

Fairfield Sentry Limited (“Sentry”)
Fairfield Sigma Limited (“Sigma”)
Fairfield Lambda Limited (“Lambda”)
(All In Liquidation)

First Interim Consolidated Report of the Liquidators

16 September 2009

TABLE OF CONTENTS

	<u>PAGE</u>
1. Introduction	3
2. Background	7
3. Statutory Duties since appointment	14
4. Case specific matters	19
5. Financial Position	27
6. Conclusion	30
Appendix A Fairfield Sentry Limited: Committee Guidance Notes	
Appendix B Fairfield Sentry Limited: Committee Membership Schedule	

1. Introduction

1.1. Basis of Appointment

1.1.1 On 23 April 2009, Mr. Christopher Stride, Managing Director of Krys & Associates (BVI) Limited was appointed as Liquidator of Fairfield Lambda Limited (“Lambda”) pursuant to the provisions of the Insolvency Act 2003, of the British Virgin Islands (“the Act”).

1.1.2 On 21 July 2009, Mr. Christopher Stride and Mr. Kenneth Krys, Managing Director of Krys & Associates Cayman Limited were jointly appointed as Liquidators of Fairfield Sentry Limited (“Sentry”) and Fairfield Sigma Limited (“Sigma”) pursuant to the provisions of the Act. Save where otherwise appears, references in this report to “the Companies” are to Sentry, Sigma and Lambda collectively and references to “the Liquidators” are to both Mr. Stride and/or Mr. Krys in their sole or joint capacities of the Companies.

1.1.3 Each of these three Companies were placed into liquidation in separate proceedings: Claim No. 2009/0074 in the case of Lambda, Claim No. 2009/0136 in the case of Sentry and Claim No.2009/0139 in the case of Sigma. However, given the similarities between the Companies and their collective history, the Liquidators have determined that a single consolidated Report is appropriate given the combined history of the Companies. In the event that circumstances relate to one entity or the other, this is specifically noted. No issue has so far arisen that requires the Liquidators to reach any decision that contemplates a separate strategy in relation to one company which is inconsistent with any of the interests of the other Companies. At this stage there has been no consideration of the question as to whether any pooling of the assets or liabilities of the Companies is appropriate or desirable.

1.2. Duty to Report

1.2.1 In relation to Sentry and Sigma, this report has been prepared by the of Sentry and Sigma in accordance with Section 226 of the Act which requires that the Liquidators report back to the Court within a period of 60 days from their appointment. . In relation to Lambda this report is made by Mr. Stride (as its liquidator) in accordance with the Court Order dated 23 April 2009 which requires that he report back to the Court within 6 months of his appointment.

1.3. Restrictions and Qualifications of the Report

1.3.1 The purpose of the Report is to provide an update to the Court, creditors and investors on the work performed by the Liquidators since their appointment and the details of their findings to date.

1.3.2 Of necessity, in performing the work, the Liquidators have had to make preliminary assumptions as to the integrity and completeness of the information and documents supplied. Where possible, the Liquidators and their staff have sought to corroborate information and documentation relied upon for the preparation of the report. They have not independently verified all of the information and documentation upon which they have relied in preparing this report. In addition, the Liquidators have not performed an audit or review in accordance with International Audit Standards, and as a consequence, no assurance is expressed in this regard.

1.3.3 The Liquidators report solely on the information available to them at the time of this report and they will update to the Court as appropriate or as directed by the Court.

1.4 Source of Financial Data and Information

1.4.1 The Companies did not have physical premises or staff in the British Virgin Islands or elsewhere. The Liquidators and their staff have therefore had to principally rely upon information and documentation obtained from the following sources in the preparation of this report:

- BVI Financial Services Commission, Registry of Corporate Affairs
- The Companies' Registered Agent, Codan Trustees (B.V.I.) Limited;
- The Companies' former investment manager, Fairfield Greenwich (Bermuda) Limited;
- The Companies' former administrator, Citco Fund Services (Europe) B.V.;
- The Companies' former Custodian, Citco Bank Nederland B.V.;
- The Companies former Depository, Citco Global Custody N.V.;
- The Companies' former attorneys, in particular Conyers Dill & Pearman in the BVI and Mr Andrew Goldstein and Seward & Kissel LLP in the USA; and
- The Companies' directors Jan Naess and Peter Schmid.

1.4.2 With respect to the above, the Liquidators have only had limited access to documents from certain parties, in particular the Companies' former investment manager, administrator, custodian, depository and attorneys. Therefore, the documents and information collected from these parties is extremely sparse and few in number.

1.4.3 All references to \$ in this report are to United States dollars, unless otherwise specified.

1.5 Scope of Work Performed

1.5.1 The duties and responsibilities of the Liquidator(s) are set out in the Order dated 23 April 2009 (Lambda) and the Order dated 21 July 2009 (Sentry and Sigma).

1.5.2 In order to comply with their duties and obligations, the Liquidators have been assisted by personnel of Krys & Associates, whose work has been performed under the direction of the Liquidators.

2. Background

2.1 Statutory Information

2.1.1 Lambda was incorporated on 7 December 1990, Sentry was incorporated on 30 October 1990 and Sigma was incorporated on 20 November 1990.

2.1.2 The current directors of the Companies appear to be Walter Noel Junior (“WNJ”) (a US national), Peter Schmidt (“PS”) (a Swiss national) and Jan Naess (“JN”) (a Norwegian national).

2.1.3 The first director of Sentry was Tortola Corporation Company Limited (“TCCL”) who ceased to act on 1 April 1994 (it is unclear when TCCL was appointed upon the incorporation of Sentry or subsequently). WNJ appears to have been appointed as a director of Sentry on 30 June 1993. However, WNJ has signed off Board Minutes on 16 June 1992. These board minutes were also signed off by Ed Berman and Jeffrey H. Tucker, although there is no information contained in previous board minutes to indicate their appointments as directors. Subsequently, in board minutes dated 30 June 1993, Messrs. Kolber, Tucker, Berman and WNJ are detailed as being appointed. Further, board minutes dated 30 March 1994, indicate that PS, JN and WNJ were appointed as directors. There are no further references apparently contained in the board minutes which indicate when or if, Messrs. Kolber, Tucker and Berman resigned as directors, but all board minutes from 30 March 1994 onwards are only signed off by JN, PS and WNJ.

- 2.1.4 The first director of Sigma was TCCL who were appointed on 20 November 1990. On the same day, board minutes indicate that Messrs. Kolber, Tucker and WNJ were appointed as President, Secretary/Treasurer and Vice-President respectively. It is unclear whether these positions were directorial. There are no subsequent references in the board minutes to their resignations. Board minutes of Sigma dated 16 July 1997 indicate that PS, JN and WNJ were appointed as directors.
- 2.1.5 The first director of Lambda was Andrew Goldstein (appointed 7 December 1990 and resigned 10 December 1991). WNJ was appointed as a director of Lambda on 9 December 1991. PS was appointed as a director of Lambda on 7 April 2005. JN was appointed as a director of Lambda on 7 April 2005. The Board Minutes of Lambda also indicate that on 9 December 1991 Ed Berman, Jeffrey H. Tucker and Fred Kolber were also appointed as Directors. However, Board Minutes dated 7 April 2005 suggest that certain Lambda records were missing for the period 22 November 1993 to 18 July 1997 and that there is no evidence of the resignation of Messrs. Berman, Tucker and Kolber nor the appointment of PS and JN as directors.
- 2.1.6 Sentry carried on business as an investment fund, largely operating as a “feeder fund” into Bernard L. Madoff Investments Securities LLC (“BMIS”). In turn, Sigma and Lambda were feeder funds into Sentry. Sentry’s shares are issued in US dollars, Sigma’s in Euros and Lambda’s in Swiss Francs.

