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

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL. Plaintiff, v. JAMES R. ALGUIRE, ET AL. Defendants.	§ § § § § § § § § § § §	Case No. 03:09-CV-0724-N

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL. Plaintiff, v. MIGUEL VENGER, ET AL. Defendants.	§ § § § § § § § § § § §	Case No. 03:10-CV-0366-N

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL. Plaintiff, v. JUAN JOSE RODRIGUEZ POSADA, ET AL. Defendants.	§ § § § § § § § § § § §	Case No. 03:10-CV-0415-N

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL.	§	
Plaintiff,	§	Case No. 03:10-CV-0478-N
v.	§	
GILBE CORP., ET AL.	§	
Defendants.	§	

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL.	§	
Plaintiff,	§	Case No. 03:10-CV-0528-N
v.	§	
BUCK'S BITS SERVICE, INC., ET AL.	§	
Defendants.	§	

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL.	§	
Plaintiff,	§	Case No. 03:10-CV-0617-N
v.	§	
NANCY R. JOHNSON, ET AL.	§	
Defendants.	§	

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL.	§ § § §	
	§	Case No. 03:10-CV-0725-N
Plaintiff,	§ §	
v.	§ §	
JAMES C. BARR, ET AL.	§ §	
Defendants.	§	

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL.	§ § § §	
	§	Case No. 03:10-CV-0844-N
Plaintiff,	§ §	
v.	§ §	
INDIGO TRUST, ET AL.	§ §	
Defendants.	§	

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL.	§ § § §	
	§	Case No. 03:10-CV-0931-N
Plaintiff,	§ §	
v.	§ §	
TONYA DOKKEN, ET AL.	§ §	
Defendants.	§	

RALPH S. JANVEY, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR THE STANFORD INTERNATIONAL BANK, LTD., ET AL.	§	
Plaintiff,	§	Case No. 03:10-CV-1002-N
v.	§	
JOSE MANUEL FERNANDEZ, ET AL.	§	
Defendants.	§	

SUPPLEMENTAL DECLARATION OF KARYL VAN TASSEL

I, Karyl Van Tassel of 1001 Fannin, Suite 1400, Houston, TX 77002 state under penalty of perjury as follows:

1. This declaration is intended to supplement my declaration in this matter dated June 1, 2011 ("6/1/2011 Declaration"). All of the opinions and statements contained in my 6/1/2011 Declaration are incorporated herein.

2. All definitions of terms contained in the 6/1/2011 Declaration apply here as well. I also use the following short-hand terms in this declaration and define other such terms within the text of the declaration:

- OIG Investigation - Investigation by the SEC's Office of Inspector General into SEC's response to concerns regarding Robert Allen Stanford's Alleged Ponzi Scheme, Case No. OIG-526.
- FWDO: Fort Worth District Office of the SEC.
- 7/27/2009 Declaration: Declaration of Karyl Van Tassel dated July 27, 2009 and filed as Doc. No. 18 in *Janvey v. Alguire, et al*, Case No. 3:09-CV-0724-N, pending in this Court.

- 5/24/2010 Declaration: Declaration of Karyl Van Tassel dated May 24, 2010 and filed in Docs. 444-2, 444-3, and 444-4 in *Janvey v. Alguire, et al*, Case No. 3:09-CV-0724-N, pending in this Court.

3. Attached to this declaration are true and correct copies of the following exhibits:

- KVT-5[1]: A data sheet created by Stanford's legal department describing SFGC, and a Services Agreement between SIB and SFGC.

- KVT-6: Report of Investigation, United States Securities and Exchange Commission Office of Inspector General, Case No. OIG-526, dated March 31, 2010 ("OIG Report").

- KVT-7: 1997 SEC Examination Report Concerning Stanford Group Company, Examination No. 06-D-97-037, which was Exhibit 49 to the OIG Report ("1997 SEC Examination Report").

- KVT-8: Excerpts of Testimony of Julie Preuitt, Assistant Director (former Branch Chief), FWDO Broker-Dealer Examination Group, taken during the OIG Investigation, which excerpts were included in Exhibits 5 and 6 to the OIG Report.

- KVT-9: Excerpts of Testimony of Mary Lou Felsman, former Assistant District Administrator, FWDO Examination program, taken during the OIG Investigation, which excerpts were included in Exhibit 8 to the OIG Report.

- KVT-10: Excerpts of Testimony from unidentified examiner[2] of the FWDO Investment Adviser Examination group of the SEC, taken during the OIG Investigation, which excerpts were included in Exhibit 12 to the OIG Report.

- KVT-11: Letter from SEC to SGC dated July 16, 1998, which was Exhibit 69 to the OIG Report.

- KVT-12: SIB internal presentation and returns chart.

- KVT-13: Letter from SEC to SGC dated September 12, 2005.

- KVT-14: Sales Credit Table.

- KVT-15: Letter from NASD to SGC dated September 27, 2006.

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[1] Exhibits KVT-1 through KVT-4 are on file in this matter as attachments to my 6/1/2011 Declaration, all of which are incoporated herein.

[2] The name of this examiner was redacted from the OIG Report. *See, e.g.*, KVT-6, pp. 5, 44.

- KVT-16: Email exchange between Doug McDaniel, James Davis, Laura Pendergest-Holt, Juan Rodriguez-Tolentino, et al., between August 29, 2007 and September 4, 2007.
- KVT-17: Email exchange between Robert Ulloa, Jason Green, James Davis, Laura Pendergest-Holt, et al., on March 19, 2008.
- KVT-18: Email exchange between Neal Clement and Scot Thigpen on March 27, 2008.
- KVT-19: Schedules of payments made to C.A.S. Hewlett in 2007-2008 from Trustmark account 3003104594.
- KVT-20: Allocation spreadsheets and accompanying emails concerning payments to C.A.S. Hewlett.
- KVT-21: Email from Jim Davis to SocGen dated May 19, 2005.
- KVT-22: Letter from Jim Davis to SocGen dated February 26, 2003.
- KVT-23: SocGen records filed by Department of Justice in *United States v. Robert Allen Stanford*, C.R. No. 4:09-342-01, pending in the United States District Court for the Southern District of Texas, Doc. No. 245.
- KVT-24: James Davis Plea Agreement.
- KVT-25: 5/24/2010 Declaration of Karyl Van Tassel.
- KVT-26: 7/27/2009 Declaration of Karyl Van Tassel.
- KVT-27: Purchase Agreement for Sea Eagle dated November 4, 2002.
- KVT-28: Deed of Trust concerning Houston home purchased by Stanford Development Corporation for Mr. Stanford and his wife.
- KVT-30: Excerpts of Testimony from unidentified examiner[3] of the FWDO Investment Adviser Examination group of the SEC, taken during the OIG Investigation, which excerpts were included in Exhibit 17 to the OIG Report.
- KVT-31: 2002 SEC Examination Report Concerning Stanford Group Company, Examination No. IA2003FWDO-012, which was Exhibit 70 to the OIG Report ("2002 SEC Examination Report").

