

**IN THE MATTERS OF  
FAIRFIELD SENTRY LIMITED  
FAIRFIELD SIGMA LIMITED  
FAIRFIELD LAMBDA LIMITED  
(ALL IN LIQUIDATION)  
(collectively “the Funds”)**

**Claim Numbers: 0136, 0139 and 0074 of 2009**

**Twelfth Interim Consolidated Report of the Liquidators to the Creditors and Registered Shareholders**

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29 April 2016

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## 1. GLOSSARY OF TERMS

Act	the Virgin Islands Insolvency Act, 2003
Agreement	the settlement agreement entered into between the Liquidators and the US Trustee of BLMIS and effective 8 July 2011
Anwar Class	collectively the plaintiffs and putative class members who are shareholders of Sentry, Sigma, Greenwich Sentry, L.P. and Greenwich Sentry Partners, L.P. that suffered a net loss of principal invested in those funds
Atlanta	Atlanta Business Inc., a beneficial shareholder which obtained a conservatory attachment in the Dutch Court against moneys held in the Dublin Citco Account and brought substantive proceedings against Sentry (and the Liquidators)
Bankruptcy Court	United States Bankruptcy Court for the Southern District of New York
BLMIS	Bernard L. Madoff Investment Securities LLC
Brown Rudnick	Brown Rudnick LLP, the Liquidators' US counsel
BVI	British Virgin Islands
Citco	collectively the Companies' former Administrator, Custodian and Depositary, respectively Citco Fund Services Europe B.V., Citco Global Custody, and Citco Bank Nederland B.V. (Dublin branch)
Citco Bank	Citco Bank Netherlands BV
Committee	Sentry's ad-hoc committee of representatives of five investors
Court	the High Court of Justice (Commercial Division) of the Eastern Caribbean Supreme Court
Court of Appeal	the Court of Appeal of the Eastern Caribbean Supreme Court
District Court	United States District Court for the Southern District of New York
ECCA	Eastern Caribbean Court of Appeal
Farnum	Farnum Place LLC, the counterparty to a trade confirmation dated 13 December 2010 entered into by the Liquidators regarding a possible sale of Sentry's admitted SIPA claim

FGG	Fairfield Greenwich Group, the ultimate parent company of Fairfield Greenwich Bermuda and the Marketer of the Companies
Forbes Hare	the Liquidators' counsel in the BVI
Irish Court	Supreme Court of the Republic of Ireland (Commercial Court)
KRys Global	the trading name of Kryz & Associates (BVI) Limited
Lambda	Fairfield Lambda Limited - In Liquidation
Last Report	the Eleventh Report of the Liquidators, dated 10 November 2014
Liquidators	the current Liquidators of the Companies, Kenneth M. Kryz and Charlotte E. Caulfield, and where appropriate this term is also used to collectively describe the acts of the former Liquidators
NAV	Net Asset Value
Non-BMLIS investments	investments made by Sentry into allegedly bona-fide investments, largely in "seedling" or start-up funds and non-SEC regulated entities
Preliminary Issues	the applications brought in the Court, (BVI) claim no. BVIHC (Com) 30/2010 known as <i>Fairfield Sentry Limited (in Liquidation) v Bank Julius Baer &amp; Co Ltd &amp; 33 others</i> and 7 other claims for determination whether certain common law claims brought by Sentry in relation to the recovery of redemption payments made to investors prior to Sentry's liquidation were barred by reason of either a "good consideration" defence or because the NAV upon which the redemptions were based was certified, the "certification" issue
Privy Council	the Judicial Committee of the Privy Council, the court of final appeal in the BVI
PwC	collectively the Companies' former Auditors, respectively PricewaterhouseCoopers LLP (a Canadian entity) and PricewaterhouseCoopers Accountants N.V. (a Dutch entity)
PwC Canada	specifically PricewaterhouseCoopers LLP (a Canadian entity)
PwC Netherlands	specifically PricewaterhouseCoopers Accountants N.V. (a Dutch entity)
Rules	the Virgin Islands Insolvency Rules, 2005
Second Circuit	US Court of Appeals for the Second Circuit

Section 273	<i>“A person aggrieved by an act, omission or decision of an office holder may apply to the Court and the Court may confirm, reverse or modify the act, omission or decision of the office holder.”</i>
Section 363	<i>Section 363 of Chapter 11 of the US Bankruptcy Code, a provision that, inter alia, establishes certain procedural and substantive standards that apply to the proposed use, sale or lease of estate assets</i>
Sentry	Fairfield Sentry Limited - In Liquidation
Shell	Stichting Shell Pensioenfond, a registered shareholder which obtained a conservatory attachment in the Dutch Court against the moneys held in the Dublin Citco Account and brought substantive proceedings against Sentry
Sigma	Fairfield Sigma Limited - In Liquidation
SIPA Trade Confirmation	Securities Investor Protection Act 1970 the document dated 13 December 2010 that sets forth the terms and conditions of the potential assignment of Sentry’s admitted SIPA claim in the BLMIS liquidation proceedings to Farnum
US	United States of America
US Trustee	Mr. Irving Picard, the trustee appointed by the US Federal Bankruptcy Court pursuant to the SIPA provisions, in the liquidation of BLMIS

## 2. INTRODUCTION

2.1 This Report provides an update as to the status regarding the current position of the liquidations of the Funds and the work performed by the Liquidators since the Last Report.

### **Appointment**

2.2 The Funds were placed into liquidation by orders of the Court dated 23 April 2009 (Lambda) and 21 July 2009 (Sentry & Sigma).

### **Duty to Report**

2.3 The Liquidators are not obliged, either under the provisions of the Act or the Rules or under any of the orders of the Court pursuant to which they were appointed, to provide a report on their acts and dealings and the conduct of the liquidations until their conclusions. However, given the size and scope of the liquidations of the Funds, the Liquidators wish to keep the creditors and the registered shareholders of the Funds apprised of the current status of the liquidations and they expect to continue to provide reports from time to time.

