

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

SECURITIES AND EXCHANGE COMMISSION	§	
	§	
Plaintiff,	§	
	§	
v.	§	Case No. 3:09-CV-0298-N
	§	
STANFORD INTERNATIONAL BANK, LTD.,	§	
STANFORD GROUP COMPANY,	§	
STANFORD CAPITAL MANAGEMENT, LLC,	§	
R. ALLEN STANFORD, JAMES M. DAVIS, and	§	
LAURA PENDERGEST-HOLT,	§	
	§	
Defendants.	§	

**RECEIVER'S MOTION TO APPOINT PRIVATE EQUITY ADVISOR**

**I. INTRODUCTION**

Ralph S. Janvey, as Receiver for Defendants and all Stanford-controlled entities, respectfully moves the Court for an order approving the retention of Park Hill Group LLC (“PHG”), a wholly-owned subsidiary of The Blackstone Group, to assist him in the management of the assets contained in the private equity investment portfolio that forms part of the Receivership Estate. In order to discharge his duties, the Receiver must review and ultimately monetize these investments in a way that will minimize costs to the Receivership Estate while maximizing the value of these investments that are assets of the Receivership Estate. The engagement of PHG will provide the Receiver with the necessary financial expertise to properly manage these assets, assess their value and identify potential buyers, thereby maximizing the value to the Receivership Estate.

## II. BACKGROUND

On February 16, 2009, the Securities and Exchange Commission (the “Commission”) commenced a lawsuit in this Court against R. Allen Stanford, two associates, James M. Davis and Laura Pendergest-Holt, and three of Mr. Stanford’s companies, Stanford International Bank, Ltd., Stanford Group Company, and Stanford Capital Management, LLC (the “Stanford Defendants”). The Commission alleges, in its First Amended Complaint filed on February 27, 2009, that the Stanford Defendants perpetrated a multi-billion-dollar fraudulent scheme by (1) promising high return rates on “certificates of deposit” that exceeded those available through true certificates of deposit offered by traditional banks and (2) selling a proprietary mutual fund wrap program known as Stanford Allocation Strategy using materially false and misleading historical performance data. Am. Comp. (Doc. 48) ¶¶ 3, 6.

The Court found good cause to believe that the Stanford Defendants violated federal securities laws. Accordingly, on February 17, 2009, the Court entered an order appointing Ralph S. Janvey Receiver over all the assets of the Stanford Defendants and all the entities they own or control. Order Appointing Receiver (Doc. 10). On March 12, 2009, the Court entered an Amended Order Appointing Receiver that contained changes not material to this motion (the “Receivership Order”). Amended Order Appointing Receiver (Doc. 157).

The Receivership Order charged the Receiver with marshaling and preserving the assets of the Receivership Estate. In conducting his duties, the Receiver has identified debt and equity investments with initial investment amounts totaling approximately \$650,000,000 made in

nearly 40 different companies (the “Investment Portfolio”).<sup>1</sup> A complete list of the investments is attached as Exhibit 1 (Appendix at 1-2).

The Investment Portfolio presents a variety of challenges. The investments do not follow any uniform pattern. Some investments were made directly in portfolio companies, while others were made indirectly in private equity, venture capital and real estate funds. Furthermore, the investments are not industry-focused, and the Receivership Estate currently holds interests in companies involved in activities ranging from telecommunications in Latin America to building construction in Texas. The investments also vary greatly in size. The largest investment involves over \$180 million while the smallest investment involves only \$300,000.

The management and evaluation challenges posed by these investments are complicated still more by the fact that many are in privately-held entities, making the investments relatively illiquid and difficult to value. A number of these private equity investments also impose obligations on the Stanford entities in question to make future cash infusions in the millions of dollars to cover periodic capital calls. If the Stanford entities do not satisfy the capital calls, the Receivership Estate faces the risk that the original investments will be substantially diluted if not lost.

After reviewing the Investment Portfolio in detail, the Receiver has concluded that enlisting the services and assistance of a firm experienced in the evaluation of private equity investments will be essential to proper management and liquidation of the Investment Portfolio. Following a careful investigation of potential options, the Receiver has selected PHG for this task, and requests Court approval of that selection.

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<sup>1</sup> The Receiver’s representatives have located records that set forth the dollar amounts that were invested as debt or equity in the portfolio companies, but those amounts have not been audited and their reliability cannot be verified.

### III. ARGUMENT AND AUTHORITIES

The Receivership Order authorizes the Receiver to enter into agreements in connection with the administration of the Receivership Estate, including the employment of consultants, as the Receiver judges necessary to perform the duties set forth in such order and to compensate such consultants from the assets of the Receivership Estate. Amended Order Appointing Receiver, at 5(h).

Over the last six weeks, the Receiver's team considered a number of firms and ultimately interviewed seven of them regarding their interest in serving as private equity advisor overseeing the Investment Portfolio. Four of these firms submitted proposals, and members of the Receiver's team conducted further discussions with each of these four firms before ultimately determining that the interests of the Receivership Estate would be best served by retaining PHG in this capacity. PHG was founded in 2004 and is a wholly-owned subsidiary of the Blackstone Group, one of the world's leading investment and advisory firms. PHG specializes in providing global alternative asset placement agent and secondary advisory services with particular expertise in conducting negotiated sales, full auctions and complex structured transactions. The firm currently has over 90 employees in four offices in the United States as well as offices in London and Tokyo. Since its inception, PHG has been involved in over \$35 billion in commitments for private equity and real estate private equity funds. Additional material on PHG is attached as Exhibit 2 (Appendix at 3-7). The resumes of the key members of the PHG team who will assist the Receiver are attached as Exhibit 3 (Appendix at 8).

