 1,200 were in the U.S. and the balance in numerous other countries. The Receivership Order directed the Receiver to take control of and preserve the assets of the Estate, necessitating management of the business. The Order also directed the Receiver to minimize expenses in furtherance of maximum and timely disbursement thereof to claimants. To accomplish these directives, and to do so consistently with the Receiver's determination (see above) that most of the businesses of the Stanford companies were not financially viable, the Receiver and his team:

- Assessed workforce in U.S. and Latin America and determined which employees should be retained to assist in managing and liquidating the Estate.
- After careful review and with a view to reducing costs to the Estate, issued notices of termination of employment to more than 1,000 U.S. employees, which necessitated, among other things:
 - Assessing and complying with federal and numerous state notification requirements and pay/payroll requirements.
 - Communicating with affected employees.
 - Responding to state and local governmental inquiries regarding layoffs.
- Responded to three separate inquiries/investigations from the U.S. Department of Labor ("DOL") from three separate groups within the DOL with respect to:
 - An audit of the Stanford employee benefit plans subject to the Employee Retirement Income Security Act ("ERISA").
 - An investigation of potential violations of federal wage and hour laws in connection with Stanford payroll issues.

- A criminal investigation with respect to non-Stanford ERISA plans that may have invested in certificates of deposit issued by Stanford International Bank Ltd.
- The DOL audit and investigatory activities have required numerous on-site meetings with the various DOL agents; due diligence review of documents and other information requested by the DOL agents and analysis of the legal authorities, obligations and constraints on the Receiver with respect to the audit and investigatory actions and disclosure of documents and information requests by the various DOL agents.
- Reviewed numerous employee benefit plans, programs and arrangements and practices (both in the U.S. and outside the U.S.) and individual employment-related agreements established and/or entered into by the various Stanford companies.
- Analyzed Estate's obligations to employees, employee benefit plans and government agencies under Stanford employee benefit plans, programs and practices, including those identified below, and determined to cease some plans, where appropriate.
- Took action, via resolutions and amendments, as appropriate, to reconstitute the administrative committees of the Stanford ERISA and non-qualified U.S. employee benefit plans, programs and arrangements.
- Modified and/or discontinued operations of benefit plans in light of the reduced employee population and in order to preserve assets and reduce expenses of the Estate, which included:
 - Addressing the mandatory matching contributions and partial termination issues of the Stanford 401(k) plan.
 - Securing welfare benefit plan benefits, including employee medical coverage, until April 30, 2009 and terminating thereafter.
 - Securing administration of these benefits through April 30, 2009 and the defined "run-out" period thereafter.
 - Preparing and distributing to plan participants ERISA-required summaries of material modifications as required for such changes.
- Prepared and updated website and other communications to address changes to employee benefits coverages for former employees and retained employees.
- Reviewed benefit plan compliance with applicable law and initiated corrective action, where appropriate, including analyzing impact of recent federal legislation

enacted by Congress regarding continuing health coverage under group health plans and the required notice requirements related to the same.

- Reviewed and assessed employee obligations to Estate under a broker loan program pursuant to numerous loan agreements with varying terms.
- Handled regulatory filings necessitated by termination of employment of registered representatives and financial advisors.
- Developed and administered protocol for controlled access and removal by employees of personal items from various office locations.
- Prepared and updated a statement regarding employee benefits that addressed health care, COBRA, flexible spending accounts, disability insurance, AD&D insurance, 401(k) plans, personal belongings and severance or bonus contracts.

Insurance Matters

The Receiver and his team have taken the following actions relating to insurance matters affecting the Estate and its assets:

- Performed a comprehensive review of the insurance program that was maintained by the Stanford entities before the receivership, and communicated with brokers and other parties to cancel coverage that is no longer needed in view of the Receiver's appointment.
- Provided initial and supplemental notices of claims to insurance carriers under policies providing primary and excess directors and officers liability coverage, excess Securities Investor Protection Corporation coverage, Financial Institutions Crime and Professional Indemnity coverage, and Foreign Political Risk coverage.
- Evaluated numerous claims and demands made by various parties relating to the Estate's insurance policies.
- Taken steps to recover letters of credit that were posted before the Receiver's appointment to secure customs bonds that are no longer necessary.
- Taken steps to obtain replacement insurance coverage for domestic and international Estate assets where coverage has expired by its terms or the Receiver has been informed by the carrier of policy cancellation.
- Discussed ongoing litigation matters and insurance matters with in-house counsel and employees.