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[3] The name of this examiner was redacted from the OIG Report. *See, e.g.*, KVT-6, pp. 5, 44.

- KVT-32: 1998 SEC Examination Report Concerning Stanford Group Company, File No. 801-50374, which was Exhibit 55 to the OIG Report ("1998 SEC Examination Report").

- KVT-33: Letter from SEC to SGC dated December 19, 2002, which was Exhibit 74 to the OIG Report.

- KVT-34: Complaint letter to SEC regarding Stanford Bank dated October 28, 2002, which was Exhibit 76 to the OIG Report.

- KVT-35: Citizen complaint letter regarding Stanford Group forwarded by Texas State Securities Board to SEC on August 4, 2003, which was contained in Exhibits 88 and 89 to the OIG Report.

- KVT-36: Insider complaint letter dated September 1, 2003 and emails forwarding the complaint to the SEC, which were Exhibits 92-94 to the OIG Report.

- KVT-37: 2004 SEC Examination Report Concerning Stanford Group Company, Examination No. BD2005FWDO001, which was Exhibit 98 to the OIG Report ("2004 SEC Examination Report").

- KVT-38: Appendix in Support of Receiver's Reply to Defendant R. Allen Stanford's Opposition to Receiver's Motion to Approve Procedures for the Sale of the Vessel "Sea Eagle" and Sale of the Vessel Pursuant to Those Procedures.

4. FTI's continued analysis of the records of SIB, Allen Stanford, and other Stanford Entities was conducted using reliable practices and methodologies that are standard in the fields of accounting and finance. Further, based on FTI's investigation relating to the Stanford Entities, it is my opinion that the SEC reports referenced herein as well as the evidence underlying those reports are both reliable and trustworthy. Moreover, such reports and evidence are the types of information upon which professionals in the fields of accounting and finance typically rely, when such information is available, during investigations of this nature.

5. Based on FTI's continued investigation of the operations of the Stanford Entities and on the data and documents cited or incorporated herein, it is my opinion that:

- The Stanford Entities were operating as a Ponzi scheme from at least 1999 forward;

- SIB was insolvent (*i.e.* its liabilities exceeded the fair value of its assets) from at least 1999 forward;
- Robert Allen Stanford's ("Mr. Stanford" or "Allen Stanford") reported income from at least 1999 forward is comprised almost exclusively from the Stanford Entities, including proceeds from SIB CDs; and
- SFGC was insolvent (*i.e.* its liabilities exceeded the fair value of its assets) from at least 2000 forward and received SIB CD funds.

The following paragraphs discuss specific documents and other evidence and information supporting my opinions.

THE SEC EXAMINERS FOUND THAT STANFORD WAS A PONZI SCHEME AS EARLY AS 1997

6. Beginning in 1997 various departments within the Fort Worth District Office of the SEC found that the Stanford Entities were operating as a Ponzi scheme. *See generally* KVT-6. These findings were based on, *inter alia*, examinations in which the SEC found that: (1) SIB advertised consistent and significantly above-market rates of return to CD holders; (2) SIB paid SGC, and in turn SGC paid financial advisors, commissions that were significantly above market; (3) the returns on invested assets reported by SIB were consistent in volatile markets and were higher than those that would be likely from the type of "safe" investments described to the investors; and (4) SGC and its financial advisers neither maintained nor had access to sufficient information regarding the SIB CDs they were selling or the investment portfolio underlying those CDs. *Id.*

7. In 1997, the FWDO Broker-Dealer Examination group of the SEC reviewed SGC's broker-dealer operations and found that the Stanford operations were a Ponzi scheme. KVT-6, pp. 29-33. This finding was based, in part, on the following findings which were included in the SEC report resulting from the examination:

> SIB promotes its products as being safe and secure. A brochure regarding the products offered through SIB, including the FlexCD

> Account, states that "[F]unds from these accounts are invested in investment-grade bonds, securities and Eurodollar and foreign currency deposits." The brochure indicates a high level of safety for customer deposits. For example: "banking services which ensure safety of assets, privacy, liquidity and high yields", " . . . protects its clients' money with traditional safeguards", "placing deposits only with banks which have met Stanford's rigorous credit criteria", "depository insolvency bond", "bankers' blanket bond", and "portfolio managers follow a conservative approach". Based on the amount of interest rate and referral fees paid, SIB's statements indicating these products to be safe appear to be misrepresentations.
>
> SIB pays out in interest and referral fees between 11% and 13.75% annually. To consistently pay these returns, SIB must be investing in products with higher risks than are indicated in its brochures and other written advertisements.

KVT-6, pp. 30-31; 1997 KVT-7, pp. 2-3. During the OIG Investigation, an SEC employee who was involved in the 1997 examination testified that she "concluded that the SIB CDs' purported above-market returns were 'absolutely ludicrous' and that the high referral fees SGC was paid for selling the CDs indicated that they were not 'legitimate CDs.'" KVT-6, p. 31; KVT-8, pp. 24-25. Another member of the examination group testified that when she retired at the end of 1997, she told a colleague to "keep your eye on these people because this looks like a ponzi scheme to me and some day it's going to blow up." KVT-6, p. 33; KVT-9, p. 26.

