

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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

STANFORD INTERNATIONAL BANK, LTD.,  
STANFORD GROUP COMPANY,  
STANFORD CAPITAL MANAGEMENT, LLC,  
R. ALLEN STANFORD, JAMES M. DAVIS, and  
LAURA PENDERGEST-HOLT,

Defendants.

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

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RECEIVER’S REPLY IN SUPPORT OF MOTION TO  
APPROVE SALE OF HAWKER 600A AIRCRAFT

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I. INTRODUCTION

Ralph S. Janvey, as Receiver for Defendants and all Stanford-controlled entities, submits his reply in support of his Motion to Approve Sale of Hawker 600A Aircraft (the “Motion”) (Doc. 916), and would respectfully show the Court as follows.

II. ARGUMENT

**A. The Aircraft is an Estate Asset which is costly to maintain, whose value is rapidly diminishing, and which provides no benefit to the Estate while lying dormant in a hangar.**

The “Aircraft” is a 1976 Hawker Siddeley model HS-125-600A, which was purchased by Stanford in 1990. The Aircraft must be sold *before* March 2010 to avoid costs to the Estate of \$90,000 or more for FAA-required inspections and service. Avoiding these expenditures is in the interest of all concerned parties, including Mr. Stanford.

The Aircraft is a Receivership Asset as defined by the Amended Order Appointing Receiver (Doc. 157 at ¶ 1) (“assets...of the Defendants and all entities they own or control”). The Receiver disputes that he must prove the Aircraft is “tainted” by fraud in order to sell the Aircraft for the benefit of the Estate or that so-called “untainted” Estate assets should be returned to Mr. Stanford. But whatever the case may be, the Aircraft *is* a “tainted” asset. As set forth in the Motion, there is uncontradicted evidence that Defendants Allen Stanford and James Davis took fraudulent actions in connection with SIBL and its predecessor in Montserrat beginning in 1989 and 1990.<sup>1</sup> (Doc 916. at 5-6.) Thus, the Aircraft was purchased after the Defendants’ fraud began. Further, Stanford spent at least \$2 million in fraudulently acquired money on the Aircraft’s upkeep and modernization during the 1999 to 2009 time frame upon which Mr. Stanford focuses in his response, including the following (with approximate cost):<sup>2</sup>

2001-2002	\$500,000	48 Month Inspection and Upgrades (including satellite phone installation)
2003-2004	\$150,000	Avionics Upgrade (Reduced Vertical Separation Minimums (“RVSM”); Terrain Awareness and Warning Systems (“TAWS”))
2004	\$200,000	New 800XP Interior Upgrade
2006	\$300,000	48 Month Inspection
2006	\$100,000	Auxiliary Power Unit Overhaul
2007	\$150,000	Landing Gear Overhaul
2008	\$50,000	New Paint Scheme
1999-2009	\$1,000,000	10 years of dues to Rolls Royce Power by the Hour engine service program <sup>3</sup>

<sup>1</sup> The quote at page 5 of the Motion which reads “at least as early as 1998” is a misprint; the quote from the Plea Agreement actually reads “at least as early as 1989”.

<sup>2</sup> The basis for these estimates is set forth in detail in the Driscoll Declaration, Ex. A, Appx. 1-5.

Unfortunately, Stanford's aviation and accounting divisions did not maintain aircraft-specific records of aviation expenditures and the Receiver has been unable to locate records specific to the Aircraft despite a diligent search.<sup>4</sup> The details of all work performed on the Aircraft during its lifespan are reflected in the maintenance logs kept onboard the Aircraft. This log was too voluminous to submit with this Reply, but the Receiver will produce it to the Court upon request should Mr. Stanford dispute any of the above costs. The above figures represent only a sample of the costs related to the Aircraft and do not include expenses for hangar storage and day-to-day mechanic attention, among many others, all of which were funded by the proceeds of the Stanford Ponzi scheme. Thus, it is evident that the Aircraft is "tainted" by the proceeds of fraud.

Even assuming the Aircraft was an "untainted" asset—which it is not—it should nonetheless be sold *now* in order to maximize its value. This remains true even if Mr. Stanford might some day be deemed entitled to the proceeds of the sale.<sup>5</sup> Keeping the Aircraft dormant in a hangar benefits nobody and only serves to deplete the assets of the Estate.<sup>6</sup> As set forth in the Motion, the Aircraft must undergo a required 48 Month Inspection in March 2010, which will cost the Estate at least \$90,000, in addition to the risk that the inspection will reveal further issues requiring additional expenditure. Completing the sale before March 2010 is thus beneficial to all parties, including Mr. Stanford.