2.1.7 Sentry, as at the date of liquidation has issued 4,692,549.74 shares with a nominal value of \$0.01 per share, held by 725 Registered Shareholders. Sigma, as at the date of liquidation has issued 3,198,820.94 shares with a nominal value of Euro 0.01 per share, held by 228 Registered Shareholders. Lambda, as at the date of the liquidation has issued 202,904.72 shares with a nominal value of 0.01 CHF (Swiss Francs), held by 24 Registered Shareholders.

2.1.8 Sentry was the largest feeder fund into BMIS with approximately \$7.2 billion invested as at the end of October 2008. Sigma held approximately EUR 723 million of investments in Sentry at the end of October 2008. Lambda held approximately 39 million CHF of investments in Sentry at the end of October 2008.

2.2 Registered offices, service providers and advisors

2.2.1 The Registered Offices for the Companies were care of the address of the Companies' Registered Agent Codan Trustees (B.V.I.) Ltd, PO Box 3140, Romasco Place, Wickhams Cay 1, Road Town, Tortola, BVI.

2.2.2 The Auditors for the years ending 31 December 2005, 2006 & 2007 for all three Companies were PricewaterhouseCoopers LLP, 77 King Street West, RT Tower, Toronto, M4K 1G8 Canada. For previous years, the Companies' auditors were PricewaterhouseCoopers Accountants N.V., P O Box 8800, 3009 AV Rotterdam, The Netherlands. The Companies do not appear to have instructed their auditors to prepare Financial Statements for the year ending 31 December 2008.

2.2.3 The Administrator, Registrar and Transfer Agent for all three Companies was Citco Fund Services (Europe) B.V., Telestone 8 – Teleport, Naritaweg 165, 1043 BW Amsterdam,

- The Netherlands, in accordance with Administration Agreements entered into by Sentry and Sigma on 20 February 2003 and an Administration Agreement entered into on 16 July 2003 by Lambda.
- 2.2.4 Sentry's Custodian was Citco Bank Nederland B.V. (Dublin Branch), No 6 Custom Plaza (Level 3), Harbourmaster Place, Dublin, Co Dublin 1, Ireland. Sentry's Depository was Citco Global Custody N.V., Telestone 8 – Teleport, Naritaweg 165, 1043 BW Amsterdam, The Netherlands. Sentry had entered into a Custodian and Brokerage Agreement on 17 July 2003. This was superseded by a Custodian and Depository Agreement with its Custodian and Depository on 3 July 2006.
- 2.2.5 The Liquidators have been advised, but have not seen any documents to support, that the Custodian of Sentry entered into sub-custodian arrangements with BMIS to hold up to 95% of Sentry's securities.
- 2.2.6 Sigma's Custodian was also Citco Global Custody N.V. (as per address above). Sigma's Bank and Broker was Citco Bank Nederland B.V. (Dublin branch) (as per address above). Sigma entered into a Brokerage and Custodian Agreement with its Custodian, Bank and Broker on 12 August 2003 and also entered into a Facility Agreement (\$8.5 million) with its Bank on 31 March 2003.
- 2.2.7 Lambda's Custodian was also Citco Global Custody N.V. (as per address above). Lambda's Broker was Citco Bank Nederland B.V. (Dublin branch) (as per address above). Lambda entered into a Brokerage and Custodian Agreement with its Custodian and Broker on 25 October 2002.

- 2.2.8 In addition, Lambda, also entered into a Global Master Repurchase Agreement with Dresdner Bank AG, 20 Fenchurch Street, London, EC3P 3DB, UK on 27 June 2006. This Agreement was secured by way of an additional Pledge Agreement dated 27 June 2006 between Lambda, Dresdner Bank AG, Citco Global Custody N.V. and Citco Bank Nederland providing Dresdner Bank AG with a first ranking right over certain of Lambda's receivables and other rights and claims. The Pledge Agreement superseded a similar previous agreement between the same parties dated 20 February 2003.
- 2.2.9 The Investment Manager for the Companies was Fairfield Greenwich (Bermuda) Limited ("FGB"), 14 Par La Ville Road, 3rd Floor, Hamilton Bermuda in accordance with Investment Management Agreements entered into by the Companies on 1 October 2004 (superseding previous Agreements dated 1 July 2003). FGB is a wholly owned subsidiary of Fairfield Greenwich Limited (a Cayman incorporated company) which is itself an affiliated entity of Fairfield Greenwich Group. Prior to the Investment Management Agreements dated 1 October 2004, the Investment Manager for the Companies was Fairfield Greenwich Limited although the Liquidators do not have in their possession copies of the historic Investment Management Agreements.
- 2.2.10 The Companies' BVI Attorney and principal legal advisor was Conyers, Dill & Pearman, PO Box 3140, Romasco Place, Wickhams Cay 1, Road Town, Tortola, BVI.
- 2.2.11 The Companies' US Attorney (until November 2008) was Mr. Andrew Goldstein, previously a sole practitioner of 488 Madison Avenue, 16th Floor, New York, NY 10022, USA and latterly of DLA Piper, 1251 Avenue of the Americas, New York, NY 10020-1104,

USA. The Companies' US Attorney of late was Seward & Kissel LLP, One Battery Park Plaza, New York, NY 10004, USA.

2.2.12 Sentry's shares were listed on the Irish Stock Exchange. Sentry made an announcement to the Irish Stock exchange on 18 December 2008 that it was suspending the calculation of its Net Asset Value. Subsequently, on 28 May 2009 the Irish Stock Exchange officially de-listed the Company.

2.2.13 All three Companies were registered as professional funds under Section 20 (1) of the Mutual Funds Act, 1996 (as amended), British Virgin Islands. The Liquidators are unaware of whether the Companies had any regulatory breaches at the time of its operations or as at the appointment of the Liquidators.

2.3 Events leading up to Winding Up of Companies

2.3.12 As it well known, the principal of BMIS, Bernard Madoff was arrested on 11 December 2008 and subsequently confessed that BMIS was in fact operated as a multi-billion dollar "ponzi" scheme since its creation. Mr Madoff pleaded guilty in the US criminal court to a number of fraud-related criminal offences and other charges for which he was sentenced to 150 years in prison on 29 June 2009.

2.3.13 BMIS was contracted to provide sub-custodial services to Sentry.

2.3.14 As a result of the US Securities Exchange Commission investigation into BMIS and the arrest of Bernard Madoff, on 18 December 2008, Sentry, Sigma and Lambda suspended the calculation of their Net Asset Value and all subscriptions for and redemptions of shares.

2.3.15 During the period between 11 December 2008 and the dates of the Liquidators' appointment, the Companies were managed by certain of the Directors with the assistance of their legal counsel in the BVI, USA, Canada and The Netherlands.

2.3 Liquidation of Lambda

2.3.1 Lambda entered into a mortgage agreement with Kleinwort Dresdner Bank ("Kleinwort") on 27 June 2006. Following the events described above, Kleinwort issued a default notice to Lambda for the immediate repayment of its indebtedness. The debt remained unsatisfied and on 27 February 2009 Kleinwort applied to appoint a liquidator over Lambda. As mentioned above on 23 April 2009 Christopher Stride was appointed.

2.4 Liquidation of Sentry

2.4.1 On 21 April 2009 an application was issued by a group of Sentry's shareholders for a liquidator to be appointed over it on just and equitable grounds (Section 162(1) (b) of the Act). A subsequent directions hearing took place on 19 May 2009. Sentry initially resisted the application but following investor pressure the application was re-listed and at a hearing on 21 July 2009 the Court appointed the Liquidators as the jointly appointed Liquidators of Sentry.

2.5 Liquidation of Sigma

2.5.1 A similar application for the winding up of Sigma was issued at the same time as the Sentry application. At a Hearing on 21 July 2009 the Court appointed the Liquidators.

