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

| | | |
|---|---|---|
| **SECURITIES AND EXCHANGE COMMISSION,** | § | |
| | § | |
| Plaintiff, | § | |
| | § | |
| **v.** | § | Civil Action No.: 3:09-CV-0298-N |
| | § | |
| **STANFORD INTERNATIONAL BANK, LTD., *et al.*** | § | |
| | § | |
| Defendants, | § | |
| | | |
| **IN RE:** | § | |
| | § | |
| **STANFORD INTERNATIONAL BANK, LTD.**, | § | Civil Action No.: 3:09-CV-0721-N |
| | § | |
| Debtor in a Foreign Proceeding. | § | |

**PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S OPPOSITION TO MOTION TO AMEND, MODIFY OR VACATE CERTAIN PORTIONS OF THE COURT'S AMENDED RECEIVERSHIP ORDER [CIVIL ACTION NO. 3:09-CV-0298-N]**
**AND**
**OPPOSITION TO MOTION TO REFER PETITION FOR RECOGNITION PURSUANT TO CHAPTER 15 OF THE BANKRUPTCY CODE AND RELATED PLEADINGS TO BANKRUPTCY COURT [CIVIL ACTION NO. 3:09-CV-0721-N]**

Plaintiff Securities and Exchange Commission opposes the motion by Nigel Hamilton-Smith and Peter Wastell (collectively, the "Antiguan Liquidators") to amend in Civil Action No. 3:09-CV-0298-N (the "Receivership Action") [docket 329] and the Antiguan Liquidators' motion to refer in Civil Action No. 3:09-CV-0721-N ("the Chapter 15 Action") [docket 1]. For the reasons set out below, the Commission respectfully submits that both motions should be denied.

## PRELIMINARY STATEMENT

This is a securities enforcement action instituted by the Securities and Exchange Commission, an agency of the federal government of the United States, seeking to vindicate a public interest. The Commission alleges that R. Allen Stanford, a United States citizen and native Texan, and Jim Davis, a United States citizen and resident of Mississippi, used companies they controlled, including, but not limited to, Stanford International Bank, Ltd. ("SIB" or "SIBL") to engage in a massive fraudulent scheme that stole billions of dollars from investors. Stanford created a sham bank in Antigua to help mask the fraud he and others were running out of the United States.

The Commission seeks to hold Stanford, SIB and other defendants liable for, among other things, disgorgement of ill-gotten gains and appropriate civil penalties. In furtherance of that goal, the Commission requested the appointment of an equity receiver, subject to the oversight of an Article III federal district court, to secure, preserve and manage the defendants' assets to ensure that such assets were available for eventual disbursement. The Court, finding that it was both necessary and appropriate to appoint a receiver in order to prevent waste and dissipation of the assets of the defendants to the *detriment of the investors*, granted that request, appointing Ralph Janvey as Receiver ("the US Receiver"). As has been detailed in multiple

Reports to the Court, the Receiver has actively worked to secure and preserve assets in order to ensure that they may ultimately be distributed subject to this Court's oversight.[1]

The Court also prohibited the filing of claims that impact the Receiver and the Receivership Estate, including the filing of bankruptcy petitions under Chapter 15 of the Bankruptcy Code. This stay is consistent with the Court's authority and recognizes that the victims of this fraud should not be further burdened by the expense of satellite litigation, particularly at the early stages of the receivership. The current situation is an example of the type of burdensome distraction the stay was designed to prevent. A third party, in essence, seeks to carve out only two of multiple entities used to engineer a fraud into a separate proceeding while this Court has proper jurisdiction over all relevant entities and individuals. The resulting situation will, at best, create judicial inefficiency and extra expense. The Court may properly preclude this type of drain on receivership assets. Accordingly, the existing Amended Order Appointing Receiver stay should remain in effect, allowing the U.S. Receiver to continue his work.[2] Alternatively, if the Court elects to modify the Receivership Order to allow this

---

[1] More recently, as a further safeguard on behalf of investors, the Court appointed John J. Little as Examiner, charging him with providing the Court with information the Examiner deemed relevant to the interests of investors. The Commission has conferred with the Examiner on the issues raised herein. The Commission understands – and shares -- the Examiner's interest in avoiding unnecessary litigation. The Commission respectfully submits that the current stay against claims in the existing Amended Order Appointing Receiver achieves that goal. The Commission, however, agrees with the Examiner that, if the petition is allowed, it should be considered by this Court, not a bankruptcy court.

[2] As an initial matter, the Court lacks jurisdiction to consider the Antiguan Liquidators' motions. "As a general rule, a notice of appeal ousts the district court of jurisdiction over the judgment or order appealed." *Coastal Corp. v. Texas Eastern Corp.*, 869 F.2d 817, 819 (5th Cir. 1989)(citing *United States v. Hitchmon*, 587 F.2d 1357 (5th Cir. 1979); *accord Henry v. Independent American Savings Ass'n*, 857 F.2d 995 (5th Cir. 1988)). The Supreme Court has noted that "[t]he filing of a notice of appeal is an event of jurisdictional significance – it confers jurisdiction on the court of appeals and divests the district court of its control over those aspects of the case involved in the appeal." *Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 58 (1982). Accordingly, the Fifth Circuit has ruled that "the powers of the district court over an injunction pending appeal should be limited to maintaining the status quo . . . ." *Coastal Corp.*, 869 F.2d at 820; *see also Baum v. Blue Moon Ventures, LLC*, 513 F.3d 181, 190 n.2 (5th Cir. 2008); *Sierra Club v. Cedar Point Oil Co.*, 73 F.3d 546, 578 (5th Cir. 1996). Here, two notices of appeal have been filed challenging, among other things, the Amended Order Appointing Receiver, the very order at issue in the Antiguan Liquidators' motions. Because the Amended Order Appointing Receiver is involved in the appeal, this Court may only maintain the status quo, not change it as requested by the Antiguan Liquidators.

particular Chapter 15 petition to be filed, the Commission respectfully submits that this Court, not a bankruptcy court, is the proper tribunal to consider the merits of that petition.