2.4 The Liquidators recognise that each of the Funds is a separate legal entity. However, given the similarities between the Funds and their collective history, the Liquidators have determined that a single consolidated report is appropriate. Where the contents of this Report relate to one specific entity, this is stated.

2.5 There have been 11 prior interim consolidated reports of the Liquidators which should be read in conjunction with this Report, all of which are available at [www.fairfieldsentry.com](http://www.fairfieldsentry.com), [www.fairfieldsigma.com](http://www.fairfieldsigma.com) and [www.fairfieldlambda.com](http://www.fairfieldlambda.com).

### **Restrictions and Qualifications of the Report**

2.6 The purpose of this Report is to provide an update to the creditors and registered shareholders on the work performed by the Liquidators since the Last Report.

- 2.7 This report is based upon the information provided, the source of that information has been noted in previous reports to which you are referred. KRyS Global is not responsible for any errors or omissions, or for the results obtained from the use of this information. No audit pursuant to Generally Accepted Accounting Principles or as prescribed by any professional accounting body has been performed by KRyS Global either with respect to the information included in this Report or any other information supplied. Any opinions, advice or estimates contained in this publication represent the judgment of KRyS Global at this time and are subject to change as circumstances vary.
- 2.8 This Report is not intended for general circulation or publication, nor is it to be reproduced or distributed to other third parties without KRyS Global's prior written consent. This Report is not to be relied upon by third parties without KRyS Global's prior written consent and no liability will be accepted for such unauthorised reliance.
- 2.9 The Liquidators report solely on the information available to them at the time of this Report and they will update the creditors and registered shareholders in future reports at their discretion as new or additional information comes to light. The Liquidators have no duty to update information at any particular time and no duty to correct any misstatements, inaccuracies or omissions upon discovery of the same or at any time.
- 2.10 By receiving and reviewing this Report, the recipient expressly agrees, represents and warrants to the Liquidators that dissemination of this Report is restricted to its intended recipients only and nothing in this Report may be used in any manner in relation to any proceeding (including, without limiting the generality of the foregoing, proceedings or intended proceedings against the Companies or the Liquidators) or otherwise without the Liquidators' express written consent obtained in advance.

#### **Scope of Work Performed**

- 2.11 The powers of the Liquidators are in accordance with the provisions of Schedule 2 of the Act and these are set out in the orders of their appointment issued by the Court dated 23 April 2009 (Lambda) and 21 July 2009 (Sentry and Sigma). The Act and the Rules are available to download from the British Virgin Islands Financial Services Commission website: [www.bvifsc.vg](http://www.bvifsc.vg).

#### **Performance of Duties**

- 2.12 In order to comply with their duties and obligations, the Liquidators have been assisted by personnel of KRyS Global, whose work has been performed under the direction of the Liquidators.

#### **Currency**

- 2.13 All references to \$ in this Report refer to the US dollar unless otherwise specified.

### **3. EXECUTIVE SUMMARY**

- 3.1 The issuance of the Report has been substantially delayed as the Liquidators have been waiting for two crucial decisions from the Court, which would have a significant impact on the liquidations going forward. The Court issued a judgment and order with respect to one of those cases, the Section 273 applications, in March 2016. A judgment and order on the other has not been issued, but we have made considerable progress in negotiating with the parties and believe this matter will be resolved without a decision being necessary. We therefore believe we are now in a position where we can report to stakeholders on the way forward.
- 3.2 The reason those two decisions are crucial is because they impacted two broad objectives that the Liquidators deem important for the Funds and the priorities for the Liquidators in the foreseeable future. One of those objectives is the distribution of assets to creditors and shareholders. The other is to focus the litigation strategy to maximise the recoveries to the estates.



### **Distribution of Assets**

- 3.3 The Funds entered liquidation in 2009. The Liquidators priorities in the first few years were to mitigate or resolve any significant risks to the assets, such as the US Trustee's claim against the Funds in the US and the Shell proceedings in the Netherlands, and identify causes of action that would bring assets into the estates. The Court directed the Liquidators not to spend any of the Funds' resources on the question of how a distribution would occur until there were sufficient assets to warrant such a review.
- 3.4 The Liquidators, anticipating in 2014 that there were sufficient assets to be in a position to declare a distribution, sought and obtained permission from the Court to commence inquiries into what issues needed to be addressed to make a declaration. The most significant issues were the legal position and/or ranking of the unpaid redemption requests in the liquidations and what quantum should be set aside for potential claims for indemnities provided to third-party service providers. The Liquidators also decided to explore whether a compromise of the various cross-claims between the Funds should be addressed. The following is a status update on those matters.

### **Investors with Unpaid Redemption Requests**

- 3.5 Upon the disclosure that BLMIS was a Ponzi scheme, the Funds' Directors suspended redemptions on 18 December 2008. Prior to that time, in late 2008, certain investors made redemption requests in respect of months ending after 31 October 2008, the date as at which the last NAV was certified, but did not receive payment. This raised a question as to whether those redeeming investors should be treated as unpaid redeemers (i.e. deferred creditors ranking above continuing members) or as continuing members who share *pari passu* in the estates along with all other continuing members. The Liquidators sought direction from the Court, which culminated in a hearing in June 2015. Whilst no decision has been rendered, the Liquidators have reached out to the objecting parties who participated in the court proceedings and have made considerable progress in negotiating with those parties, such that it is believed that this matter will be resolved without a decision being necessary. Further, the Court has clarified that the Liquidators can treat all investors who did not participate in the proceedings tried in June 2015 as if there were continuing members. Should the negotiations be successful, this will therefore eliminate the risk of a substantial deferred liability in the estates.

#### **Reserves for Potential Indemnity Claims**

- 3.6 The Funds entered into various contracts with third-party service providers, which contained clauses giving the service parties indemnification of certain claims and damages that may be made against them. Such claims would rank as unsecured claims in the estates and thus before any interests of investors. Recent settlements in the Anwar Class proceedings provide for releases by the service providers against the Funds for any indemnity claims. This has mitigated a significant risk of a claim and, as a result, the Liquidators are of a view that, although an amount will need to be set aside, it will not stand in the way of a distribution being declared.