8. In the 1997 Examination Report, the SEC further found that "Stanford Group failed to maintain books and records as they relate to the offer and sale of SIB products" and that "[i]t appears that the RR is recommending a particular product of SIB's and therefore should have a basis for making that recommendation . . ." KVT-7, p. 3. The same report noted, however, that Lena Stinson, the senior vice president and administrative officer of SGC, told the SEC that "once the application is sent, the RR is no longer involved (other than receiving a referral fee) and all paperwork is maintained by SIB." *Id.*

9. In 1998, the SEC's investor advisor group of the FWDO conducted another examination of SGC. *See generally*, KVT-32. The examiner who conducted that examination testified during the OIG Investigation that SGC's complete lack of information regarding the SIB CDs it was selling amounted to fraud:

> We asked for all due diligence information that the adviser or the Stanford Group Company possessed concerning the CDs, whatever they had as to how the money was being invested, performance returns of the portfolio, whatever they had, and as I recall, they produced very, very little. They claimed, we don't have access to that information.
>
> …
>
> Well, the question is how would you sell it consistent -- in the case of an adviser, consistent with your fiduciary duty to your clients.…
>
> So my conclusion was, as I have asked you, give me everything you've got about that investment, and they gave me virtually nothing, certainly nothing in my mind that would be a reasonable basis for making a recommendation of an investment. So that's why -- I think if you see the letter I sent to Stanford as a result of this report, I put in there [Section] 206 language about it doesn't look like you've got enough information to fulfill your fiduciary duty in making this recommendation. … And that would have -- in my mind, have been one of the theories to bring a case against the adviser by enforcement that that was such a -- a glaring absence of basis for a recommendation that it amounted to deceit or fraud upon the client.

KVT-6, p. 44; KVT-10, pp. 41-44; KVT-11.

10. Beginning in 1997, the SEC made numerous additional findings over the years relating to SIB CD rates of return, the excessive compensation paid to SGC and financial advisors who sold the CDs, the lack of information possessed by SGC and the financial advisors about the SIB CDs and the underlying investment portfolio, and discovered other facts that support the SEC's conclusion that a Ponzi scheme existed during those years. For example:

- In the 1997 Examination Report, the SEC found that "[d]uring 1996, [Allen] Stanford made a cash contribution of $19,000,000 to [SGC]. We are concerned that the cash contribution may have come from funds invested by customers at SIB. We noted that SIB had loaned Stanford $13,582,579. In addition, we noted that SFG had borrowed $5,447,204 from SIB for a total receivable at SIB of $19,029,783 directly and indirectly from [Mr.] Stanford. We contacted the general counsel for the Stanford companies regarding our concerns. The general counsel stated that the cash contribution came from personal funds and not from the above loans; however, it seems at least questionable whether Stanford has access to $19,000,000 in personal funds." KVT-6, p. 32; KVT-7, p. 3. One of the SEC examiners testified that this was a "red flag," and that they wanted more information about the origin of Mr. Stanford's cash contributions but were unable to obtain it. She further testified that the transactions made her assume that [Mr. Stanford] was possibly stealing from investors and that this was an attribute of fraud and potentially a Ponzi scheme. KVT-6, pp. 32-27; KVT-8, pp. 22-23, 26-27.

- The examiner who conducted the 1998 examination testified during the OIG Investigation that at the time of the examination, he was suspicious about "how Stanford was able to achieve these returns with such allegedly safe investments." He further stated that "extremely high interest rates, extremely generous compensation, [SGC] is extremely dependent upon that compensation to conduct its day to day operations. It just smells bad." KVT-6, p. 43; KVT-10, pp. 20-21.

- One of the examiners who conducted the 1997 examination and was familiar with the 1998 examination "testified that after the 1998 Examination, both the investment adviser and broker-dealer examiners 'knew that it was a fraud.'" KVT-6, p. 46; KVT-8, p. 60.

- In 2002, the SEC's investment adviser examination group conducted yet another examination of SGC. The examiner who conducted the 2002 examination discussed SGC with the examiner who conducted the 1998 examination and described that conversation in his testimony in the OIG Investigation as follows: "[H]e explained to me that he had been there in [1998], and that he had strongly suspected that the affiliated bank of the investment adviser had problems….I can't remember whether he actually came out and said ponzi scheme or fraud but he made it clear that the bank was taking in deposits and he suspected that, whenever there was a redemption, they were just taking that money out of -- new money from new investors. So, like I said, I can't remember if he used the word 'fraud' or 'Ponzi scheme," but he made it clear that that's what he suspected." KVT-6, p. 47; KVT-30, p. 12.

- The examiner who conducted the 2002 examination testified that there were numerous red flags that caused him to conclude that Stanford had been operating a Ponzi scheme and that it was growing exponentially. *See., e.g.,* KVT-6, p. 48; KVT-30, pp. 68, 96. One of those red flags was the consistent, above-market reported returns, about which the examiner stated, "[W]hen you take the CD rates, the commission, the overhead and added them together…it just seemed very unlikely that they could invest in anything legitimate to earn a return to cover all those expenses." KVT-6, p. 48; KVT-30, pp. 29-30. Other red flags noted by the examiner in his testimony were the high commissions paid to SGC financial advisers for selling the CDs and SGC's claimed lack of information about which of its clients had invested in the SIB CDs. KVT-6, pp. 48-49; KVT-30, pp. 30, 66-68.

- The 2002 Examination Report found, in part, as follows: (1) "There was no indication that anyone at SGC knew how its clients' money was being used by SIB or how SIB was generating sufficient income to support the above-market interest rates paid and the substantial annual three percent trailer commissions paid to SGC;" (2) "[SGC] failed to document adequate due diligence with respect to its clients' investments in its affiliated offshore bank's certificates of deposit;" (3) SGC failed to adequately disclose to its customers the referral fees it received annually from the sales of SIB CDs; (4) SGC failed to adequately disclose its "overwhelming reliance on referral fees from sales of the SIB CDs for its financial success." KVT-31, pp. 1, 10-13. Similar deficiencies and violations were set forth in a deficiency letter from the SEC to SGC dated December 19, 2002. KVT-33.

- In 2002 and 2003, the SEC received multiple complaints or tips, from both insiders and customers, that the Stanford operations were a Ponzi scheme, listing specific concerns ranging, *inter alia*, from high guaranteed rates of return, the secrecy surrounding the SIB CD portfolio, and SIB's use of a small unknown auditing firm on the island of Antigua. *See e.g.,* KVT-6, pp. 53-70; KVT-34; KVT-35; KVT-36. The insider complaint concluded that the Stanford operation was a "Massive Ponzi Scheme." KVT-6, p. 66 and KVT-36.