3. Statutory Duties and Activities since Appointment

3.1 Notice of Appointment

3.1.1 Since their appointment, the Liquidators have taken a number of steps to identify, secure and take into their possession and control the assets and records of the Companies.

3.1.2 The Liquidators confirm that in accordance with section 178 of the Act notices of appointment have been served on each of the Companies at their Registered Offices and on the BVI Financial Services Commission. Notices were also sent to each of the Directors of the Companies.

3.1.3 Notices of appointment of the Liquidators have been placed in the British Virgin Islands Government Gazette (4 May 2009 in respect of Lambda and 29 July 2009 in respect of Sentry and Sigma) and in the BVI Beacon newspaper (30 April 2009 in respect of Lambda and 30 July 2009 in respect of Sentry and Sigma). Additional notices were placed for Sentry and Sigma in the London Financial Times and the Wall Street Journal on 28 and 29 July 2009, respectively.

3.1.4 The Liquidators also established websites, www.fairfieldsentry.com and www.fairfieldsigma.com and provided details of these to the creditors and investors of Sentry and Sigma. Notices of appointments together with pre-liquidation corporate documents have been uploaded to these websites. The Liquidators intend to use these websites as a method of communicating with the general bodies of creditors and investors and providing regular updates upon the progression of the liquidations. Currently, a website, www.fairfieldlambda.com is being set up and it is intended that this will serve a similar purpose.

3.2 Statement of Affairs

3.2.1 Requests for Statement of Affairs were sent to the Directors, JN, PS and WNJ. To date, no response has been received from WNJ, however, JN and PS have lodged Statement of Affairs for all three Companies.

3.3 Meetings of Members and Creditors

3.3.1 Being satisfied that a meeting of creditors was not necessary, having taken account all relevant matters, Mr. Stride as Liquidator gave notice to the creditors of Lambda pursuant to S.183 of the Act that he did not intend to convene a meeting of Creditors as it was not cost effective to do so. No requests were received from any Creditor that such a meeting should be called.

3.3.2 In respect to Sentry and Sigma, notice was given to each known creditor in accordance with S.179 of the Act to attend a meeting which was held on 6 August 2009 at the same time as a meeting of investors. A similar notice was given to all known creditors of Sigma. No Creditors of either Sigma or Sentry came forward with a desire to form a Committee.

3.3.3 In addition to giving notice to all known creditors of Sentry and Sigma the Liquidators also gave notice to all investors of each Company to attend a meeting in respect of each company on 6 August 2009. The purpose of those meetings was to give the investors of Sentry and Sigma the opportunity to form committees which could assist in relation to the liquidations. Accordingly nominations of investors to act as members were sought.

3.3.4 The meetings were convened on 6 August 2009 at a venue in New York. In addition, a meeting venue was also arranged in London with telephone conference dial-in facilities and all creditors and investors were given the telephone conference dial-in numbers.

3.4 Formation of Investors' Liquidation Committee

- 3.4.1 In respect of Sigma, only two investors expressed a desire to form a committee and no committee was in consequence formed.
- 3.4.2 In respect of Sentry, eight investors nominated representatives to be appointed as members of the proposed committee. These nominees were asked to provide a summary resume which was published on the website and circulated to the investors in advance of the meeting. At the meeting, a poll was sought and each nominee was allowed an opportunity to address the meeting. Following the meeting, the votes were counted and the five nominees with the largest number of votes, in quantum of shares were appointed to form a committee ("the Committee").
- 3.4.3 As the Act does not contain any provision for the formation of a statutory committee of Investors the Committee formed in regard to Sentry is perforce ad-hoc. However the Liquidators have endeavored to set out the Committee's duties and rules in a similar manner to those governing Creditors' Committees. It is intended that the Committee will act as a general sounding board for the Liquidators and the Liquidators will consult with it to ascertain its view on key issues within the liquidation. The Committee will review the Liquidators' fees and expenses and those of the Attorneys and other service providers instructed by the Liquidators. A copy of the Rules governing the Committee is attached as *Appendix A*, and a Schedule of the Investors appointed as members of the Committee is attached as *Appendix B*.
- 3.4.4 Since the Committee's formation, it has met on two occasions. The first meeting was for the purpose of receiving presentations of eight firms of US attorneys to determine

which firm should be instructed as Sentry's US legal advisors. Following a review of the presentations, Brown Rudnick LLP's New York office, was duly instructed.

3.4.5 The purpose of the second meeting of the Committee was to provide them with an update on the Sentry Liquidation and discuss the litigation strategy. The meeting also considered a fee and disbursement protocol in respect of the fees of the Liquidators and attorneys instructed by Sentry. The protocol, although largely agreed, is subject to some minor proposed amendments by the Committee, which is still being discussed. It is anticipated to be finalised shortly.

3.4.6 All members of the Committee have entered into a Joint Interest and Confidentiality Agreement in relation to any information disclosed to them by the Liquidators.

3.5 Collection of documents and information

3.5.1 The Liquidators have conducted an extensive investigation into the Companies' books and records and have met with a number of relevant parties to ascertain information on the Companies. Letters have been sent to all relevant parties seeking documents and instructing them not to destroy any of the Companies' books and records. To date, the Liquidators are advised that they have received the Companies' books and records held in the possession of the following parties:

- Conyers;
- Seward & Kissel;
- Codan Trust;
- Stikeman Elliott; and
- Mr. Andrew Goldstein.

3.5.2 The Liquidators have received limited documents from Citco Fund Services (Europe) B.V (the Companies' Administrator), Citco Bank Nederland B.V. (Sentry's Custodian and Sigma's and Lambda's Bank and Broker), Citco Global Custody N.V. (Sentry's Depository and Sigma's and Lambda's Custodian) and FGB (the Companies' Investment Manager). These parties have raised concerns regarding disclosing further documents to the Liquidators and to resolve these concerns, the Liquidators are in the process of entering confidentiality agreements with them.

3.5.3 The Liquidators believe that the numbers of documents will be in the millions or tens of millions. As described in Section 4, there are numerous litigation matters that are ongoing or are in contemplation. In that regard, the Liquidators are in the process of indentifying a database provider to hold and secure the documents.

3.5.4 Further, the Liquidators and/or their lawyers have held numerous meetings, the most important of these include:

- Meeting two of the Companies' directors, JN and PS;
- Meeting the attorneys for the Companies' investment manager, FGB; and
- Meeting the attorneys for the Trustee appointed under the US Securities Investors Protection Act ("SIPA") in respect of Bernard Madoff Investment Securities LLC ("BMIS"), Mr. Irving Picard (the "Trustee").

3.5.5 The Liquidators expect meetings with these parties and others to continue as they progress their investigations into the affairs of the Companies.

4. Case Specific Matters

4.1 The Trustee's Claims: Summary

4.1.1 The Trustee has filed a complaint against Sentry to recover all payments received by Sentry from BMIS during the period of January 1996 to November 2008. In respect of the period of 90 days prior to 11 December 2008, the sum claimed amounts to \$1.1 billion, in the anterior period of two years (excluding the initial 90 days) the sum claimed amounts to \$450 million and in the anterior period of six years (excluding the initial 90 day and two year periods) the sum claimed amounts to \$1.2 billion. For the residual life of the fund a further sum of \$377 million is also claimed.

4.1.2 The Liquidators have met with representatives of the Trustee on two occasions and have held initial discussions regarding a possible settlement of the Trustee's claim. No agreement has been reached to date.

4.1.3 Prior to the appointment of the Liquidators, Sentry and Sigma both lodged SIPC customer claims amounting to \$6.3 billion and \$1.5 billion. In regard to Lambda, a SIPC customer claim has also been filed by the Liquidator in the amount of \$36 million.