If approved by the Court, PHG will be charged with, among other things:

- consulting with respect to the structure, timing and strategy of the offering and sale of the investments in the Investment Portfolio;
- consulting with respect to the current market environment, including the market terms expected by potential investors;

- assisting the Receiver in assessing the potential valuation of the Investment Portfolio;
- identifying, contacting and negotiating, on the Receiver's behalf, potential investors;
- assisting the Receiver with the analysis of any offers to purchase the investments; and
- making recommendations to the Receiver regarding potential sales and decisions with regard to capital calls.

The Receiver believes that a group such as PHG is best suited to perform this work. Neither the Receiver nor the other professional firms currently retained by the Receiver possess the expertise necessary to value the investments in question or to properly decide whether acceptance of a settlement offer in lieu of dilution by failure to pay capital calls is proper. Retaining PHG will provide such expertise and ensure that the Receivership Estate receives maximum value in an orderly liquidation of the Investment Portfolio.

Moreover, the Receiver has structured the arrangement with PHG to minimize costs to the Receivership Estate while incentivising PHG to maximize the value of the Investment Portfolio. PHG has agreed to accept an initial \$375,000 retainer fee from the Receivership Estate, which will be applied by PHG to offset the first \$375,000 of the 3% fee (described below). After that, PHG's fees will be based solely on its ability to sell assets in the Investment Portfolio, and PHG will receive additional compensation in the amount of 3% of each sale actually consummated less the retainer amount.<sup>2</sup> The executed PHG engagement letter is attached as Exhibit 4 (Appendix at 9-31). Based on the interviews conducted by

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<sup>2</sup> PHG has agreed to waive its fee or receive a 1/2% to 1% fee for those investments identified on Schedules I, II and III, respectively, to Exhibit 4 (Appendix at 19-21). The investments that are not subject to PHG's fee consist of investments that were liquidated prior to PHG's proposed engagement. For the investments that PHG is entitled to a 1/2% or 1% fee, PHG reviewed, analyzed and made its recommendation with regard to offers that were submitted to the Receiver prior to PHG's proposed engagement.

representatives of the Receiver in preceding weeks,<sup>3</sup> the Receiver has concluded that these terms are favorable to the Receivership Estate and represent a competitive offer from a firm of PHG's caliber, particularly given the numerous challenges created by the management of the Investment Portfolio.

#### **IV. CONCLUSION AND PRAYER FOR RELIEF**

In order to fulfill the Court's charge and maximize the assets of the Receivership Estate, the Receiver requires the additional financial management expertise supplied by PHG. For the foregoing reasons, the Receiver respectfully requests that the Court authorize the retention of PHG and approve the Receiver's payment of fees to PHG pursuant to the attached Fee Proposal.

Dated: July 16, 2009

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<sup>3</sup> The proposed fee arrangements that were submitted by the other advisory firms exceeded the PHG fee structure in that the upfront management fees were 1%-2% of the proposed market value of the Investment Portfolio on an annual basis and the proposed success fees had a sliding scale ranging from a low of 5% for the sale of the first \$100 million in Investment Portfolio assets to a high of 20% for the sale of any Investment Portfolio assets in excess of \$450 million.

Respectfully submitted,

Baker Botts L.L.P.

By: /s/ Kevin M. Sadler

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**ATTORNEYS FOR RECEIVER  
RALPH S. JANVEY**

**CERTIFICATE OF CONFERENCE**

Counsel for the Receiver conferred with the parties to this case. Counsel for the Receiver conferred with David B. Reece, counsel for the SEC, who stated that the SEC is not opposed to this motion and the relief sought herein. Counsel for the Receiver conferred with Jeff Tillotson, counsel for Laura Pendergest-Holt, who stated that Ms. Pendergest-Holt is unable to agree or oppose the relief requested because of insufficient information about the proposed terms of relief. Counsel for the Receiver conferred with Ruth Schuster, counsel for R. Allen Stanford, who stated that Mr. Stanford is opposed. Counsel for the Receiver conferred with John Little, Court-appointed Examiner, who stated that he neither opposes nor agrees with the relief sought herein. Counsel for the Receiver conferred with Manuel P. Lena, Jr. counsel for U.S.D.O.J. (IRS) who stated that the IRS has no position on the relief sought herein. Counsel for the Receiver conferred with David Finn, counsel for James Davis, who stated that Mr. Davis does not oppose this motion and the relief sought herein.

/s/ Kevin M. Sadler

Kevin Sadler

**CERTIFICATE OF SERVICE**

On July 16, 2009 I electronically submitted the foregoing document with the clerk of the court of the U.S. District Court, Northern District of Texas, using the electronic case filing system of the court. I hereby certify that I have served the Court-appointed Receiver, all counsel and/or pro se parties of record electronically or by another manner authorized by Federal Rule of Civil Procedure 5(b)(2).

/s/ Kevin M. Sadler

Kevin M. Sadler