

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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

STANFORD INTERNATIONAL BANK, LTD., ET AL.,

Defendants.

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Case No.: 3-09-CV-0298-N

**RECEIVER’S MOTION FOR APPROVAL OF INTERIM FEE APPLICATION AND
PROCEDURES FOR FUTURE COMPENSATION OF FEES AND EXPENSES AND
BRIEF IN SUPPORT**

BAKER BOTTS L.L.P.
910 Louisiana
Houston, Texas 77002-4995
(713) 229-1234
(713) 229-1522 (Facsimile)

THOMPSON & KNIGHT LLP
1722 Routh Street
Dallas, Texas 75201
(214) 969-1700
(214) 969-1751 (Facsimile)

**ATTORNEYS FOR RECEIVER
RALPH S. JANVEY**

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RECEIVER'S MOTION FOR APPROVAL OF INTERIM FEE APPLICATION AND PROCEDURES FOR FUTURE COMPENSATION OF FEES AND EXPENSES AND BRIEF IN SUPPORT

Ralph S. Janvey, the Court-appointed Receiver in this action, seeks the Court's approval to pay invoices for interim fees and expenses of \$19,965,146.12 to firms that have rendered professional services on behalf of the Receivership Estate. The tasks and challenges presented by this large Receivership are numerous, complex, difficult, and in some respects unprecedented. To complete the Court-ordered tasks and overcome these challenges, a team of professionals from fourteen firms with different, but complementary, skills have collaborated closely and worked long hours, including many nights and weekends, to enable the Receiver to carry out his fundamental duty – to implement this Court's orders to acquire possession and control over all Estate assets, of whatever kind and wherever located, so that those assets ultimately can be a source of compensation to victims of Stanford's fraud. Amended Order Appointing Receiver, Doc. 157 at ¶¶ 1, 2, 5(b), (d), (g).

At the request of the SEC, in the public interest, and because the final results to be obtained for investors and other claimants are still unknown, the firms providing these services (including the Receiver's firm) have discounted their fees by more than 20% in the aggregate (representing an overall reduction of more than \$5 million) for the benefit of the Stanford investors and other claimants. The work of the professionals is described in detail in the attached invoices, as well as in the Report of the Receiver Dated April 23, 2009 (the "Report"), which the Receiver submits in support of this application as Exhibit A. The information contained in the invoices and Report demonstrates the necessity for the professionals' services and the reasonableness of their fees and expenses for a case of this complexity and difficulty. *See* Report of the Receiver Dated April 23, 2009, Doc. 336, Appendix 1-58.

I. BACKGROUND

On February 17, 2009 the SEC filed this case and 1,126 pages of evidence, alleging that Defendants engaged in an \$8 billion fraudulent scheme involving as many as 50,000 clients in more than 130 countries. Complaint, Doc. 1; SEC Appendix in Support of Application for Ex Parte Temporary Restraining Order, Preliminary Injunction and Other Emergency Relief, Doc. 7. This Court found that it was both necessary and appropriate to appoint a receiver and assumed exclusive jurisdiction over all assets and records of the Defendants and any entities they owned or controlled worldwide. Order Appointing Receiver, Doc. 10 at 1. The Order and Amended Order Appointing Receiver charged the Receiver with responsibility for acquiring exclusive control and possession of the Receivership Estate, and performing all acts necessary to conserve, manage, and preserve the Receivership Estate. Doc. 10 at ¶¶ 5(a), (b), (d), (e), (g); Doc. 157 at ¶¶ 5(a), (b), (d), (e), (g).

As a result, the Receiver immediately was placed in charge of Stanford offices throughout the U.S., Latin America, the Caribbean, Canada, and Europe, which required him to assume and discharge the legal duties, in numerous jurisdictions, of (1) an employer of thousands of people, (2) an owner of real and personal property, (3) a landlord and tenant, (4) a party to ongoing and new litigation and arbitration, (5) a large brokerage firm and numerous other businesses, and (6) a custodian of twenty years' worth of business records spread over more than twenty locations. Appdx. 5.

A. **The first task of the Receivership was to find and secure Estate assets and records.**

Most of the initial work performed by the Receiver and his team has been (1) to secure the assets of the Estate and (2) to locate, collect, organize, and analyze necessary information about assets and liabilities of the Estate, so that the Receiver can recover and monetize assets and properly address claims and liabilities. This work was necessary in order to

maximize ultimately the value that can be distributed to investors and other claimants, and indeed to determine what is even available. The Report describes in significant detail the tasks, challenges and accomplishments associated with the first two months of this Receivership. Without the assistance of the professionals, whose work is described in their invoices and in the Report, the Receiver would have been unable to carry out the Court's orders and to meet the challenges and accomplish the tasks presented by the complex assortment of Stanford businesses placed into receivership.

B. This Receivership is large and very complex.

Indeed, the picture that has developed during the succeeding weeks is even more complex than it first appeared. Robert Allen Stanford was the owner of all or substantially all of the stock of approximately 140 different corporations and other entities (and possibly many more),¹ chartered and operating in more than 100 discrete locations spanning fifteen states in the U.S. and thirteen countries in Europe, the Caribbean, Canada, and Latin America. Appdx. 5. Each entity is a potential source of Receivership assets and records, but also existing and potential claims and liabilities. At the outset of the Receivership, the Stanford companies had more than 3,000 employees, of whom approximately 1,200 were in the U.S. and the balance in twelve other countries. *Id.* at 16.

As of February 16, 2009, Stanford Group Company had approximately 50,000 separate customer brokerage accounts and the Louisiana-based Stanford Trust Company had an additional 1,438 customer accounts. *Id.* at 14. Initially, the Receiver could not determine which of these accounts might be associated with fraudulent activities or products. Corporate and client

¹ The Receiver has identified approximately 140 potential Stanford entities so far; that number does not include more than 100 other potential Stanford entities the names of which are referenced in various documents as having a Stanford relationship but as to which the Receiver's team has not yet found appropriate ownership records and/or other corporate or financial records. Appdx. 36.

records were not easily accessible, organized, or reliable; they were often incomplete or inaccurate; and they seemed intentionally disconnected in order to prevent anyone from acquiring a comprehensive understanding of the Stanford network of companies. *Id.* at 8. For example, the Stanford companies appear to have approximately 200 accounting, financial, and operational systems, most of which do not centrally report. *Id.* This has hampered severely the identification and tracing of potential assets. The individual Defendants have not assisted the Receiver as he unravels the operations, investments, and records of numerous entities. The effort and expense involved in rapidly taking control of this complex array of businesses and evaluating assets and liabilities necessarily have been substantial, but that was the Court-ordered responsibility of the Receiver.

In addition to the work of bringing the Estate under control, there have been numerous other matters beyond the Receiver's control that have required the expenditure of significant Estate resources. For instance, the Receiver has expended substantial time and effort to comply with requests for information and assistance from various federal law enforcement and other government agencies, including the SEC, FBI, Department of Justice, Internal Revenue Service, Drug Enforcement Administration, Postal Inspectors, Department of the Treasury, and Board of Governors of the Federal Reserve System. In addition, the Receiver has provided information to the Financial Industry Regulatory Authority. At the state and local level, the Receiver has responded to ongoing inquiries and investigations from at least twenty four different state securities and banking regulators in nineteen states. The Receiver has also conferred and coordinated with officials in Canada, Columbia, the Eastern Caribbean, Ecuador, Guatemala, Israel, Mexico, Panama, Peru, and Venezuela regarding Estate assets and legal issues

in those jurisdictions. Also, in many instances litigation against parties in possession of Estate assets has been and will be required to command compliance with this Court's orders.

Additionally, the Receiver has been required to dedicate substantial resources to defend litigation. More than 400 individuals and entities have filed a total of over sixty five motions in this case (principally holders of customer accounts and/or brokers attempting to dissolve the Receivership and/or to receive preferential treatment over other claimants). *Id.* at 40. Two petitions for writ of mandamus have been disposed of and two interlocutory appeals are currently pending in the Fifth Circuit. *Id.* More than twenty new lawsuits have been filed in various other federal and state courts in direct contravention of this Court's injunction. In two of those cases filed in the Southern District of Texas, the plaintiffs requested a temporary restraining order; the judge requested that the Receiver's counsel attend hearings on both motions before staying the cases. *Id.* Numerous liens have been filed against Stanford real property in Texas and the Virgin Islands, also in violation of this Court's Orders. Legal actions in Antigua, Canada, Latin America, the U.K., and Switzerland have required the Receiver to appear in foreign courts to assert the primacy of this Court's jurisdiction over Receivership assets located in those countries. *Id.* at 23-24, 43-44. More than \$1 million of the legal fees and expenses requested in this motion (about 12% of the total legal fees and expenses) are attributable to defending and responding to this type of litigation; almost \$500,000 of this amount was devoted to defense of such litigation in U.S. courts.²

² These dollar figures include the estimated professional fees and expenses of Baker Botts L.L.P. for the activities described, such as securing the stay of cases filed in other jurisdictions after the Receiver was appointed, responding to motions filed in this Court seeking to dissolve the Receivership, and activities in foreign countries necessitated by the Antiguan Liquidators' attempts to be recognized and to acquire possession of Estate assets, plus the fees and expenses for 3-4 South Square (U.K.), Roberts & Co. (Antigua), and Osler (Canada).

The amount of litigation filed by others with which the Receiver has been forced to contend has been significant and shows little sign of abating. Although responding to litigation brought by others reduces, rather than increases, Estate assets, the Receiver must zealously defend the Estate from those who seek to gain some advantage by filing suits in various forums for the adjudication of disputes or claims. Without defense of such claims, the Estate will be reduced or certain investors could have preference over others. Successful enforcement of this Court's exclusive jurisdiction will ultimately maximize the Estate assets that will be available to be shared equitably by all Stanford victims.

C. The Receiver is successfully managing the Estate for the benefit of all claimants.

Despite considerable obstacles, the Receiver has made significant progress in a very short period of time, and none of that progress would have been possible without the professionals' work. Since acquiring physical control of all domestic offices and operations, the Receiver has focused substantial effort on locating, securing, and evaluating Estate assets. As more fully discussed in the Report, there are three categories of value and potential value that could be used to satisfy claims against the Estate.

First, the Estate has \$69.3 million of cash on hand as of May 14, 2009 in an Estate bank account under the sole control of the Receiver and more than \$300 million of cash in non-U.S. bank accounts that are also claimed by the Antiguan Liquidators. Appdx. 26-27. Substantial additional value, as set forth in the Report, is likely to be realized from Latin American entities to be sold or liquidated, private equity investments, real estate, aircraft, and coin and bullion inventory. *Id.* at 27.

Second, the Receiver has clawback claims against third parties. He has already filed claims against former Stanford financial advisors for more than \$40 million. *Id.* at 40. Claims to recover amounts paid prior to February 16, 2009 in redemption of and interest on

SIBL CDs would total approximately \$300 million if the clawbacks were to extend to monies received within the prior one year (and more if the time period were longer). *Id.* at 27.

Third, extensive, though still preliminary, analysis of Stanford's available financial records indicates that an amount of cash in the range of \$1 billion received upon sale of SIBL CDs over the last few years cannot be accounted for by the amount of cash that the records reflect was invested in other assets or spent on operations of the Stanford companies. *Id.* at 27-28. Some or all of that cash may be in accounts or invested in assets that are not reflected in the Stanford books and records and have not yet been identified; for that reason, the Receiver continues searching for cash accounts and assets that may be recoverable. *Id.* at 28.

In addition, the Receiver has completed the permanent closure of thirty six offices in leased locations in thirty three U.S. cities. *Id.* at 9. Through office closures, scrutinizing operations and many other steps, the Receiver has achieved significant success in reducing ongoing cash expenditures of the types the Stanford entities incurred prior to the Receivership. *Id.* at 9. With respect to the U.S. operations, these cash expenditures (which do not include the fees and expenses of professional firms that have been engaged since commencement of the Receivership) are expected to be reduced from a monthly rate of approximately \$12 million at the outset of the Receivership to a monthly rate of approximately \$3.3 million per month in May 2009 and \$2.1 million in June 2009, based on assumptions the Receiver considers reasonable. These savings result from termination of non-viable businesses and associated reductions in workforce, termination or rejection of real estate leases, executory contracts and related savings, plus elimination of significant expenses. *Id.* In addition, the amounts necessary to pay for the ongoing and future efforts of the Receiver's team of professionals will be substantially less than the amounts that were necessary in the early weeks of the Receivership.

One of the most significant efforts in these early days of the Receivership has been the work and attention devoted to effecting the orderly release of untainted funds from thousands of customer brokerage and similar accounts that were frozen at the outset of the Receivership pursuant to the Court's order, while putting in place safeguards to hold tainted assets for the benefit of defrauded claimants. The Receiver, with approval of the Court, has now released from the asset freeze the vast majority, almost 92 percent, of the Stanford Group Company customer brokerage accounts that were held at Pershing LLC and J.P. Morgan Clearing Corp. The 28,452 accounts that were released pursuant to the Court's March 5 and March 12 orders contained assets valued at approximately \$4.6 billion. <http://stanfordfinancialreceivership.com/>. After those releases, a total of 3,988 accounts at those institutions remained subject to the freeze. As of May 13, 2009, holders of a total of 2,364 of these accounts had applied for review and possible release of their accounts, and 1,323 of these accounts had been released.³ *Id.* An initial release of customer accounts at Stanford Trust Company has also been accomplished. Order Granting Receiver's Unopposed Motion, Doc. 338. These released Stanford Trust Company accounts contain aggregate asset values of approximately \$137 million, or 73% of the total market value of all STC accounts, excluding CDs.

In addition, from the day he was appointed, the Receiver has been providing timely, accurate, relevant information to the Court and Stanford employees, account holders, other claimants, and the public. By February 18, 2009 (1) all known affiliated companies and control persons worldwide, as well as the Stanford auditor, had received copies of the Temporary Restraining Order and Order Appointing Receiver; (2) all 3,000 employees worldwide had been

³ Of the accounts that remain frozen as of May 13, 2009, 208 are frozen solely because the accounts have outstanding non-purpose loans or other customer debit balances. The owners of these accounts may obtain transfer of the accounts at any time by paying off the debit balances.

contacted by email regarding the Receivership, and whether to report to work, what to communicate to clients, and the cessation of CD sales and other operations; and (3) a Receivership website had been established.

The Receiver's website (www.stanfordfinancialreceivership.com) is frequently updated in English and Spanish and includes general background information; selected court filings, such as orders governing the release of customer accounts; electronic applications for the review and potential release of accounts and for reporting other claims (employee, vendor, landlord, etc.); and an email address for communicating with the Receiver. In addition, the Receiver promptly informs Estate constituents and the public of Receivership developments through the issuance of press statements and frequently asked questions (or FAQs) on the Receivership's website. To date, the Receiver has:

1. Issued the Report, which contains more than fifty pages of information regarding the Estate and related proceedings, including activities, findings, accomplishments and conclusions of the Receiver through April 23rd;
2. Issued nine press statements; and
3. Issued frequently asked question sections on over twenty four topics covering over 170 separate questions/issues (over eighty two of which address a large variety of concerns relating to customer accounts).

D. Substantial work remains to be done but will increase the assets available for distribution to claimants.

As he has publicly stated several times, the Receiver believes that the total value of the assets of the Estate is likely to be only a fraction of the several billion dollars that would be needed to pay all anticipated claims against the Estate. Appdx. 13. Nevertheless, the amount of value yet to be recovered, as discussed above, is much more than the amount now in the Estate's bank account. The Receiver is confident that future recoveries will exceed future costs of administering the Estate – and that the recovery of additional value, through the monetization

of assets, pursuit of claims, and other efforts, would not even be possible without the expenditure of considerable resources.

Pursuant to the Amended Order Appointing Receiver, the Receiver requests that the Court approve this first interim fee application and issue an order establishing procedures that will govern future payments of fees and expenses for the Receiver and the professionals assisting him in the performance of his duties. *See* Doc. 157 at ¶ 5(m).

II. REQUEST FOR APPROVAL OF FEES THROUGH APRIL 12, 2009

The Amended Order Appointing Receiver directs and authorizes the Receiver to retain and compensate professionals in connection with the administration of the Receivership Estate:

[T]he Receiver is specifically directed and authorized to perform the following acts and duties:

Enter into such agreements in connection with the administration of the Receivership Estate, including, but not limited to, the employment of such managers, agents, custodians, consultants, investigators, attorneys, and accountants as Receiver judges necessary to perform the duties set forth in this Order and to compensate them from the Receivership Assets.

Amended Order Appointing Receiver ¶ 5(h). Accordingly, shortly after his appointment, the Receiver hired a team of professionals necessary to carry out his duties under the Court's Order. In particular, the Receiver has retained the fourteen professional entities described below. These professionals have been working diligently to marshal, preserve, and manage the assets of the Estate.

The Amended Order Appointing Receiver directs the Receiver to “[f]ile with this Court requests for approval of reasonable fees to be paid to the Receiver and any person or any

entity retained by him and interim and final accountings for any reasonable expenses incurred and paid.” *Id.* ¶ 5(m). Accordingly, the Receiver files this Motion and requests that the Court:

- 1) Approve the fees and expenses billed by the retained professionals for work through April 12, 2009; and
- 2) Approve a procedure for review of applications for future compensation of fees and expenses of the Receiver and the professionals he retains.

A. The Court should approve the payment of all reasonable and necessary professional fees and expenses.

Courts examining a request for fees and expenses incurred by a receiver must determine whether the time spent, services performed, expenses incurred, and hourly rates charged are reasonable and necessary under the factors set forth by the Fifth Circuit.⁴ *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974); *SEC v. Megafund Corp.*, 3:05-CV-1328-L, 2008 WL 2839998, *2 (N.D. Tex. June 24, 2008); *SEC v. Megafund Corp.*, 3:05-CV-1328-L, 2006 WL 42367, *1 (N.D. Tex. Jan. 9, 2006); *SEC v. Funding Res. Group*, 3:98-CV-2689-M, 2003 WL 145411, *1 (N.D. Tex. Jan. 15, 2003).

This examination of reasonableness and necessity should take into account all circumstances surrounding the receivership. *See SEC v. W.L. Moody & Co., Bankers (Unincorporated)*, 374 F. Supp. 465, 480 (S.D. Tex. 1974), *aff’d*, 519 F.2d 1087 (5th Cir. 1975). Because all receiverships are different, a court’s analysis of the fees and expenses must be tailored to the particular case. *Id.*; *see SEC v. Tanner*, No. 05-4057, 2007 WL 2013606, *3 (D.

⁴ These factors, often referred to as the *Johnson* factors, are: (1) the time and labor required for the litigation; (2) the novelty and complication of the issues; (3) the skill required to properly litigate the issues; (4) whether the attorney was precluded from other employment by the acceptance of this case; (5) the attorney’s customary fee; (6) whether the fee is fixed or contingent; (7) whether the client or the circumstances imposed time limitations; (8) the amount involved and the results obtained; (9) the experience, reputation, and ability of the attorney; (10) the “undesirability” of the case; (11) the nature and length of the attorney-client relationship; and (12) awards in similar cases. *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974). In applying the *Johnson* factors, “the district court must explain the findings and the reasons upon which the award is based. However, it is not required to address fully each of the 12 factors.” *Curtis v. Bill Hanna Ford, Inc.*, 822 F.2d 549, 552 (5th Cir. 1987) (citation omitted).

Kan. May 22, 2007). Recent cases in this district focus primarily on the complexities of the case, the difficulties encountered by the receiver, and the results obtained for defrauded investors. *See Megafund Corp.*, 2008 WL 2839998 at *2; *Funding Res. Group*, 2003 WL 145411 at *1. The characteristics cited in the following cases, which this case shares, support an award of the fees and expenses requested herein.

The complexity and difficulty associated with the receivership are highly relevant factors in determining the reasonableness of professional fees. *See SEC v. Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. 1220, 1222 (S.D.N.Y. 1973) (awarding interim fees and expenses to law firm for role in receivership and noting that it involved wide variety of complex legal matters requiring the time, competence, and diverse resources of a law firm of high caliber); *W.L. Moody & Co.*, 374 F. Supp. at 484 (“An equitable receivership is by its very nature, a legally complex process.”); *Tanner*, 2007 WL 2013606 at *3 (the identification of investors and the location of their funds was made “excruciatingly difficult” by lack of assistance from defendants and the fact that funds were located in multiple institutions around the world); *Funding Res. Group*, 2003 WL 145411 at *1 (finding fees and expenses were reasonable in light of difficulties receiver encountered); *SEC v. Mobley*, No. 00 CV 1316, 2000 WL 1702024, *2 (S.D.N.Y. Nov. 13, 2000) (finding that fees requested in early stages of receivership were not excessive where receiver was faced with deconstructing an “enormous” fraud of seven years in which defendant utilized over forty entities to funnel investors’ money throughout the world and there were few, if any, verifiable financial records); *see Johnson*, 488 F.2d at 718 (attorneys should be rewarded for accepting the challenges of a difficult case).

The benefits bestowed on the Estate are a relevant consideration. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222; *W.L. Moody & Co.*, 374 F. Supp. at 480 (large number

of account holders affected by bank's receivership rendered receiver's accomplishments "unusually important"); *Mobley*, 2000 WL 1702024 at *2 (receiver marshaled assets quickly and efficiently); *see Johnson*, 488 F.2d at 718.

The degree of success achieved in solving legal and practical problems should be considered when calculating the fees awarded. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222 (law firm's services resulted in successful reorganization of company); *W.L. Moody & Co.*, 374 F. Supp. at 484-85 (attorney's timely action prevented delay in payment to bank depositors); *Tanner*, 2007 WL 2013606 at *2 (actions of receiver resulted in return of more money to investors than if defendant had continued in business); *see Johnson*, 488 F.2d at 718.

Courts examine the credentials, experience, reputation, and other professional qualities required to carry out the Court's orders when assessing the reasonableness of the rates charged for services to a receivership. *See W.L. Moody & Co.*, 374 F. Supp. at 481 (holding that a court should give "considerable weight" to "a receiver's abilities, as required by the tasks of the receivership"); *Tanner*, 2007 WL 2013606 at *3 (granting receiver's fee request, despite investors' concerns over amount requested, in part because the court recognized that the receiver and his counsel were "extremely experienced in this area of law"); *SEC v. Aquacell Batteries, Inc.*, No. 6:07-cv-608-Orl-22DAB, 2008 WL 276026, *4 (M.D. Fla. Jan. 31, 2008) ("The Receiver retained well qualified, experienced counsel and such representation does not come cheap."); *see Johnson*, 488 F.2d at 718, 719 (trial judge should closely observe attorney's work product, preparation, and ability before the court).

When the receivership commands full time and prevents professionals from accepting other engagements, the fee award should reflect it. *See Moody*, 374 F. Supp. at 483-84, 486 (discussing as a factor in determining reasonable compensation the fact that the receiver

“devoted more than full time” to the matter and was prevented “from undertaking any other full time assignment”); *see Johnson*, 488 F.2d at 718 (once employment is undertaken, the time devoted to the engagement cannot be used in service of other clients).

The court should consider the usual and customary fees charged and the evidence presented to support the application for fees. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222 (fees awarded in full because based on law firm’s usual hourly rate and supported by meticulous records); *see Johnson*, 488 F.2d at 718 (the customary fee for similar work in the community should be considered).

All of the factors considered in these cases weigh heavily in favor of approving the request for fees and expenses in this case.

B. The fees and expenses are reasonable and necessary in light of the extraordinary complexity and difficulties of this case.

The Receiver requests approval of fees and expenses for the firms identified herein, which have provided the services summarized below, in the amounts noted (which reflect billings for work through April 12, 2009). As noted above, these firms have now agreed to substantial discounts of their customary fees, and the amounts requested reflect those discounts. As a result, the total fees charged by each firm to the Receivership Estate have been reduced by over 20% in the aggregate for a total discount of over \$5 million. These discounts reflect substantial reductions of the rates the firms understood they would receive at the outset of this engagement. *See Johnson*, 488 F.2d at 717-19 (fee quoted to client is factor for court to consider in calculating fee award).

The time spent, services performed, hourly rates charged, and expenses incurred were reasonable and necessary, and indeed essential, for the Receiver to perform his Court-ordered duties. On a percentage basis, the total amount of interim fees and expenses the

Receiver requests for all professionals is within the range considered reasonable even in receivership cases much less complex than this one. *Megafund Corp.*, 2008 WL 2839998 at *2 (final total of fees and expenses was 22.4% of \$3.1 million in estate assets); *Funding Res. Group*, 2003 WL 145411 at *1 (final total of fees and expenses was 21% of \$1.8 million in estate assets). Each of these professional firms was selected because it possesses special expertise required to fulfill the Court's orders. *See Johnson*, 488 F.2d at 718.

1. Krage & Janvey L.L.P.

Krage & Janvey is a Dallas based, full-service law firm. Mr. Janvey has been licensed to practice law in Texas since 1976 and serves as the Court-appointed Receiver. His practice is concentrated in the areas of SEC and state securities compliance and enforcement matters, public and private financing transactions, corporate governance and fiduciary duties, and organizational structuring issues. He has authored several books and approximately twenty articles on topics dealing with investment adviser and broker-dealer regulatory issues, Sarbanes-Oxley's impact on accountants, public and private financing transactions, SEC reporting, and banking issues. Mr. Janvey has represented clients (primarily issuers, investment advisers, broker-dealers, and accountants) in connection with legal problems involving the full range of corporate and securities law compliance and enforcement issues. He has also served as a SEC and court appointed equity receiver previously. *See W.L. Moody & Co.*, 374 F. Supp. at 481 (receiver's qualification relevant to fee awarded); *Tanner*, 2007 WL 2013606 at *3; *Aquacell Batteries, Inc.*, 2008 WL 276026 at *4; *Johnson*, 488 F.2d at 718, 719. Various members of Mr. Janvey's firm have served, as needed, as Receiver representatives working in conjunction with the Receivership team to coordinate and implement Receivership activities, and have performed legal services for the Estate.

From the moment of his appointment, the Receiver was in charge of a complex network of more than one hundred entities that owned property on three continents, employed thousands of people, and allegedly perpetrated an \$8 billion fraud on as many as 50,000 customers in more than 130 countries. Although this case involves fewer dollars than some other recent cases of corporate fraud or bankruptcy, the number of entities and difficulty in tracing funds make this one of the most complex. *See Mobley*, 2000 WL 1702024 at *2 (seven year fraud using forty companies to attract \$140 million from investors described as “enormous”). This engagement has commanded the Receiver’s nearly full-time attention, and will continue to do so for the foreseeable future, to the exclusion of almost any other employment. *See Johnson*, 488 F.2d at 718.

The Receiver has had to discharge his duties with no assistance from the individual Defendants, who may be the only people with full knowledge of the assets and records of the Estate. *See Tanner*, 2007 WL 2013606 at *3 (receiver’s tasks “excruciatingly difficult” without help from defendants); *Moody*, 374 F. Supp. at 471, 480 (defendant impeded receiver’s progress and had to be subpoenaed to testify).

In the first eight weeks of the Receivership, the Receiver discharged his duties faithfully, assembling a multi-disciplinary team of skilled professionals and participating personally to successfully lock-down offices from San Francisco to Orlando, bank accounts from Houston to Toronto, personal property from Miami to Mexico City, and real estate from Geneva to St. Croix. *See Amended Order Appointing Receiver*, Doc. 157 at ¶¶ 4, 5(a), (b) (Receiver directed to collect, marshal, and take custody, control, and possession of all assets of, or traceable to, the Receivership Estate), (d), (e), (h).

It is clear that both within and without the U.S., the Receiver's diligence and hard work have been necessary to avoid dissipation of Estate assets by those who have had such assets under their present control, or who have sought to gain control in contravention of this Court's orders. *Id.* at ¶¶ 1, 5(i) (Receiver directed to institute, intervene in, or become party to actions in state, federal, or foreign courts as the Receiver "deems necessary and advisable to preserve the value of the Receivership Estate, or that the Receiver deems necessary and advisable to carry out the Receiver's mandate under the Order"). The Receiver's responsibilities and duties are "far more difficult and complex than those of regular bank presidents." *Moody*, 374 F. Supp. at 481; *see Fifth Ave. Coach Lines*, 364 F. Supp. at 1222. The success of the Receivership is in great measure attributable to Mr. Janvey's personal experience and expertise, which have permitted him to assemble an efficient and effective team, delegate tasks appropriately to each firm, and utilize the information they provide to develop and execute plans that will maximize distributions to all claimants. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222; *W.L. Moody & Co.*, 374 F. Supp. at 480; *Mobley*, 2000 WL 1702024 at *2; *Johnson*, 488 F.2d at 718.

The fees charged by Krage & Janvey include all compensation being paid for Mr. Janvey's services as the Receiver as well as for the services of the firm's lawyers during the applicable period. A bill for Krage & Janvey's services through April 12, 2009 is attached as Exhibit B, Appdx. 59-63.1. The Receiver requests approval of payment to Krage & Janvey for \$521,898.40 in fees and \$54,990.88 in expenses.

2. Baker Botts L.L.P.

Baker Botts has provided essential legal expertise and manpower related to nearly all aspects of the Receivership. The lawyers working on this case have included senior partners with decades of experience, as well as junior lawyers and legal assistants, as appropriate to the specific tasks at hand. *See Johnson*, 488 F.2d at 718-19 (compensation often reflects degree of

experience). In addition to providing subject matter experts, the firm has provided the personnel necessary to address such varied matters as taking control of and closing numerous Stanford offices, marshaling assets and records, and representing the Receiver in widespread litigation. *See* Doc. 157 at ¶¶ 5(e) (Receiver directed to enter and secure any premises, wherever located), 5(f). From the outset of the Receivership, Baker Botts has provided some of its most in-demand professionals for service on short notice in a variety of locales. *See Johnson*, 488 F.2d at 718 (“Priority work that delays the lawyer’s other legal work is entitled to some premium.”).