Tax Matters -- Allen Stanford Personal Returns

The IRS has advised the Receiver that it has proposed or asserted against Allen Stanford a total of approximately \$226.6 million in federal taxes (including interest and penalties) for tax years 1999-2003. Because Mr. Stanford personally is a named party to the Receivership and was the owner of the assets of the Estate, the Receiver must become familiar with potential tax liability of Mr. Stanford which could lead to possible tax claims being filed by the IRS in the Receivership. To that end, the Receiver has collected and is analyzing available files and records pertaining to these proposed and assessed tax liabilities. The Receiver has also been negotiating with the Department of Justice Tax Division (“DOJ Tax”) with respect to the pending IRS motion to intervene in this receivership. A description follows of each of Mr. Stanford’s tax years for which the IRS has proposed or asserted possible tax liability and of the IRS motion to intervene in the proceeding before this Court.

- 1999 Tax Litigation. The IRS has advised the Receiver that it has proposed a deficiency of approximately \$7.2 million (inclusive of interest and penalties) with respect to Mr. Stanford’s 1999 joint tax return.
- 2000 Tax Litigation. The IRS has advised the Receiver that it has proposed a deficiency of approximately \$30 million (inclusive of interest and penalties) with respect to Mr. Stanford’s 2000 joint tax return.
- 2001 Tax Litigation. The IRS has advised the Receiver that it has proposed a deficiency of approximately \$72.8 million (inclusive of interest and penalties) with respect to Mr. Stanford’s 2001 joint tax return.
- 2002 Tax Litigation. The IRS has advised the Receiver that it assessed tax of approximately \$32.1 million (inclusive of interest and penalties) against Mr. Stanford with respect to his 2002 tax year, and that Mr. Stanford initiated a Collection Due Process or Equivalent Hearing before the IRS Office of Appeals.
- 2003 Tax Litigation. The IRS has advised the Receiver that it assessed tax of approximately \$84.5 million (inclusive of interest and penalties) against Mr. Stanford with respect to his 2003 tax year, and that Mr. Stanford initiated a Collection Due Process or Equivalent Hearing before the IRS Office of Appeals.

- IRS Motion for Intervention. On March 13, 2009, DOJ Tax, on behalf of the IRS, filed a motion asking this Court to permit the IRS to be an intervening party and to lift its injunction to (i) allow the IRS to proceed with the pending Tax Court case for Mr. Stanford related to his 1999, 2000, and 2001 tax years; (ii) allow the IRS to proceed with the pending IRS Office of Appeals matter related to Mr. Stanford's 2002-03 tax years, (iii) recognize that the IRS may issue additional assessments against Mr. Stanford at any time because of the receivership, and (iv) compel Mr. Stanford to file his personal income tax return for 2007. On April 16, 2009, DOJ Tax, the SEC and the Receiver agreed to the terms of a proposed order in response to the IRS Motion and on April 17, 2009, this Court granted such order. Under the terms of the proposed order:
 - The IRS is allowed to intervene in this case before this Court.
 - The pending Tax Court cases involving Mr. Stanford's 1999, 2000, and 2001 tax years is transferred to this Court, and this Court will adjudicate the merits of the proposed tax deficiencies, including an adjudication of the underlying merits and amounts of the proposed tax deficiency.
 - It is recognized that the IRS has the right to issue an assessment against Mr. Stanford for his tax years 1999-2008 and to conduct audits and issue notices of deficiencies with respect to Mr. Stanford's tax liability.
 - The pending IRS Office of Appeals Collection Due Process or Equivalent Hearing involving Mr. Stanford may be resumed, but the IRS Office of Appeals retains the discretion as to when to issue its notice of determination with respect to such hearing. Mr. Stanford retains his right to appeal any such determination to the U.S. Tax Court. Any such appeal would be immediately stayed until this Court takes further action.
 - Any IRS claim made before this Court will be adjudicated by this Court, including an adjudication of the underlying merits and amount of any proposed, determined or assessed tax liability and assets available to satisfy any proposed, determined or assessed tax liability.
 - Mr. Stanford is directed to file his 2007 tax return on or before May 15, 2009.