- In 2004, the SEC conducted yet another examination of Stanford Group Company, and in the resulting report concluded that: (1) "the offering of the SIB CDs may in fact be a very large ponzi scheme, designed and marketed by SIB's and SGC's [sic] to lull investors into a false sense of security by their claims that the SIB products are similar to traditional U.S. bank CDs;" (2) SGC was a high regulatory risk with regard to sales practice issues; (3) that "little, if any of the funds invested into the SIB CDs may actually be invested as represented to investors;" (4) SGC failed or refused to produce documents concerning actual use of the monies

> invested; (5) SGC's regulatory violations included making misrepresentations and omissions to customers, charging excessive commissions and failing to disclose the amount of commissions charged;" and (6) that the following factors supported the conclusion that SIB CDs were a fraud - excessive commissions, aggressive sales contests, high "interest" rates, high returns every year for the last 10 years, SIB will not disclose its portfolio, and other factors leading the SEC to believe that Allen Stanford may have been engaging in money laundering and using investor funds without any oversight. KVT-6, pp. 70-80; KVT-37.

SIB'S INVESTMENT RETURNS WERE TOO GOOD TO BE TRUE FROM AT LEAST 1997 FORWARD

11. The SEC's findings concerning the unusually consistent and high rates of returns from the SIB CDs are consistent with and support my conclusions contained in the 7/27/2009 Declaration, 5/24/2010 Declaration, the 6/1/2011 Declaration and my opinions stated herein. The high rates of return and consistent profitability of the SIB CD portfolio that were reported by SIB, at a time when the world economy was in crisis, are one factor that leads me to conclude that the rates of return were not the result of actual investment performance, and are more consistent with "reverse-engineered" rates of return that are one of the hallmarks of a fraudulent investment scheme. In fact, there is evidence of this reverse-engineering of revenue both in the documents we have obtained and in the plea agreement of James Davis. SIB offered CD rates that were significantly greater than those offered in the United States. In its own marketing brochure, SIB included the following comparison in the yields of SIB CDs versus average U.S. Bank CD yields between 1997 and 2006:

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SIB Yield (%)	10.13	9.25	8.71	9.625	9.13	7.17	6.38	6.21	6.52	7.13
U.S. Yield (%)	5.8	5.3	4.9	5.85	3.55	1.85	1.78	2.7	4.46	5.08

KVT-5. At their worst, SIB CDs had a rate of return that was 140%, and at their best 388%, of the average rate for U.S. Bank CDs. Even more incredible were the overall rates of return earned by the SIB CD investment portfolio between 1997 and 2007 -- *i.e.* the total amount earned by SIB on its purported investments, not just the amount paid to investors. Specifically, according to internal company documents, the investment portfolio had a 14.9% overall rate of return in 1997, 14.8% in 1998, 14.2% in 1999, 14.1% in 2000, 14.3% in 2001, 14% in 2002, 11.7% in 2003, 11.9% in 2004, 12.1% in 2005, 12% in 2006 and 12.7% in 2007. *See* KVT-12.

12. A comparison of SIB's claimed overall rate of return on its CD investment portfolio to well known index rates of return during the same years further highlights the disparity in performance between the SIB CD portfolio and the world financial markets in general. Over the years, the performance of the SIB CD portfolio often exceeded many of the well-known index rates of return. Even when it did not, however, the returns for SIB were remarkably consistent and steady from year to year, a result that is extremely rare in normal market conditions and even more so during the time period in question. The below chart shows the major index returns for the years 1997 through 2007 as well as the amounts allegedly earned by SIB during those years, all as reflected in SIB's own documents:

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
SIB Yield (%)	14.9	14.8	14.2	14.1	14.3	14	11.7	11.9	12.1	12	12.7
Dow Jones Return	22.64	16.10	25.22	-6.18	-7.10	-16.76	25.32	3.15	-0.61	16.29	6.43
Dow Jones Stoxx 50 Return	36.84	32.00	46.74	-2.69	-20.25	-37.30	15.68	6.90	21.28	15.12	6.79
Nasdaq 100 Return	20.63	85.31	101.95	-36.84	-32.65	-37.58	49.12	10.44	1.49	6.79	18.67
S&P 500 Return	31.01	26.67	19.53	-10.14	-13.04	-23.37	26.38	8.99	3.00	13.62	3.53

13. As the chart above reflects, the SIB CD returns were in excess of and/or more consistent than virtually every other stock, CD, fund or other investment to which SIB compared its CDs in its marketing materials.

SIB'S REFERRAL AND COMMISSION RATE STRUCTURE WAS ECONOMICALLY UNSUSTAINABLE FROM AT LEAST 1997 FORWARD

14. The SEC's findings concerning the above-market referral fees paid to SGC and above-market commissions paid to SGC financial advisors are consistent with and support my conclusions contained in the 7/27/2009 Declaration, 5/24/2010 Declaration, the 6/1/2011 Declaration and my opinions stated herein. The fact that SGC financial advisors were paid far above normal market commission rates to sell the SIB CDs raises the question of how SIB could afford to pay those rates on top of extraordinary returns on the CDs. SGC received a 3% commission (also called a "referral fee") on the initial sale of a SIB CD, and 3% annually for the life of the CD. Financial advisors, in turn, received as much as an annual 1% commission on all amounts their customers had in CDs for that year and were eligible for commissions on the initial sale of CDs of 1% or more. As the SEC pointed out in a September 2005 letter to the president of SGC as part of yet another SEC investigation, this commission structure would result in SGC receiving a referral fee of 15% of the amount invested on a SIB CD with a 60-month maturity, which the SEC said was more than any rate legally allowed. *See* KVT-13. That means the financial advisor for that customer would receive 5% of the amount invested over the life of the CD as the base commission. Moreover, if the financial advisor sold over $2 million in SIB CDs in any given calendar quarter, he earned an additional 1% quarterly bonus on those sales. By comparison, when an SGC broker sold a typical certificate of deposit issued by a U.S. bank (and insured by the FDIC), the commission to SGC was many times smaller than the normal commission SGC received on a SIB CD. *See* KVT-14.

15. In addition to exceeding payments received for U.S. bank CD products, the SIB CD commission structure for financial advisors was unusual in other ways. The financial advisors received a percentage each year of the amount their clients held in SIB CDs, regardless of whether the financial advisor sold new CDs that year. The "trailing commission," as it was known, had the obvious impact of causing financial advisors to pressure customers into not redeeming their CDs — *i.e.* into leaving their money with the bank. In addition, the trailing commission was structured to incentivize financial advisors to continue selling new CDs by increasing — or decreasing — the percentage of their trailing commission depending on the volume of new CDs they sold — or did not sell — in a given year.