Baker Botts has served as lead trial counsel to the Receiver and has represented the Receiver in all proceedings in this case and in cases filed by claimants in other U.S. jurisdictions. *See* Doc. 157 at ¶¶ 5(c), (i), 9 (enjoining any other judicial, administrative, or other proceedings arising from the subject matter of this suit). Working with lawyers from Krage & Janvey, Baker Botts has also been the Receiver’s principal counsel on non-litigation matters, advising on the scope of the Court’s freeze order and researching and providing advice, recommendations and assistance on numerous legal matters. These matters have required expertise in a wide range of legal subject matters, including bankruptcy, labor and employment, securities, brokerage dealer matters, employee benefits, banking, trust law, real estate, tax, fiduciary issues, insurance, private equity, and aircraft. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222 (awarding interim fees and expenses to law firm for role in receivership and noting that it involved wide variety of complex legal matters requiring the time, competence, and diverse resources of a law firm of high caliber); *W.L. Moody & Co.*, 374 F. Supp. at 484; *Tanner*, 2007 WL 2013606 at *3; *Funding Res. Group*, 2003 WL 145411 at *1; *Mobley*, 2000 WL 1702024 at *2; *Johnson*, 488 F.2d at 718 (attorneys should be rewarded for accepting the challenges of a difficult case). The firm has also made reports to governmental and regulatory

agencies, and it has prepared website and other communications (most of which required detailed knowledge of legal matters) to various constituencies such as customers, claimants and employees. All such tasks were necessary and essential to the work of the Receiver.

Baker Botts has been instrumental in ensuring that this Court's orders were applied to approximately 240 banks or bank branches in the U.S. and abroad holding Stanford cash on deposit in order to prevent set off or other dissipation of Estate assets, to assert and secure the Receiver's control over those assets, and to engage in negotiations or litigation to acquire possession of those assets. *See* Doc. 157 at ¶¶ 4, 5(a), (b), (d), (e), (g) (Receiver directed to "Perform all acts necessary to conserve, hold, manage, and preserve the value of the Receivership Estate, in order to prevent any irreparable loss, damage, and injury to the Estate."). Baker Botts has developed procedures for the sale of real property that is owned by the Estate and will seek the Court's approval of those procedures in order to monetize those assets for the benefit of all claimants. The firm has also supervised work being performed in Switzerland regarding the liquidation of Stanford's office and real property there. *See id.* at ¶ 1 (this Court assumes exclusive jurisdiction over all property, real and personal, of Defendants and entities they own or control, "of whatever kind and description, wherever located").

Proceedings were initiated in Antigua without notice to the Receiver to liquidate Defendant Stanford International Bank, Ltd. Additional procedures were initiated by Antiguan Liquidators, without notice to the Receiver, in Canada. And further procedures have been initiated by those competing Liquidators without prior notice to the Receiver, in England. Because the Court's orders cover the Bank and its assets, Baker Botts has worked with local counsel in Antigua, England, and Canada to represent and protect the interests of the Estate in those countries. *See id.* at ¶ 5(i) (Receiver directed to intervene in proceedings in foreign courts

to preserve the value of Receivership Estate). If these foreign actions had proceeded without the Receiver's participation, valuable assets would have been diverted outside the Estate and beyond this Court's jurisdiction.

Baker Botts has conducted ongoing legal due diligence on many aspects of the Stanford entities' business operations. Based on that assessment, the firm made recommendations, and carried out the Receiver's orders, to terminate business relationships that were no longer needed, including real estate leases, vendors' contracts, and insurance policies in order to reduce operating costs to appropriate levels and thus preserve Estate assets. *See id.* at ¶ 5(j) (Receiver directed to "Preserve the Receivership Estate and minimize expenses in furtherance of maximum and timely disbursement thereof to claimants"); *Fifth Avenue Coach Lines*, 364 F. Supp. at 1222 (law firm assisted trustee with all day to day corporate problems).

Baker Botts attorneys personally participated in the closure of fifteen Stanford offices in thirteen cities, and assisted in securing other valuable real and personal property such as a yacht, coin and bullion inventory, and several aircraft. *See* Doc. 157 at ¶ 5(e). Baker Botts is providing the necessary legal services and supervising other experts in order to appraise and, in the appropriate circumstances, to monetize these assets. The firm was instrumental in obtaining more than \$58 million in funds from various entities, bringing those funds under the Receiver's exclusive control and possession. *See* Appdx. 35; Doc. 157 at ¶¶ 4, 5(a), (b), (d), (e); *Fifth Avenue Coach Lines*, 364 F. Supp. at 1222.

The firm has also worked closely with other members of the Receiver's team on legal aspects of the account freeze required by the Court's orders and the related account releases. The firm's team includes Tony Davis, a partner who has previously been the trustee of one failed brokerage firm and has worked on cases involving the failure of three others. This

experience has proven invaluable in the account review and release process and winding down the affairs of the Stanford Group Company, the registered broker dealer, and Stanford Trust Company. *See* Order Authorizing Release of Certain Customer Accounts, Doc. 117; Second Order Authorizing Release of Certain Customer Accounts, Doc. 156.

Baker Botts has conducted the necessary research, drafted pleadings, and gathered evidence to file substantially all court papers on behalf of the Receiver in this Court and many of those in other federal and state courts in the U.S. and abroad. The firm has responded to more than sixty five motions in this case and filed a complaint against former Stanford financial advisors for the disgorgement of more than \$40 million in commissions on fraudulent CDs. *See Johnson*, 488 F.2d at 718 (court should observe attorney's work product, preparation, and ability before the court when assessing professional fees); Doc. 157 at ¶ 5(c) (Receiver directed to "Institute such actions or proceedings to impose a constructive trust, obtain possession, and/or recover judgment with respect to persons or entities who received assets or records traceable to the Receivership Estate."). Baker Botts, working with other members of the Receiver's team, has identified additional legal claims against third parties to recover proceeds of CD redemptions and interest that are worth at least \$300 million. *See* Doc. 157 at ¶ 5(c). Without action by Baker Botts attorneys, more than twenty cases filed after this Court entered its injunction would be proceeding against the Estate in other jurisdictions to adjudicate claims based on the same alleged fraud that forms the basis of the SEC's case here. *See id.* at ¶ 9; *W.L. Moody*, 374 F. Supp. at 484 (considerable analysis and drafting ability are necessary to request and prepare appropriate court orders; receiver's lawful possession and disposition of assets must be adequately documented, requiring clear understanding and application of the law).

A bill for Baker Botts's services through April 12, 2009 is attached as Exhibit C, Appdx. 64-80. The Receiver requests approval of payment to Baker Botts for \$5,703,111.50 in fees and \$180,605.27 in expenses.

3. Thompson & Knight LLP

Thompson & Knight LLP is an international law firm headquartered in Dallas with offices throughout the United States and Latin America. Thompson & Knight has provided essential expertise and legal manpower for many aspects of the Receivership, serving as the Receiver's counsel with regard to the location, collection, custody, control, and possession of the physical assets of or traceable to the Receivership in the United States and throughout Latin America. *See W.L. Moody*, 374 F. Supp. at 484 (law firm provided value to estate by advising as to legal status of assets to be transferred, and means and documents necessary for an effective transfer). In addition, Thompson & Knight serves as the liaison between the Receiver and the governments and supervising governmental agencies in each of Colombia, Ecuador, Guatemala, Mexico, Panama, Peru and Venezuela, (all countries where there exists a complex network of Stanford-related entities), with regard to the preparation and execution of necessary documentation to terminate employees, transfer authority to act and secure assets in those countries for the Receivership. *See Doc. 157 at ¶ 5(k)* (Receiver instructed to provide government agencies with all information and documentation they may seek).

Thompson & Knight attorneys personally participated in the initial closure of twenty eight Stanford offices in twenty six U.S. cities, securing for the Receivership Estate real and personal property including office equipment and technology, artwork, electronics, coin and bullion inventory, several vehicles and a residential condominium. *See Doc. 157 at ¶¶ 5(e)* (Receiver directed to enter and secure any premises, wherever located), (f). Thompson & Knight coordinated with the SEC, representatives of the Receiver, the Department of Justice and the

U.S. Marshals Service in providing the necessary legal services and working with other experts and professionals to collect, appraise, and where appropriate, monetize these assets. In addition, through April 12, 2009 Thompson & Knight attorneys personally participated in the final closure of fourteen offices in fourteen U.S. cities and Stanford's private airplane hangar in Miami, overseeing the liquidation and monetization of the physical assets associated with those premises and reducing ongoing cash expenditures by facilitating the termination of nonviable businesses, the termination or rejection of leases, as well as the elimination of ongoing expenses associated with the operation of those offices. *See* Doc. 157 at ¶ 5(e).

Thompson & Knight attorneys have also researched and coordinated resources to determine the locations of Stanford offices and Receivership assets and records in Colombia, Ecuador, Guatemala, Mexico, Panama, Peru and Venezuela. Through April 12th, Thompson & Knight attorneys have closed and secured for the Receiver, Stanford offices in Mexico City, Monterrey and Puebla, Mexico, personally preparing originals and translations of authorization letters, apostilles, powers of attorney, corporate minutes and other documents required by the *Comision Nacional Bancaria Y De Valores* (CNBV) for the transfer of authority to the Receiver, and have worked closely with CNBV officials to facilitate distribution of Stanford investor monies held in traditional brokerage accounts in Mexico. *See W.L. Moody*, 374 F. Supp. at 484 (considerable analysis and drafting ability are necessary to request and prepare appropriate court orders; receiver's lawful possession and disposition of assets must be adequately documented, requiring clear understanding and application of the law). In addition, Thompson & Knight attorneys in Mexico located and secured real and personal property and assets of or traceable to the Receivership including office equipment and technology, electronics, several vehicles and a race horse, successfully accomplishing the sale of the majority of these assets for the benefit of

the Receivership Estate. Thompson & Knight has also successfully terminated the leases for all of the Stanford Mexican offices and is negotiating, in accordance with Mexican law, proper severance for terminated employees to further limit expenses associated with Stanford's Mexican operations.

Thompson & Knight has also conferred and negotiated with Peruvian Embassy representatives regarding concerns of Peruvian investors and initiated efforts to recover Receivership assets in Peru; initiated the sales process for Stanford banking and brokerage accounts in Colombia and Ecuador; prepared shareholder proxies and additional documentation required by Peruvian regulators in advance of a scheduled shareholders meeting necessary to effectuate a transfer of authority over Stanford's Peruvian assets to the Receiver; and analyzed the existing Political Risk Insurance Policy insuring Stanford against expropriation of assets by the government of Venezuela, prepared a Notice of Claim under this policy and coordinated the hiring of and is working closely with local counsel in Venezuela regarding preparation of documentation and resolutions to appoint the Receiver as Director of the Venezuelan entities to avert government intervention and to facilitate the location and securing of Stanford offices and Receivership assets. *See W.L. Moody*, 374 F. Supp. at 484 (diverse business interests greatly complicated receivership).