4.2 *Secs. Inv. Prot. Corp. v. Bernard L. Madoff Inv. Secs LLC, 08-01789 (BRL) (Bankr. S.D.N.Y.)*

4.2.1 This is the main consolidated SIPA proceeding concerning the Madoff fraud, filed in the Bankruptcy Court for the Southern District of New York and pending before U.S. Bankruptcy Judge Burton Lifland. While Sentry has not yet entered a formal appearance in this proceeding, on March 3, 2009 it submitted timely customer claim forms seeking recovery for losses in connection with BLMIS accounts totaling nearly \$6.5 billion held in Sentry's name as of December 11, 2008. In the Trustee's adversary proceeding referred to below, he seeks, *inter alia*, a denial of Sentry's customer claims.

4.2.2 On August 27, 2009, the Trustee filed a motion requesting, *inter alia*, that the Court determine the proper construction and determination of “net equity” as it is defined in section 78lll of SIPA (i.e. determining whether an investor is a net contributor) and establish an orderly procedure for the Court to resolve -- globally and in an omnibus proceeding in which all interested parties can participate -- objections involving the proper determination of net equity for the purposes of adjudicating the Trustee’s claims. On September 9, 2009, the Court granted the Trustee’s motion, and adopted the Trustee’s proposed scheduling order, under which the Trustee would file by October 16, 2009 motions to affirm certain customer claims, determinations as to which objections have been filed specifically with regard to the Trustee’s net equity determinations (the “Affirmation Motions”), and would file a memorandum of law and supporting papers on that date setting forth the factual and legal bases for the Trustee’s construction of the term “net equity.” The schedule further provides interested parties with the opportunity to submit briefs in opposition (by November 13, 2009) or support (by December 11, 2009) of the Affirmation Motions, and proposes further that this Court hold a hearing on the Affirmation Motions on February 2, 2010, with reply papers by the Trustee and SIPC to be filed by January 15, 2010, and a hearing to be held on February 2, 2010.

4.3 *Picard v. Fairfield Sentry Ltd., et al. (In re Bernard L. Madoff Inv. Secs. LLC), 09 CV 1239 (BRL) (Bankr. S.D.N.Y.)*

4.3.1 This is the adversary proceeding commenced by the Trustee against Sentry, Greenwich Sentry, L.P. and Greenwich Sentry Partners, L.P. In his complaint against Sentry, the Trustee is seeking, on the basis of preference and fraudulent transfer theories under U.S. bankruptcy law and under New York State statutory law, avoidance of transfers to Sentry from BMIS during the periods of (i) 90 days before the commencement of the SIPA proceeding (aggregating US\$1.2BB), (ii) two (2) years before the commencement of

the SIPA proceeding (aggregating US\$1.7BB) and (iii) six (6) years before the commencement of the SIPA proceeding (aggregating US\$3.2BB).

4.3.2 Sentry's answer is currently due September 21, 2009 but that date is likely to be put back by agreement; a pre-trial conference has been scheduled for October 6, 2009.

4.4 *Anwar et al. v. Fairfield Greenwich Limited, et al., 09 CV 0118 (S.D.N.Y.)*

4.4.1 This is a class action lawsuit, before U.S. District Judge Marrero in the Southern District of New York consolidating numerous related class actions. Three actions name Sentry as a defendant:

i Bhatia, et al. v. Standard Chartered International (USA) Ltd., et al., 09 CV 2410 (S.D.N.Y.), which alleges federal securities claims against Sentry, certain Fairfield Group entities, Citco entities, and individual defendants.

ii Knight Services Holdings Limited, et al. v. Fairfield Sentry Limited, et al., 09 CV 2269 (S.D.N.Y.), which alleges federal securities claims against Sentry, and various common law claims against certain Fairfield Group entities, Citco entities, PriceWaterhouseCoopers and individual defendants.

iii Zohar, et al. v. Fairfield Greenwich Group, et al., 09 CV 4031 (S.D.N.Y.), which alleges various common law claims against Sentry, certain Fairfield Group entities, Citco entities, PriceWaterhouseCoopers and individual defendants, and rescission under the US Investment Advisers Act against two Fairfield Group entities.

4.4.2 Sentry's answer to the three complaints, as consolidated under the *Anwar* docket, is due on September 24, 2009. The Liquidators will need to seek extensions of time to answer these pleadings.

4.4.3 *Anwar* likewise consolidates the following class actions, which do not name Sentry as a defendant:

- i Inter-American Trust, et al., v. Fairfield Greenwich Group, et al., 09 CV 0301 (S.D.N.Y.)*
- ii Laor v. Fairfield Greenwich Group, et al., 09 CV 2222 (S.D.N.Y.)*
- iii Pacific West Health Med. Ctr. Inc. Employees Ret. Trust v. Fairfield Greenwich Group, et al., 09 CV 0134 (S.D.N.Y.)*

Under the scheduling order in place in the consolidated proceedings, a Second Amended Consolidated Complaint is to be filed by the lead class plaintiffs on September 25, 2009.

4.5 *Morning Mist Holdings Limited, et al. v. Fairfield Greenwich Group, et al., 09 CV 5012 (S.D.N.Y.)*

4.5.1 This purported derivative action on behalf of Sentry against Fairfield Greenwich Group (and its individual and entity affiliates), Citco entities and PricewaterhouseCoopers entities for various damages and other relief was originally commenced in New York State Supreme Court against FGG, other service providers (including two Citco entities), and nominally against Sentry. *Morning Mist* was removed to the Southern District of New York. *Morning Mist* was consolidated with two other removed derivative actions: *Ferber v. Fairfield Greenwich Group, et al., 09 CV 2366 (S.D.N.Y.)* and *Pierce, et al. v. Fairfield Greenwich Group, et al., 09 CV 2588 (S.D.N.Y.)*, and these three derivative

actions were consolidated with the *Anwar* class action docket before Judge Marrero. All three derivative actions are the subject to a pending motion to remand the cases back to New York State Supreme Court.

4.6 *In re Application of Morning Mist Holdings, No. 601527/09 (Sup. Ct. N.Y. County).*

4.6.1 This is a special proceeding commenced on May 15, 2009 by Morning Mist and a co-petitioner seeking an order from the New York State court granting it authority to pursue a derivative action on behalf of Sentry. On August 5, 2009, the petitioners moved for leave for disclosure and to strike certain material in Sentry's opposition papers, which were filed by Fairfield Sentry on July 2, 2009. Sentry's opposition papers to petitioners' motion to for disclosure and to strike is September 29, 2009, and the return date for both the derivative action status application and the motion for disclosure and to strike is October 9, 2009.

4.7 *Fairfield Sentry Ltd. v. Fairfield Greenwich Group, et al., 09 Civ. 5650 (S.D.N.Y).*

4.7.1 This is the action commenced by Sentry against the Fairfield Greenwich Group (and its individual and entity affiliates) in New York State Supreme Court on May 29, 2009. In the action, Sentry seeks return of performance and management fees paid by Sentry to the defendants approximating \$919 million.

4.7.2 This action was removed to the Southern District of New York and consolidated with the *Anwar* class action docket before Judge Marrero, along with the consolidated derivative actions. The action is subject to a motion to remand by Sentry, to which Sentry's reply papers are due on September 25, 2009.

4.8 *Lopez v. Standard Chartered Bank Int'l (Americas) Ltd. et al., 09-CV-22451 (S.D. Fla.).*

4.8.1 This is an action filed August 19, 2009 alleging securities fraud and related common law claims against Sentry, several of the Fairfield Greenwich Group defendants, and others. The Court's docket does not reflect the filing of an affidavit of service indicating that service on Sentry has been effected.

4.9 *G. Phillip Stephenson, as Trustee of the Phillip Stephenson Revocable Living Trust v. Citco Group Limited, et al., 09-CV-716 (S.D.N.Y.)*

4.9.1 This action alleges common law claims against three Citco entities and PricewaterhouseCoopers, and makes factual allegations as to Sentry, while not naming it as a defendant. The case was rejected as unrelated to the consolidated dockets before Judge Marrero, and is pending before Judge Holwell. Motions to dismiss by the defendants, which allege the insufficiency of Plaintiff's claims on numerous bases, are currently pending.

4.10 *Headway Investment Corp. v. American Express Bank Ltd., et al., 09 CV 21395 (S.D. Fla.).*

4.10.1 This action was initiated by Headway Investment Corp., an owner of shares in Sentry and Sigma, in Florida state court and removed to the Southern District of Florida. It alleges various common law claims against certain Standard Chartered Bank entities, Citco entities, PricewaterhouseCoopers and several of the Fairfield Greenwich Group. The complaint makes factual allegations as to Sentry, while not naming it as a defendant.

4.11 Massachusetts Securities Division Proceedings

4.11.1 In early April 2009, Massachusetts regulators filed civil fraud claims against Fairfield Greenwich Group, claiming that the firm ignored red flags as it collected hundreds of millions of dollars in fees. The complaint sought restitution to Massachusetts investors of Fairfield Sentry Ltd. for losses, sought to have performance fees paid to Fairfield Group returned to investors, and sought an administrative fine.

4.11.2 On September 8, 2009, Fairfield Greenwich reached a settlement agreement with the Massachusetts Securities Division to end a regulatory proceeding in connection with the Madoff scandal. The settlement, which does not include any admission of wrongdoing by Fairfield Greenwich, includes provisions to pay up to \$8 million, including a \$500,000 fine to cover the cost of the Massachusetts investigation. The settlement also dropped fraud charges that were included in the original complaint filed by Massachusetts on April 1, 2009.

4.12 Return of Proceeds of Subscription

4.12.1 A number of investors of Sentry submitted subscription requests for the 1 December 2008 and 1 January 2009 dealing days. Sentry suspended the calculation of its Net Asset Values on 18 December 2008. In consequence, shares were never issued to the 1 December 2008 and 1 January 2009 subscribers.

4.12.2 Prior to the Liquidators' appointment, Sentry had returned the majority of the proceeds to these subscribers but repayment of these monies ceased in March 2009 when the Company received notification of the SIPC Trustee's proprietary claim to Sentry's assets.

4.12.3 The Liquidators are seeking advice from English leading counsel and US counsel (the subscription agreement being governed by New York law) to establish whether the money paid to these subscribers is held on trust for them, or comprises part of the general assets of the Companies.

4.13 Tax Refunds

4.13.1 The Liquidators are investigating the possibility of reclaiming withholding tax paid to the US Internal Revenue Service by BMIS as withholding taxes on dividend income out of Sentry's assets over a number of years. The Liquidators have insufficient information in hand to enable them to quantify the potential amounts reclaimable and are seeking the advice of US Counsel.

4.14 Co-operation and Assistance of Directors

4.14.1 To date, PS and JN have been cooperative. No response has been received from WNJ.

5. Financial Position

5.1 Assets

- 5.1.1 The financial information has been compiled based on the Directors' Statements of Affairs filed with the Liquidators as well as updated information received from the Citco entities.
- 5.1.2 Lambda's only asset appears to be its investment in Sentry holding a 0.57% of shares in Sentry.
- 5.1.3 Sigma is also a feeder fund of Sentry holding a 12.21% of shares. In addition, Sigma has approximately \$62 million and EUR 185,000 in a bank account held with Citco which the Liquidators are in the process of realising for the benefit of the estate but which is complicated as a result of actions by the Trustee. Sigma also holds a debt due from Sentry, pursuant to a Promissory Note dated 26 February 2009 in the amount of EUR 80,000.
- 5.1.3 Sentry currently holds approximately \$70 million in a bank account with Citco, which is frozen pursuant to an order of a Dutch Court. Sentry also holds a small proportion of its investments in so-called seedling funds which were not BMIS related. As at 30 November 2008 had a purported total value of \$79,462,106. The Liquidators are currently taking steps to redeem these securities and collect the proceeds. However, information provided to the Liquidators by the directors, suggests that some of these entities have little or no value or are already themselves in liquidation.

5.1.4 On 31 December 2008, Sentry entered into an amended and restated fee deferral agreement with FGB its investment manager. The principal effect of this agreement was to defer the payment of certain fees that would have otherwise become due and payable to FGB. On 23 February 2009, Sentry was advised by FGB that assets representing the deferred fees of approximately \$21 million would be paid over to Sentry however based upon current information this does not appear to have taken place. These deferred fee assets also had an associated liability of the deferred fees due to FGB and the quantum of these fees is estimated by PS and JN to be in the amount of \$26.75 million.

5.1.5 Summary of the Companies' estimated asset position as at 31 December 2008 is as follows:-

	Sentry	Sigma	Lambda
ASSETS			
Available cash	Nil	Nil	Nil
Cash frozen by Court Attachments	\$70,099,114	62,411,835 EUR 185,873	Nil
<u>Other assets</u>			Nil
- non-BMIS investments	\$82,002,927	Nil	Nil
- promissory note	Nil	EUR 80,000	Nil
- fee deferral assets	21,000,000	Nil	Nil
Total	173,102,041	62,411,865 EUR 265,873	Nil

5.2 Liabilities

5.2.1 As the Liquidators have had limited access to documents and information and have not yet called for proofs of debt, the Liquidators are not in a position to assess the Companies liabilities. The Liquidators are aware that the Trustee's claim in the US, if successful, may result in a significant claim against Sentry. Also, certain investors have indicated they may have claims for outstanding redemptions or misrepresentation although to date the basis of or details of these have not been specified.

6. Conclusion

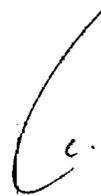
6.1 The investigations of the Companies affairs are at a very early stage. The matters brought to the attention of the Liquidators indicate that there are a number of issues that are complex and involve significant sums.

6.2 The Liquidators intend to provide further reports to the Court, creditors and investors updating them on the progress of the liquidations as and when appropriate or as directed by the Court.



Christopher Stride

Liquidator



Kenneth Krys

Liquidator

16 September 2009

Appendix A

Fairfield Sentry Limited: Committee Guidance Notes



KRYS & ASSOCIATES
(BVI) LTD.
GLOBAL KNOWLEDGE • LOCAL PERSPECTIVE

FAIRFIELD SENTRY LIMITED – IN LIQUIDATION

(“THE COMPANY”)

Guidance for Members of the Liquidation Committee

July 2009

This Guidance is the property of Krys & Associates (BVI) Ltd and has been produced to assist members of the proposed Liquidation Committee in fulfilling their duties and obligations. Any unauthorized use, including copying, reproduction or distribution without written permission, is strictly prohibited.