#### **Compromise Between the Funds**

- 3.7 The Funds have potentially certain viable claims against each other, such as claw-back claims that Sentry may have against Lambda and Sigma, claims for costs on shared asset recovery actions, and shareholding in Sentry. In addition, Lambda is unable to cover its ongoing costs due to the lack of any assets other than the litigation actions. The Liquidators are investigating the possibility of reaching a compromise of these claims to avoid incurring significant costs and time to resolve these issues. The viability of such a compromise is somewhat dependent on the same two issues as discussed earlier.

#### **Asset Recovery and Litigation**

- 3.8 As a result of the Ponzi scheme perpetrated by BLMIS, Sentry's reported losses were in the region of \$6 billion. Sigma and Lambda, whose only investment was in Sentry, suffered total losses of their portfolios. In light of the above, the Liquidators have pursued a strategy implemented to achieve maximum recoveries for the Funds through the means of litigation. To date that strategy has been somewhat successful. As at 13 April 2016, the Liquidators have achieved net recoveries in excess of \$151 million for Sentry and \$97 million for Sigma.
- 3.9 The following are the principal causes of action the Liquidators have pursued to recover assets for the benefit of the Funds.

#### **Balances with Citco Bank**

- 3.10 Since the Last Report, the Liquidators have been successful in recovering funds worth \$70 million held by Sentry with Citco Bank. Prior to the Funds entering liquidation, two investors, Shell and Atlanta, commenced litigation against Sentry in the Netherlands for their investments and were granted attachments by the Amsterdam District Court over the money held by Citco Bank. In October 2014, the Privy Council upheld on appeal an anti-suit injunction which prohibited Shell, who had an attachment over the entire balance of the account, from taking any further steps in the proceedings they had commenced in the Netherlands. A commercial settlement was reached with the other investor, Atlanta, for which Court sanction was received in March last year. The \$70 million was subsequently transferred to the liquidation account in the BVI.

#### **Sentry's SIPA Claim**

- 3.11 Pursuant to the Agreement, Sentry was granted an allowed claim in the SIPA proceedings of \$230 million. The Liquidators entered into a Trade Confirmation with Farnum for the sale of SIPA claim. As a result of an unforeseen change in circumstances, the value of Sentry's SIPA claim increased significantly between the time of the Trade Confirmation being entered into and the date at which the Liquidators sought the Section 363 review of the sale by the Bankruptcy Court required under the Trade Confirmation. As such, the Liquidators applied to the Bankruptcy Court to have the sale on the terms set forth in the Trade Confirmation disapproved. Following initial adverse decisions that were reversed by the Second Circuit in September 2014, the Liquidators have been largely successful in this regard. In October 2015, the Bankruptcy Court disapproved the sale of the SIPA claim to Farnum. Farnum has filed an appeal, which will be argued before the District Court on 11 May 2016.

#### **Claims Against the Funds' Former Auditor, PwC**

- 3.12 The Liquidators in the conduct of their investigations of the Funds have filed claims against the Funds' former auditors, PwC, in the Netherlands and in Canada.

*i) Dutch Proceedings*

3.13 In May 2012, the Liquidators filed a Writ of Summons for unspecified damages in the Amsterdam District Court, asserting breach of contract and tort claims against PwC Netherlands and four individual auditors for failure to conduct effective audits of the Funds for the years ending 31 December 1999 to 2005. The litigation has progressed subsequently since the Last Report and the Liquidators' final pleadings were filed in May 2015 with an oral hearing on written submissions in October 2015. A question of whether the Liquidators should have access to PwC's working papers and/or whether the Dutch Court believes a decision should be rendered will be addressed in a hearing scheduled for May 2016.

*ii) Canadian Proceedings*

3.14 On 28 May 2012, the Liquidators filed a Statement of Claim in the Ontario Superior Court of Justice against PwC Canada and Stephan Wall, the Fairfield engagement partner, asserting breach of contract, negligence, and negligent misrepresentation claims arising from the defective audits of the Funds for the years ending 31 December 2006 and 2007. PwC has applied for summary judgment against the Funds, arguing that because Sentry had withdrawn more than it had deposited with BLMIS, Sentry had arguably suffered no damages in the period of PwC Canada's audits. The Liquidators will shortly submit a response to this application objecting to it.

**Claims Against the Funds' Redeeming Investors**

3.15 A significant part of the Liquidators' strategy has included proceedings in the United States and the BVI against investors of the Funds who had made redemptions and received payments from the Funds. The Liquidators' claims were brought under various causes of action, including common law restitutionary claims, contractual claims, and statutory avoidance claims pursuant to the Act.

3.16 In April 2014, the Privy Council issued a decision on the Preliminary Issues. Following from that decision, certain of the defendants to the redeemer claims in the US renewed applications under Section 273 of the Act, which were originally filed with the Court in December 2011. A judgment was only handed down by the Court last month in March 2016 when the Court rejected the applications.

#### 4. ANALYSIS AND WORK PERFORMED TO DATE

##### **Distribution of Assets**

- 4.1 In April 2014, the Liquidators sought and received permission from the Court to commence inquiries into what issues needed to be addressed to enable them to declare a first interim distribution. Since that date, the Liquidators have directed their attention to addressing certain issues requiring resolution before a distribution can be declared.
- 4.2 One of the first matters the Liquidators considered was the methodology that the Liquidators would apply to distributing assets to investors. The Liquidators considered whether there was any merit to an approach which might distribute assets first to net losers (*i.e.* shareholders who have lost more money than they have withdrawn) but determined that was not viable. The Liquidators have determined that they will distribute assets based on the number of shares listed in the shareholders register of the Funds, subject to any revisions that may be necessary. The Liquidators anticipate writing to shareholders soon to notify them of this decision and call on creditors to file any claims or risk not being included in the first distribution. The Liquidators are aware of one investor which claims to be a creditor based on, amongst other things, side letters relating to its investments. That investor's position is considered to be unique.
- 4.3 The Liquidators are also progressing a number of other matters which will impact a potential distribution of assets. The following is a summary of those issues.