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<sup>3</sup> The Receiver obtained records from Rolls Royce's office in Reston, Virginia, which show that \$889,233.07 was expended on the Aircraft's Power by the Hour premiums between April 2004 and October 2008. *See* Ex. B, Appx. 6-7.

<sup>4</sup> The exception is an invoice for the paint scheme in 2008, for a total cost of \$55,779. *See* Invoice, Ex. C, Appx. 8-9.

<sup>5</sup> Mr. Stanford's argument that the Aircraft should only be sold following a final judgment in the SEC's case is not compelling. The Court has already approved the sale or other disposition of numerous Estate assets, including the five other Stanford aircraft which were returned to their secured lenders (*see* Doc. 516), and many others including private equity investments (*see, e.g.*, Docs. 733, 734, 816, 861, and 876). The cases cited by Mr. Stanford do not apply to situations where "managing" Estate assets rather than liquidating them is impractical, costly, and beneficial to nobody.

<sup>6</sup> *See* Description of Aircraft Costs, Doc. 916 at 4-5.

**B. The Receiver has actively marketed the Aircraft and the proposed sale will maximize its value to the Estate.**

Since July of 2009, the Receiver has marketed the Aircraft through a broker, Harry Driscoll. The Broker, who has over 20 years of experience in aircraft marketing, used print advertisements, email broadcasts, fax broadcasts, and personal networking and other contacts to market the Aircraft to potential buyers. The Broker undertook the following marketing efforts:<sup>7</sup>

- listed the Aircraft on the Amstat and Jetnet listing services, each of which has up to 1000 subscribers comprising the most active aviation users of jet aircraft in the world, and the most active dealers and brokers who routinely deal in aircraft like the Hawker 600A.
- placed advertisements for the Aircraft on Controller, Aircraft Shopper Online, and Trade-A-Plane, which are publications read by the vast majority of jet operators, dealers and brokers when shopping for or researching an aircraft for purchase.
- placed advertisements using the Planefax mass mailing service. Planefax provides email and fax broadcasting to a proprietary list of aircraft operators, brokers and dealers.
- contacted all owners of Hawker 600A's and their associates (approximately 10 Hawker 600A's remain in operation worldwide).
- contacted foreign and domestic dealers and mechanics known to traffic in vintage aircraft like the Hawker 600A.
- contacted the Aircraft's home base (Houston Executive Airport - KTME) and advertised to walk-ins who frequently ask about display aircraft for sale.

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<sup>7</sup> See Driscoll Decl., Ex. A.

These efforts have resulted in following:

- 53 interested parties
- 7 in-person showings of the Aircraft to different groups
- 4 verbal offers
- 6 written offers ranging from \$135,000 to \$225,000<sup>8</sup>

The \$192,500 offer set forth in the Motion was the result of negotiations starting in August 2009. The Buyer initially offered \$135,000, which was increased to \$185,000 in September, \$192,000 in October, and finally to \$200,000. (As set forth in the Motion, the proposed sale price of \$192,500 is based on a purchase price of \$200,000 less \$7,500 which the Seller agreed to furnish to cure airworthiness discrepancies.) Through his dealings with the Buyer and other sources, the Broker has confirmed that the Buyer was very well-informed and performed numerous competitive comparisons in reaching the ultimate price it offered for the Aircraft. *Id.*

### III. CONCLUSION AND REQUEST FOR RELIEF

The Receiver requests that the Court grant the Motion in all respects, and specifically authorize the Receiver to sell the Aircraft as proposed therein, without need for further Court order; and grant such other relief the Court may deem just and equitable.

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<sup>8</sup> The \$225,000 offer required *guaranteed* delivery by December 31, 2009. The Receiver and the Broker determined that meeting that deadline was impossible, and that the \$192,500 offer as set forth in the Motion was more attractive to the Estate because that buyer was more flexible and agreed to bring the Power by the Hour premiums up to date at its expense. *Id.*

Dated: January 14, 2010

Respectfully submitted,

BAKER BOTTS L.L.P.

By: /s/ Kevin M. Sadler

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**ATTORNEYS FOR RECEIVER  
RALPH S. JANVEY**

**CERTIFICATE OF SERVICE**

On January 14, 2010 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