

# STANFORD FINANCIAL GROUP RECEIVERSHIP

## Procedures for Transfer of Certain Stanford Trust Company Customer Accounts

*Last Updated June 5, 2009*

As a result of orders issued on April 23, 2009 and May 27, 2009, at the Receiver's request, certain previously frozen Stanford Trust Company ("STC") customer accounts have been released from the court-ordered asset freeze and now may be transferred by the customer to a new trust company or other financial institution. ([Click here to view the May 27 order](#) and [click here to view the April 23 order](#).)

### **Accounts Released and Eligible for Transfer**

**Question 1.** Which STC accounts have been released and are eligible for transfer?

**Answer.** The May 27 order permits the Receiver to release the following accounts that were not released by the April 23 order, without the necessity of future motions or court orders:

- (1) where the Receiver determines in his sole discretion that the accountholder has received only de minimis proceeds from Stanford International Bank, Ltd. ("SIB") Certificates of Deposit ("CDs"); and
- (2) for other accounts, where the Receiver and accountholder execute and file a joint stipulation in the form consistent with Exhibit A to the Motion, confirming that the accountholder's accounts are released subject to the Receiver retaining a portion of the funds, pending final adjudication of the Receiver's rights to such funds, in a segregated interest-bearing account that the Receiver has opened for the purpose of holding such funds and that such funds will not be withdrawn or used to pay expenses of the Receivership Estate absent further order of the Court.

Under the April 23 order, all STC customer accounts were made eligible to be transferred, except for the following:

- (1) accounts that are owned by, or for the benefit of, an individual Defendant or by any person who, based on records available to the Receiver, had any of the following relationships to any Defendant or to any entity owned or controlled by the Defendants: shareholder, member of the board of directors, member of senior management (as determined by the Receiver in his sole discretion) or registered representative or financial advisor who earned commissions or fees based on certificates of deposit ("CDs") from Stanford International Bank, Ltd. ("SIB") or owed loans to Stanford Group Company;
- (2) accounts that are owned by, or for the benefit of, the Stanford companies;

- (3) accounts that, based on data available to the Receiver, currently hold a CD or that since February 17, 2005, have purchased, sold or received any interest from a CD;
- (4) accounts that are related by social security number or tax identification number to any Pershing LLC or JP Morgan Clearing Corp. account currently subject to the asset hold pursuant to the Court's First or Second Order Authorizing Release of Certain Customer Accounts issued March 5 and March 12, 2009, respectively;
- (5) accounts that are related to accounts in categories 1 through 4 by social security number or tax identification number.

**Question 2.** How do I know if my STC account has been released?

**Answer.** A letter and other information were sent to each accountholder whose account has been released pursuant to the April 23 and May 27 orders. In addition, you may inquire as to the status of your STC account by calling the following numbers established by the Receivership: 1-866-964-6301 or 713-964-6300. You may also email the Receivership at [info@stanfordfinancialreceivership.com](mailto:info@stanfordfinancialreceivership.com). Please include the words "Stanford Trust Company" in the subject line of your email.

### **How to Transfer Your Trust and Other Fiduciary Accounts**

**Question 3.** My STC account is a trust account, or it is an account held by a guardian, a conservator or an estate ("other fiduciary account"), and it is eligible for transfer. How do I transfer it?

**Answer.** To transfer your STC trust or other fiduciary account for which STC served as a trustee or other fiduciary, whether sole or joint, you should contact a new trust company or other financial institution you wish to serve as successor trustee or fiduciary. You should confirm that the new entity is authorized to serve as a trustee or fiduciary and discuss with its representatives the documents required to transfer your trust or other fiduciary account. You may also want to discuss with your attorney the documents required to appoint a successor trustee or other fiduciary and the procedures necessary to transfer your account.

A successor trustee or fiduciary must be appointed in accordance with the provisions of the governing trust or fiduciary instrument, which often expressly grants the power to appoint a successor to certain individuals. In some cases, if the trust instrument does not address the power to appoint a successor trustee or fiduciary, court approval will be necessary to transfer your trust or other fiduciary account to a successor trustee or fiduciary. As part of the account transfer process, your new trust company, or, if applicable, your legal counsel, should prepare the necessary documentation required to appoint a successor trustee or fiduciary and to transfer your assets to such institution.

All signatures must be notarized by a notary public, and transfer requests involving account assets must be signature guaranteed with a Medallion Stamp. Once these documents are complete, they should be sent to the following address:

Stanford Trust Company  
5050 Westheimer  
Houston, TX 77056

This documentation will be reviewed, and if proper authority and notarized signatures are present as required by the individual trust document, the Receiver will instruct SEI Private Trust Company (“SEI,” a private trust company not affiliated with the Stanford companies that acts as the STC asset custodian) to transfer the assets to your new account at your new financial institution.

**Question 4.** Will STC continue to act as trustee or fiduciary for my trust or other fiduciary account?

**Answer.** No. Pursuant to court order, as of April 23, 2009, STC is deemed to have resigned or been removed as trustee or fiduciary for any and all STC fiduciary accounts. Such resignation or removal is effective upon the appointment of a successor trustee or fiduciary. ([Click here to view the order.](#))

#### **Transfer and Other Issues for Your IRA, Brokerage or Agency, Custodian, or Other Similar STC Account**

**Question 5.** My STC account is an IRA, a brokerage account or an agency, custodian, or other similar account? How do I transfer it?

**Answer.** You must contact a new trust company, brokerage firm or other financial institution and open a new account with them. As part of the account transfer process, one of the forms your new firm may ask you to fill out is a transfer form referred to as an ACATS form. Once that has been completed, your new firm may begin the account transfer process by presenting the completed ACATS form to SEI through the ACATS system. If your account is an IRA account, please contact your new firm regarding the procedures for opening a new IRA to ensure that when you transfer your STC IRA you will not trigger any tax penalties related to an inadvertent early withdrawal.

**Question 6.** How do I open a new account at another firm?

**Answer.** You may obtain the forms to open a new account at a new firm either from the new firm or in some cases from its website.

**Question 7.** How long will the transfer process take?

**Answer.** Once your new firm submits the ACATS form to SEI through the ACATS system, it will then take about a week to complete the transfer in most cases. The process may take longer for accounts with unusual circumstances. Please follow up with your new firm to see if there are any issues during that time.

**Question 8.** May I transfer my account to a brokerage firm, bank or other financial institution, or to some other type of recipient, rather than to a trust company?

**Answer.** Yes. You may transfer the assets in your account to any financial institution of your choice that can accept the STC account assets on your behalf, but the transfer process will be completed most quickly if the recipient is a participant in the ACATS transfer system. In addition to some trust companies, many banks and brokerage firms are ACATS participants. If your STC account is a trust, IRA or other fiduciary account and you want your new firm to act as successor trustee, custodian or fiduciary, you must verify that such institution is authorized to act in such a capacity.

**Question 9.** What does ACATS stand for?

**Answer.** ACATS stands for Automated Customer Account Transfer Service. ACATS is a system that facilitates the automated movement of account balances and holdings between financial institutions.

**Question 10.** Must I pay any fees to transfer my IRA, brokerage or agency, custodian or other similar STC account?

**Answer.** No. The Receivership Estate will absorb the fees associated with the transfer process of your IRA, brokerage or agency, custodian, or other similar STC account. However, the Receivership will not pay any fees charged by your new financial institution.

**Question 11.** May I liquidate positions in my IRA, brokerage or agency, custodian, or other similar STC account while I'm looking for my new financial institution?

**Answer.** Yes, but it is recommended that you transfer your account first and then place orders to liquidate positions in order to minimize the risk that placement of a liquidating order interferes with the transfer process. Alternatively, if you wish to place a liquidating order before initiating the transfer process, you should direct your new firm to wait three business days after you place the liquidating order before it presents the ACATS transfer form to SEI through the ACATS system. You cannot liquidate or otherwise redeem your SIB CDs. For more information about your SIB CDs, please see Question 24 below. To liquidate a position in your account while it remains at Stanford, you may call the phone number established by the Receivership for this purpose (1- 866-964-6301 or 713-964-6300).

**Question 12.** How long do I have to transfer my IRA, brokerage or agency, custodian, or other similar STC account to a new firm, and what happens to my account if I do not transfer it in a timely manner?

**Answer.** You must transfer your account by July 20, 2009. If your account is not transferred by July 20, 2009, your account will be closed, and your account assets will be distributed out to you as described in Questions 13 and 14 below.

**Question 13.** If I prefer to close my account and receive a distribution of my IRA, brokerage or agency, custodian, or other similar STC account assets as opposed to transferring it to another financial institution, what must I do?

**Answer.** You should contact the Receiver's representatives and inform them that you wish to close your account and receive a distribution of your account assets. To do so, please call the number established by the Receivership for this purpose (1-866-964-6301 or 713-964-6300). You may also email the Receivership at [info@stanfordfinancialreceivership.com](mailto:info@stanfordfinancialreceivership.com). Please include the words "Stanford Trust Company" in the subject line of your email.

**Question 14.** Will the distribution include all the holdings in my IRA, brokerage or agency, custodian, or other similar STC account?