##### **Investors with Outstanding Redemption Requests**

- 4.4 In late 2008, prior to the suspension of the Funds' redemptions on 18 December, certain investors made redemption requests but did not receive payment prior to the collapse. The Liquidators reviewed all such outstanding requests and determined that such requests did not qualify the investors to any priority status over the continuing members' positions. The Liquidators wrote to the investors in August 2014 formally calling for any objections to the Liquidators' determination to be submitted by October 2014. Objections were received and the matter was considered at an initial directions hearing in December 2014. The Court directed that a hearing be held to determine whether:

- 4.4.1 there were any unpaid redeemers; and
- 4.4.2 if there are unpaid redeemers, whether the NAV should be calculated on the basis of what was known at the relevant redemption date or what is known now.

4.5 The hearing took place in June 2015. To date, no judgement has been received. Considerable progress has been made in negotiating settlements with the parties that took part in the proceedings, such that we believe this matter will be resolved without a decision being necessary, and by consent of the parties involved, the Court has been asked to postpone its decision on the matter to provide further time for the settlements to be finalised.

4.6 The first settlement was with the sole participating objector with a December 2008 redemption claim. When seeking sanction for that settlement, the Liquidators took the opportunity to seek Court direction on whether settlements with the parties to the proceedings would mean that no further risks arose from unpaid redemption claims. The Court confirmed its understanding that the proceedings were not representative and those who did not participate in the proceedings were in effect now too late, and accordingly the Liquidators can treat all investors who did not participate in the proceedings tried in June 2015 as if they were continuing members. The Liquidators will be notifying those who filed unpaid redeemer claims that their claims are rejected for this reason.

#### **Setting Aside a Reserve for Potential Indemnity Claims**

4.7 The Funds entered into various contracts with third-party service providers, which contained clauses entitling the service providers to indemnification against certain claims and damages that might be made or awarded against them both by the Funds/Liquidators and other parties outwith their control. Such claims would rank as unsecured claims in the estates and thus before any interests of investors. The Liquidators have commenced steps to identify what risks there are that the indemnification clauses may come into play and to determine the quantum that might be sought under such indemnities.

4.8 The potential indemnification claims involve four major groups of service providers. The risks of potential claims differ depending on the wording of the indemnification clauses and what contract governs the potential indemnification claim, and whether the indemnification claims arise from the Liquidators' assertion of claims against potentially indemnified parties or other parties' assertion of claims. The four groups include:

*i) The Directors*

4.9 Pursuant to the memorandum and articles of association of the Funds, the directors of the Funds received indemnification rights. As the Liquidators have previously reported, they have entered into settlements with the two independent directors, Messrs. Jan Naess and Peter Schmid, in which the said directors agreed to release any claim they may have against the Funds.

4.10 With regard to the third director, Walter Noel Jr., there is a risk of a claim arising from the settlement that the Anwar Class entered with FGG and Noel. However the Liquidators, based on conversations with the attorneys for the Anwar Class, feel there is no significant risk that Noel will file a claim and therefore intend, subject to Court direction, to only setting aside a small amount to cover this risk.

*ii) FGG, the Investment Manager*

4.11 Pursuant to the investment management contract between FGG and the Funds, FGG may make an indemnity claim against the Funds.

4.12 The Liquidators negotiated and concluded the Agreement, which, among other things, provides for the assignment of the Funds' claims against FGG to the US Trustee once Section 363 approval is obtained. Under the Agreement, the US Trustee is obligated to seek, in good faith, the release of any claims FGG or others, including Noel, may make against the Funds in connection with any settlement. The Liquidators will share 15% of the US Trustee's recoveries over \$200 million.

4.13 Similar to what was explained above, there is a risk of an indemnification claim arising from the settlement that the Anwar Class entered with FGG and Noel. However, the Liquidators do not

think that there is significant risk that FGG will file a claim and, therefore, intend, subject to Court direction, to only set aside a small amount to cover this risk.

*iii) PwC*

4.14 Pursuant to the engagement letters with PwC, the former auditors of the Funds, PwC may have a potential claim for indemnification against the Funds.

4.15 The Liquidators have been paying security for costs in the Canadian proceedings. Although security for costs has not been paid in the ongoing litigation against PwC in the Netherlands, the Liquidators are of a view they can reasonably quantify the risk from a claim for indemnity with regard to those proceedings. See further below for an update on those proceedings.

4.16 No amount is required to be set aside to cover the Funds' indemnity risk arising from the Anwar Class proceedings against PwC. Recent settlements in the Anwar Class proceedings provide for releases by PwC of any indemnity claims against the Funds for expenses incurred or amounts paid in connection with the Anwar Class proceedings. This has mitigated a significant risk of a claim from these proceedings.

*iv) Citco*

4.17 Pursuant to the administration contract, custodian contract, and bank contract, Citco may have potential claims for indemnification against the Funds.

4.18 The Liquidators' potential claims against Citco are subject to a toll with Citco, which currently expires in July 2016. As no proceedings have been commenced, there is no risk of an indemnification claim at this time. However the Liquidators continue to monitor the situation should that change. See further below for an update on the negotiations between the Liquidators and Citco.

4.19 No amount is required to be set aside for the Anwar Class proceedings against Citco. Recent settlements in the Anwar Class proceedings provide for releases by Citco of any indemnity claims



against the Funds for expenses incurred or amounts paid in connection with the Anwar Class proceedings. This has mitigated a significant risk of a claim from these proceedings.