16. Commission and bonus structures like that used by SIB are not typical, largely because they cannot be sustained economically — *i.e.* the investments do not generate enough real returns to cover the stated CD rates of return, commissions and referral fees along with other applicable expenses.

INFORMATION AVAILABLE TO SGC AND THE FINANCIAL ADVISORS ABOUT CDS AND THE SIB INVESTMENT PORTFOLIO WAS INADEQUATE

17. The SEC's findings concerning the lack of information known by or available to SGC and its financial advisors regarding the SIB CDs and the underlying investment portfolio are consistent with and support my conclusions contained in the 7/27/2009 Declaration, 5/24/2010 Declaration, the 6/1/2011 Declaration and my opinions stated herein. The SEC recognized these problems beginning in 1997. FTI's investigation confirmed that these problems continued until the collapse of the Ponzi scheme.

18. The NASD concluded in 2006 that SGC violated NASD rules through "unwarranted and misleading" assertions that SIB's portfolio investments were "prudent"—at a

time when SGC admitted that "no one at SGC knows what the investments are." *See* KVT-15. FTI's investigation confirms this conclusion.

19. FTI's investigation uncovered that there was very little information available to the Stanford financial advisors at any time about how SIB purportedly invested funds from the sale of CDs. It was commonly known throughout SGC that SIB was owned and controlled ultimately by Allen Stanford, that James Davis and Laura Pendergest-Holt had principal responsibility for the management of the SIB CD investment portfolio and that specific information regarding the investment portfolio was not readily available.

20. On the few occasions where we have discovered that financial advisors actually inquired about SIB's investments, however, they received extremely limited and generic information, making it impossible for them to evaluate the suitability of the CDs for their customers. They nonetheless continued to sell the SIB CDs to customers and were well paid to do so, in spite of what should have been a "red flag" about this investment scheme.

21. For example, in August 2007, financial advisor Doug McDaniel wrote to James Davis, Laura Pendergest-Holt, and Juan Rodriguez-Tolentino: "I have only done $3,000,000 of my clients' money (and my own) in the CD product. I have the potential to do much more, but to do that, I would need to become even more comfortable with the product." *See* KVT-16. McDaniel attached a list of questions, noting "some of them may sound like an investigative reporter but I'd like to get as comfortable as I can with the bank." At Davis's suggestion, McDaniel forwarded the questions to Rodriguez-Tolentino, the president of SIB, along with a request for a phone call on the topic. The attached questions included: "My understanding is that from 2000-2002, the Bank's portfolio returns were in the range [of 11% to 15%]. With S&P and EAFE negative for all of those years, and yet a tolerance of up to 50% equity for the bank, how

was the bank's portfolio invested"; "What financial instruments and strategies are in place to guard against significant losses in the portfolio, particularly on the equity side? Does each of the managers hedge their own portfolios against loss or do you employ a separate manager to hedge the total bank portfolio."; and "There are many people involved on the investment committee of the Bank. How does this committee ensure that appropriate hedging is in place? This would seem to require some sophisticated calculations outside the expertise of most investment committees." FTI has located no evidence that Tolentino ever answered McDaniel's very basic questions. By late 2008, McDaniel nonetheless had increased his client SIB CD portfolio to over $13 million. Between April 2006 and February 2009, he received $134,767 in SIB CD commissions, $84,359 in SIB quarterly bonuses, and $1,314,168 in loans.

22. In March 2008, financial advisor Robert Ulloa wrote to Jason Green with a list of similar concerns regarding SIB. *See* KVT-17. Ulloa inquired as to: "SIB's funding sources other than CDs?"; "Which banks provide liquidity funding to SGC?"; "Liquidity funding, how SGC does it?"; "SIB's Equity Investments, what percentage is private?"; "Have we reduced/increased our exposure to financials?"; "How leveraged is Stanford, is it 30 to 1 like most investment banks?" Although Laura Pendergest-Holt suggested addressing Ulloa's questions on an upcoming all-financial advisor call, noting "I am sure if he has these questions others will as well," FTI has located no record of what, if any, answers were provided to the group. By late 2008, Ulloa had increased his client SIB CD portfolio to over $165 million. Between 2005 and 2009 he received $3,585,168 in SIB CD commissions and $987,973 in SIB quarterly bonuses.

23. Also in March 2008, financial advisors Neal Clement, John Mark Holliday and Scot Thigpen discussed SIB and how to "have a good story to tell prospective clients . . . in these

difficult markets." *See* KVT-18. Thigpen noted that it was "difficult . . . to show [SIB is] able to provide positive returns even in light of horrible market conditions." Thigpen opined that "[a]ccredited investors are pretty savvy investors lots of times" and asked how one could show them the available SIB CD rates without showing them the underlying portfolio returns. Clement responded: "If I have a client that has to see the [SIB] portfolio, the SIB is not for them!!!!!" By 2008, Clement's client SIB CD portfolio exceeded $20 million and Holliday's exceeded $3 million. Between April 2006 and February 2009, Clement received $270,347 in SIB CD commissions, $163,882 in SIB quarterly bonuses, and $639,506 in forgivable loans; and Holliday received $33,358 in SIB CD commissions and $597,503 in forgivable loans.

24. Thus, the SGC financial advisors had insufficient information upon which to make recommendations to clients regarding the suitability of SIB CDs. The NASD reached the same conclusion as part of a 2006 inquiry into the SIB CD program and SGC's sales practices. Specifically, the NASD concluded that SGC had violated NASD rules through "unwarranted and misleading" assertions that SIB's portfolio investments were "prudent"—at a time when SGC admitted that "no one at SGC knows what the investments are." *See* KVT-15. This is fully consistent with, and indeed not surprising, given the SEC's similar findings going back to 1997.

SIB'S USE AND IMPROPER
COMPENSATION OF A SMALL ANTIGUAN AUDITING FIRM

25. The complaints received by the SEC about SIB's use of a small Antiguan auditing firm, referenced above in ¶ 10, and the SEC's investigation of those issues, are consistent with and support my conclusions contained in the 7/27/2009 Declaration, 5/24/2010 Declaration, the 6/1/2011 Declaration and my opinions stated herein.