## FACTUAL BACKGROUND

The Commission's fraud allegations in this case arise from, and center on, conduct of United States citizens that was performed largely in the United States. Stanford, like many who violate the federal securities laws, manipulated a variety of entities he owned to conduct his scheme. These entities included SIB, which was organized under the laws of Antigua. The fact that SIB was incorporated in Antigua is of little significance to this case's larger context. Stanford, the sole shareholder and chairman of SIB, is a United States citizen and native Texan. [See Defendant R. Allen Stanford's Pro Se Answer to First Amended Complaint at p. 1 (admitting that both his "home office" and one of his residences are in Houston, Texas.)] In addition to his home office in Houston, Stanford lived and worked principally in the U.S. Virgin Islands and Miami. [Van Tassel Aff at ¶ 11][3] Aside from ownership and control by Stanford, all SIB directors (including Stanford) were USA citizens except two, and neither of the non-American directors were Antiguans. [Van Tassel Aff. at ¶11]

Perhaps more importantly, SIB's "nerve" center was in the United States – for example, the management of SIB's investments, the directing of fund flows, investment strategies, and managing legal and human resources were directed from the United States. [Van Tassell Aff. ¶11]. Indeed, SIB sold CDs to U.S. investors exclusively through Stanford Group Company

---

[3] Karyl Van Tassel is an agent working on behalf of the U.S. Receiver. In a previous pleading, the U.S. Receiver submitted an Affidavit from Ms. Van Tassel. For the Court's convenience, a copy of that Affidavit is attached as Exhibit A. References to Affidavit will be "Van Tassell Aff. at ____."

In addition, the Commission refers occasionally herein to the Memorandum of Law in Support of Motion For Ex Parte Temporary Restraining Order, Preliminary Injunction and Other Emergency Relief ("SEC's Memo of Law") and the Appendix In Support of Application for Ex Parte Temporary Restraining Order, Preliminary Injunction and Other Emergency Relief filed with the District Court ("SEC's TRO Appendix") and a supplemental appendix filed in support of Application for Preliminary Injunction and Other Emergency Relief.

("SGC"), a Texas corporation with offices throughout the U.S. that was registered with the Commission as a broker-dealer. [SEC's Memo. of Law (Doc. No. 6) at 5.][4] Through these efforts, SIB generated more CD sales, by dollar amount, from the U.S. than from any other country, including Antigua. [Van Tassel Aff. at ¶25.][5] Indeed, Antiguan law prohibits offshore "banks" such as SIB from providing investment services to Antiguans. In the course of offering its CDs to U.S. investors, SIB assured them in it's disclosure documents that "[b]y making this offering to Accredited Investors in the United States, [SIB] and its officers are subject to certain laws of the United States, including the anti-fraud provisions of the U.S. federal securities laws and similar state laws." [SEC's Memo of Law. at p. 21] SIB's CDs were sold in the U.S. pursuant to a Regulation D private placement. In connection with the private placement, the Bank filed a Form D with the SEC. [SEC's Memo. of Law (Doc. No. 6) at 9]

To the extent Stanford's fraud touched on areas outside the United States, the connection to Antigua is tenuous. While the Antiguan Liquidators are focused on SIB, that entity is only one of many that were used to perpetrate the fraud scheme. Stanford-related entities spanned the globe, including 15 states within the United States and at least 13 countries in Europe, the Caribbean, Canada and Latin America. These various entities, like SIB, were – regardless of where they were incorporated – controlled and managed by the key management team in the United States. Moreover, the Commission and the U.S. Receiver are working extensively in collaboration with regulators around the world, especially in Latin America, to help ensure a proper distribution of recovered assets to wronged investors.

---

[4] The principal business of SGC consisted of the sales of SIB's CDs. [See Preliminary Injunction and Other Equitable Relief As to R. Allen Stanford at ¶8].

[5] It is also noteworthy that from August 2008 through December 2008 alone, approximately 50 SGC clients liquidated approximately $10.7 million in stocks, bonds, and other similar securities and invested money in SIB's CDs.[ See SEC's Memo of Law at p. 20].

Most of SIB's CD sale proceeds did not even pass through Antigua and those that did were promptly sent out of the country. [Van Tassel Aff. at ¶7]. Instead, CD sale proceeds largely went directly to accounts in Canada, the United States and England and then onto various Stanford-related accounts. Indeed, even checks sent by investors directly to SIB's address in Antigua were bundled and sent daily to Trustmark Bank in Houston for deposit. [*Id*.] Moreover, although Stanford's victims are located around the world, sales to citizens of the United States and Venezuela predominated. Finally, Antiguan law prohibits offshore "banks" such as SIB from serving Antiguans – there are, at best, few direct Antiguan victims of Stanford's fraud.

This fact stands out when the Antiguan Liquidators' mandate is considered. For example, the Order appointing the Antiguan Liquidators ("the Antiguan Liquidation Order") provides that SIB is to be dissolved under the supervision of The Eastern Caribbean Supreme Court In the High Court of Justice Antigua and Barbuda ("the Antiguan Court") and the Antiguan Liquidators are to "collect and gather all such assets for the general benefit of [SIB's] creditors and as may be directed by [the Antiguan Court]. [See Antiguan Liquidation Order at paragraph 5][6] The Antiguan Order further provides that SIB's assets are to be "held for the benefit of the depositors, creditors and investors of [SIB] as their interests appear in accordance with the laws of Antigua and Barbuda, subject to the payment of the fees, expenses, and costs of the receivership and liquidation. [Id. at para. 7]

The Order then provides a priority for distributing those assets. First priority is given to fees and expenses of the Antiguan Liquidators, the cost of the receivership and liquidation, and *severance payments to former employees of SIB.* [Id. at 7.1-7.3] After those debts are paid, the Antiguan Order provides that "[t]he balance to be paid on account of the claims of creditors and

[6] The Antiguan Liquidation Order was attached as an exhibit to the Declaration of Nigel Hamilton-Smith In Support of the Petition for Recognition of a Foreign Main Proceeding Pursuant to Chapter 15 of the Bankruptcy Code. See Docket Entry No. 3, Case No. 3-09-CV-0721.

depositors of the [SIB] as at the date of th[e] Order and in accordance with their priority under the [International Business Corporations Act, Cap. 222, as amended, of the Laws of Antigua and Barbuda] and other laws of Antigua and Barbuda, or as may be ordered by [the Antiguan Court] with the remaining balance, if any, to be distributed to the shareholders of [SIB] in accordance with their entitlement. [Id. at 7.4] Notably, the priority described in Paragraph 7.4 does not identify investors, but only creditors and depositors.