#### **Compromise Between the Funds**

- 4.20 The Funds have certain potentially viable claims against each other, such as claw-back claims that Sentry may have against Lambda and Sigma, claims for costs on shared asset recovery actions, and shareholding in Sentry. In addition, Lambda is unable to cover its ongoing costs due to the lack of any assets other than the litigation actions. The Liquidators are investigating the possibility of reaching a compromise of these claims to avoid incurring significant costs and time to resolve these issues. The viability of such a compromise is somewhat dependent on the same two issues as discussed earlier.

#### **Adjudication of Claims**

- 4.21 As discussed earlier, the Liquidators will soon be writing to late redeemers who objected to the distribution footing set out in the order of the Court dated 30 July 2014, to advise that their claims are rejected pursuant to the clarification by the Court that the late redeemer proceedings were not representative and those who did not participate in the proceedings were in effect now too late. In addition, the Liquidators are investigating and anticipate making a decision shortly on the breach of contract and misrepresentation claim made by the one investor based upon side letters.

#### **Asset Recovery and Litigation**

- 4.22 As a result of the Ponzi scheme perpetrated by BLMIS, Sentry's reported losses were in the region of \$6 billion. Sigma and Lambda, whose only investments were in Sentry, suffered total losses of their portfolios. In light of the above, the Liquidators have pursued a strategy implemented to achieve maximum recoveries for the Funds through the means of litigation. To date that strategy has been somewhat successful, as of 13 April 2016, the Liquidators have achieved net recoveries in excess of \$151 million for Sentry and \$97 million for Sigma.
- 4.23 The following are the principal causes of action the Liquidators have pursued to recover assets for the benefit of the Funds.

**Balances with Citco Bank**

- 4.24 As previously reported at the date of liquidation, Sentry held \$71,126,590 with Citco Bank, at its Dublin branch. Prior to Sentry entering liquidation, two investors Shell and Atlanta, sued Sentry in the Netherlands for the value of their subscriptions (amongst other things) and were granted conservatory attachments by the Amsterdam District Court over the money held in Citco Bank.
- 4.25 The Liquidators adopted a multi-jurisdictional approach to safeguarding these monies for the benefit of the Sentry estate, including seeking the recognition of their appointment in the Republic of Ireland; obtaining an anti-suit injunction against Shell in the BVI; and defending the original proceedings in the Netherlands. Comprehensive details of these steps are set out in our earlier reports to which you are referred.
- 4.26 In October 2014, the Privy Council upheld on appeal the anti-suit injunction granted in favour of the Liquidators by the ECCA, which prohibited Shell from taking any further steps in the proceedings they had commenced in the Netherlands. Shell subsequently lifted its attachment. A commercial settlement, sanctioned by the Court, was reached with Atlanta, the second investor who held a conservatory attachment against the monies. The terms of the settlement are confidential. Consequent upon the settlement, Atlanta released its conservatory attachment on the monies held in the Citco account. The Liquidators were then able to recover and deposit the net monies held in the Citco account, \$70,276,590, into the liquidation account maintained at Scotiabank BVI in March 2015, where they are now protected against any future attempted attachments.
- 4.27 Since then, the Liquidators have resolved the matter of the outstanding legacy proceedings in the Republic of Ireland. After a three and a half year wait, the appeal of the Irish Court's decision was listed for 29 January 2016. Although from the Liquidators' perspective, the appeal was purely an academic matter given that the Citco funds had been collected, it was not possible for the Liquidators to walk away from the proceedings without the risk of an adverse cost order. As a result, the Liquidators reached out to Shell to see if a resolution was possible. Urgent discussions took place and the Liquidators agreed to pay Shell a modest sum in respect of Shell's outstanding

cost orders in full and final settlement. Court sanction was obtained and the Irish proceedings were terminated.

4.28 The following points remain to be dealt with in relation to Shell:

4.28.1 Resolution of the outstanding cost issues arising from the BVI proceedings (including the appeals to ECCA and the Privy Council);

4.28.2 Resolution of the Netherlands proceedings; and

4.28.3 Adjudication of Shell's claim in the liquidation of Sentry.

#### **Sentry's Admitted SIPA Claim (the Farnum Litigation)**

4.29 The background to the Farnum litigation has been set out at length in previous reports, to which you are referred for details of the history of these proceedings. In summary, after an initial unsuccessful application in the Bankruptcy Court and the District Court's affirmance of the Bankruptcy Court's decision, the Liquidators prevailed, and in its opinion of September 2014, the Second Circuit ordered that a review of the sale contemplated by the Trade Confirmation under Section 363 of the US Bankruptcy Code, taking into account the change in value of the SIPA claim following the date of the Trade Confirmation, must be conducted. In January 2015, the Second Circuit handed down its decision denying Farnum's petition for a rehearing or, alternatively, *en banc* review by all justices of the Second Circuit.

4.30 Accordingly, in March 2015, in accordance with the Second Circuit decision, the Bankruptcy Court held a hearing to consider whether the sale on the terms set forth in the Trade Confirmation should be approved under Section 363. Ahead of the hearing, Farnum made an application requesting that the Bankruptcy Court modify Sentry's Chapter 15 recognition to eliminate the application of Section 1520(a)(2) of the US Bankruptcy Code, which makes the provisions of Section 363 applicable in the Chapter 15 case. Farnum's BVI counsel also sought the Liquidators' agreement to disclose certain documents relating to the associated BVI proceedings in connection with the Section 1520(a)(2) application.

4.31 The Liquidators made numerous arguments to the Bankruptcy Court, including that the sale to Farnum was not in the best interests of the Sentry estate. In October 2015, the US Bankruptcy

Court handed down its decision and disapproved the sale of the SIPA claim to Farnum, in addition to denying Farnum's application. The decision substantially approved of and adopted the Liquidators' legal arguments put forward in the US and BVI litigation on this point.

4.32 Farnum filed a Notice of Appeal of the Bankruptcy Court's decision in the District Court. Briefs have been filed and the District Court will hear the matter in May 2016.

4.33 As a result of the Second Circuit's decision, the Liquidators also filed an application seeking to appeal the costs order made against them in earlier connected BVI proceedings. The substantive appeal of the costs order is yet to be listed.