Also, Thompson & Knight attorneys have coordinated efforts to sell and dispose of all Stanford's substantial assets in Panama, including the Stanford Bank of Panama and the Stanford brokerage business. They are working closely with the Panamanian Banking Commission and the Panamanian Securities Commission to evaluate and manage Stanford assets, and to provide for the orderly sale of these assets. *See Doc. 157 at ¶ 5(k)*

Additionally, Thompson & Knight has been the Receiver's principal counsel with regard to litigation and arbitration matters pending against all Stanford entities prior to the onset of the Receivership. These pending cases deal with a variety of issues from broker recruiting, to the value of gold and bullion purchased from Stanford entities, to trademark infringement. Thompson & Knight has conferred with Stanford in house counsel, interviewed all outside counsel representing Stanford entities and employees in pending cases, and prepared numerous motions and pleadings to protect the Receivership Estate in these matters. On behalf of the Receiver, Thompson & Knight has also entered into negotiations with opposing counsel in certain of the matters in an attempt to limit further exposure for fees and to resolve them favorably to the Estate. *See id.* at ¶¶ 1, 5(i) (Receiver directed to institute, intervene in, or become party to actions in state, federal, or foreign courts as the Receiver "deems necessary and advisable to preserve the value of the Receivership Estate, or that the Receiver deems necessary and advisable to carry out the Receiver's mandate under the Order"). Progress is being made regarding such resolutions.

A bill for Thompson & Knight's service is attached through April 12, 2009 is attached as Exhibit D, Appdx. 81-91. The Receiver requests approval of payment to Thompson & Knight for \$1,842,031.60 in fees and \$69,533.39 in expenses.

4. FTI Forensic and Litigation Consulting, Inc. ("FTI")

FTI is an internationally recognized forensic accounting and technology support services company that provides restructuring services to financially distressed companies as well as forensic investigations and financial and accounting consulting in litigation. FTI has been involved in many nationally and internationally recognized fraud cases, including Refco, Madoff, and MF Global. FTI's services were critical to the Receiver in effecting the Court-ordered injunction on transactions in securities and disbursements of funds from accounts held

by or for the benefit of Defendants. *See* Temporary Restraining Order, Order Freezing Assets, Order Requiring an Accounting, Order Requiring Preservation of Documents, and Order Authorizing Expedited Discovery, Doc. 8 at 6, ¶ 6. FTI's services have also been invaluable to the Receiver to carry out the Court's orders to (1) account for all Estate property that comes in the Receivership, *see* Doc. 157 at ¶ 2; (2) take complete and exclusive control over assets and records, *see id.* at ¶¶ 4, 5(a), (b); (3) enter and secure any premises where assets or records were located, *see id.* at ¶ 5(e); (4) prevent loss, damage and injury to the Estate, *see id.* at ¶ 5(g) and; (5) provide government agencies with information, *see id.* at ¶ 5(k). The specific tasks that served these purposes include, among others:

- FTI preserved the electronic data from numerous Stanford offices in the U.S. and Mexico, including its Houston headquarters and more than thirty Stanford branch offices that FTI assisted the Receiver in closing. In this process, FTI gathered data from over 500 personal computers and other storage devices. FTI created an electronic repository of over 2.5 million documents and emails from approximately 22 custodians to facilitate document review. *See* Doc. 157 at ¶ 1 (Estate includes "all books and records, client lists, account statements, financial and accounting documents, computers, computer hard drives, computer disks, internet exchange servers, telephones, personal digital devices and other informational resources of or in possession of the Defendants, or issued by Defendants and in possession of any agent or employee of the Defendants"); *see W.L. Moody*, 374 F. Supp. at 484 (review of all receivership assets necessary and undertaken to determine ownership and disposability).
- FTI identified and preserved electronic data from available accounting, financial and operational systems that could provide the Estate with information necessary to support the release of trading accounts, identification of assets, and identification of potential fraudulent activity and to assist in the wind-down of the Estate. In one case that is illustrative of the complexities encountered with much of the available data, the database supporting investment activities contained more than 1,000 complex tables requiring individual evaluation to determine the nature, relationship and context of the data and to manually recreate the necessary links to permit accurate and efficient use. To date, FTI has collected over forty terabytes of electronic stored information, including emails for more

than 120 user accounts. *See* Doc. 157 at ¶ 5(g) (Receiver directed to take all acts necessary to prevent loss, damage, and injury to the Estate).

- FTI, Baker Botts and representatives from Pershing LLC , in conjunction with the Receiver, assisted in the safeguarding of trading accounts for all identified investors at the outset of the Receivership. FTI was instrumental in the acquisition and analysis of disparate electronic systems relevant for the development of phased protocols used for the release of customer brokerage accounts. *See* Order Authorizing Release of Certain Customer Accounts, Doc. 117; Second Order Authorizing Release of Certain Customer Accounts, Doc. 156.
- FTI assisted in managing the orderly wind down of Stanford’s world wide operations. FTI identified and confirmed bank and investment account balances for approximately sixty five Stanford entities throughout the world and ensured that over 170 accounts were frozen in accordance with the Court order. *See* Doc. 8 at 6, ¶ 6. FTI also set up the Receivership’s bank accounts and transferred the funds to those accounts. FTI has worked together with Baker Botts to provide information necessary for counsel to negotiate with banking and financial institutions to obtain money for the Estate.
- FTI participated in and provided financial accounting advisory assistance for numerous interviews, particularly at the outset of the Receivership to obtain as quickly as possible the relevant accounting information and data related to assets for preservation. FTI has also assisted with responding to the requests from various regulatory and law enforcement agencies related to cash and investments for their ongoing investigations.
- FTI is directing the treasury function for the Receivership. *See* Doc. 157 at ¶ 6 (“Receiver shall have the sole and exclusive power and authority to manage and direct the business and financial affairs of the Defendants.”). Tasks include managing the Estate’s funds, reconciling accounts on a daily basis, and managing the review and approval of critical payables such as payments to retained employees. Other responsibilities include working with vendors and employees to ensure that bills are properly accounted for and paid timely which are critical to the ongoing operations and the wind down of the Estate, as well as providing cash forecasting for the Receivership. FTI is also working with the retained Stanford accounting personnel to successfully close the accounting books for the entities and provide accurate accounting for the ongoing operations.
- FTI analyzed assets of the Stanford entities, including certain investments in real estate and private equity, to determine the realistic value of assets available to the Receivership, and potential short and long term monetization. FTI identified a number of transactions in which Allen

Stanford participated that were apparently orchestrated to inflate the value of certain of the Stanford entities' assets.

- FTI provided an analysis which identified overall sources and uses of the funds for the Stanford entities to determine amounts unaccounted for by the financial records currently available.
- FTI has provided investigative assistance in foreign locations, including Antigua, to ascertain the existence and condition of real property that are assets of the Estate.
- FTI collected and analyzed transactional data in over 100 Stanford entity bank accounts to identify the sources and uses of funds. This data was used to determine whether funds which had been paid should be returned to the Estate.
- A significant portion of FTI's work has involved collecting information at the request of the SEC, the FBI and the DOJ in connection with their investigations, utilizing numerous complex databases, emails, accounting records, financial documents and files found in searching emails and fileshares.

A bill for FTI's services through April 12, 2009 is attached as Exhibit E, Appdx.

92-100. The Receiver requests approval of payment to FTI for \$6,102,396.40 in fees and \$562,869.25 in expenses.

5. Ernst & Young ("EY")

EY is an international accounting and professional services firm. Principally through its Fraud Investigation and Dispute Services practice and members of its Houston office, it is providing forensic accounting and investigative support services to the Receiver. EY's work product has permitted the Receiver to assert his jurisdiction over many far flung and diverse corporate entities that are owned and/or controlled by the Defendants and also provides a road map for tracing Estate assets around the world. *See* Doc. 157 at ¶¶ 1, 4, 5(a).

EY has enabled the Receiver to gain an understanding of the complex and often confusing corporate structure of the Stanford group, identified the business operations of approximately 140 Stanford entities, and developed an organizational chart for them. The team

is currently evaluating an additional 100 entities that may be determined to be part of the organizational structure in the future.

EY has gathered company books and records, collected and analyzed electronic and paper-based evidence, and engaged in extensive interviews. The firm has gathered best-available financial information from various sources and helped identify assets under the Receiver's control, as well as associated liabilities, so that the Receiver can determine to preserve or dispose of those assets and liabilities, as appropriate. *See* Doc. 157 at ¶¶ 1, 4, 5(a).

EY is preparing combined balance sheets as of the date the Receivership commenced and as of December 31, 2008 for all identified Stanford-controlled companies located throughout the world because internal Stanford financial statements have been determined to be highly unreliable. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. 1220 at 1222 (fees should reflect complexity of case); *W.L. Moody & Co.*, 374 F. Supp. at 484; *Tanner*, 2007 WL 2013606 at *3; *Funding Res. Group*, 2003 WL 145411 at *1; *Mobley*, 2000 WL 1702024 at *2 (finding that fees requested in early stages of receivership were not excessive where receiver was faced with deconstructing an "enormous" fraud of seven years in which defendant utilized over forty entities to funnel investors' money throughout the world and there were few, if any, verifiable financial records); *see Johnson*, 488 F.2d at 718.

EY has analyzed listings of assets identified in the financial statements as of December 31, 2008, including prioritizing assets and providing the Receiver with listings of assets that could be liquidated (*e.g.*, financial investments, aircraft, coin & bullion inventory, etc.). The team has analyzed private equity investments, ownership interests and loans outstanding for potential sources of liquidation or recovery of funds, including providing loan accounting and analytical support to substantiate the Receiver's claims. *See* Doc. 157 at ¶ 5(c).

EY has analyzed assets from available financial statement information and 2008 property tax summaries to assist with the identification of real property held by Stanford entities that could be liquidated. Through its review of Stanford financial records, EY discovered real estate properties with approximately \$24 million in net book value that had not been previously identified for potential liquidation. EY substantiated asset details and liability amounts and assisted with the cost/benefit analysis relating to the closure and sale of ten Stanford offices, and it provided fixed asset details associated with the closure of an additional thirty Stanford offices.

EY has also identified ninety seven financial institutions or branches through its review of cash and cash equivalent balances as part of its financial statement review and provided supporting documentation to the Receiver and his team. EY also identified cash collateral related to letters of credit through analysis of selected balance sheet accounts to assist the Receivership in its efforts to identify and release certain liabilities in order to liquidate the underlying related assets.