## ARGUMENT

### A. THE STAY AGAINST CLAIMS AFFECTING RECEIVERSHIP ESTATE WAS PROPERLY ENTERED AND SHOULD NOT BE MODIFIED OR VACATED.

#### 1. The Stay is Within the Court's Authority.

The Court had ample authority to issue a stay against the filing of claims by third parties against the receivership. "The Supreme Court has repeatedly emphasized the broad equitable powers of the federal courts to shape equitable remedies to the necessities of particular cases, especially where a federal agency seeks enforcement in the public interest." *SEC v. Wenke*, 622 F.2d 1363, 1371 (9th Cir. 1980) (citations omitted). A necessary corollary to that power is the authority of federal courts, particularly in SEC enforcement actions such as this one, to stay proceedings against a court-appointed receivership, even as to nonparties that have notice of the stay. *Id; see also Liberte Capital Group, LLC v. Capwill*, 462 F3d 543, 551 (6th Cir. 2006); *Schauss v. Metals Depository Corp.*, 757 F.2d 649, 654 (5th Cir. 1985) (noting that courts recognize the importance of preserving a receivership court's ability to issue orders preventing interference with its administration of receivership property).

This authority flows from the recognition that the appointment of receivers in enforcement actions furthers the policies of the federal securities laws. *See Wenke*, 622 F.2d at 1373 (noting that receivership furthers subsidiary purposes of federal securities laws, including

preservation of assets and the fact that the receiver and his staff could conduct independent investigation of claims the entities might have against former management or other parties, prosecution of which would benefit investors and deter future violations).[7] Indeed, while it is axiomatic that the Receiver, as an agent of the Court, is independent of the Commission, the Amended Order Appointing Receiver properly acknowledges the importance equity receiverships play in enforcement proceedings, authorizing the U.S. Receiver to provide the Commission and other governmental agencies with information requested in connection with regulatory or investigative activities. [Amended Order Appointing Receiver at ¶ 5(k).

The guidance offered by Justice Anthony Kennedy, writing for the 9th Circuit in *Wenke* affirming the issuance of a blanket stay is precisely on point:

> A receiver appointed by a court in the wake of a securities fraud scheme may encounter difficulties sorting out the financial status of the defrauded entity or entities. There may be a genuine danger that some litigation against receivership entities amounts to little more than a continuation of the original fraudulent scheme. Similarly, the securities fraud may have left the finances of the receivership entities so obscure or complex that the receiver is hampered in conducting litigation. Moreover, the expense involved in defending the many lawsuits which often are filed against an entity in the wake of a securities fraud scheme may be overwhelming unless some are temporarily deferred. A stay of proceedings against receivership entities except by leave of the court may be an appropriate response to the above concerns, and the district court did not abuse its discretion in this case by entering the blanket stay.

[7] The importance of equity receiverships to a securities enforcement action is a key distinction between this case and, for example, *Jordan v. Independent Energy Corporation*, 446 F. Supp. 516 (N.D. Tex. 1978), relied on heavily by the Antiguan Liquidators. Indeed, the Court in *Jordan* acknowledged that courts, including at least one appellate court, recognize district courts' power to enjoin bankruptcy proceedings when receiver has been appointed because of a fraud by management, particularly when the creditors benefiting from a bankruptcy filing include persons that had conducted the misconduct in the first place. That is the case here, where certain SIB employees are under investigation for securities fraud. Indeed, as noted elsewhere, it appears that the Antiguan Liquidators are required to provide priority in distributing SIB's assets to pay severance payments to former SIB employees. In short, the facts of this securities enforcement action are vastly different than those presented in *Jordan* and the Court's dicta in that case setting suggesting it would never be proper to preclude a bankruptcy filing has no application here.

*Wenke*, 622 F.2d at 1373.

**2. The Stay Should Not Be Lifted to Permit the Chapter 15 Petition.**

The reasons supporting a stay of litigation are not diminished simply because the Antiguan Liquidators seek recognition as liquidating agents for SIB. To the contrary, the inability of a receivership estate to meet all of its obligations is typically the *sine qua non* of the receivership *Liberte Capital Group, LLC v. Capwill*, 462 F.3d 543, 551-53 (6th Cir. 2006). "The receiver's role, and the district court's purpose in the appointment, is to safeguard the disputed assets, administer the property as suitable, and to assist the district court in achieving a final, equitable distribution of the assets if necessary. . . . The district court may require all . . . claims to be brought before the receivership court for disposition pursuant to a summary process consistent with the equity purpose of the court…" *Liberte Capital Group, LLC v. Capwill*, 462 F.3d 543, 551-53 (6th Cir. 2006). Where "rightful claims to assets exceed the assets available, the court, with the help of the receiver, must determine how to distribute the assets equitably. . . . [D]istributing . . . the assets [of the entity placed in receivership] is one of the central purposes of the receivership." *Securities Exchange Commission v. Capital Consultants LLC*, 453 F.3d 1166, 1172 (9th Cir. 2006); *see United States Securities Exchange Commission v. The Infinity Group Company*, 226 F. App. 217, 2007 WL 1034793 (3d Cir. 2007).

It is also important to note that this Court, and through its supervision, the Receiver, are able to properly address *all* relevant assets, not merely those of two Stanford-controlled entities. It makes no difference that significant estate assets are located outside U.S. borders. The Court, in its receivership order, "assume[d] exclusive jurisdiction [over] and t[ook] possession of the assets . . . of whatever kind and description, *wherever located*, . . . of the Defendants and all

entities they own or control."[8] "When a district court has *in personam* jurisdiction over the defendant, . . . a duly appointed receiver may exercise authority over any assets located in foreign countries provided that his actions are taken in accord with or otherwise do not violate the law of that foreign nation." *Citronelle-Mobile Gathering, Inc. v. Watkins*, 934 F.2d 1180, 1187 (11th Cir. 1991). In contrast to the Receiver's ability (subject to the Court's supervision) to properly account for all claimants – particularly the investors' who were direct victims of fraud – as noted above, it appears that the Antiguan Liquidators flexibility in distributing assets will be limited.