#### **Claims Against the Funds' Former Auditor, PwC**

4.34 As is previously reported, the Funds were audited by two offices of PwC: PwC Netherlands from December 1999 to 2005 and PwC Canada from 2006 to 2007. The Liquidators commenced proceedings against PwC Canada and PwC Netherlands in May 2012.

##### *j) Dutch Proceedings*

4.35 The Liquidators filed a Writ of Summons for unspecified damages in the Amsterdam District Court, asserting breach of contract and tort claims against PwC Netherlands and four individual partners for failure to conduct effective audits of the Fairfield Funds for the years ending 31 December 1999 to 2005.

4.36 Subsequent pleadings in the Dutch litigation have included PwC Netherland's Statement of Defence and Conditional Counterclaim and the Liquidators' Statement of Reply and Defence to Counterclaim. After a number of procedural motions, which were decided between July 2012 and February 2014, PwC filed their Statement of Rejoinder in April 2015. The Liquidators' final pleadings were filed in May 2015.

4.37 Subsequent pleadings in the Dutch litigation have included PwC Netherland's Statement of Defence and Conditional Counterclaim, the Liquidators' Statement of Reply and Defence to Counterclaim, and PwC's Statement of Rejoinder. The Liquidators' final pleadings were filed in

May 2015 and a four-hour oral hearing, which provided an opportunity for each party to present briefly on their written submissions, took place in October 2015.

- 4.38 At the oral hearing the Dutch Court asked for evidence of the Liquidators' authority to commence proceedings. This request was met to the satisfaction of the Dutch Court. The Dutch Court also directed that no decision be made until the outcome of the Court of Appeal on the Colima<sup>1</sup> appeal. Given the likely impact the Colima decision may have on these proceedings, the Liquidators sought and were given the opportunity to respond to the Colima appellate decision when it was issued. In conjunction with Dutch counsel, the Liquidators conducted a comparison of the Dutch Accounting Disciplinary Board proceedings and the Liquidators' civil litigation proceedings highlighting the significant differences, which laid the groundwork for arguing why the Colima appellate decision, which the Liquidators were advised was likely to be decided against Colima, should not apply to the Liquidators' proceedings.
- 4.39 In January 2016, the Dutch appellate court issued an unanticipated interim decision that required PwC to provide audit working papers from 2003 to 2005 in the Colima proceedings. Previously, the Liquidators' application for PwC to supply all its working papers had been rejected. Based on Dutch counsel's advice, the Liquidators notified the Dutch Court in the Fairfield case of the decision in the Colima case and applied for an order requiring the disclosure of the same working papers which the Dutch Court of Appeal had directed PwC to release to Colima, failing which the court should issue a decision on PwC's liability. Currently, the Liquidators await a response from the Dutch Court in regards to their request for the 2003 to 2005 audit working papers.
- 4.40 In accordance with the court timetable, submissions to the Dutch Court were provided requesting the Dutch Court to move to deliver its judgment if the court declined to grant the request requiring PwC to provide all its audit working papers for 2003 to 2005. In response, the court directed that PwC submit a response to the Liquidators' discovery claim by April 2016. The court further set out that PwC was to limit its response to its position regarding the Liquidators' discovery claim,

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<sup>1</sup> Dutch investor class. Colima lost in the first instance, primarily because the Dutch Court gave weight to the fact that the Dutch Accounting Disciplinary Board in an earlier professional proceeding had found no fault with PwC's conduct in Colima's complaint against them. Colima appealed that decision.

and that only after it has received PwC's response to the discovery claim, will it consider the issue of whether the discovery claim will be dealt with separately prior to its decision in the main case, or whether it will render a decision on both the discovery claim and the main case at the same time.

*ii) Canadian Proceedings*

- 4.41 As previously reported, in May 2012 the Liquidators filed a Statement of Claim in the Ontario Superior Court of Justice against PwC Canada and the Fairfield engagement partner, asserting breach of contract, negligence, and negligent misrepresentation claims arising from the defective audits of the Funds for the years ending 31 December 2006 and 2007. The claims assert damages of CAN\$5 billion.
- 4.42 A case management conference, which was held in January 2015, was required to schedule a timeline for PwC's security for costs motion, which was received in February 2015. A hearing for the determination of the security of PwC's costs was held in August 2015. PwC had requested that the Liquidators' deposit CAN\$8 million and the Liquidators responded with a counter offer of CAN\$1 million. The Canadian Court has determined that the Liquidators pay CAN\$2.09 million into that court as a deposit. This was an anticipated step, given that the Liquidators are foreign litigants with no Canadian assets.
- 4.43 Subsequent pleadings in the Canadian litigation have been limited to the filing of PwC Canada's Statement of Defence and Counterclaim. After review of the filing by the Liquidators and their counsel, a number of factual inaccuracies were identified and PwC Canada subsequently filed an amended Statement of Defence with the Liquidators' consent. Security against future costs has been determined by the court.
- 4.44 The next step in Canada was discovery. In this respect, PwC provided the Liquidators with 247,000 documents in relation to proceedings and notices of examination of Kenneth M. Kryz, Joint Liquidator.

- 4.45 However, prior to any significant progress in the discovery stage, PwC applied for summary judgment, arguing that because Sentry had withdrawn more than it had deposited with BLMIS, Sentry had arguably suffered no damages in the period of PwC Canada's audit.
- 4.46 In January 2016, an appellate decision on another case of significant relevance to the Liquidators' proceedings was issued in Canada. The case, *Livent*,<sup>2</sup> raised similar issues to the Liquidators' proceedings as it relates to an auditor's exercise of its duty of care with respect to the financial statements. The findings of the Canadian appellate court (and indeed the court of first instance) provide the Liquidators with some comfort that, if followed, the Liquidators' litigation has good prospects for success. Because of the importance of the motion for summary judgment and the *Livent* appeal decision, Kenneth M. Krys, together with a senior member of the Liquidators' management team, met with their Canadian counsel, Stikeman Elliott in January 2016 to discuss the litigation strategy generally. In preparation for the meeting, the Liquidators prepared various detailed analyses of the Funds to assist Stikeman Elliott in understanding the financial activity which occurred during the audit periods and to assist in the quantification of damages.
- 4.47 Due to its importance in the Canadian litigation and wider reaching impact, the draft response to the summary judgment motion took significant time and resources. The Liquidators sought advice and input from US, BVI, Dutch and Canadian legal counsel on the methodology and approach to ensure that a fully former and global strategy is employed.

