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## TO THE CREDITORS AND THE REGISTERED SHAREHOLDERS

8 May 2012

Dear Sir or Madam

### **FAIRFIELD SENTRY LIMITED – IN LIQUIDATION (“Sentry”)**

The Liquidator writes to update you on matters surrounding sale of Sentry’s allowed \$230 million SIPA customer claim (the “SIPA Claim”) in the liquidation proceedings of Bernard L. Madoff Investment Securities LLC (“BLMIS”) to Farnum Place LLC (“Farnum”). The Liquidator is seeking your input on whether you want the U.S. Bankruptcy Court to approve or disapprove the sale of the SIPA claim to Farnum.

In simple terms, what is currently at issue is whether the Liquidator will be required to sell Sentry’s allowed \$230 million SIPA customer claim in the liquidation proceedings of BLMIS to Farnum, for consideration of 32.125% of the amount of the claim (being approximately \$74 million).

**If the Liquidator is required by the U.S. Bankruptcy Court to consummate the transaction, Sentry’s estate would lose at least \$50 million to \$60 million in value that would otherwise be available for the benefit of Sentry’s stakeholders.**

The Liquidator is therefore recommending that the U.S. Bankruptcy Court *disapprove* this transaction because it is not presently in the best interests of Sentry’s estate and its creditors and registered shareholders. The Liquidator has formed this view on the following bases:

- The Madoff Trustee has stated in his most recent interim report that (he) “has successfully recovered, or reached agreements to recover, more than \$9 billion – over 50% of the principal lost in the Ponzi scheme by those who filed claims – for the benefit of all customers of BLMIS.”
- The Liquidator understands that BLMIS customer claims are currently trading in the market at a price around or greater than 60% of the claim amount.

By way of further background, on 18 April 2012 the Liquidator of Sentry, through his U.S. counsel (Brown Rudnick LLP), filed an application with the U.S. Bankruptcy Court for the Southern District of New York (the “U.S. Bankruptcy Court”), for consideration of approval or disapproval of a contemplated claim assignment transaction between Sentry, as Seller, and Farnum as Buyer, referred to by a document entitled “Trade Confirmation” dated 13 December 2010 (the “Application”). The filing of the Application was directed by and was made in accordance with a 27 March 2012 judgment of the High Court of Justice, Commercial Division, of the British Virgin Islands, the court supervising Sentry’s liquidation proceedings. A copy of the Application and the supporting declarations and memorandum of law are enclosed. Those documents are also available on the website maintained by the Liquidator: [www.fairfieldsentry.com](http://www.fairfieldsentry.com).

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**The Liquidator is of the considered view that written submissions by the creditors and the Registered Shareholders on the Application would be of benefit to the U.S. Bankruptcy Court in considering the Liquidator's Application.** Sentry's creditors and Registered Shareholders have a direct economic stake in the matter, and therefore have standing to be heard on the Application. The Liquidator takes the position in the Application that, under applicable U.S. bankruptcy law, the U.S. Bankruptcy Court should take the views of Sentry's creditors and Registered Shareholders into account in rendering a decision on the Application.

Any written submissions in connection with the Application must be filed with the U.S. Bankruptcy Court by the response deadline of 15 June 2012 at 4:00 p.m. (New York City time). Written submissions may either be filed electronically through the Court's electronic case filing system or transmitted in hard copy to the Clerk of the Court, One Bowling Green, New York, NY 10004, and in each instance, with a hard copy delivered directly to the Court's chambers and served on the Liquidator's U.S. counsel, Brown Rudnick LLP, 7 Times Square, New York, New York 10036 (Attention: David J. Molton). Written responses should make reference to Case No. 10-13164 to ensure proper filing. More specific instructions for filing a response are set forth in the Notice of Hearing that is enclosed herewith.

In addition, a public hearing on the Application will held before the U.S. Bankruptcy Court for the Southern District of New York on 15 August 2012 at 10:00 a.m. (New York City time). Interested parties, including the Sentry's creditors and Registered Shareholders, have a right to appear at the hearing (in person and possibly by telephone, if permitted by the U.S. Bankruptcy Court) and present their views on the Application to the Court. The address of the U.S. Bankruptcy Court is Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004, in the courtroom of The Honorable Burton R. Liffand, United States Bankruptcy Judge.

Should you have any queries regarding the content of this letter please do not hesitate to contact Charlotte Caulfield ([Charlotte.Caulfield@KRYS-Global.com](mailto:Charlotte.Caulfield@KRYS-Global.com)) or +1 284 852 1751. General queries relating to Sentry's liquidation should continue to be directed to [FairfieldSentry@KRYS-Global.com](mailto:FairfieldSentry@KRYS-Global.com).

Yours faithfully  
For and on behalf of  
FAIRFIELD SENTRY LIMITED

  
Kenneth Kryz  
Liquidator

Enc: