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 FOR APPROVAL OF SALE OF
IOF INVESTMENT INTERESTS AND REQUEST FOR EXPEDITED RELIEF

I. INTRODUCTION

Ralph S. Janvey, as Receiver for Defendants and all Stanford-controlled entities, respectfully moves the Court for an order approving the sale of certain investment interests held by Stanford International Bank, LTD. ("SIBL") and Stanford Venture Capital Holdings, Inc. ("SVCH" and, together with SIBL, "Stanford"). As explained in detail below, the Receiver has obtained offers from a prospective buyer who wishes to purchase Stanford's investments in both the Israel Opportunity Fund I, L.P. ("IOF I") and Israel Opportunity Fund II, L.P. ("IOF II" and, collectively with IOF I, "IOF"). The Receiver has reviewed and analyzed these offers, and has sought a recommendation from a private equity advisory firm, Park Hill Group ("PHG"), concerning each.[1] Based upon his independent evaluation and PHG's recommendations, the

[1] On July 16, 2009, the Receiver filed his Motion to Appoint Private Equity Advisor and requested the approval of the Court to retain PHG to manage the Investment Portfolio (as defined below). Due to the time sensitivity surrounding these potential divestments, PHG agreed to review these holdings and provide its recommendation to the Receiver regarding their disposition. PHG has agreed to waive its proposed 3% fee in connection with this proposed transaction and instead receive a commission of 1.0% of the total purchase price due to the fact that the

Receiver believes that the liquidation of these investments pursuant to the pending offers will achieve the maximum benefit from the holdings and is in the best interest of the Receivership Estate.

II. FACTUAL 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, SIBL, 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 records

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Receivership Estate received the offer prior to the proposed retention of PHG and due to the fact that the timing of the pending capital calls, as described below, was such that PHG could only pursue limited marketing efforts.

that reflect initial debt and equity investments by the Stanford Defendants or entities controlled by them totaling approximately $650,000,000. These investments were apparently made in nearly 40 different companies (the "Investment Portfolio"). While the Receivership Estate's records reflect that $650,000,000 was initially invested, these figures have not been audited and the Receiver and PHG expect that the Receivership Estate will realize much less for these investments. Many of these investments are in entities with negative equity, market conditions or adverse events have reduced the value of others, and a number include contractual commitments that would require the Receivership Estate to contribute additional millions of dollars or face significant dilution or total loss of the investment. Included in the Investment Portfolio are indirect capital investments by SIBL in IOF I and SVCH in IOF II. SIBL, SVCH and their holdings are part of the Receivership Estate. As described below, the two IOF partnership agreements collectively would require the Receivership Estate to invest approximately $61.0 million in additional funds. The Receivership Estate is already past-due on a pending capital contribution to IOF II of $2.5 million and risks dilution of that approximately $14.3 million investment to approximately $400,000.

A. SIBL's Investment in IOF I.

SIBL committed to invest $50.0 million in IOF I and its general partner pursuant to a Limited Partnership Agreement dated as of October 21, 2008. As of the date hereof, SIBL had not funded any investments by IOF I under the Limited Partnership Agreement. Notwithstanding that, SIBL has an obligation under the Limited Partnership Agreement that will require it to contribute significant capital funding in the future.

B. SVCH's Investment in IOF II.

SVCH committed to invest an aggregate of $26.0 million in three limited partnerships, allocated as follows: $10.0 million in AquAgro Fund, L.P. ("AquAgro"), $15.0

million in Catalyst Private Equity Partners (Israel) II, LP ("Catalyst") and $1.0 million in Infinity I-China Fund (Cayman), L.P. ("Infinity" and, collectively with AquAgro and Catalyst, the "Underlying Funds"). Records of the Receivership Estate indicate that SVCH has invested, in the aggregate, approximately $14.3 million in the Underlying Funds, allocated as follow: $4.4 million in AquAgro, $9.6 million in Catalyst and $270,000 in Infinity. As a result, SVCH has outstanding capital contribution commitments in excess of $11 million.

In October 2008, SVCH assigned its right, title, and interest to its limited partnership interests in the Underlying Funds to IOF II in exchange for a limited partnership interest in IOF II. Notwithstanding the assignment, SVCH retained its obligation to contribute its proportionate share of any additional capital calls that the Underlying Funds issued.