*iii) Settlement Discussions*

- 4.48 It remains the Liquidators' strategy that their claims against PwC ultimately be resolved by way of a negotiated settlement. To this end, the Liquidators have maintained an open dialogue with PwC throughout the period. The Liquidators attended mediation meetings on two separate occasions with PwC, once in front of Eric Green in April 2014 and subsequently in front of former Judge Layn Phillips in June 2015, at which time global settlement options including the Anwar Class were being explored. Both mediations failed to progress to a settlement. In November 2015, the Liquidators were approached by the mediator, former Judge Phillips, in settlement discussions

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<sup>2</sup> *Livent Inc. v. Deloitte & Touche LLP*, 2014 ONSC 2176

involving the Anwar Class as to whether the Liquidators wanted to propose a settlement figure to PwC with a view toward a global settlement. In response, the Liquidators approached PwC directly. These discussion too resulted in no settlement. Consequently, the Liquidators continue to vigorously pursue claims against PwC Canada and PwC Netherlands, but will continue to persevere to progress settlement discussions with PwC during the upcoming period to avoid the associated costs and risks of the litigation of their claims.

**Claims Against Citco, the Funds' Former Administrator, Custodian, and Banker**

- 4.49 As discussed in previous reports, the Liquidators entered into a tolling agreement with Citco in January 2010, which has been extended multiple times, most recently until July 2016.
- 4.50 Potential causes of action against Citco include a restitutionary claim for return of fees paid, and damages for negligence and/or breach of contract. Since the Last Report, the Liquidators received evidence, in the form of documents and deposition testimony of former key Citco employees obtained by the Anwar Class in the US proceedings, that will impact the potential claims the Liquidators may have against Citco. The Liquidators have reviewed this material and are advised that they have arguable claims against certain Citco entities.
- 4.51 As a result of further enquiries, the Liquidators have also become aware that FGG provided discovery of documents in the Anwar Class litigation which the Liquidators have not had sight of. The Liquidators are investigating how to obtain the production of documents and evidence for use in foreign proceedings.
- i) Settlement Discussions*
- 4.52 The Liquidators' goal has always been that settlement, if viable, should be explored before proceedings are initiated. To that end, the Liquidators have been in active discussions with Citco with a view toward a potential global settlement. The Liquidators attended a mediation meeting with Citco in front of former Judge Layn Phillips in June 2015, at which time a global settlement including the Anwar Class was being explored. The mediation did not result in any global settlement.



4.53 More recently the discussions with Citco, which are confidential, have focused on the viability of a settlement. In this regard, the Liquidators and Citco are continuing their dialogue on certain matters. To the extent these can be resolved, then the terms of a settlement will be discussed.

ii) Settlement Between Citco and the Anwar Class

4.54 Stakeholders may have seen press reports in August 2015 detailing the settlement between Citco and the Anwar Class. According to court filings in the District Court, Citco entered into a settlement of \$125 million to settle the claims of the Anwar Class against them in respect of claims arising from their capacity as Sentry's administrator and custodian.

**Claims Against the Funds' Redeeming Investors**

4.55 As has been previously reported, the Liquidators undertook proceedings in the United States and the BVI against investors of the Funds who had made redemptions and received payments from the Funds (the "redeemer claims"). The Liquidators' claims were brought under various causes of action, including common law restitutionary claims, contractual claims, and statutory avoidance claims pursuant to the Act. The background to this litigation, including the Preliminary Issues proceedings and the Privy Council's decision in March 2014 has been set out at length in previous reports, to which you are referred for details of the history of these proceedings.

4.56 In 2011, certain of the defendants to the redeemer claims in the US issued applications under Section 273 of the Act and those applications were heard by the Court in March 2015. The delay between the applications being issued and the matter being heard was because the whole question as to the continuation of the US redeemer claims was stayed pending the resolution of the Preliminary Issues by the Privy Council, a matter which itself did not reach its conclusion until March 2014.

4.57 Section 273 is a provision which, broadly, enables stakeholders of a liquidation (i.e. creditors and shareholders) to seek the intervention of the Court in the event that they are dissatisfied with the acts, or omissions of a liquidator. The applicants in this matter sought to have the Court intervene and prohibit the Liquidators from continuing to prosecute the US redeemer claim litigation, or, alternatively, that the Court issue an anti-suit injunction against the Liquidators to this effect.

- 4.58 The March 2015 hearing was a substantive matter with the Court sitting for over four days, hearing arguments and considering voluminous written evidence. All parties were represented by senior counsel from London Chambers. The Liquidators themselves were represented by Gabriel Moss QC.
- 4.59 After a 12-month wait, the Court issued its judgment in March 2016, rejecting and dismissing the applications made under Section 273. Consistent with the Court’s suggestion in the Section 273 judgment that the next step was to resume the litigation before the Bankruptcy Court, for it to consider to what extent the US redeemer claims should continue, the Liquidators promptly applied to the Court for “sanction” with respect to that course of action. Sanction concerns not the authority of the Liquidators to pursue the redeemer actions (an issue resolved here by the Section 273 judgment), nor the *bona fides* of the actions taken by Liquidators, but the right of a liquidator (by court order) to be funded by the estate in connection with his pursuit of such action (meaning, sanction is sought for cost protection not authority).
- 4.60 In this instance, upon the Liquidators’ application for sanction, the matter was referred not to the judge who presided over the Section 273 proceedings and issued the Section 273 judgment after a year of deliberation (Leon J), but to the former judge (Bannister J), who had briefly returned from retirement for a short period to assist the Court with the press of business. On April 6, 2016, the former judge declined to grant the Liquidators “sanction” with respect to the Liquidators progressing the litigation before the Bankruptcy Court. Although the Liquidators are able to disclose the outcome of the sanction judgment, the reasons for the decision remain confidential, within the sealed liquidation proceedings. This is owing to the fact that the sanction process is an *ex parte* process that involves, e.g., the submission to the Court of privileged legal advice from the Liquidators’ counsel relating to substantive matters implicated by the request for sanction, such that disclosure of Court’s sanction judgment or the reasoning contained therein would reveal privileged legal information.
- 4.61 The Liquidators are advised by BVI counsel and their leading counsel in London that they have strong grounds for an appeal to the ECCA. Accordingly, the Liquidators have filed an appeal to the