**Answer.** In most instances, you will receive a check for the amount of the cash and other assets that will be liquidated upon the distribution. In some cases, you may receive stock certificates or other similar documents. Unfortunately, the distribution of your account will not include any payment for your SIB CD investments, but your SIB CD claim will continue to exist, and ultimately you will be paid for such claim out of the remaining assets of the estate as later authorized by the Court. For information regarding the status of your SIB CDs, see Question 24 below.

**Question 15.** If I do not transfer my IRA, brokerage or agency, custodian, or other similar STC account or elect to receive a distribution by July 20, 2009, what will happen to my account?

**Answer.** If you neither transfer your IRA, brokerage or agency, custodian, or other similar STC account nor elect to receive a distribution by July 20, 2009, then your account will be closed, and you will receive a distribution of your account assets as described above.

### **Other Issues Applicable to the Transfer Process of all STC Accounts**

**Question 16.** Will the transfer request include all my account holdings, including principal (*i.e.*, applicable cash, securities, etc), income and STC account documents?

**Answer.** The transfer process generally will move your non-CD account balances and holdings in your STC account to the new trust company or other financial institution. However, for the reasons stated below in the answer to Question 24, no funds or assets attributable to your SIB CDs are available to be transferred to your new account. In addition, there may be positions in your account that cannot be transferred and so must be liquidated before the transfer can be completed. With some accounts, the transfer process may also include the transmittal of physical documents such as trust documents, stock certificates, insurance paperwork or other similar items.

**Question 17.** May I take money out of my STC account before the transfer is completed?

**Answer.** No. You may not withdraw funds from your account while it remains at STC. However, if you have an IRA, brokerage or agency, custodian, or other similar STC account, in

lieu of transferring your account, you may elect to receive a distribution of your STC account assets pursuant to the distribution process described above.

### **Dividends and Interest Payments**

**Question 18.** What happens if I transfer my account to a new financial institution, and I am due to receive a dividend or interest payment?

**Answer.** You will still be entitled to receive the dividend or interest payment. Your new financial institution will be entitled to receive the dividend or interest payment from SEI once it is paid. Your new firm will process the dividend or interest payment into your account, once it is received from SEI, and it should be reflected as “received” on an account statement from your new firm.

### **Tax Forms and Other Tax Issues**

**Question 19.** Will I receive a 2009 Form 1099 for tax purposes from STC?

**Answer.** Yes. SEI, as the STC custodian, will produce your year end Form 1099 and other tax reporting forms for your STC account for the time period in 2009 during which your account was held in custody by SEI. These forms will be mailed to you early in 2010. Tax forms for 2008 already have been mailed.

**Question. 20.** If I have an IRA and receive a distribution of my IRA assets in lieu of transferring my account to a new custodian, will I receive a Form 1099-R?

**Answer.** Yes. You will receive a Form 1099-R after you receive a distribution of your IRA assets. However, because your distribution will not include any monies or other investments relating to your SIB CDs, and because the value of your claims relating to your SIB CDs is unknown at this time, the distribution or taxable amount on your Form 1099-R will not include any value attributable to your SIB CDs. If you receive any amount for your SIB CDs in the future, you should consult with your accountant or other tax professional to determine the appropriate tax treatment of your SIB CDs.

**Question 21.** If I receive a distribution of my IRA assets, must I pay federal income tax or any early withdrawal penalties if I do not rollover my assets into another IRA or other eligible retirement plan?

**Answer.** The tax rules regulating IRAs and IRA distributions can be technical and complex. A distribution to you of your IRA assets may trigger certain tax consequences which must be addressed promptly to avoid penalty. You are strongly encouraged as soon as you read this document to consult with your accountant or tax professional regarding the transfer or distribution of your IRA account to effectively and timely address any tax requirements.

**Question 22.** If I receive a distribution of my IRA assets, how long do I have to make a rollover contribution of my assets into another IRA or other eligible retirement account to avoid paying taxes or other penalties?

**Answer.** Generally, for a distribution from an IRA to be a tax free rollover contribution to another IRA or eligible retirement plan, the distributed funds must be contributed no later than the 60th day after the distribution is received. However, certain conditions must be met, and certain exceptions apply. The tax rules regulating IRAs and IRA distributions can be technical and complex. You are strongly encouraged to consult with your accountant or tax professional as soon as possible regarding the transfer or distribution of your IRA account in order to effectively and timely address any tax requirements.

No tax advice is intended by, or contained in, this document or any other communication you may receive from the Receiver or his representatives.