These differing priorities may be especially important given the well-known close relationship between Stanford/SIB and Antigua. For example, the U.S. Receiver has informed the Commission that it appears that Stanford, through some of his wholly-owned entities, made two different loans to the Antiguan government, one in the amount of $40 million and another in the amount of EC$300 million (about US$100 million). The government has yet to repay either loan. Other evidence suggests that, at least as of 2005, an internal audit team of Stanford Financial Group noted that Stanford-related entities maintained accounts receivable to the Antiguan government in excess of $84 million and that, in most cases, there was no evidence of recent payments.[9] While the exact nature (and current status) of those loans is unclear, the fact that the Antiguan government perhaps has a financial interest connected to Stanford is relevant to analyzing whether a party owing its appointment to the Antiguan Financial Services Regulatory Commission will properly safeguard the interests of all investors. It is also worth noting that the Antiguan Liquidators have argued forcefully (and with success in Antiguan courts) that this Court's orders are void in Antigua. Yet, they now seek the benefit of this Court's rulings when it

---

8 Doc. 10 at ¶ 1; Doc. 157 at ¶ 1. (emphasis added.)

9 Exhibit B is a copy of what appears to be an internal audit report detailing these receivables.

suits their purposes. This type of double standard should not be countenanced.

Under the circumstances of this case, the Commission respectfully requests that the Court maintain its order prohibiting claims against affecting the Receivership Estate, including the Antiguan Liquidators' Chapter 15 Petition.

### B. IF THE EXISTING ORDER IS MODIFIED, THE PETITION FOR RECOGNITION SHOULD NOT BE REFERRED TO BANKRUPTCY COURT.

If the Court elects to allow the Antiguan Liquidators' Chapter 15 Petition, the Commission respectfully submits that proceeding should be considered in this Court and not referred to bankruptcy court. This Court is familiar with many of the underlying facts of this case and can properly dispose of the Petition. There is little purpose to having dual proceedings involving these complex facts. *Cf.* 11 U.S.C. § 157 (providing that on a proper motion by a party, the district court is required to withdraw a reference to a bankruptcy court to the extent resolution of the case requires consideration of both Title 11 and other laws of the United States regulating organizations or activities effecting interstate commerce).

Dated: May 11, 2009.

Respectfully submitted,

*s/ David B. Reece*
STEPHEN J. KOROTASH
Oklahoma Bar No. 5102
J. KEVIN EDMUNDSON
Texas Bar No. 24044020
DAVID B. REECE
Texas Bar No. 242002810
MICHAEL D. KING
Texas Bar No. 24032634
D. THOMAS KELTNER
Texas Bar No. 24007474
U.S. Securities and Exchange Commission
Burnett Plaza, Suite 1900
801 Cherry Street, Unit #18
Fort Worth, TX 76102-6882

(817) 978-6476 (dbr)
(817) 978-4927 (fax)

**CERTIFICATE OF SERVICE**

I hereby certify that on May 11, 2009, I electronically filed the foregoing document with the Clerk of the court using the CM/ECF system which will send notification of such filing to all counsel of record.

*s/ David B. Reece*

**IN THE EASTERN CARIBBEAN SUPREME COURT**
**ANTIGUA AND BARBUDA**

**IN THE HIGH COURT OF JUSTICE**

**Claim No. 0126 of 2009**

**IN THE MATTER OF THE INTERNATIONAL BUSINESS CORPORATIONS ACT, CAP. 222**

**AND IN THE MATTER OF THE PETITION FOR THE COMPULSORY WINDING UP OF STANFORD INTERNATIONAL BANK LIMITED**

**BETWEEN**

**ALEXANDER M. FUNDORA**

**Claimant**

**-and-**

**STANFORD INTERNATIONAL BANK LIMITED**

**Defendant**

**-and-**

**RALPH STEVEN JANVEY**
**(Acting in his capacity as the Receiver duly appointed in relation to the above named Defendant by order of the United States District Court for the Northern District of Texas, Dallas Division on 16 February 2009)**

**Interested Party/Proposed Defendant**

---

# AFFIDAVIT OF KARYL VAN TASSEL

---

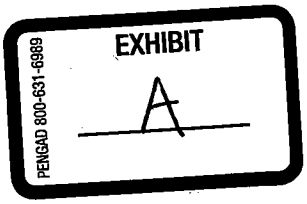
I, Karyl Van Tassel of 1001 Fannin, Suite 1400, Houston, TX 77002 state on oath as follows:

## A Introduction

1. I am a Certified Public Accountant in the State of Texas, United States of America. I am a Senior Managing Director of FTI Consulting, Inc. ("FTI"), an international business consulting firm. As I set out below, my firm has been retained by the US Receiver ("Receiver Janvey") to provide assistance in tracing assets of the Stanford empire.

2. I have been asked to give this affidavit in support of Receiver Janvey's application for certain relief in relation to:





a. the petition presented against Stanford International Bank Ltd ("SIBL") by Alexander Fundora on 9 March 2009, purportedly under section 220 of the International Business Corporations Act of Antigua and Barbuda ("IBCA"), seeking the winding up of SIBL and the appointment of Marcus Wide and Christopher Sambrana of PricewaterhouseCoopers as liquidators; and

b. the cross application (unsupported by any formal application notice) of Peter Wastell and Nigel Hamilton-Smith of Vantis who were appointed receivers of SIBL and Stanford Trust Company Ltd ("STCL") by this Honorable Court on February 26, 2009 ("the Antiguan Receivers"), presumably made under section 288 IBCA, for the winding up of SIBL and the appointment of the Antiguan Receivers as liquidators.

3. In this affidavit I address the following topics:

a. my background, experience, and expertise;

b. an overview of our findings to date;

c. SIBL's demise and its control from the U.S.

d. the location of SIBL and STCL records in the U.S.;

e. SIBL and STCL as part of a worldwide Ponzi scheme;

f. sales of SIBL CDs in U.S. and principally to non-Antiguans;

g. location of management functions in U.S.; and

h. tracing the flow of SIBL's funds.