CONTENTS

INTRODUCTION	1
GENERAL	1.1
INTRODUCTION	1.2
LIQUIDATION	1.3
THE LIQUIDATORS	1.4
THE LIQUIDATION COMMITTEE	1.5
THE FUNCTIONS OF THE LIQUIDATION COMMITTEE	2
LIQUIDATORS' REMUNERATION	2.1
EXPENSES AND DISBURSEMENT	2.2
COURT ASSESSMENT OF COSTS	2.3
LIQUIDATORS' OBLIGATION TO LIQUIDATION COMMITTEE	3
LIQUIDATORS' ACCOUNTS	4
ESTABLISHMENT OF THE LIQUIDATION COMMITTEE	5
NUMBER OF MEMBERS	5.1
FORMALITIES OF ESTABLISHMENT	5.2
FORMAL DEFECTS	5.3
MEMBERSHIP	6
GENERAL	6.1
REPRESENTATIVES	6.2
CONFIDENTIALITY AGREEMENT	6.3
RESIGNATION AND TERMINATION OF MEMBERSHIP	6.4
VACANCIES	6.5
PROCEEDINGS	7
CHAIRMAN	7.1
QUORUM	7.2
MEETINGS	7.3
General	7.3.1
First Meeting	7.3.2
Subsequent meetings	7.3.3
NOTICE OF VENUE	7.4
VOTING RIGHTS AND RESOLUTIONS	7.5
RECORDS OF MEETINGS	7.6
RESOLUTIONS	7.7

Guidance for Members of Liquidation Committee

CONFIDENTIALITY OF DOCUMENTS	8
CHARGES FOR COPY DOCUMENTS	9
EXPENSES OF LIQUIDATION COMMITTEE MEMBERS	10
DEALINGS BY LIQUIDATION COMMITTEE MEMBERS AND OTHERS	11
SCHEDULE 2 OF THE INSOLVENCY ACT 2003: POWERS OF LIQUIDATORS	Appendix I

1. INTRODUCTION

1.1 General

1.1.1 This guide has been produced to help investors and creditors understand the Liquidators' proposals relating to the formation of a Liquidation Committee and to provide some terms of reference and options on:

- the duties and functions of the Liquidation Committee
- their rights as members of the Liquidation Committee
- the procedural rules relating to Liquidation Committee business.

1.1.2 The introduction gives a brief explanation of the liquidation procedure, the powers of the Liquidators and summarises the principal functions of the proposed Liquidation Committee and the Liquidator's main duties in relation to it. The remainder of the guide deals with the proposed functions of the Liquidation Committee and the Liquidators' interaction with the Liquidation Committee.

1.2 Introduction

1.2.1 Christopher Stride and Kenneth Krys of Krys and Associates were jointly appointed as Liquidators of the Company by the High Court of the British Virgin Islands on 21 July 2009. .

1.2.2 The Liquidators were appointed pursuant to section 162(1)(b) of the Insolvency Act 2003 (the "Act") on the grounds that: *"it is just and equitable that a liquidator should be appointed"*. The Liquidators were not appointed on the grounds that the Company is insolvent.

1.2.3 The Act provides for the formation of a Creditors' Committee but does not provide explicit rules on the formation of a committee in the circumstances peculiar to this Company where the majority of interested parties appear to be investors in the Company rather than creditors. The number of creditors is not yet known to the Liquidators although the Liquidators are aware of a limited number of Creditors whose claims relate to amounts due to the Company's pre-liquidation Attorneys and service providers and the Company's Directors. Accordingly, the formation of a Creditors' Committee is not being sought by the Liquidators.

1.2.4 Bearing in mind the nature of the Company's business as an investment fund the Liquidators wish to enable investors as well as creditors to play an active role in the conduct of the liquidation. To satisfy this demand the Liquidators seek to form an *ad hoc* Committee made up of principally investors of the Company ("the Liquidation Committee"). The term "Liquidation Committee" is a term widely used in collective investment scheme liquidations where the stakeholders in the

liquidation are not strictly or solely “creditors”, but typically members or redeemed members (to the extent that redeemed members are not permitted to claim in the liquidation for their redemption proceeds).

1.2.5 It is anticipated that the Liquidation Committee will undertake the following roles within the liquidation:-

- Agreeing and authorizing the drawing of the Liquidators’ remuneration, and agreeing and authorizing the drawing of the Liquidators’ properly incurred disbursements and expenses (including legal fees, agents fees and other similar costs)
- Acting in a purely consultative role to the Liquidators regarding the Liquidators’ strategies, decision making and intentions; and
- Acting as a general sounding board to the Liquidators.

1.3 **Liquidation**

1.3.1 Liquidation (also termed ‘winding up’) is the formal winding up of a company’s affairs, entailing the realisation of its assets and the distribution of the proceeds in a prescribed order of priority.

1.4 **The Liquidators**

1.4.1 The Liquidators appointed to conduct the liquidation of the Company have wide powers, which are set out in the Order appointing them. The Order refers to the powers of a liquidator set out in Schedule 2 of the Act. but some of those powers may only be exercised by the Liquidators with the permission of the Court. Schedule 2 of The Act is attached at Appendix I for your information.

1.4.2 Section 185(1) of the Act states that:-

The principal duties of a liquidator are

- a) *to take possession of, protect and realise the assets of the company;*
- b) *to distribute the assets or the proceeds of realisation of the assets, in accordance with the Act; and*
- c) *if there are surplus assets remaining, to distribute them, or the proceeds of realisation of the surplus assets, in accordance with this Act*

1.5 **The Liquidation Committee**

1.5.1 If a Liquidation Committee is to be formed, it will need some rules for its effective operation. The following proposed rules for the formation and running of the committee have no statutory basis

under the Act but are based on the rules which govern the operation of creditors' committees, which the Liquidators believe will provide an appropriate template

- 1.5.2 As indicated above, the purpose of the Liquidation Committee will be to represent the interests of the investors and creditors as a whole and not just the interests of its individual members or creditors. The function of the Liquidation Committee will be to agree the basis of the Liquidators' remuneration and disbursements. In addition, the Liquidation Committee may be asked to consult upon certain matters by the Liquidators and to act as a sounding board for them to obtain views on matters pertaining to the liquidation. It should be noted that as there is no statutory requirement for a Liquidation Committee to be formed, the Liquidators are not under any duty to seek the opinion or sanction of the Liquidation Committee on any matter unless the Liquidators themselves determine that this is appropriate. The Liquidation Committee will be provided with information and documentation (aside from matters pertaining specifically to the Liquidators' fees and disbursements) on a "need to know" basis by the Liquidators and the Liquidators will not be obliged to provide any information to the Liquidation Committee unless the Liquidators themselves determine that this is necessary or beneficial to the conduct of the Liquidation.
- 1.5.3 The Liquidators will report to the Liquidation Committee on matters relating to the liquidation and to submit copies of their accounts when required. Meetings will be held when determined by the Liquidators, and voting is by majority in number of those Committee Members in attendance, either in person or by proxy or voting form.
- 1.5.4 Liquidation Committee members will not be entitled to remuneration, but the Liquidators propose that the reasonable professional fees and travel expenses incurred by the Liquidation Committee in properly discharging its functions should be treated as an expense of the liquidation to be paid out of the assets of the Company subject to the prescribed order of priority.
- 1.5.5 Although the Liquidator will normally have regard to the views of the Liquidation Committee, they may always refer matters of contention to a general meeting of investors and creditors or to the Court.

2. THE FUNCTIONS OF THE LIQUIDATION COMMITTEE

2.1 Liquidator's Remuneration

- 2.1.1 It is proposed that the Liquidation Committee should have a role in approving the Liquidators' time spent and fees incurred.

2.2 Expenses and Disbursements

2.2.1 Where the Liquidators propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the Liquidators' own firm), they will be disclosed to and authorisation sought from the Liquidation Committee. Such expenses will be directly incurred on the case and subject to a reasonable method of calculation and allocation. However, this is a matter which can be discussed at the meeting on 6 August, and if not supported by the majority of investors as a reasonable liquidation cost such reimbursements will not be made.

2.3 **Court Assessment of Costs**

2.3.1 Where any costs, charges or expenses are payable out of the assets (for example agents or legal fees), the Liquidators may agree them with the person entitled to payment. However, if the Liquidation Committee resolves that any such costs, charges or expenses should be determined by the Court, the Liquidators may require the person entitled to payment to deliver his bill of costs for assessment. The Liquidators will bring to the Courts attention the specific reasons for the Liquidation Committee's objections or concerns.