EY has coordinated with various taxing authorities relating to notices (e.g., property taxes, sales and use taxes, and foreign jurisdictions), and coordinated tax efforts to protect the Receivership from defaults, penalties and interest. The team has also reviewed 2007 federal and state tax returns for all known U.S. entities and filed more than 100 extensions for 2008 returns. *See* Doc. 157 at ¶ 6.

EY's work has involved the development of cash budget projections on behalf of the Receivership to assist in understanding the level of current cash expenditures and how to control such costs going forward. EY has also assisted in collecting information in support of responding to requests of the SEC, the FBI and the DOJ in connection with their investigations.

A bill for EY's services through April 12, 2009 is attached as Exhibit F, Appdx. 101-04. The Receiver requests approval of payment to EY for \$3,478,247.00 in fees and \$273,638.00 in expenses.

6. Financial Industry Technical Services, Inc. ("FITS")

FITS is a securities industry consulting firm that has advised the Receiver on proper procedures and facilitated the implementation of both the Court's freeze order and subsequent releases of customers' brokerage accounts. *See* Doc. 8 at 6 ¶6 (Court's injunction against further transactions in securities or disbursement of funds or securities); *Johnson*, 488 F.2d at 718 (skill, customary fee, and preclusion of other employment are factors that impact the reasonableness of fees). As the Receiver's experts in the brokerage account transfer process, FITS analyzed, reviewed, and screened all accounts prior to their release to insure that the Court's orders were implemented correctly and in accordance with established protocols, that all eligible accounts were released, and all ineligible accounts were not. *See* Order Authorizing Release of Certain Customer Accounts, Doc. 117; Second Order Authorizing Release of Certain Customer Accounts, Doc. 156.

FITS has also served the Receivership by providing personnel for the day-to-day, hands-on work related to the limited but continuing operations of a broker dealer, registered investment advisor, and trust company. *See* Doc. 157 at ¶ 6 (Receiver charged with conducting Defendants business and financial affairs). A bill for FITS's services through April 12, 2009 is attached as Exhibit G, Appdx. 105-07. The Receiver requests approval of payment to FITS for \$383,006.00 in fees and \$65,197.43 in expenses.

7. Strategic Capital Corporation ("SCC")

SCC is a Houston-based firm that provides strategic and turnaround advice to businesses (including brokerage firms). Prior to the formation of SCC, its CEO Malcolm Lovett,

Jr. was an executive with Rotan Mosle Inc. and Lovett Mitchell Webb Inc., each of which was a member of the New York Stock Exchange and engaged in broker dealer and investment banking operations. In the last fifteen years, Mr. Lovett has served as a financial advisor, chief restructuring officer, or independent director in more than twenty complex Chapter 11 cases in the Northern and Southern Districts of Texas. *See Johnson*, 488 F.2d at 718-19. Mr. Lovett has provided a broad range of services necessary for coordination of winddown and liquidation of the financial services operations to the Receivership. *See Doc. 157 at ¶ 6* (Receiver charged with managing and directing Defendant's business and financial affairs); *W.L. Moody*, 374 F. Supp. 481 (even bank in receivership remained very active with ongoing issues related to security, bookkeeping, collections, payments, and sale of assets that required more than the usual talents of a bank president).

SCC has advised the Receiver on various operational issues and planning and coordinating the winding down of the affairs of the businesses owned by the Estate, such as staffing levels, operational management and release of customer accounts, evaluation of proprietary accounts, termination of employee benefit plans, office closings and record retention, negotiation of lease and executory contract termination, and other such matters as requested by the Receiver. SCC has worked with other members of the Receiver's team to develop guidance, criteria, and definitions for release of frozen customer accounts at Pershing and other custodians. SCC conducted interviews of former Stanford management regarding operations and staffing and explored the possibility of selling one or more of the Stanford businesses, or portions thereof, as a going concern.

A bill for SCC's services through April 12, 2009 is attached as Exhibit H, Appdx. 108-17. The Receiver requests approval of payment to SCC for \$161,508.00 in fees.

8. Pierpont Communications Inc.

The establishment of the Receivership and implementation of the Temporary Restraining Order/Freeze Order significantly affected the lives and financial affairs of many people and businesses, including customers, employees, vendors, creditors, landlords and others.

Pierpont is a Texas based communications firm that has assisted the Receiver and his team in communicating with all affected parties. Pierpont has served the Receiver by reviewing, sorting, and forwarding to the appropriate professionals working for the Receiver all correspondence – more than 12,000 inbound emails – received via the Receivership email address. Pierpont has collaborated with the Receivership team to make the Receiver’s website a source of time-sensitive information for investors, other claimants, employees, media, interested parties, and the public. *See Tanner*, 2007 WL 2013606 at *2 (Receiver established a website to serve as a reference for the investors and to provide a place for the submission of claims); *Funding Res. Group*, 2003 WL 145411 at *1 (receiver ordered to post reports and distribution plan on website); Doc. 157 at ¶ 5(h) (Receiver authorized to retain professionals necessary to perform duties set forth in Court’s Amended Order Appointing Receiver). Pierpont has worked with the Receiver’s attorneys to regularly update website content.

A bill for Pierpont’s services through April 12, 2009 is attached as Exhibit I, Appdx. 118-20. The Receiver requests approval of payment to Pierpont for \$149,576.63 in fees and \$14,957.66 in expenses.

9. 3-4 South Square

The chambers of barristers 3-4 South Square of London is a leader in United Kingdom insolvency work, and the Receiver relies on the barristers in those chambers to provide representation before English courts. *See Johnson*, 488 F.2d at 418 (professional reputation is relevant to fees). This firm has provided necessary guidance and assistance in the protection of

the assets of the Receivership in Antigua and England, particularly in opposing attempts by competing Antiguan Liquidators to obtain exclusive possession and control of those assets. *See* Doc. 157 at ¶¶ 1 (Estate includes all assets worldwide), 4 (Receiver directed to take control of all Estate assets), 5(i) (Receiver directed to intervene in foreign courts as necessary to preserve value of the Estate).

Many of the matters presented are ones of first impression for the courts of England and members of the Commonwealth. The firm has advised and represented the Receiver regarding issues of English cross border insolvency law, recognition of insolvency representatives, and decisions at the trial level in Antigua, which would be appealed to the courts of England. This guidance has been particularly instrumental in the development of the Receiver's defenses against the Antiguan Liquidators who seek total control of assets in Antigua and England (or elsewhere in the Commonwealth nations). *See* Doc. 157 at ¶ 5(f). The 3-4 South Square chambers has also represented the Receiver in court proceedings in Antigua to urge recognition of the U.S. Receivership by that court. *See id.* at ¶ 5(h) (Receiver authorized to retain attorneys as Receiver judges necessary to perform the duties set forth in Amended Order Appointing Receiver).

A bill for 3-4 South Square's services through April 12, 2009 is attached as Exhibit J, Appdx. 121-40. The Receiver requests approval of payment to 3-4 South Square of amounts for fees and expenses equivalent to US \$125,783.54 and \$14,785.43 respectively.⁵

⁵ Three of the professional firms submitted invoices for fees and expenses in foreign currency. The exchange rates published by the Wall Street on April 13, 2009 were used to calculate these amounts in U.S. dollars. Those rates are: (1) .8202 for Canadian dollars (Osler); (2) .8836 for Swiss francs (Altenburger); and (3) 1.4845 for British pounds (3-4 South Square). http://online.wsj.com/mdc/public/page/2_3021-forex-20090413.html?mod=mdc_pastcalendar.

10. Roberts & Co.

Stanford International Bank, Ltd. is domiciled in Antigua and it owns valuable assets there. *See* Doc. 157 at ¶ 1 (Receivership Estate includes assets of Defendants wherever they are located). Sir Clare K. Roberts, the principal of Roberts & Co., is a leading figure in Antiguan legal circles and a prominent voice in Caribbean affairs. *See Johnson*, 488 F.2d at 718-19 (experience, reputation, and ability of the attorney are elements to consider in evaluating reasonable fee). This Antiguan law firm has served the Receivership in a range of matters by providing information about assets that are targets of possible governmental action, and appearing in Antiguan court to protect the assets against claims of competing Antiguan Liquidators who seek to obtain exclusive possession of those assets. These services have been vitally important because the Receiver has not been served timely with papers filed in the Antiguan courts. Thus the need for local counsel in Antigua is acute. The benefits bestowed on the Estate by the firm are relevant to the award of fees. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222; *W.L. Moody & Co.*, 374 F. Supp. at 480; *Mobley*, 2000 WL 1702024 at *2; *Johnson*, 488 F.2d at 718.

Roberts & Co. has insured that the Receiver has a means for timely receipt of important information and representation in Antiguan proceedings. *See Mobley*, 2000 WL 1702024 at *2 (case staffed with understanding that time was of the essence).

A bill for Roberts & Co.'s services through April 12, 2009 is attached as Exhibit K, Appdx. 141-44. The Receiver requests approval of payment to Roberts & Co. for \$86,876.00 in fees and \$2,007.29 in expenses.

11. Altenburger

Altenburger is a Swiss law firm that has advised the Receiver on how to wind down the Stanford Group (Suisse) operations in accordance with Swiss law, and it has assisted in

the negotiation of various aspects of the wind down. Conducting these wind down activities in accordance with Swiss law is important to allowing the Receivership Estate to minimize liabilities of the overall Estate arising out of Swiss operations. *See* Doc. 157 at ¶ 5(j). In addition, the Swiss operations hold a significant asset – an office building in central Zurich – and Swiss counsel has been instrumental in negotiating a contract for the sale of that building for an amount equivalent to approximately US \$21 million, well over the appraised value of the building, which allowed the Stanford Swiss entity to avoid a forced liquidation which likely would have reduced the value of the building. *See W.L. Moody*, at 374 F. Supp. at 485 (lawyer’s timely action in response to IRS subpoena prevented delay in payment to depositors).

Swiss counsel continues to assist in the orderly liquidation of the remaining affairs of the Stanford Swiss entity to ensure that the Receivership Estate receives the maximum possible value in the wind down. Swiss counsel has also served as the Receiver’s interface with the Swiss federal prosecutor in an investigation into Stanford activities in Switzerland. *See* Doc. 157 at ¶ 5(k) (Receiver instructed to provide government agencies with all information and documentation they may seek). This interface activity will likely be significant as the Receivership Estate addresses assets such as bank accounts that the Swiss federal prosecutor may have an interest in evaluating prior to any transfer. Finally, the firm has assisted the Receiver in contacts with Swiss banks regarding bank deposit issues, and in evaluating potential steps the Receiver might take to have the Receivership recognized in Switzerland. *See id.* at ¶¶ 5(b) (Receiver directed to take control and possession of all Estate assets), (c). These steps would ease the Receivership’s ability to conduct activities and secure assets located in Switzerland. *See id.* ¶ 5(g) (Receiver to perform all acts necessary to conserve, hold, manage, and preserve the value of Estate).

A bill for Altenburger's services through April 12, 2009 is attached as Exhibit L, Appdx. 145-52. The Receiver requests approval of payment to Altenburger of amounts for fees and expenses equivalent to US \$51,918.22 and US \$1,846.11 respectively.

12. Osler, Hoskin & Harcourt LLP

Osler is a Canadian law firm having offices in Alberta, Quebec, and Ontario, where legal proceedings and the presence of Estate assets have required the assistance of local counsel. On March 27, employees of Vantis, the Antigua Liquidators' firm, entered SIBL's Montreal office, copied and then "wiped" all data from that office's computer servers, and then removed the data to Antigua. The Antigua Liquidators then initiated ex parte legal proceedings in Canada seeking recognition and temporary recognition as Stanford receivers and to obtain exclusive possession and control of an amount equivalent to approximately US \$21 million of Estate assets in Canada. Osler has previous experience and expertise in matters related to receiverships and cross border receiverships. *See* Doc. 157 at ¶ 5(i) (Receiver to intervene in foreign courts as necessary to carry out his mandate); *Johnson*, 488 F.2d at 718-19 (fee rate should compensate for expertise, experience, and skill).

This firm has represented the Receivership in matters related to the Antigua Liquidators competing claims to significant Estate assets, which include an amount equivalent to approximately US \$21 million held by Toronto Dominion Bank, on other Canadian litigation, and in regard to the destruction of SIBL's electronic records in Montreal. *See Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222 (benefits bestowed on estate highly relevant in calculating fee). A bill for Osler's services through April 12, 2009 is attached as Exhibit M, Appdx. 153-65. The Receiver requests approval of payment to Osler of amounts for fees and expenses equivalent to US \$85,766.53 and US \$715.75 respectively.

13. Liskow & Lewis

Liskow & Lewis is a law firm with offices in New Orleans, Lafayette, and Houston. Liskow & Lewis has provided necessary guidance and assistance with regard to the protection of the assets and the operations of Stanford Trust Company, a Louisiana corporation. *See* Amended Order Appointing Receiver, Doc. 157 at ¶¶ 4, 5(a), (b) (Receiver directed to collect, marshal, and take custody, control, and possession of all assets of, or traceable to, the Receivership Estate), 5(d), (e), (h). Specifically, Liskow & Lewis has acted as Louisiana counsel and has advised the Receiver on trust company matters and Louisiana trust and regulatory law as such matters relate to the Receivership. The firm also assisted the Receiver in developing the protocol by which Stanford Trust Company customers could transfer their released accounts to a successor trustee or financial institution. *See* Order Granting Receiver's Unopposed Motion, Doc. 338.

In addition, Liskow & Lewis has acted as a liaison with the Louisiana Office of Financial Institutions, the regulatory agency charged with overseeing the operations and activities of Stanford Trust Company. *See* Doc. 157 at ¶ 5(k) (Receiver instructed to provide government agencies with all information and documentation they may seek). The firm also assisted in gathering and reviewing certain trust instruments and other documents from the Baton Rouge office of Stanford Trust Company. *See* Doc. 157 at ¶¶ 4, 5(a), (b), (d), (e), (h).

A bill for Liskow & Lewis's services through April 14, 2009 is attached as Exhibit N, Appdx. 166-75. The Receiver requests approval of payment to Liskow & Lewis for \$16,689.40 in fees and \$518.65 in expenses.

14. Dudley, Topper and Feuerzeig, LLP

Dudley, Topper and Feuerzeig is the largest law firm in the U.S. Virgin Islands. The firm has particular expertise regarding the Islands' labor and employment, maritime, and

banking law. The firm provided the Receiver with advice regarding the legal ramifications under the Island's protectionist labor laws of terminating Stanford employees and communicated on behalf of the Receiver with the Virgin Islands' Commissioner of Labor and legislators. *See* Doc. 157 at ¶ 5(k) (Receiver instructed to provide government agencies with all information and documentation they may seek). The firm also conducted legal research into the Receiver's ability to arrest and relocate a yacht and to take possession of other real and personal property of Defendants, including cash on deposit at the Bank of St. Croix. *See* Doc. 157 at ¶¶ 4, 5(a), (b), (d), (e), (h); *see Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222.

A bill for Dudley, Topper and Feuerzeig's services through April 12, 2009 is attached as Exhibit O, Appdx. 176-86. The Receiver requests approval of payment to Dudley, Topper and Feuerzeig for \$14,597.60 in fees and \$74.21 in expenses.

C. The fees requested by the Receiver are in line with other cases.

The fees associated with complex receivership cases often have been substantial percentages of the total assets found. *Megafund Corp.*, 2008 WL 2839998 at *2 (approving final request for fees and expenses comprising 22.4% of total recovery by Receiver in light of complexities of case, difficulties in tracing proceeds, and results obtained); *Funding Res. Group*, 2003 WL 145411 at *1 (costs of administration totaled 21% of cash and assets finally recovered by receiver). The size and scope of this equitable receivership are much greater than the size and scope of the receiverships in the reported cases cited in this motion. Courts have noted that compensation to equitable receivers is analogous to compensation to receivers in bankruptcy. *W.L. Moody & Co.*, 374 F. Supp. at 481. The United States Department of Justice has reported that from 1994 to 2000 in Chapter 7 asset cases, 30% to 40% of total estate receipts were disbursed as fees and expenses to trustees and other professionals. U.S. DOJ, U.S. Trustee

Program Prelim. Rep. on Ch. 7 Asset Cases 1994 to 2000, attached as Exhibit P, Appdx. 187, 192. This was true regardless of the size of the case. *Id.*⁶

III. REQUEST FOR APPROVAL OF PROCEDURE FOR REVIEW OF FUTURE COMPENSATION OF FEES AND EXPENSES

The Receiver further requests the entry of an order authorizing and establishing procedures for compensating and reimbursing professionals on a monthly basis.⁷ Such an order will enable the Receiver to effectively monitor the fees and expenses incurred on a monthly basis without unnecessarily diverting time and money from the securing of assets and identification of claims to the preparation, filing, and defense of monthly applications to the Court.

Briefly stated, the requested procedures would require the presentation to the Receiver of a statement for services rendered and expenses incurred by each professional for the prior month. If the Receiver approves the fees and expenses, he will be authorized to pay the amount invoiced. These monthly payments would be subject to the Court's subsequent approval as part of an interim fee application process every 120 days, through which the Receiver and the professionals would seek approval of the amounts paid pursuant to the monthly statements. In the event any amounts were disapproved by this Court, such amounts would be disgorged within two days. This type of fee process is commonly used in bankruptcy cases.

The Receiver requests that the review of payment of compensation and reimbursement of fees and expenses incurred by him and the professionals on a monthly basis be structured as follows:

⁶ *In re Lehman Brothers Holdings, Inc.* is a Chapter 11 bankruptcy. Recently, fifteen professional firms submitted motions for fees totaling more than \$96.1 million and expenses of more than \$2.7 million for a period of four and a half months (an average of almost \$22 million per month). Notice of Hearing, attached as Exhibit Q, Appdx. 234, 237.

⁷ Such procedures have been authorized in complex chapter 11 cases in this district. *See, e.g., In re Renaissance Hospital – Grand Prairie, Inc., d/b/a Renaissance Hospital – Grand Prairie*, Case No. 08-43775 (DML) (Bankr. N.D. Tex. Oct. 27, 2008) (Doc. 390); *In re Home Interiors & Gifts, Inc.*, Case No. 08-31961 (BJH) (Bankr. N.D. Tex. June 25, 2008) (Doc. 344).

- (a) Each professional hired by the Receiver may submit a monthly statement to the Receiver. The Receiver shall have seven business days after the receipt of the monthly statement to review it. At the expiration of this period, the Receiver shall promptly pay all fees and out-of-pocket expenses requested in such statement, except such fees or expenses as to which an objection shall be served as provided in paragraph (b) below.
- (b) In the event the Receiver shall have an objection to the compensation or reimbursement sought in a particular monthly statement, the Receiver, within seven business days of the receipt of the statement, shall serve upon the professional whose monthly statement is objected to, a "Notice of Objection to Fee Statement" (the "Objection") with a written statement setting forth the precise nature of the objection and the amount at issue. Thereafter, the Receiver and the professional whose monthly statement is objected to shall attempt to reach an agreement regarding the payment to be made. If an agreement cannot be reached, payment of the disputed amount will be withheld until the next interim fee application hearing, at which time the Court will consider and dispose of the Objection if payment of the disputed amount is requested. The Receiver shall pay promptly any portion of the fees and expenses requested that are not the subject of an Objection.
- (c) The first such statements shall cover the period from April 13, 2009 through May 31, 2009. Subsequent statements shall cover calendar months. All such statements shall reflect a 20% discount in fees, as reflected in the fee statements subject to this motion. If there is a material improvement in the financial condition of the Estate, the Receiver may seek Court approval for a discount of less than 20%.
- (d) Approximately every four months, the Receiver and each of the professionals shall file with the Court and serve on all parties as may be required by the Court, an application for interim Court approval of the compensation and reimbursement of expenses requested for the prior four months. All payments made by the Receiver are provisional and subject to return to the Estate until ordered and confirmed by the Court. Any amounts disapproved by the Court, shall be disgorged within two days.
- (e) The pendency of an application or a Court order that payment of compensation or reimbursement of expenses was improper as to a particular statement shall not disqualify a professional from the future payment of compensation or reimbursement of expenses as set forth above.

The procedures suggested in this motion will enable the Receiver to closely monitor costs of administration, maintain a more level cash flow availability, implement efficient cash management procedures and reduce unnecessary and duplicative costs.