4. Save where otherwise appears, the facts and matters which I state in this affidavit are from my own personal knowledge gained from my work and that of FTI's team in analysing the assets of SIBL and STCL and other Stanford Entities and they are true. Where I rely on information from others or from records it is true to the best of my knowledge and belief and it is from the source

stated. The information contained herein is based on current information acquired to date. Additional information continues to be discovered and analyzed.

5. There are now produced and shown to me marked as follows true copies of the following documents:

| | |
|---|---|
| **"KVT1"** | Karyl Van Tassel Resume |
| **"KVT2"** | 6/30/08 Stanford Financial Group schedule listing Tier 3 merchant banking assets |
| **"KVT3"** | Internal Stanford schedule listing past uses of SIBL funds supporting Allen Stanford note receivable liability to SIBL in the amount of $1.844 billion. |
| **"KVT4"** | CD investor wiring instructions. |

**(1) Experience and expertise**

6. A copy of my resume is attached as exhibit KVT1. It summarises my education and relevant work experience. As it states, I am a Certified Public Accountant in the State of Texas, USA, and a Senior Managing Director of FTI Consulting, Inc. I have 23 years of experience providing a variety of audit, accounting, tax, litigation, valuation and other financial advisory services. I have performed detailed financial analyses for a variety of litigation matters, including securities, intellectual property, breach of contract, antitrust, lender liability, fraud and wrongful terminations. In the litigation context, I have acted as an expert on a variety of economic damage claims and forensic accounting issues. In several cases alleging fraud and other wrongdoing, I have traced funds for potential recovery. I have also been retained by audit committees to assist in investigating allegations of accounting and financial improprieties.

**(2) The institution of the US Receivership and Receiver Janvey's hiring of FTI**

7. On February 16, 2009, the United States District Court for the Northern District of Texas (the "U.S. Court") appointed Ralph S. Janvey the Receiver for SIBL, Stanford Group Company, Stanford Capital Management, LLC, R. Allen Stanford ("Stanford"), James M. Davis ("Davis"), and Laura Pendergest Holt ("Holt") and of all entities owned and controlled by any of them. (All corporations and other legal entities owned by Stanford, Davis or Holt are collectively referred to as the "Stanford Entities"; each such entity, in the singular, is referred to as a "Stanford Entity.") On the same day, Receiver Janvey retained FTI to perform a variety of services, including assisting in the capture and safeguarding of electronic accounting and other records of the Stanford Entities and forensic accounting analyses of those records, including cash tracing. I oversee, and am personally involved in, FTI's forensic accounting and cash tracing activities.

**(3) An overview of findings to date**

8. In the course of FTI's investigation on behalf of Receiver Janvey, we have interviewed numerous present and former Stanford Entity employees and have examined the Stanford Entities' accounting and other records located in and/or gathered from Houston, Texas, Tupelo, Mississippi, Baldwyn, Mississippi, Memphis, Tennessee, Miami, Florida, St. Croix, United States Virgin Islands ("USVI") and other Stanford locations within and outside the USA. We have also obtained and reviewed information and data from Davis's home, which is located in Mississippi. SIBL, STCL and more than 140 other Stanford Entities were owned virtually 100%, directly or indirectly, by Stanford. As discussed in more detail below, the evidence indicates that SIBL, Stanford Trust Company Ltd. ("STCL"), and other Stanford Entities were operated as a single Ponzi-scheme to perpetrate a massive fraud. SIBL's balance sheet as of December 31, 2008 reflected total outstanding certificates of deposit ("CDs") of approximately $7.4 billion (shown as a liability) and investments of approximately $8.3 billion (shown as an asset). The $8.3 billion figure was grossly overstated, as discussed in more detail below.

**(4) SIBL's demise**

9. SIBL was principally in the business of selling various types of CDs. It appears that during its 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. Our preliminary analysis of 2008 cash flows, with limited bank information, indicates that funds from current sales of SIBL CDs were used to make interest and redemption payments on pre-existing CDs. It appears that most CD proceeds not used to pay interest, redemptions and current operating expenses were either placed in illiquid investments (such as private equity deals) or diverted to other Stanford Entities "on behalf of shareholder" -- i.e., for the benefit of Allen Stanford. The terms of some SIBL CDs permitted partial redemptions before maturity upon customer demand. CD redemptions increased in late 2008 and early 2009 to the point that continuing CD sales could no longer cover the redemptions and normal operating expenses. This caused such a rapid depletion of liquid assets, that the apparent Ponzi scheme began to collapse. By the time the US Receivership was instituted, SIBL had already suspended some redemptions and the broader Stanford group of companies had stopped paying many payables.

**B SIBL was controlled from the USA by Stanford and Davis**

10. SIBL, although incorporated in Antigua, was controlled and managed by Stanford and Davis, apparently with assistance from Holt, from various places within the USA. In addition, it appears that major cash transfers were directed and controlled by Stanford, Davis and, in some instances, Holt.

11. Stanford lived and worked principally in Christiansted, USVI, Miami, Florida, and Houston, Texas. Davis and Holt lived in Mississippi and had offices in Tupelo, Mississippi, Memphis,

Tennessee, and Houston, Texas. All SIBL directors (including Allen Stanford) were USA citizens except two, and neither of the non-USA directors were Antiguans. One was a resident of Montserrat and the other was a resident of Barbados. Most "head office functions" such as managing investments, directing fund flows, devising investment strategy, and managing legal and human resources were directed from the USA.

(1) **SIBL's investments were controlled by Stanford, Davis and (at least to the extent of Tier 2 investments) Holt.**

12. SIBL investments were divided into three tiers, each managed differently, although all ultimately controlled by Stanford, Davis and, at least to the extent of Tier 2 assets, Holt. Tier 3 was by far the most significant financially (as valued by Stanford and Davis) and the most secret. It was controlled entirely from the USA. Based on our review to date of a large volume of Stanford Entity records, we have seen no indication that SIBL managers and employees in Antigua had significant involvement in investment activities.