During the past three months, the Underlying Funds have issued two capital calls. On March 6, 2009, the Receivership Estate received notice from IOF II's outside counsel that AquAgro had issued a capital call pursuant to Section 6.1(c) of its partnership agreement (the "AA Capital Call"). The AA Capital Call required SVCH to contribute $965,000 by March 17, 2009, or else become subject to the default provisions set forth in Section 6.3(b) of AquAgro's partnership agreement. Subsequently, AquAgro's managing partner granted SVCH a 30-day extension to the due date.

On April 21, 2009, the Receivership Estate received notice that Catalyst had issued a capital call pursuant to Section 6.2 of its partnership agreement (the "Catalyst Capital Call" and, collectively with the AA Capital Call, the "IOF II Capital Calls"). The Catalyst Capital Call required SVCH to contribute $1.5 million by May 5, 2009, or else become subject to the default provisions set forth in Section 6.5.2 of Catalyst's partnership agreement. Subsequent

to the issuance of the Catalyst Capital call, IOF II's managing partner negotiated an extension to the due date for each IOF II Capital Call to Friday, June 5, 2009.[2]

C. IOFLLC's Acquisition Offer.

Faced with these pending IOF II Capital Calls, the Receiver began soliciting potential buyers for Stanford's limited partnership interests in IOF. On May 7, 2009, Israel Opportunity Fund LLC ("IOFLLC") submitted an initial offer to the Receiver to acquire Stanford's limited partnership interests in IOF. The offer consisted of, among other things, an aggregate cash value of $4.0 million, from which $2.465 million would be used to satisfy the IOF II Capital Calls and the remaining balance would be paid to the Receivership Estate. On June 11, 2009, PHG negotiated a $100,000 increase to the original offer, which would yield the Receivership Estate $1.635 million in cash as opposed to the original $1.535 million. Pursuant to the terms of the offer, IOFLLC will also relieve Stanford from its future capital obligations and commitments to IOF in the aggregate amount of $61.0 million and IOF will waive any and all claims, known or unknown, it may have against Stanford.

The Receiver and PHG evaluated the offer and determined that the liquidation of these investments will impart maximum benefit to the Receivership Estate. Further, the sale of these investments will allow the Receivership Estate to avoid having to choose between injecting millions of dollars worth of capital into the partnerships or defaulting under the agreements. On July 10, 2009, after substantial negotiations, the Receiver, on behalf of Stanford, and IOFLLC executed the two Purchase Agreements, attached as Exhibits 1 and 2 (Appendix at 1-12 and 13-24, respectively), by which IOFLLC would purchase Stanford's limited partnership interests in IOF I and IOF II, subject to Court approval.

[2] On June 5, 2009, PHG, on behalf of the Receiver, contacted IOF II's managing partner to seek another extension. The Managing Partner was able to obtain a limited extension from the Underlying Funds' general partners that remains in effect.

III. ARGUMENT AND AUTHORITIES

A common-law equity receiver has the power to dispose of property of the receivership estate when it appears that a receivership is continuing an enterprise that does not show evident signs of working out for the benefit of the creditors. *See Jones v. Village of Proctorville*, 290 F.2d 49, 50 (6th Cir. 1961). Courts appointing a receiver "should see that the business is liquidated as economically and speedily as possible, unless its continuance is demonstrably beneficial to creditors." *Id.* (citing *Kingsport Press, Inc. v. Brief English Systems*, 54 F.2d 497, 501 (2d Cir. 1931)).

The liquidation of these two investments is in the best interest of the Receivership Estate according to the Receiver's advisors, including PHG. These offers and related agreements are the product of significant arm's-length negotiations between the Receiver and IOFLLC, and represent the best price the Receiver could obtain. The Receiver has analyzed both of these offers and has determined that they are fair and equitable given the totality of the circumstances surrounding each investment.

First, SIBL has not yet funded any investments by IOF I, and the consideration for the sale of this interest is the waiver and release of "any existing or future debt, liability or obligation with respect to SIBL's ownership of a limited partnership interest in IOF I." In essence, IOFLLC's purchase of SIBL's investment operates merely as an assignment of the obligations and liabilities associated with its funding commitments to the partnership. The approval of this sale will relieve SIBL from its duty to advance future capital under the subscription agreement and, since no initial investment has been made, SIBL will lose nothing as a result of this divestment other than the opportunity to invest in this venture. It is in the best interest of the Receivership Estate to conserve its remaining funds and avoid making large capital contributions into investment vehicles that contain high levels of risk.