### **Money Fund Investments**

**Question 23.** Will I still earn interest or dividends on the money fund in my STC account until my account is transferred to my new firm or otherwise distributed out to me?

**Answer.** Yes. If your cash is currently invested in a money fund account that pays interest or dividends, then it will continue to earn interest or dividends applicable to the particular money fund that you own until the transfer has taken place.

### **Status of Your SIB CDs**

**Question 24.** What is the status of my SIB CDs, and why were they valued at zero on my account statement?

**Answer.** The Receiver has continued to receive many inquiries from investors who purchased SIB CDs. Unfortunately, as the Receiver has said since early in the receivership proceedings, the news for SIB CD investors is not good. Both the Receiver and the liquidators appointed by the Antiguan court have concluded that SIB does not have the assets required to redeem any significant portion of the SIB CDs it sold, nor to pay interest on those SIB CDs. Investors in CDs will likely recover only a fraction of the amounts invested in those SIB CDs, and the Receiver cannot predict what that recovery might be nor when investors might receive that recovery.

A number of SIB CD investors have contacted the Receiver to ask when their SIB CDs will be “released.” Many of these investors appear to believe that the reason they cannot access their money is that the Receiver has frozen their SIB CD accounts. Those requests have often been accompanied by accounts of the hardships that investors are suffering because they cannot access the funds they paid to purchase SIB CDs. The Receiver recognizes that investors are suffering through hardships because of their investment in SIB CDs.

However, in the case of SIB CDs, there is no account to “release.” Put simply, the problem is that the assets available to SIB are not sufficient to pay any significant portion of the amount owed on the outstanding SIB CDs.

Unlike funds put into brokerage or other STC accounts, the funds that were transferred by investors to SIB to purchase SIB CDs were not held, and are not held, in segregated accounts for the individual investors. Instead, the SIB CDs were simply debt obligations on the part of SIB (to pay interest and, upon redemption, principal) to the SIB CD holders. SIB cannot meet those obligations because it appears that funds paid to purchase SIB CDs were used by SIB and other Stanford entities to buy other assets and/or for other purposes. The SEC has alleged that the SIB CDs were sold in a Ponzi scheme through which the proceeds of newer SIB CD sales were used to make payments on older SIB CDs or diverted to other uses unrelated to the SIB CDs.

The Receiver is working to identify and secure assets that can be applied to the claims of SIB CD holders and other creditors. That process will likely take a considerable period of time, and is unlikely to result in anything approaching a complete recovery for SIB CD holders.

For more information on the status of SIB CDs, visit the Receivership website, [www.stanfordfinancialreceivership.com](http://www.stanfordfinancialreceivership.com), and click on the tab “FAQs.”

### **Your SIB CD Claim**

**Question 25.** What is my SIB CD claim that will be transferred, or distributed out to me, with the other assets in my account?

**Answer.** As the Receiver has noted, the total value of the assets of the Estate is likely to be only a fraction of the total amount needed to pay all outstanding SIB CDs and other anticipated claims against the Estate. Each STC investor who purchased a SIB CD has a claim relating to his or her investment in the SIB CD. This claim is an asset in your account, and thus the claim itself will be transferred, or distributed out to you, with your other account assets. The Receiver ultimately will recommend that certain estate assets (out of those remaining) be allocated to satisfy your claim, and the eventual amount allocated to address your claim will be determined by the Court after you are given an opportunity to object to the Receiver’s proposed distribution plan.

**Question 26.** When will I receive a document evidencing my SIB CD claim?

**Answer.** If you transfer your STC account to a successor trustee or other financial institution, your claim will be transferred to your successor trustee or other financial institution with your other STC account assets. You will receive a copy of the document evidencing the transfer of your SIB CD and its related claim.

If you have an IRA, brokerage or agency, custodian, or other similar STC account, and your account assets are distributed out to you, you will receive your claim with the distribution of your other account assets.

In addition, the Receiver anticipates that a notification process will be established in the future whereby investors will be notified of the amount and type of their claim and have the opportunity to object to the quantification or classification of their claim.

**Question 27.** How much money will I receive for my SIB CD claim, and when will I receive it?

**Answer.** Unfortunately, the answers to those two questions are not yet known. Please refer to Question 24 in this document for more information about the status of your SIB CD.

### **Other Questions**

**Question 28.** Whom may I contact with additional questions regarding my STC account?

**Answer.** If you have additional questions, please call the number established by the Receivership for this purpose (1-866-964-6301 or 713-964-6300). You may also email the Receivership at [info@stanfordfinancialreceivership.com](mailto:info@stanfordfinancialreceivership.com). Please include the words “Stanford Trust Company” in the subject line of your email.