13. Tier 1, the smallest tier in dollar value, consisted of cash and cash equivalents. It was primarily managed from Houston, Texas, USA, by Patricia Maldonado, Stanford Financial Group Company Treasurer, who worked at Davis's direction. Company accounting records indicate that as of February 18, 2009, Tier 1 totalled $152.7 million. To date, we have been unable to determine the correctness of this total. We've discovered discrepancies in some of the account balances and have been unable to confirm the amount of other account balances.

14. Company records indicate that approximately $14.6 million of the total (less than 10%) is located in Antigua, at the Bank of Antigua. Of that amount, I understand from Stanford Human Resources personnel that approximately $2.2 million represents trust moneys held for the benefit of a pension plan for the Stanford Antiguan employees. There has been no independent confirmation that this statement is correct.

15. Tier 2 principally consisted of investments placed with a variety of investment firms or funds located in the USA and Europe, together with a small amount of cash or cash equivalents. It was managed by Holt, the Chief Investment Officer for Stanford Group Company, from Tupelo, Mississippi, USA, Memphis, Tennessee, USA, and Houston, Texas, USA. Holt reported to Davis and Stanford. According to the company's weekly summary reports, Tier 2 had a total value of approximately $345 million at February 9, 2009, down substantially from $889 million at December 31, 2007. The documents also indicate that there were approximately $29 million in further liquidations between February 10, 2008 and February 17, 2009. Tier 2's precipitous decline in total value over the past year was due to a combination of declining market values and numerous liquidations ordered by Davis and Stanford and implemented by Holt and her staff. One of FTI's assigned tasks has been to trace the cash from these liquidations.

16. Tier 3 was managed by Stanford and Davis, apparently with assistance and participation by Holt and Osvaldo Pi. They kept its value and composition secret from regulators, investors, creditors and others. The information that was released to the public regarding Tier 3 (either directly or through presentations to sales staff) grossly overvalued SIBL investments (approximately 80% of which consisted of Tier 3) and misrepresented the relative make-up of the investment categories. For example, Stanford records indicated that Tier 3 assets, as of 6/30/08, had a total value of $6.3 billion. For the reasons explained in paragraph 17 below, as well as perhaps other reasons, that amount appears to have been fictitious.

17. As to the connections of these Tier 3 "investments" to the United States:-

    a. Approximately $1.2 billion of Tier 3 value (as apparently valued by Stanford and/or Davis or others acting in concert with them) was in merchant banking assets. These consisted mostly of equity investments in private and public companies (see KVT2. a 6/30/08 Stanford Financial Group schedule listing Tier 3 merchant banking assets). Most of these companies have headquarters in the USA. I am not aware of any of

them being located in Antigua. Early indications are that the fair value of these merchant banking assets was -- and remains -- only a small fraction of the $1.2 billion internal value that Stanford and Davis assigned to them.

b. Stanford Tier 3 records indicate that another $1.8 billion in value consisted of notes receivable from Allen Stanford. It appears this amount corresponds to funds that Stanford, with the assistance of Davis and possibly others, diverted from SIBL. These funds were used for various purposes, including transfers to 51 other Stanford Entities (See KVT3, an Internal Stanford schedule listing past uses of SIBL funds supporting Allen Stanford note receivable liability to SIBL in the amount of $1.844 billion.). Only 24% of these Stanford Entities were chartered in Antigua.

c. In addition, Tier 3 records assigned $3.174 billion of value to real estate. However, those same records list only two assets in this category – real estate holding companies -- containing properties known as Pelican Island and Asian Village. Both tracts are located in Antigua and both were purchased (via the purchase of their holding companies) in 2008 for a combined $63.5 million. It seems inconceivable that land purchased in 2008 would have risen in value almost 50 fold during what is generally regarded as a global real estate recession.

**(2) SIBL and STCL records are held in the USA.**

18. Records of SIBL and STCL's investments and cash balances, which comprised more than 90% of their total assets, were kept predominantly in the USA -- and outside Antigua.

a. With respect to Tier 2 assets, although monthly statements were sent to Antigua, the detailed weekly Tier 2 summaries, which are important in unravelling what happened

to Tier 2 assets and determining whether any can be recovered, were maintained in Memphis, Tennessee, USA.

b. Information concerning Tier 3, by far the largest collection of investments (as valued by Stanford and Davis), was kept by Davis and those who worked under his direct supervision, in the USA.

c. My firm, FTI, on behalf of Receiver Janvey, has already gathered and preserved USA information relating to all three Tiers of investments. I and others in my firm have been actively reviewing and analyzing these records for the past six weeks.

d. Certain SIBL client records exist in the USA.

**(3) STCL was part of the Stanford-Davis controlled Ponzi scheme**

19. Although STCL is not the subject of Receiver Janvey's present application, its position is relevant to an understanding of SIBL.

20. STCL was principally in the business of administering trusts for clients. STCL was controlled by Stanford and Davis from the USA, just as SIBL was. The assets that fund the STCL-administered trusts consist mostly of SIBL CDs. In other words, it appears STCL helped feed money to SIBL, a principal intake point for the Ponzi apparatus.

21. STCL's records indicate that it loaned money to Stanford and to SIBL and also invested heavily in a Stanford Entity located in Colombia. At December 31, 2008, STCL's three largest assets, other than cash and cash equivalents of approximately $11.3 million, were a $1.6 million note receivable from Allen Stanford, a $2.6 million receivable from SIBL, and approximately $8.6 million invested in Stanford S.A. Comisionista de Bolsa.

22. STCL's brokerage accounts are predominantly held at Pershing LLC, in Jersey City, New Jersey, USA, and in affiliated Stanford Entity brokerage houses located in Latin America.

**(4) Almost all essential support functions for SIBL were provided from the USA.**

23. Almost all essential support functions for SIBL and STCL were provided from the USA by employees of Stanford Financial Group Co., Stanford Global Management, and other Stanford Entities. These functions included treasury services (i.e., cash management and transfer functions), accounting, investment management, human resources, legal, and payroll. They were provided by Stanford Entity employees located in Houston, Texas, Memphis, Tennessee, Tupelo, Mississippi, Miami, Florida and Christiansted, USVI.

24. In addition, Stanford Group Company, located in Houston, Texas, provided SIBL with financial consulting and advisory services, including management of SIBL's merchant banking portfolio.