Second, while IOFLLC's offer to purchase SVCH's interest in IOF II does not rise to the level of SVCH's initial investment, it represents a fair market cash price when taking into account the economic uncertainties inherent in today's market and the two pending past-due IOF II capital calls that would require the Receivership Estate to invest an additional $2.5 million into the partnership (along with an additional $9 million to follow later) or face the possibility of having its interests diluted pursuant to the applicable partnership agreement. If IOFLLC's offer is not accepted or the $2.5 million dollars of past-due additional capital is not advanced, SVCH will continue to be in default under the terms of each IOF II Capital Call and the default provisions set forth in Section 6.5 of IOF II's partnership agreement could be triggered.[3] Under the terms of each partnership agreement, SVCH's Contribution and Capital Accounts may be reduced by up to 50% (but not below zero) of its $15.0 million subscription in Catalyst and its $10.0 million subscription in AquAgro at the time of default. As a result of this default charge, SVCH's capital account in IOF II related to its investment in Catalyst may be reduced from approximately $7.9 million to approximately $400,000 and SVCH's capital account in IOF II related to its investment in AquAgro may be reduced from approximately $3.7 million to a zero balance. Given the current market conditions and the inability of the Receivership Estate to extend large capital contributions, these offers represent the best opportunity for the Receiver to maximize the actual cash value of these investments for the Receivership Estate.

The Receiver also sought an outside review of IOFLLC's offer by PHG. PHG fully evaluated IOFLLC's offer and submitted a recommendation to the Receiver that he should accept it. In the process of evaluating IOFLLC's offer, PHG held several discussions with the managing partner and analyzed data related to the Underlying Funds. Further, PHG utilized its considerable resources in attempts to locate other potential third-party purchasers. Based on its

[3] The Receiver could object to the dilution under the Receivership Order.

findings, PHG recommended to the Receiver that he accept the pending offer due to (i) the size of Stanford's unfunded commitments; (ii) the complex structure of SVCH's investment in IOF II; (iii) the lack of liquidity for Stanford's limited partnership interests in IOF; and (iv) the limited time to market SVCH's investment position prior to the default provisions in IOF II's partnership agreement being triggered. The combination of these factors weighs in favor of monetizing the investment.

Put simply, continuing on with Stanford's investment in IOF, especially SVCH's investment in IOF II, is not feasible. Rather than infusing another $11 million in additional capital to satisfy the IOF II Capital Calls or continuing in default, it is more beneficial for the Receivership Estate to monetize this investment by way of the proposed offer from IOFLLC. Consequently, the Receiver respectfully requests that the Court approve (i) the terms of the Purchase Agreements so that he may thereby divest Stanford's limited partnership interests in IOF to IOFLLC in accordance with their terms and (ii) the payment of a 1.0% commission to PHG.

IV. REQUEST FOR EXPEDITED RELIEF

Because of the two capital calls issued by IOF II, there is considerable urgency with respect to these sales. Because the Receivership Estate is not in a position to inject substantial capital into these partnerships, it must dispose of these interests quickly to avoid the potential substantial devaluation of its investments. Through negotiations, the Receiver and the general partner of IOF II have agreed that SVCH's interest will not be diluted at this time. However, under the terms of the Purchase Agreement, the general partner of IOF II may exercise the terms of the default provisions and attempt to dilute SVCH's interest if this sale is not concluded by July 27, 2009. If this transaction is not completed in an expedited manner, SVCH's aggregate capital account in IOF II may be reduced from approximately $14.3 million

to approximately $400,000 with no consideration being paid to the Receivership Estate. Due to the critical timeframe associated with the sale of these investments, the Receiver respectfully requests that the Court expedite the consideration of this motion.

V. CONCLUSION AND PRAYER FOR RELIEF

After significant consultation with his team and PHG, the Receiver believes that the liquidation and sale of the aforementioned investment interests would inure maximum benefit to the Receivership Estate. As a result, the Receiver respectfully requests that the Court issue an Order approving (i) the respective sales of IOF I and IOF II pursuant to the attached Purchase Agreements, (ii) a 1.0% commission to PHG, and (iii) such other relief that the Court may deem just and equitable.

Dated: July 21, 2009

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 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. Counsel for the Receiver conferred with Ruth Schuster, counsel for R. Allen Stanford, who stated the Mr. Stanford is opposed. Therefore, this motion is opposed.

/ s / Kevin M. Sadler
Kevin Sadler

CERTIFICATE OF SERVICE

On July 21, 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 Examiner, all counsel and/or pro se parties of record electronically or by another manner authorized by Federal Rule of Civil Procedure 5(b)(2).

/s/ Kevin M. Sadler
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