2.3.2 The Liquidators will review and approve for payment legal, professional and other expenses and may pay up to 67% of such invoices pursuant to section 2.33 below. The Liquidators will share with the Committee invoices for these professionals reflecting detailed descriptions including time spent by task, by professional and rate in the form provided to the Liquidators. Invoices may be reasonably redacted as to those matters of which such redaction is necessary to preserve any claim of privilege.

The Committee will have 30 days after its receipt of an invoice to review and comment on the fees and expenses. To the extent the Committee disagrees with any such fees and expenses the Liquidators will work with the professionals and the Committee to reduce the invoice or otherwise satisfactorily resolve the disagreement. The Liquidators will advise the Committee as to how they have addressed the disputed portion of any invoice. In the event the Committee is not satisfied with the resolution of any dispute, the Liquidators will seek the approval of the Court and bring to the Court's attention the nature of any objection made by the Committee.

2.3.3 The Liquidators shall provide a monthly fee analysis report to the Liquidation Committee. Upon delivery of such reports to the Liquidation Committee, the Liquidators may pay 67% of the Liquidators' fees and expenses. Upon receipt of the reports, the Committee will have 15 days to review and approve or disapprove any of these fees and expenses. To the extent of any disapproval, fees and expenses of the Liquidators shall not be paid (up to the 33% sum withheld) and shall be referred to the Court for further adjudication.

3. LIQUIDATORS' OBLIGATIONS TO LIQUIDATION COMMITTEE

3.1 The Liquidators need not comply with any request for information where it appears to them that the request is frivolous or unreasonable, or the cost of complying would be excessive having regard to its relative importance, or there are insufficient assets to enable him to comply. Likewise, any request for information which the Liquidators believe is outside the remit of the Liquidation Committee need not be complied with.

3.2 The Liquidators will, as and when directed by the Liquidation Committee (but not more than once each month), send a written update to every member of the Liquidation Committee setting out the position generally as regards the progress of the liquidation, and matters arising in connection with it, to which the Liquidators considers the Liquidation Committee's attention should be drawn. The update will include the nature of major projects being undertaken in the following month.

4. LIQUIDATORS' ACCOUNTS

4.1 The Liquidators will prepare and keep financial records in relation to the liquidation, and such supporting documents as are necessary to explain the receipts and payments entered in the records, including an explanation of the source of any receipts and the destination of any payments, the Liquidators will obtain and keep the bank statements relating to any local bank account opened in the name of the Company.

4.2 The Liquidators will submit the financial records to the Liquidation Committee as and when the Liquidation Committee requests them for inspection but not more than once per month.

5. ESTABLISHMENT OF THE LIQUIDATION COMMITTEE

5.1 Number of Members

5.1.1 The Liquidation Committee will be established by vote at a general meeting of the Company's investors and creditors. The Liquidation Committee must consist of at least three, and not more than five, members.

5.2 Formalities of Establishment

5.2.1 The Liquidation Committee does not come into being, and accordingly cannot act, until the Liquidators have confirmed its constitution.

5.2.2 The Liquidators will not confirm the constitution of the Liquidation Committee until the minimum number of persons (three) required to be members of the Liquidation Committee have agreed to act.

5.3 **Formal Defects**

5.3.1 The acts of the Liquidation Committee are valid notwithstanding any defect in the appointment, election or qualifications of any Liquidation Committee member or the representative of any Liquidation Committee member, or in the formalities of its establishment.

6. MEMBERSHIP

6.1 **General**

6.1.1 It is the creditors or investors themselves who are the members of the Liquidation Committee, not the individuals who represent them. Thus a company which is an investor/creditor may be a member of the Liquidation Committee but can only act through a representative appointed in accordance with paragraphs 6.2.1 to 6.2.3 below.

6.1.2 Any investor/creditor, whose details are disclosed upon the Register of Shareholders as at 21 July 2009, as a Registered Shareholder, may be voted onto the Liquidation Committee.

6.1.3 Any creditor whose claim appears in the records of the company at 21 July 2009 may be a member of the Committee.

6.2 **Representatives**

6.2.1 A member of the Liquidation Committee may be represented by another person duly authorised by him. Such representative must hold a letter of authority entitling him so to act (either generally or specially) signed by or on behalf of the Liquidation Committee member. The chairman at any meeting of the Liquidation Committee may call on a person claiming to act as a Liquidation Committee member's representative to produce his letter of authority, and may exclude him if it appears that his authority is deficient.

6.2.2 No member may be represented by –

- a body corporate
- an un-discharged bankrupt,
- a person who is subject to a bankruptcy restrictions order or undertaking, or
- a disqualified director.

6.2.3 No person may act as representative of more than one Liquidation Committee member, or both as a member and as a representative of another member, on the same Liquidation Committee.

6.2.4 Where the representative of a Liquidation Committee member signs any document on the member's behalf, the fact that he so signs must be stated below his signature.

6.3 **Confidentiality Agreement**

6.3.1 All members of the Liquidation Committee will be required to sign a Joint Interest and Confidentiality Agreement. Any member unwilling to sign such an undertaking will be prohibited from taking up membership of the Liquidation Committee and the Liquidators may freely determine whether or not that member shall be replaced (if the membership of the Liquidation Committee continues to have at least three members).

6.4 **Resignation and Termination of Membership**

6.4.1 A member of the Liquidation Committee may resign by notice in writing delivered to the Liquidators.

A person's membership of the Liquidation Committee is automatically terminated if –

- a he becomes bankrupt, or
- b at three consecutive meetings of the Liquidation Committee he is neither present nor represented (unless at the third of those meetings it is resolved that this rule is not applied in this case), or
- c he misses 50% of the meetings in one calendar year
- d he ceases to be, or is found never to have been, an investor.

6.4.2 However, if the cause of termination is the member's bankruptcy, his trustee in bankruptcy replaces him as a member of the Liquidation Committee.

6.4.3 A member of the Liquidation Committee may be removed by resolution at a meeting of investors and creditors; 14 days notice must be given of the intention to move the resolution.

6.5 **Vacancies**

6.5.1 If there is a vacancy among the members of the Liquidation Committee it need not be filled if the Liquidators and a majority of the remaining members so agree provided the number of members do not fall below three. If another investor is to be appointed he can be appointed either by the Liquidators (provided the majority of the remaining Liquidation Committee members agree to the appointment and the investor agrees to act) or by a resolution passed at a duly convened meeting of members, after at least 14 days' notice of the resolution has been given.

7. PROCEEDINGS

7.1 Chairman

7.1.1 The chairman at any meeting of the Liquidation Committee will be one of the jointly appointed Liquidators, or a person nominated by them to act. A person so nominated must be either –

- a one who is qualified to act as an insolvency practitioner in relation to the company, or
- b an employee of the Liquidators who is experienced in insolvency matters.

7.2 Quorum

7.2.1 A meeting of the Liquidation Committee is duly constituted if due notice of it has been given to all members and at least two members are present or represented.

7.3 Meetings

7.3.1 General: The Liquidation Committee will meet where and when determined by the Liquidators, subject as follows:

7.3.2 First Meeting: The Liquidators must call the first meeting to take place within 2 months of their appointment or of the Liquidation Committee's establishment (whichever is the later).

7.3.3 Subsequent Meetings: Subsequent meetings of the Liquidation Committee must be called by the Liquidators –

- a if so requested by a member of the Liquidation Committee or his representative – the meeting must be held within 21 days of the request being received by the Liquidators – and
- b for a specified date, if the Liquidation Committee has previously resolved that a meeting be held on that date.