**(5) Almost half of SIBL's CD sales were generated from the USA, and only a small amount from Antigua.**

25. Most of the sales force for SIBL CDs and STCL trust arrangements was located in the USA. Further, substantially more SIBL CD sales, by dollar amount, were generated from the USA than from any other country, including Antigua. Because SIBL CDs were sold by Stanford brokers on a commission basis, commission records provide a reasonable basis for deriving relative sales percentages from the various countries. The relative sales percentages for 2008, derived from financial statements and commission records, show that during 2008, almost one-half of CD sales were generated by Stanford brokers located in the USA. In contrast, based only upon this same information, only half that amount -- approximately 25% -- was attributed to an entity located in Antigua. However, we believe there is little correlation between the 25% and where the CD

purchasers were located. A large portion of the sales attributable to the Antiguan sales force related to CDs purchased by trusts administered by STCL. This likely means that the beneficial owners of the CDs were not Antiguan. We are not attorneys, but understand that STCL and SIBL, as Antiguan International Business Corporations, were legally required to serve primarily non-Antiguans. Thus, one would expect none or a very small amount would be invested by Antiguans.

**(6) Almost all CD holders are non-Antiguans. More CDs by dollar amount are held by residents of the USA, than by residents of any other country.**

26. Based on our review of SIBL data, it appears that the vast majority of SIBL CD holders are non-Antiguans. In fact, it appears that more CDs, by total value, are held by USA residents than by residents of any other country. This conclusion is consistent with our understanding of SIBL's function as an off-shore bank designed to serve primarily off-shore clients.

**(7) Most of SIBL's sales proceeds did not pass through Antigua.**

27. I understand from reviewing bank statements and other accounting records that most of SIBL's CD sale proceeds did not even pass through Antigua and those that did were promptly sent out of the country (See KVT4, CD investor wiring instructions).

a. Investors who paid by check sent their checks to SIBL in Antigua, where they were bundled and sent daily to Trustmark Bank in Houston, Texas, for deposit there.

b. Investors who paid by wire transfer were instructed to send their money to Toronto Dominion in Toronto, Ontario, Canada.

c. Investments denominated in Euros or other European currency were to be sent to HSBC in London, United Kingdom.

d. If any SIBL CD sales proceeds were actually paid by investors at SIBL's offices in Antigua, I believe it was likely a small amount relative to overall sales.

**(8) The proceeds of CD sales soon left SIBL's accounts and were distributed throughout the Stanford empire.**

28. Through a preliminary analysis of the financial records, we have been able to trace the flow of SIBL funds over the last year.

a. During 2008, approximately $474 million funds were transferred from SIBL's accounts at Toronto Dominion to SIBL's operating account at Bank of Houston .

b. From the Bank of Houston, some of the funds went to investments in various public and private companies, which were then managed as part of Tier 3 under the direction of Davis (see para 11 above).

c. Some of the funds transferred to the Bank of Houston were then distributed among various other Stanford Entities. In 2008, alone approximately $300 million of SIBL funds was disbursed from the Bank of Houston among various Stanford Entities.

d. Some of the funds that remained in the Toronto Dominion account were transferred through Houston, Texas banks to various investment firms in the USA and Europe, where they were managed as Tier 2 investments under the direction of Holt from the USA as set out above.

**(10) Approximately $100 million in notes receivable held by SIBL are owed by USA residents.**

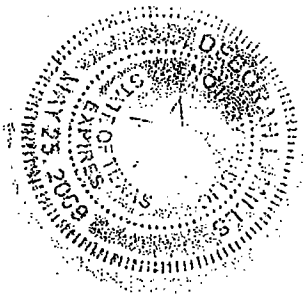
29. As of December 31, 2008, SIBL listed as assets on its balance sheet approximately $172 million in notes receivable from clients. Detailed records for these loan accounts reside in Stanford's offices in Houston. My analysis indicates that approximately $100 million of the total outstanding loan balances are owed by USA residents. The actual percentage of loan balances owed by USA residents may be higher. Consistent with very few CD's being owned by Antiguans, very little of the customer loan balance is owed by Antiguans.

SWORN at )
)
This 1 day of April, 2009 )
In the presence of )
)

Karyl Van Tassel

Deborah R Mills

Notary Public
My Commission Expires: 5/25/09



IN THE EASTERN CARIBBEAN SUPREME COURT
ANTIGUA AND BARBUDA

IN THE HIGH COURT OF JUSTICE
Claim No. 0126 of 2009

IN THE MATTER OF THE INTERNATIONAL BUSINESS CORPORATIONS ACT, CAP. 222

AND IN THE MATTER OF THE PETITION FOR THE COMPULSORY WINDING UP OF STANFORD INTERNATIONAL BANK LIMITED

BETWEEN

ALEXANDER M. FUNDORA
Claimant

-and-

STANFORD INTERNATIONAL BANK LIMITED
Defendant

-and-

RALPH STEVEN JANVEY
(Acting in his capacity as the Receiver duly appointed in relation to the above named Defendant by order of the United States District Court for the Northern District of Texas, Dallas Division on 16 February 2009)

Interested Party/Proposed Defendant

---

**AFFIDAVIT OF**
**KARYL VAN TASSEL**

---

**STANFORD FINANCIAL GROUP**
Internal Audit Department – April 28, 2005

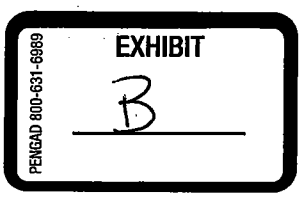
**CONFIDENTIAL**

# ACCOUNTS RECEIVABLE - ANTIGUA

# SPECIAL PROJECT

**Distribution**
Mr. R. Allen Stanford

**Audit Team**
Michelle Diamond
Oscar Leal
Alberto Gonzalez
Edmundo Posadas
Jose Cuevas



# EXECUTIVE SUMMARY

At the special request of Mr. R. Allen Stanford we consolidated the balances in trade and loan accounts receivable as of March 31, 2005, for all Stanford companies based in Antigua. The consolidation of the balances presented on this report were based on the information provided by the accountants for the different companies. The accounts receivable balances were verified to be in agreement with the balances reported in the financial statements presented by each company, as of March 31, 2005.

Although we did not perform an in-depth review or analysis of the balances in each company we observed the following control weaknesses in handling the trade and loans receivable:

- Out of a combined total of US$143,552,976 among trade, intercompany and loans receivable US$84,827,559 (59.09%) is outstanding from the Antiguan government and with loan amounts as old as 1999 and, in most cases, with no evidence of recent payments.

- Common and recurrent ticketing errors in the two airlines, like uncollected applicable taxes; fares not fully collected; passengers boarded with free tickets without evidence of authorization or fully supported; differences between the sales reports and the actual deposit slips; illegible, unsigned or invalid credit card slips that can not be subsequently charged to the customers, etc. originate a debit memo (an account receivable) to the stations committing the errors. These outstanding debit memos may not all be collected for lack of a specific policy as to which errors can be forgiven and which ones have to be reimbursed to the applicable airlines by the different Ground Handling Agents, Ticket Agents, Travel Agencies or General Sales Agents. More than EC$1.1M outstanding debit memos in Caribbean Star are already over 90 days old and an unknown percentage of that amount may have to be written off for the reasons stated above.

- For lack of an evident (written) and aggressive collection effort, especially in the two airlines and SDCL, there is a potential risk that not all outstanding accounts will be collected.

- There are account balances with negative amounts that need to be researched to determine their real status.

- No written evidence that trade accounts are reconciled monthly, in most cases.

- Misleading trade accounts aging reports that include intercompany amounts and payments, in most cases.

- No written evidence that aging reports are reviewed or used as a warning signal for past due accounts.

Please let us know if you require further information by calling us at (713) 964-5289.

## Stanford Financial Group of Companies ANTIGUA

28-Apr-05

ACCOUNTS RECEIVABLE & A/R - TRADE
ALL ANTIGUA COMPANIES - ALL US$
INCLUDING GOV ACCOUNTS

| | | Current | 1-30 | 31-60 | 61-90 | > 90 | TOTAL US $ | TOTAL US $ |
|---|---|---|---|---|---|---|---|---|
| 1 | Stanford Group Antigua | 840,084.48 | (7,655.52) | 7,618.48 | 166,599.15 | 92,991.08 | 899,637.67 | 899,637.67 |
| 2 | Sticky Wicket Limited | 0.00 | 382,286.89 | 151,320.78 | 60,188.33 | 2,287,354.04 | 2,881,150.04 | 2,881,150.04 |
| 3 | The Pavillion | 14,853.19 | 24,912.07 | 70,383.95 | 10,617.10 | 26,642.50 | 147,408.82 | 147,408.82 |
| 4 | Sun Printing and Publishing | 69,285.23 | 70,442.57 | 78,441.74 | 22,068.54 | 97,101.46 | 337,339.54 | 337,339.54 |
| 5 | Stanford International Bank Limited | 2,684.24 | 92,307.94 | 395.24 | 0.00 | 38,072.89 | 133,460.31 | 133,460.31 |
| 6 | Stanford Trust Company Limited | 1,599,262.24 | 56,903.57 | 38,481.00 | 4,212.69 | 11,093.33 | 1,709,952.83 | 1,709,952.83 |
| 7 | Caribbean Sun Airlines | 0.00 | 0.00 | 0.00 | 15,004.00 | 702,565.05 | 717,569.05 | 717,569.05 |
| 8 | Caribbean Star Airlines | 2,636,554.00 | 0.00 | (3,132,080.00) | (2,081,063.00) | 9,517,945.00 | 6,941,356.00 | 6,941,356.00 |
| 9 | Bank of Antigua | 26,787,104.81 | 1,384.12 | 3,763.37 | 817.04 | 2,700.44 | 26,795,769.79 | 26,795,769.79 |
| 10 | Stanford Financial Group Company | 30,769,622.91 | 41,517.00 | 0.00 | 0.00 | 43,052,024.56 | 73,863,164.47 | 73,863,164.47 |
| 11 | Stanford Financial Group Limited | 16,708,429.53 | 11,786,060.54 | 0.00 | 0.00 | 0.00 | 28,494,490.07 | 28,494,490.07 |
| 12 | Stanford Development Company Limited | 116,276.77 | 143,400.00 | 0.00 | 17,540.77 | 354,460.79 | 631,678.33 | 631,678.33 |
| | | 79,344,157.40 | 12,591,559.19 | (2,781,675.44) | (1,784,015.37) | 56,182,951.14 | 143,552,976.91 | 143,552,976.91 |

ACCOUNTS RECEIVABLE GOVERNMENT

| | | Current | 1-30 | 31-60 | 61-90 | > 90 | TOTAL EC $ | TOTAL US $ |
|---|---|---|---|---|---|---|---|---|
| 1 | Stanford Group Antigua | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Sticky Wicket Limited | 0.00 | 0.00 | 0.00 | 0.00 | 23,352.30 | 23,352.30 | 8,649.00 |
| 3 | The Pavillion | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 4 | Sun Printing and Publishing | 2,915.74 | 5,019.70 | 7,040.54 | 3,621.27 | 11,838.10 | 30,435.35 | 11,272.35 |
| 5 | Stanford International Bank Limited | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 6 | Stanford Trust Company Limited | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 7 | Caribbean Sun Airlines | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 8 | Caribbean Star Airlines | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 9 | Bank of Antigua | 66,811,278.88 | 0.00 | 0.00 | 0.00 | 0.00 | 66,811,278.88 | 24,744,918.10 |
| 10 | Stanford Financial Group Company | 0.00 | 0.00 | 0.00 | 0.00 | 116,240,466.31 | 116,240,466.31 | 43,052,024.56 |
| 11 | Stanford Financial Group Limited | 45,112,759.73 | 0.00 | 0.00 | 0.00 | 0.00 | 45,112,759.73 | 16,708,429.53 |
| 12 | Stanford Development Company Limited | 0.00 | 0.00 | 0.00 | 0.00 | 816,117.07 | 816,117.07 | 302,265.58 |
| | | 111,926,954.35 | 5,019.70 | 7,040.54 | 3,621.27 | 117,091,773.78 | 229,034,409.64 | 84,827,559.13 |