IV. ANTICIPATED FUTURE WORKLOAD FOR RECEIVER AND RETAINED PROFESSIONALS

The work of this Receivership is far from complete; much has been done but much remains to be done. The fees and expenses in the early weeks of the Receivership necessarily have been substantial. However, the amounts incurred reached a peak in the fourth week of the Receivership, and as of the eighth week, the fee amounts for the four largest firms decreased to about 40% of the amounts for those firms for the peak week.⁸ Such a substantial reduction follows a pattern typical of complex receiverships. *See Aquacell Batteries, Inc.*, 2008 WL 276026 at * 4 (“The first step . . . is, of course, identifying the assets. The Report indicates that the Receiver (and his professionals) had a particularly difficult time in doing so here, and the fees and expenses claimed reflect that difficulty.”); *Moody*, 374 F. Supp. at 486 (“The bulk of this legal advice was provided during the first two months of the receivership. . . . Attorneys spent nights, weekends, and holidays working on this project.”).

After consulting with each of the primary professionals, the Receiver expects to continue reducing professional fees where it is appropriate to do so consistent with his duties and the amount of work remaining to be performed. Nevertheless, in addition to the work that still must be performed, the Receiver unquestionably will need to address unforeseen events, crises, and emergencies. *See* Doc. 157 ¶ 5(g) (Receiver has duty to prevent any irreparable loss, damage, or injury to the Estate). As stated in the Report, the Receiver anticipates that his major activities and priorities for the near term will include the following:

⁸ These four firms account for approximately 91% of the total fees and expenses of all the professional firms for this period.

- Continuing to search for and secure cash for the Estate from a variety of potential sources, and determining how unaccounted-for funds were dispersed.
- Continuing to reduce costs of administering the Estate.
- Participating in litigation or appeals in Antigua, Canada and England to the extent assets in those locations are subject to risk of loss to adverse claims.
- Recovering SIBL's electronic data that the Antiguan Liquidators removed from offices in Montreal and pursuing litigation to challenge the Canadian ex parte order recognizing the Antiguan receivership order.
- Securing and centralizing hard copy files, documents and electronic records.
- Developing and implementing plans to sell or monetize Estate assets, including real estate, private equity investments, aircraft, coin and bullion, and other assets.
- Recovering Receivership assets from foreign entities, including opposing competing claims to those assets.
- Releasing additional frozen Stanford Group Company and Stanford Trust Company customer accounts, where appropriate, through processes approved by the Court.
- Analyzing and cataloging potential claims against the Estate, including by collecting and processing claims through the Receiver's online procedure.
- Developing and implementing plans to initiate litigation to recover value for the Estate as appropriate.
- Responding to claims and litigation initiated by others.
- Assisting, reporting to and responding to governmental and regulatory agencies as appropriate, including inquiries from the SEC, Department of Justice, FBI, U.S. Attorney's Office, Postal Inspectors, Department of Labor, and DEA in connection with their investigations.
- Communicating with this Court, customers, current and former employees, claimants, other constituents of the Estate, and the public, including through the Receivership website.
- Working with the Examiner appointed by this Court on April 20, 2009.

- Working with receivers and other appointed officers in other jurisdictions.
- Closing operations of Stanford Group Company, Stanford Capital Management, Stanford Trust Company, and Stanford Coins & Bullion.
- Winding-down of Stanford employee benefit plans and arrangements.⁹

The nature of Defendants' businesses, the volume of accounts affected, the geographic area covered, and the size of the Receivership required the Receiver and his team to hit the ground running on the first day of appointment or risk the possible dissipation of significant assets in a short period of time. As the Receivership continues, the mix of work is changing and will continue to change. There should be less triage work done in response to crises and emergencies. The expenditure of time and resources to secure control of assets or records will decrease dramatically. The Receiver's work will continue to be performed with a significant emphasis on efficiency and with a focused assessment at every stage on costs versus benefits to the Estate. Significant aspects of future work will be performed at a more managed pace and will primarily involve pursuing recovery of cash and other assets through litigation and sales of existing assets, and evaluating claims.

This motion seeks approval of professional fees and expenses incurred during months one and two of the Receivership. During those first two months, the Receiver has determined that the funds that might be available ultimately for distribution to those with claims against the Stanford Defendants will be far less than anyone may have hoped for or expected. In light of this extremely unfortunate circumstance, the Receiver has instructed his team to redouble their efforts to reduce expenses, to work even more efficiently and to conserve as much value as possible while at the same time continuing diligent efforts to locate and collect assets for ultimate distribution. To that end, the Receiver expects that the professional fees and expenses

⁹ Appdx. 29-31.

for the third month will be in the range of \$5.0 million and that such fees and expenses for the fourth month will be less than those for month three. This reduction is likely to be achieved only if the Receiver is not forced to incur material additional expenses defending the Receivership from litigation instituted by investors, claimants and the Antiguan Liquidators or in addressing unforeseen events, crises and emergencies. If the Receiver is able to achieve the expected reduction in fees and expenses, then the total discounted professional fees and expenses for months three and four should be less than half the amounts incurred in months one and two, which are the subject of this motion. In an effort to explore ways to reduce total expenses of the Receivership, including professional fees and expenses, the Receiver has been conferring routinely with the SEC, and as requested by the SEC, the Receiver will confer with the SEC on a weekly basis concerning expense targets. The Receiver will continue his efforts to reduce expenses to the Receivership Estate where doing so does not compromise his ability to carry out his duties and responsibilities as directed by the Court.

V. CONCLUSION

The relief requested herein is necessary and appropriate to carry out the most basic provisions of the Amended Order Appointing Receiver. Accordingly, the Receiver requests that the Court enter an order (1) approving of the fees and expenses incurred through April 12, 2009 and (2) approving of the outlined procedure to govern future applications for the payment of fees and expenses.

Dated: May 15, 2009

Respectfully submitted,

BAKER BOTTS L.L.P.

By: /s/ Kevin M. Sadler

Richard B. Roper, III
Texas Bar No. 17233700
richard.roper@tklaw.com
THOMPSON & KNIGHT LLP
1722 Routh Street
Dallas, Texas 75201
(214) 969-1700
(214) 969-1751 (Facsimile)

Kevin M. Sadler
Texas Bar No. 17512450
kevin.sadler@bakerbotts.com
One Shell Plaza
910 Louisiana
Houston, Texas 77002-4995
(713) 229-1234
(713) 229-1522 (Facsimile)

1500 San Jacinto Center
98 San Jacinto Blvd.
Austin, Texas 78701-4039
(512) 322-2500
(512) 322-2501 (Facsimile)

Timothy S. Durst
Texas Bar No. 00786924
tim.durst@bakerbotts.com
2001 Ross Avenue
Dallas, Texas 75201
(214) 953-6500
(214) 953-6503 (Facsimile)

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 opposes 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 takes no position until such time as she and her counsel have reviewed the motion. Counsel for the Receiver conferred with Paul Flack, counsel for R. Allen Stanford, who stated that Mr. Stanford opposes this motion and the relief sought herein. Counsel for the Receiver conferred with John Little, Court-appointed Examiner, who opposes this motion and 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 does not oppose this motion or the relief sought herein. The motion, therefore, is opposed.

/s/ Kevin M. Sadler

Kevin Sadler

CERTIFICATE OF SERVICE

On May 15, 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

Kevin M. Sadler

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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

STANFORD INTERNATIONAL BANK, LTD., ET AL.,

Defendants.

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Case No.: 3-09-CV-0298-N

**ORDER GRANTING RECEIVER’S MOTION FOR APPROVAL
OF INTERIM FEE APPLICATION AND PROCEDURES FOR
FUTURE COMPENSATION OF FEES AND EXPENSES**

Before the Court is the Receiver’s Motion for Approval of Interim Fee Application and Procedures for Future Compensation of Fees and Expenses and Brief in Support Thereof. Having considered the motion, responses and objections thereto, the Receiver’s reply, the evidence presented, and arguments of counsel, if any, the Court finds that the time spent, services performed, hourly rates charged, and expenses incurred by the Receiver and his retained professionals were reasonable and necessary for the Receiver to perform his Court-ordered duties. The Court, having reviewed the Motion, is of the opinion that the Motion be and is hereby GRANTED.

It is therefore ORDERED that:

1. Payment in the amount of \$19,965,146.12 for work performed through April 12, 2009 is approved.
2. All professionals whose retention, in the judgment of the Receiver, is necessary to allow the Receiver to perform its duties in this case, may seek interim compensation for services and reimbursement of expenses in accordance with the following procedures:
 - (a) Each professional hired by the Receiver may submit a monthly statement to the Receiver. The Receiver shall have seven business days after the receipt of the monthly statement to review it. At the expiration of this

period, the Receiver shall promptly pay all fees and out-of-pocket expenses requested in such statement, except such fees or expenses as to which an objection shall be served as provided in paragraph (b) below.

- (b) In the event the Receiver shall have an objection to the compensation or reimbursement sought in a particular monthly statement, the Receiver, within seven business days of the receipt of the statement, shall serve upon the professional whose monthly statement is objected to, a "Notice of Objection to Fee Statement" (the "Objection") with a written statement setting forth the precise nature of the objection and the amount at issue. Thereafter, the Receiver and the professional whose monthly statement is objected to shall attempt to reach an agreement regarding the payment to be made. If an agreement cannot be reached, payment of the disputed amount will be withheld until the next interim fee application hearing, at which time the Court will consider and dispose of the Objection if payment of the disputed amount is requested. The Receiver shall pay promptly any portion of the fees and expenses requested that are not the subject of an Objection.
- (c) The first such statements shall cover the period from April 13, 2009 through May 31, 2009. Subsequent statements shall cover calendar months. All such statements shall reflect a 20% discount in fees, as reflected in the fee statements subject to this motion. If there is a material improvement in the financial condition of the Estate, the Receiver may seek Court approval for a discount of less than 20%.
- (d) Approximately every four months, the Receiver and each of the professionals shall file with the Court and serve on all parties as may be required by the Court, an application for interim Court approval of the compensation and reimbursement of expenses requested for the prior four months. All payments made by the Receiver are provisional and subject to return to the Estate until ordered and confirmed by the Court. Any amounts disapproved by the Court, shall be disgorged within two days.
- (e) The pendency of an application or a Court order that payment of compensation or reimbursement of expenses was improper as to a particular statement shall not disqualify a professional from the future payment of compensation or reimbursement of expenses as set forth above.

Signed this ____ day of _____, 2009.

DAVID C. GODBEY,
UNITED STATES DISTRICT COURT JUDGE