26. When customers or financial advisors have concerns or questions about an investment product, one obvious way for them to investigate the product is to determine who the

auditor is and contact them directly and to review audit reports. Most multi-billion dollar investment funds go through rigorous audits by large and well-known audit firms and in fact switch auditors every few years to avoid even the appearance of impropriety. This was not the case with SIB. As reported in SIB's annual statements, and complained about by customers to the SEC as far back as 2002, SIB's auditing firm from the beginning was C.A.S. Hewlett & Co., Ltd., a very small local firm in Antigua. The Hewlett firm lacked the apparent resources, credentials, reputation, and staff to audit a multi-billion dollar investment portfolio. SIB used this firm even though at least 2 of the Big 4 audit firms and several other international firms had a presence on the island and all of the Big 4 had locations in the Caribbean.

27. My team and I have been able to verify, through tracing, that SIB's external auditor, C.A.S. Hewlett, was paid, for professional services, $222,000 ($18,500 per month) in 2007 and $274,000 ($18,500 per month through April and $25,000 per month thereafter) in 2008, all from a Stanford Financial Group Limited account at Trustmark Bank in Houston, Texas. FTI's schedules of payments made to C.A.S. Hewlett in 2007 and 2008 from the Trustmark account are attached as KVT-19. The Stanford accounting department allocated these amounts, for internal accounting purposes, among nine different Stanford Entities, including SIB, as evidenced by the allocation spreadsheets attached hereto (with the emails to which they were attached) as KVT-20.

28. We have also discovered that additional payments were made to C.A.S. Hewlett from a Stanford Financial Group, Ltd. ("SFGL") account at a Swiss bank named SG Private Banking (Suisse) S.A. ("SocGen Account"). In his plea agreement, James Davis described the SocGen Account as a "secret" account and stated that it was also used to pay bribes to Antiguan regulators. KVT-24, p. 15.

29. On February 26, 2003, James Davis requested by letter that SocGen increase the monthly payment amount from the secret account to C.A.S. Hewlett from £10,000 sterling to £15,000 sterling effective March 1, 2003. KVT 22. On May 19, 2008, Davis requested by email that SocGen increase the monthly payments to C.A.S. Hewlett again from £15,000 (sterling) to £20,000 effective 15 June 2008. KVT-21. In addition to these monthly payments, however, the SocGen records filed by the DOJ show multiple additional payments from the secret SocGen Account to Hewlett, totaling hundreds of thousands of dollars:

- March 18, 2002 - £80,000 sterling
- September 7, 2005 - £6,000 sterling
- November 3, 2005 - $125,000
- December 5, 2005 - $125,000
- February 10, 2006 - $100,000
- May 2, 2007 - £16,000 sterling
- September 2, 2008 - £60,000 sterling
- September 8, 2008 - £60,000 sterling

These payments were over and above payments for C.A.S. Hewlett's audit services from SFGL's Trustmark account, and FTI has located no allocation records for these payments.

30. The additional payments noted in paragraph 29 are important in considering the efficacy and legitimacy of the audits of SIB by C.A.S. Hewlett as both International Auditing Standards and FRSC regulations require that audits be "independent." Based on our investigation, C.A.S. Hewlett appears not to have audited the vast majority of SIB's reported investments, even though they comprised 90% or more of SIB's assets. Based on that fact, coupled with the large payments to C.A.S. Hewlett apparently unconnected with its audit fees, it appears that C.A.S. Hewlett's independence as an auditor of SIB was severely compromised.

SIB's Financial Statements Were "Reverse-Engineered" From At Least 1999 Forward

31. Davis states in his plea agreement that as far back as at least 1999 assets were inflated to offset CD obligations and that revenue was "reverse-engineered" to arrive at desired levels. KVT-24, pp. 12-15. My findings are consistent with those admissions.

32. We found within SIB's accounting records individual worksheets used to derive fictitious SIB revenue for each year from 2004 through 2008. Within these same worksheets we also found the fictitious SIB revenue derived for the years 1999 through 2003. The Ponzi scheme conspirators would simply determine what level of fictitious revenue and assets and resulting equity SIB needed to report financial performance and capital ratios that were both acceptable to regulators and attractive to investors and purported to cover its CD obligations and other expenses. They would then back into that total amount by assigning equally fictitious revenue amounts to each category (equity, fixed income, precious metals, alternative, etc.) of a fictitious investment allocation.

33. Based on our review and analysis of the worksheets used to derive the fictitious revenue amounts associated with those files, after comparing the figures in the spreadsheets to revenue figures reported on SIB's trial balance and financial statements, and after considering the statements made by James Davis, I have concluded that such worksheets were used to generate, or "reverse-engineer," false revenue figures back to at least 1999.

SIB Was Insolvent From At Least 1999 Forward

34. At the inception of the U.S. Receivership on February 16, 2009, SIB's total obligation to CD holders was approximately $7.2 billion (U.S.), versus reported investments valued at $8.3 billion as of December 31, 2008. Based on my analysis, the market value of all assets for all Stanford Entities (including SIB) combined total less than $1 billion. At the time

SIB was placed into receivership, SIB was insolvent (*i.e.*, its liabilities exceeded the fair value of its assets) by more than $6 billion.

35. Through further analysis of SIB's financial records, FTI has determined that SIB was insolvent by at least 1999 forward. In particular, SIB did not have sufficient assets to cover its CD obligations; new investor money was required and was used to pay old investors from at least 1999 forward because there were insufficient assets to cover the CD redemption and interest liabilities. SIB's reported assets consisted overwhelmingly of "financial assets" and cash. The published balance sheets represented that "financial assets" were reported at "fair value." Of course, cash, by definition, is stated at fair value (assuming correct reporting). We know, however, from our investigation and review of internal SIB records that the fair value of the SIB financial assets was much smaller than reported.

