

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 INTERIM REPORT ON ASSET COLLECTION
AND COST REDUCTION**

The Receiver hereby submits for the Court’s consideration the following information on the results of the Receiver’s asset collection and cost reduction efforts, which is current as of October 28, 2009. Additional detail is contained in the attached Appendix.

At present, the total value of the (1) cash on hand, (2) assets, and (3) claims currently being pursued exceeds \$1.5 billion.

- The total of all cash collected is \$128.8 million, of which \$71.5 million remains on hand after payment of expenses.
- Assets under the Receiver’s control, but yet to be monetized, include (1) private equity, (2) Stanford Bank of Panama, (3) coins and bullion, (4) domestic real estate, and (5) personal property including aircraft, boats, and cars.
- Assets and claims currently being pursued include (1) claims against investor relief defendants, (2) claims against brokers and managing directors, (3) claims against non-broker former employees, (4) claims against other third parties, (5) claims under political risk insurance policy coverage, and (6) disputed foreign accounts.

- The Receiver has identified approximately \$335 million in cash and other investments in foreign accounts, to which both the Receiver and the Antiguan liquidators assert a claim.
- The proceeds from the pending sale of the Bank of Panama will be approximately \$13.5 million.
- Private equity yet to be liquidated is expected to produce an estimated \$26.4 to \$31.4 million in proceeds.
- Pending claims include:
 - Claims against relief defendant investors for approximately \$894 million
 - Claims against brokers and managing directors for approximately \$136 million
 - Claim under political risk insurance policy for \$30 million
 - Other claims, either pending or under analysis, for in excess of \$18 million

In the seven months since the inception of the Receivership, the Receiver has achieved a 98% reduction in the recurring monthly operating expenses, relative to the seven months prior to the inception of the Receivership, when the average monthly run rate was over \$33.3 million. The Receiver has reduced the current-average monthly run rate to less than \$1.0 million, by:

- Reducing personnel headcount and other administrative costs for a savings of \$28.2 million per month.
- Cancelling leases and vacating branch offices for a savings of \$1.8 million per month.
- Winding down aviation operations for a savings of \$2.7 million per month.

Identifying and pursuing these assets for the benefit of the Estate has been achieved notwithstanding the following:

1. Stanford and affiliates purposefully spent significant sums of money on luxury items -- cars, boats, planes, homes -- which, can now be liquidated at only a fraction of their original cost. One of the most egregious examples is the yacht that Stanford bought for \$3.9 million, which he then spent over \$16 million to “upgrade”, and which now may bring less than one-third of that in auction sale;
2. The Antiguan liquidators object to every attempt to secure and liquidate assets, world-wide;
3. Stanford objects to every sale and therefore impedes the pace at which assets can be sold. This forces the Estate to spend more funds on maintenance costs, taxes, mortgage payments, etc., all of which steadily erode what value remains to be recovered;
4. Our ongoing review of millions of records is hampered by demands that we reduce the amount of professionals’ fees incurred, yet obtaining even the most basic information about payments made by the various Stanford entities (which are likely sources of fraudulent transfer claims) is constrained by the 200 accounting, financial, and operational systems, most of which do not centrally report and each of which were designed to prevent someone from finding pertinent information; and
5. The government of Antigua refuses to recognize US orders even as to entities for which there is no other owner i.e. the Antiguan liquidators were only appointed to liquidate two of the more than 150 Stanford entities, but we are hindered by Antigua’s refusal to recognize the Court’s orders even as to non-disputed entities.

Our initial efforts were focused on reducing the heavy hemorrhaging of cash as a result of operating expenses. Those expenses have now been reduced by 98% and are decreasing further. Next we focused on (and will stay focused on for the foreseeable future) the discovery and pursuit of litigation assets identified from Stanford’s records. A major step that lies ahead in this receivership will be the development and proposal to the Court of a distribution plan to compensate those with claims against the Stanford entities. That process will involve extensive work to identify, review, and classify claims and of course claimants will be allowed to object to

the quantification and classification of their claims. This will be a time intensive and expensive proposition and it will not be revenue generating. Nevertheless, it must be done.

Although the ultimate success of these efforts is necessarily uncertain, as the attached report shows, we have identified over \$1.5 billion in assets that ultimately could be available to the victims of the Stanford fraud. If we were completely successful in our efforts to put together the largest possible fund for the benefit of the victims, we may be able to return to them as much as 20 cents on the dollar, just based on activities to date. Further, discovery is just beginning and the review of third party liability will accelerate as new records are delivered and as litigation increases. We anticipate that additional assets, including litigation assets, will be discovered in that process.

The attached Appendix contains extensive detail and dollar amounts corresponding to each of the above assets, claims, and cost savings.