7.4 Notice of Venue

7.4.1 The Liquidators must give 7 days' notice in writing by email of the venue of any meeting to every member of the Liquidation Committee (or his representative, if designated for that purpose), unless this requirement has been waived by or on behalf of any member. Such waiver may be signed either at or before the meeting.

7.5 Voting Rights and Resolutions

7.5.1 At any meeting of the Liquidation Committee each member (whether present himself or by his representative) has one vote, and a resolution is passed when a majority of the members present or represented have voted in favour of it.

7.6 **Records of Meetings**

7.6.1 Every resolution passed will be recorded in writing, either separately or as part of the minutes of the meeting. The record will be signed by the chairman and kept with the records of the liquidation.

7.7 **Resolutions**

7.7.1 It is possible for resolutions to be passed by email, facsimile or post or other agreed communication medium. The Liquidators will send to every member (or his representative designated for the purpose) a copy of any proposed resolution on which a decision is sought, which will be set out in such a way that agreement with, or dissent from, each separate resolution may be indicated by the recipient on the copy so sent.

7.7.2 However, any member of the Liquidation Committee may, within 7 business days from the date of the Liquidators sending out a resolution, require the Liquidators to summon a meeting of the Liquidation Committee to consider the matters raised by the resolution. In the absence of such a request, the resolution will be deemed to have been passed by the Liquidation Committee if and when the Liquidators are notified in writing by a majority of the members that they concur with it.

7.7.3 A copy of every resolution so passed, and a note that the concurrence of the Investors Committee was obtained, will be kept with the records of the liquidation.

8. CONFIDENTIALITY OF DOCUMENTS

8.1 Where the Liquidators consider that any document forming part of the record of the liquidation –

- a should be treated as confidential, or
- b is of such a nature that its disclosure would be calculated to be injurious to the interests of the creditors and/or Company;

they may decline to allow it to be inspected by a person (including a member of the Liquidation Committee) who would otherwise be entitled to inspect it.

9. CHARGES FOR COPY DOCUMENTS

9.1 Where the Liquidators are requested by a member of the Liquidation Committee to supply copies of any documents, the Liquidators will endeavor to provide such documents in electronic copy. If hard copies

are requested and significant copying is required, the Liquidators are entitled to charge for the copying at a rate of \$0.75 per page or an hourly rate of \$100 per hour..

10. EXPENSES OF LIQUIDATION COMMITTEE MEMBERS

10.1 Any reasonable expenses directly incurred by the Liquidation Committee members or their representatives either in attending meetings of the Liquidation Committee or otherwise on the Liquidation Committee's business will be paid by the Liquidators out of the assets in the due order of priority (as set out in Rule 199 of the Insolvency Rules 2005).

11. DEALINGS BY LIQUIDATION COMMITTEE MEMBERS AND OTHERS

11.1 The position of all Liquidation Committee members is fiduciary and they must not expose themselves to a conflict between their duty as members of the Liquidation Committee and their personal interest. Accordingly, no member of the Liquidation Committee, or his representative, or any person who is an associate of a Liquidation Committee member or his representative, or any person who has been a Liquidation Committee member at any time in the previous twelve months, can enter into a transaction whereby he –

- a receives out of the Company's assets any payment for services given or goods supplied in connection with the administration of the liquidation, or
- b obtains any profit from the administration of the liquidation, or
- c acquires any asset forming part of the estate.

Unless –

- a he first obtains the leave of the court to the transaction, or
- b he enters into the transaction as a matter of urgency or by way of performance of a contract in force before the date of the Order appointing the Liquidators and he obtains the leave of the court, having applied for such leave without undue delay, or
- c he enters into the transaction with the prior sanction of the Liquidation Committee where the Liquidation Committee is satisfied (after full disclosure of the circumstances) that he will be giving full value transaction.

11.2 Where a resolution is proposed in the Liquidation Committee that sanction be given to such a transaction, no member of the Liquidation Committee, and no representative of a member, can vote on the resolution if he is to participate directly or indirectly in the transaction.

11.3 The costs of obtaining the leave of the court referred to in 11.1 above are not payable out of the assets unless the Court so orders.

- 11.4 Circumstances may occasionally arise where a legal action or dealing involving a member of the Liquidation Committee or a person connected with the member make it inappropriate for the member to attend discussions on the subject in the Liquidation Committee. In such circumstances the member may be asked not to attend a meeting, or part of a meeting, at which the matter is discussed.

Schedule 2 to the Insolvency Act 2003

Powers of Liquidator

1. Power to pay any class of creditors in full.
2. Power to make a compromise or arrangement with creditors or persons claiming to be creditors, or having or alleging that they have any claim against the company, whether present or future, certain or contingent, ascertained or not.
3. Power to compromise, on such terms as may be agreed
 - (a) calls and liabilities to calls, debts and liabilities capable of resulting in debts, and claims, whether present or future, certain or contingent, ascertained or not, subsisting or supposed to subsist between the company and any person; and
 - (b) questions in any way relating to or affecting the assets or the liquidation of the company; and take security for the discharge of any such call, debt, liability or claim and give a complete discharge in respect of it.
4. Power to commence, continue, discontinue or defend any action or other legal proceedings in the name and on behalf of the company.
5. Power to carry on the business of the company so far as may be necessary for its beneficial liquidation.
6. Power to sell or otherwise dispose of property of the company.
7. Power to do all acts and execute, in the name and on behalf of the company, any deeds, receipts or other document.
8. Power to use the company's seal.
9. Power to prove, rank and claim in the bankruptcy, liquidation, insolvency or sequestration of any member or past member for any balance against his estate, and to receive dividends, in the bankruptcy, liquidation, insolvency, sequestration or in respect of that balance, as a separate debt due from the bankrupt or insolvent, and ratably with the other separate creditors.
10. Power to draw, accept, make and endorse any bill of exchange or promissory note in the name and on behalf of the company with the same effect with respect to the company's liability as if the bill or note had been drawn, accepted, made or indorsed by or on behalf of the company in the course of its business.

Schedule 2 to the Insolvency Act 2003

Powers of Liquidator (continued)

11. Power to borrow money, whether on the security of the assets of the company or otherwise.

12. Power to take out in his official name letters of administration to any deceased member or past member or debtor, and to do any other act necessary for obtaining payment of any money due from a member or past member or debtor, or his estate, that cannot conveniently be done in the name of the company. For the purpose of enabling the liquidator to take out letters of administration or do any other act under this paragraph, to be due to the liquidator himself.

13. Power to call meetings of creditors or members for
 - (a) the purpose of informing creditors or members concerning the progress of or matters arising in the liquidation;
 - (b) the purpose of ascertaining the views of creditors or members on any matter arising in the liquidation; or
 - (c) such other purpose connected with the liquidation as the liquidator considers fit.

14. Power to appoint a solicitor, accountant or other professionally qualified person to assist him in the performance of his duties.

15. Power to appoint an agent to do any business that the liquidator is unable to do himself, or which can be more conveniently done by an agent.

Appendix B

Fairfield Sentry Limited: Committee Membership Schedule

FAIRFIELD SENTRY LIMITED – IN LIQUIDATION

SCHEDULE OF MEMBERS OF LIQUIDATION COMMITTEE

Liquidation Committee Member	Represented by	Title / Firm
Bank Hapoalim (Suisse) SA	Ian Benjamin	Senior Associate Berwin Leighton Paisner LLP (London, UK)
EVG Bank Limited	Sashi Bach Boruchow	Partner Boise, Schiller & Flexner LLP (Fort Lauderdale, USA)
Natexis Banques Populaire CCF	Julie Engwirda	Associate Walkers (Road Town, BVI)
Nordea Life and Pensions	Leif Raanes	Head of Life Law Nordea Group Legal (Oslo, Norway)
UBP Luxembourg (various entities)	Meade Malone	Managing Director Meade Malone & Co (Road Town, BVI)