36. Each year, from 1999 forward, SIB's reported asset totals included, without disclosure to the public, outstanding "loans" or "notes receivable" from Allen Stanford. SIB's financial records show that Allen Stanford's outstanding "loan" balances for the years 1999 through 2008 were at least as follows:

- December 31, 1999 - $52 million
- December 31, 2000 - $59.5 million
- December 31, 2001 - $112 million
- December 31, 2002 - $168 million
- December 31, 2003 - $335 million
- December 31, 2004 - $539 million
- December 31, 2005 - $630 million
- December 31, 2006 - $1.25 billion
- December 31, 2007 - $1.45 billion

- December 31, 2008 - $1.79 billion

37. The "loans" noted above have been deducted from the assets totals contained in SIB's published financial statements to determine SIB's solvency because they are not valid financial assets of SIB. We have located and reviewed evidence that these purported loans were merely bookkeeping entries used: (1) to cover up that SIB was sending funds to other Stanford Entities and for the benefit of Allen Stanford; (2) to cover up improper accounting practices; and (3) to obtain favorable tax results for Allen Stanford. The evidence shows that the purported loans were not created contemporaneously with actual transfers of funds, but were simply drafted after the fact as a means to attain desired accounting effects on the Stanford Entities' books, provide improper tax advantages to Mr. Stanford, and inappropriately increase SIB's equity through an improper accounting entry. For example, in at least one instance, both the outstanding "loan" balance (recorded as an asset) and equity were increased by an equal amount without any actual cash or other assets changing hands. The increase in the so-called loan balance over the years was composed of rollovers of fictitious accrued interest and additional funds directed to various Stanford Entities and for the benefit of Mr. Stanford. This pattern of creating fake "loans" and falsifying assets and revenues goes back at least as far as November 1998, as the evidence establishes that the purported loan balance in that year was only $18.4 million and shows that the components of the increase in the so-called loan value for 1999, 2000, and 2001 consisted primarily of interest rollovers, Mr. Stanford's purported assumption of debt between Stanford entities and SIB, and SIB funds used to capitalize Stanford Entities. These "loans" were not actual, arms-length loans at all. They were another tool used by the Stanford Entities to cover up the real use of CD funds and inappropriately report the fake financial condition of SIB and other Stanford Entities.

38. Even if the purported loans were considered to be true financial assets, we have concluded that Allan Stanford was either unable to pay the purported loans back or never intended to do so. As of the date of the Receivership, Mr Stanford was unable to repay the $1.8 billion "loan," and he has stated numerous times that he lacked even sufficient assets to pay for his defense. As noted below, the aggregate amount of non-Stanford income that Mr. Stanford claimed on his tax returns from 1999 through 2007 did not accumulate enough to allow him to buy a house, let alone pay back the SIB "loans" ranging from $52 million to $1.8 billion. These purported notes were not disclosed to investors or even outside Allen Stanford's inner circle, and they were not separately noted in his tax returns as they should have been, which is discussed further below. The so-called notes were always short term (due within one year), though never repaid, and they were unsecured by any other assets held by Mr. Stanford. The manner in which these "loans" were recorded in the financial statements was not indicative of an appropriate arms-length transaction with a shareholder; instead, they were simply bookkeeping entries used to cover up SIB's transfer of CD funds to other Stanford Entities and for the benefit of Allen Stanford, to obtain favorable tax results for Allen Stanford, and to cover up improper accounting practices. These purported loans to Mr. Stanford, which were classified by SIB as "financial assets at fair value," were inconsistent with the types of investments disclosed by SIB to investors. Therefore, even if these so-called loans were considered to be appropriate financial assets (which they are not), they were uncollectible and have been deducted from the asset totals in SIB's financial statements in determining its solvency.

39. When the above "loan" balances are deducted from the asset totals contained in SIB's published financial statements, I conclude that, from at least 1999 forward, SIB's reported liabilities exceeded the fair value of its assets and SIB was therefore insolvent. The following

table shows, for the years 1999 through 2008, the fair market value of SIB's assets (as reported by SIB), excluding the "loans" to Allen Stanford, compared to the total reported liabilities of SIB.

Date	Adjusted Assets	Total Liabilities	Surplus/(Deficit)
12/31/1999	623,893,966	628,067,020	(4,173,054)
12/31/2000	771,203,204	777,863,293	(6,660,089)
12/31/2001	1,085,830,292	1,122,829,384	(36,999,092)
12/31/2002	1,545,755,342	1,613,048,535	(67,293,193)
12/31/2003	1,890,506,026	2,090,477,407	(199,971,381)
12/31/2004	2,547,247,277	2,839,878,864	(292,631,587)
12/31/2005	3,428,961,957	3,776,659,957	(347,698,000)
12/31/2006	4,082,245,061	5,025,014,250	(942,769,189)
12/31/2007	5,603,317,128	6,702,960,952	(1,099,643,824)
12/31/2008	5,966,542,565	7,435,718,727	(1,469,176,162)

40. When the above-referenced "loan" balances are deducted from SIB's asset totals from 2000 forward, SIB's CD liabilities alone exceeded the fair market value of its assets. The following table shows, for the years 2000 through 2008, the fair market value of SIB's assets (as reported by SIB), excluding the "loans" to Allen Stanford, compared to the CD liabilities of SIB.

Date	Adjusted Assets	CD Deposits	Surplus/(Deficit)
12/31/2000	771,203,204	772,261,025	(1,057,821)
12/31/2001	1,085,830,292	1,116,454,586	(30,624,294)
12/31/2002	1,545,755,342	1,606,062,398	(60,307,056)
12/31/2003	1,890,506,026	2,083,397,998	(192,891,972)

12/31/2004	2,547,247,277	2,827,941,493	(280,694,216)
12/31/2005	3,428,961,957	3,763,011,041	(334,049,084)
12/31/2006	4,082,245,061	5,010,083,767	(927,838,706)
12/31/2007	5,603,317,128	6,689,964,304	(1,086,647,176)
12/31/2008	5,966,542,565	7,431,630,364	(1,465,087,799)

FROM AT LEAST 1999 FORWARD, ALLEN STANFORD'S REPORTED INCOME WAS BASED ALMOST EXCLUSIVELY ON FUNDS FROM THE STANFORD ENTITIES

41. Based on a review of records relating to the Stanford Entities and tax returns obtained from the IRS for Allen Stanford for the years 1999 through 2007, Allen Stanford received very little income from any source other than the Stanford Entities. In three out of nine years covered by the tax returns, his non-Stanford income was less than $50,000. For two additional years, it was under $100,000. Even for years when he received over $100,000 in non-Stanford income, that income exceeded 2% of his total income only one time -- in 2005, when his non-Stanford income was 5.02% of his total income.[4] The following table shows Allen Stanford's income for the years 1999 through 2007, broken down between income that came from the Stanford Entities and income that came from some other external source.

	Reported Income			**Percent of Reported Income**	
Year	**Stanford**	**Non-Stanford**	**Total**	**Stanford %**	**Non-Stanford %**
1999	5,364,783	69,926	5,434,709	98.71%	1.29%
2000	7,390,052	21,672	7,411,724	99.71%	0.29%
2001	15,828,358	136,774	15,965,132	99.14%	0.86%

[4] The bulk of the non-Stanford income for 2005 was a capital gain in the amount of $2,600,620. Although we have classified this amount as non-Stanford income, we actually do not have any information showing the source of that capital gain. Thus, the capital gain may well be traceable to a source associated with the Stanford Entities.

2002	27,691,286	27,257	27,718,543	99.90%	0.10%
2003	36,770,949	41,093	36,812,041	99.89%	0.11%
2004	298,180,436	85,052	298,265,488	99.97%	0.03%
2005	50,291,392	2,656,808	52,948,200	94.98%	5.02%
2006	43,302,997	457,342	43,760,339	98.95%	1.05%
2007	81,053,128	15,231	81,068,359	99.98%	0.02%
Grand Total	**565,873,381**	**3,511,155**	**569,384,535**	99.38%	0.62%

42. The reported income from Stanford Entities and non-Stanford sources in the above paragraph do not show all of the Stanford funds provided to Allen Stanford. In particular, Schedule F of IRS Form 5471, which was filed by Mr. Stanford for each year from 1999 through 2007, requires that the filer record information regarding loans to stockholders and other related persons. Mr. Stanford, however, failed to record any of his purported SIB loans on this line item. In fact, from 1999 through 2007, Mr. Stanford never had enough reported income to repay the SIB "loans" that he had received. For example, in 2003 the amount due on the so-called loan from SIB to Mr. Stanford was approximately $335 million, while the cumulative reported income from all years 1999 through 2003 was only approximately $93 million — a full $242 million less than the amount due on his SIB "loan."

43. Moreover, Mr. Stanford diverted millions of dollars to his personal bank accounts from SFGL's SocGen Account, which account James Davis said, in his plea agreement, was both "secret" and funded by CD investor funds. KVT-24, p. 15. Based on the SocGen records filed by the DOJ, Mr. Stanford transferred over $78 million from the SocGen Account to his personal accounts between 2000 and 2006, specifically:

- 2000 - $8.9 million
- 2001 - $500,000
- 2002 - $5 million
- 2003 - $39.5 million
- 2004 - $18 million
- 2006 - $6.5 million

44. If you exclude any reported income known to be from the Stanford Entities, Mr. Stanford received only $3,511,155 from other sources between 1999 and 2007. In fact, between 1999 and 2004, his non-Stanford income totaled only $381,774. Although I do not have access to records concerning all personal expenses incurred by Allen Stanford during this time period, we learned that he purchased a yacht known as the Sea Eagle in November 2002 for $3.9 million, an amount that exceeds the total non-Stanford reported income Mr. Stanford received between 1999 and 2007. *See* KVT-27. Mr. Stanford's non-Stanford reported income does not even begin to cover the costs of the yacht. In addition, over $18 million was spent to refurbish the Sea Eagle between June 2003 and February 2005. *See* KVT-38.

45. Although I do not have access to every record of Mr. Stanford's personal expenses incurred during this time period, our investigation has revealed that the vast majority of expenses that Mr. Stanford incurred, even for items or property used only for personal purposes, was actually paid by one or more of the Stanford Entities. Just by way of example, Stanford Development Corporation purchased a home for Mr. Stanford and his wife in 1999 for a price of at least $2.15 million, which far exceeds his non-Stanford reported income not only for 1999 but for the entire period of 1999 through 2004. *See* KVT-28.

"LOANS" FROM SIB AND TRANSFERS FROM THE SOCGEN ACCOUNT TO ALLEN STANFORD WERE FRAUDULENT

46. As discussed in detail above, Allen Stanford received over $78 million from SFGL's SocGen Account and approximately $1.8 billion in purported loans from SIB. I have reviewed section 24.005 of the Texas Uniform Fraudulent Transfer Act. *See* TEX. BUS. & COMM. CODE ANN. § 24.005. In particular, subsection (b) to section 24.005 provides a non-exhaustive list of eleven "badges of fraud" that may be used to determine whether a transfer was made with actual intent to hinder, delay, or defraud creditors. I have determined that most of these badges of fraud are present in the transfers of "loans" and SocGen funds to Allen Stanford, as follows:

- The transfers of such funds were to an insider — namely Allen Stanford, owner of all Stanford Entities.
- Allen Stanford, who is a debtor himself, retained possession and control of the funds after the transfers and absconded with such funds.
- SIB, SFGL, and Allen Stanford removed the assets transferred to Allen Stanford, and they and other accomplices concealed the transfers of such assets.
- SIB and SFGL did not receive consideration that was reasonably equivalent to the value of the funds transferred to Allen Stanford; in particular, Allen Stanford's "promissory notes" were of no real value to SIB.
- SIB was insolvent when the transfers were made to Allen Stanford.
- SIB's transfer of funds to Allen Stanford occurred on or around the time that Allen Stanford incurred a substantial debt to repay SIB pursuant to the "loans" or "notes receivable."

SFGC'S INCOME CAME ALMOST EXCLUSIVELY FROM THE STANFORD ENTITIES, WITHOUT WHICH IT WAS INSOLVENT

47. Likewise, without funds from other Stanford Entities, SFGC was insolvent from at least 2000 forward. SFGC was created for the purpose of providing services to SGC, SIB and other Stanford Entities. During the course of our entire investigation since February 2009, we

have located no evidence which even suggests SFGC received any significant funds from sources other than the Stanford Entities. In the periods we have analyzed, the percentage of revenue SFGC received from other Stanford Entities exceeded 94% of its total revenue in all but one year. In 2004, the percentage was 82%; however, 17% of the remaining revenue was interest recorded on loans to the Government of Antigua. These loans remain outstanding to date, and there is no indication that they were ever intended to be repaid. I have stated in my prior declarations that the Stanford Entities were funded primarily by the proceeds from the sale of SIB CDs. *See* KVT-26. Accordingly, without the funds supplied by the Stanford Entities, SFGC was insolvent from at least 2000 through February 16, 2009.

Executed this 2nd day of June, 2011.

Karyl Van Tassel