Dated: October 28, 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 SERVICE

On October 28, 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 served the Court-appointed Examiner, and 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

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**APPENDIX TO RECEIVER'S INTERIM REPORT ON
ASSET COLLECTION AND COST REDUCTION**

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/s/ Kevin M. Sadler

Kevin M. Sadler

Summary of Asset Collection Efforts (through 10/28/09)

- Cash collected - \$128.8 million
 - \$71.5 million on hand after payment of expenses
- Assets still to be monetized - efforts under way:
 - Private equity - \$26.4 to \$31.4 million
 - Stanford Bank of Panama - \$13.5 million
 - Coins and bullion - up to \$5.0 million
 - U.S. real estate - possibly several million, but equity rapidly diminishing
 - Other assets - \$3.0 million
- Assets and claims currently being pursued:
 - Clawbacks - pending claims of \$894 million (approx.)
 - Brokers - pending claims of \$136 million (approx.)
 - Non-broker former employees - pending claims of \$11.25 million
 - Additional third party claims being analyzed - at least \$7.7 million
 - Disputed foreign accounts - \$335 million of cash and other investments (approx.)
 - Claim under political risk insurance policy coverage - \$30 million
- Total cash on hand plus assets currently being pursued - over \$1.5 billion

Detail of Asset Collection Efforts (through 10/28/09)

- Cash - \$71.5 million on hand (net of \$128.8 million collected)
 - Expenditures of \$57.3 million, including:
 - \$25.8 million of Stanford general and administrative, personnel, occupancy and operating expenses
 - \$20.7 million of professional fees
 - \$9.9 million of mandatory liquidation payments and expenses
 - Identified approximately \$335 million in cash and other investments in disputed accounts
 - \$335 million in foreign accounts jointly claimed (Antigua liquidators)
- Private equity - estimated \$26.4 to \$31.4 million still to be liquidated
 - One investment has received court approval with closing pending - \$1.6 million
 - One investment awaiting court approval - \$700,000
 - Three signed purchase agreements, preparing motions - \$1.7 million
 - Eight pending transactions, negotiating purchase agreements - \$12.4 million
 - 23 remaining portfolio companies - estimated value of \$10 to \$15 million
 - Prior liquidation of six investments realized \$15.2 million in cash proceeds
- Proceeds from pending sale of Stanford Bank of Panama - estimated \$13.5 million

Detail of Asset Collection Efforts (through 10/28/09)

- Coins and bullion - estimated up to \$5.0 million (includes \$3.0 million subject to claims by defendants)
- Real estate - value uncertain, but estimated to be at least several million
 - Collected \$225,000 in rent payments to date
 - Estimated monthly rental income of \$30,000
 - Does not include substantial Antiguan real estate currently controlled by the Antiguan government
- Other assets - estimated \$7.8 million
 - Aircraft
 - Realized \$4.8 million in settlement with lien holders on five planes
 - Outstanding offer to purchase remaining aircraft - \$190,000
 - Boats and cars
 - Sea Eagle, Little Eagle and Robust Eagle - approximately \$2.7 million
 - Motions pending for sale of the Sea Eagle and Little Eagle
 - Various automobiles - \$100,000 estimated sales value
 - Miscellaneous assets - unknown value

Detail of Asset Collection Efforts (through 10/28/09)

- **Claims**
 - **Against relief defendant investors - possible \$894 million (approx.)**
 - Approximately \$275 million frozen at Pershing
 - Approximately \$18.8 million held in segregated account
 - **Against brokers and managing directors**
 - Pending claims of \$136 million (approx.)
 - Approximately \$70 million frozen at Pershing
 - Reviewing possible additional claims
 - **Under political risk insurance policy - \$30 million claim**
 - **Against non-broker former employees**
 - Former institutional money managers - \$11.25 million
 - Other employees - analysis ongoing
 - **Against other third parties**
 - Pending actions to recover payments to third parties - \$7.7 million
 - Returned political contributions of \$87,300
 - Claims against professionals and others - analysis ongoing

Summary of Expense Reduction Efforts (through 10/28/09)

Reduced personnel and administrative expenses	\$28.2 million/month
Reduced leasehold and office expenses	1.8 million/month
Reduced aviation expenses	2.7 million/month
Total average monthly cost savings	<u>\$32.7 million/month</u>

Detail of Cost Reduction Efforts (through 10/28/09)

- **Cost Savings**
 - In the seven months before the inception of the receivership, Stanford incurred approximately \$233.3 million in recurring operating expenses - an average monthly run rate of \$33.3 million
 - Due to incomplete financial records, certain operating expenses (including insurance and telecom) could not be estimated pre-receivership
 - As a result, the monthly run rate was actually higher
 - In the seven months since, the Receiver has achieved a 98% reduction in the recurring monthly operating expenses
 - Average monthly operating burn rate is now less than \$1.0 million
 - The Receiver has realized these savings by:
 - Reducing personnel and other SG&A expenses for a savings of \$28.2 million/month
 - Reduced headcount from 1,252 to 56 (excludes SIBL and Antiguan employees who are not paid out of U.S. funds)
 - Canceling leases and vacating branch offices for a savings of \$1.8 million/month
 - Canceled 47 leases in 36 cities
 - Vacated offices
 - Developed appropriate protocols for preservation of paper and electronic data
 - Winding down the aviation operations for a savings of \$2.7 million/month
 - Returned five planes to secured lender and moved remaining plane to third party hangar
 - Closed Houston hangar and eliminated substantially all aviation personnel positions