Tax Matters -- Stanford Entities

Similarly, the IRS or other taxing authorities may assert tax claims against the Stanford entities. In assessing these issues, the Receiver and his team have:

- Determined that there is in excess of 250 jurisdictions (Federal, State, Local and Foreign) requiring tax support for the Estate.

- Identified approximately 100 returns currently required or in arrears and prepared extensions.
- Initiated a review of all foreign tax filings.

Claims Identification

The Receivership Order requires the Receiver to identify claims against the Estate. To begin this work, the Receiver and his team have:

- Begun compiling and categorizing known claims based on Stanford's internal records.
- Established a formal claims filing process, which is posted on the Receivership's website.
- Claim categories include certificate of deposit claims, vendor claims, secured creditor claims, coin and bullion claims, employee claims, landlord claims and other claims.

Communications with Customers, Employees and the Public

The establishment of the Receivership and implementation of the TRO/Freeze Order significantly affected the lives and financial affairs of many people and businesses, including customers, employees, vendors, creditors, landlords and others. To provide information to these persons, the Receiver and his team:

- Established a website for the Receivership, *www.stanfordfinancialreceivership.com*, that was available on the day the Receivership was announced.
- Used the website to provide regular updates with time sensitive information for investors, employees, media, other interested parties and the public.
- Provided an email address for persons to contact the Receiver, monitored and sorted into categories the more than 11,000 emails that have been received, and directed certain emails to team members for individual response if appropriate.
- Issued numerous public statements that were posted on the website and sent to media.
- Posted and updated numerous sets of Frequently Asked Questions ("FAQs") regarding a variety of subjects.

- Subjects include account status, account transfer procedures for unfrozen accounts, account review procedures to seek release of frozen accounts, employee issues, coin and bullion issues, CD issues, brokerage account issues in non-U.S. entities, political contributions, mutual funds, and general receivership information.
- FAQs are detailed and written in plain English.
- Posted Court orders and filings of greatest likely interest to users of the website, in addition to other material information.
- Translated major website materials into Spanish.
- Established a media alert system with major national and Houston media to facilitate the flow of information to investors and consumers.
- Established an email outbox to be used for replying to investors with questions on the account review process and claim notification process; began corresponding with investors where appropriate.
- Held an interview with the Houston Chronicle, which subsequently ran on international newswires, to increase information flow to constituents of the Estate and the public.
- Addressed status of and need for 17 separate websites that had originally been maintained by various Stanford entities.

Team Assembled by the Receiver

The Receivership Order authorizes the Receiver to employ such managers, agents, custodians, consultants, investigators, attorneys and accountants as he judges necessary to perform his duties. The following experts have been retained to assist him:

- Krage & Janvey, L.L.P., the Receiver's law firm.
- Baker Botts L.L.P, an international law firm headquartered in Texas.
- CB Richard Ellis, a real estate consulting firm.
- Ernst & Young, an international accounting and professional services firm.
- Financial Industry Technical Services, Inc., a brokerage operations specialist firm.
- Frizzell Group International, LLC, a security consultant.
- FTI Consulting, Inc., a forensic accounting and information technology firm.

- Pierpont Communications, Inc., a communications firm.
- Paul Montgomery, a numismatic expert.
- Strategic Capital Corporation, a business restructuring advisor with substantial broker dealer experience.
- Thompson & Knight L.L.P, an international law firm based in Texas with offices in Latin America.
- Local counsel and experts as needed in certain U.S. States, Canada, the United Kingdom, Switzerland and Antigua.

Dated: April 23, 2009

Respectfully submitted,

BAKER BOTTS L.L.P.

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ATTORNEYS FOR RECEIVER RALPH S. JANVEY

CERTIFICATE OF SERVICE

On April 23, 2009, I electronically submitted the foregoing Report with the clerk of court for the U.S. District Court, Northern District of Texas, using the electronic case filing system of the court. I hereby certify that I have provided copies to the Examiner in this case and to all counsel of record electronically or by another manner authorized by Federal Rule of Civil Procedure 5(b)(2).

/s/ Kevin M. Sadler
Kevin M. Sadler