ECCA of Bannister J's determination. The Joint Liquidators will seek to obtain a decision from the ECCA within the coming months to avoid any lengthy delay.

4.62 The Liquidators' view is that upon resolution of the "sanction" issue, or some alternative arrangement being made in relation to funding, the next step in the US litigation should be a case management conference, in advance of which the parties submit to the Bankruptcy Court a joint proposal for the next steps in the litigation, or, absent agreement between the parties, competing proposals.

*i) Settlement Negotiations*

4.63 To date, the Liquidators have entered into settlements with a number of defendants to redeemer claims, and have achieved recoveries of approximately \$25.8 million for Sentry and approximately \$2.1 million for Sigma. In addition, as part of the Agreement, the Liquidators are entitled to a portion of any settlements of claims that the Trustee asserts against redeeming investors. To date, Sentry has received approximately \$10.5 million and Sigma has received approximately \$41.6 million in relation to the settlements of several of the Trustee's claims.

**Realisation of Non-BLMIS Investments**

4.64 From the date of the Liquidators' appointment, total monies received from the Non-BLMIS portfolio are \$78.2 million. The estimated value of the remaining Non-BLMIS investments, as reported by FGG, is \$810,000. This represents a decrease of \$320,000 in remaining Non-BLMIS investments since the date of the Last Report. This decrease is as a result of distributions received in respect of Irongate Global Strategy and Chester Global Strategy.

**Court Applications and Communication with the Committee**

4.65 The terms of the Liquidators' appointments are such that prior sanction must be sought from the Court in respect of *inter alia* the commencement, continuance or defence of any legal action and the compromise of any claims by or against the Funds. As a result, the Liquidators, through their BVI counsel, have had to make a number of applications to the Court since the Last Report.

- 4.66 The members of the Committee have not changed. You are referred to Section 4.65 of the Sixth Interim Report for details. The Liquidators consult with the Committee on a number of recovery matters relating to Sentry and also keep the Committee apprised as to their activities and strategies by way of bi-monthly written updates and numerous memoranda. The Liquidators generally hold conference calls with the Committee on a monthly basis and hold face-to-face meetings with the Committee on a quarterly basis or as and when deemed necessary.
- 4.67 The Committee is actively involved in reviewing and consulting on the Liquidators' fees and Sentry's liquidation expenses (including those of the Liquidators' lawyers and other service providers) and its views are brought to the attention of the Court when it reviews and approves the Liquidators' fees and expenses.

## **5. FINANCIAL ANALYSIS**

- 5.1 A comparative analysis of the financial position of Sentry and Sigma from the Last Report to the current estimated asset position follows. Lambda has no tangible assets, with its only assets being the causes of action referred to above, and therefore no analysis for Lambda is detailed. The financial position is summarised as at 13 April 2016.
- 5.2 Appendix A details the cash receipts and disbursements since the commencement of the liquidations. As at 13 April 2016, the Liquidators have achieved recoveries in Sentry and Sigma of \$424 million compared with disbursements of \$168 million, resulting in a net cash inflow of \$256 million. Disbursements include the payment of \$70 million to the US Trustee pursuant to the terms of the Agreement, payments to the US Trustee pursuant to the Agreement on recoveries made on claw-back claims, and the Liquidators' fees and expenses.
- 5.3 These analyses do not provide for potential future recoveries from US Redeemer Actions or former third party service providers which updates are referred to above, nor any provision for unpaid Liquidators' remuneration, legal fees, or other accrued expenses.

<b>SENTRY: Asset Summary</b>				
<b>Assets</b>	<b>Position as at 21-Jul-09</b>	<b>Position as at 31-Aug-14</b>	<b>Position as at 13-Apr-16</b>	<b>Variance Aug14 - Apr 16</b>
Cash & investments	\$Nil	\$20,761,507	\$72,228,684	\$51,467,177
SIPA distributions in escrow	\$Nil	\$7,314,000	\$85,747,200	\$78,433,200
Non-BLMIS investments	\$79,506,337	\$Nil	\$Nil	\$Nil
Fee deferral assets	\$21,000,000	\$1,216,372	\$1,033,075	(\$183,297)
SIPA claim receivable <sup>3</sup>	\$Nil	(\$32,548,200)	\$Nil	\$32,548,200
<b>Total</b>	<b>\$100,506,337</b>	<b>(\$3,256,321)</b>	<b>\$159,008,959</b>	<b>\$162,265,280</b>

<b>SIGMA: Asset Recovery Summary</b>				
<b>Assets</b>	<b>Position as at 21-Jul-09</b>	<b>Position as at 31-Aug-14</b>	<b>Position as at 13-Apr-16</b>	<b>Variance Aug14 - Apr 16</b>
Cash & investments	\$62,411,835	\$97,520,091	\$97,585,184	\$65,093
	€ 185,873	\$Nil	\$Nil	\$Nil

5.4 The next fee application is scheduled to be heard by the Court in June, in respect of fees and expenses generally incurred from 1 February 2016 to 30 April 2016.

<sup>3</sup> The Liquidators have included all SIPA distributions distributed by the US Trustee. The total interim distributions received to date are \$131.7 million. The US Trustee previously set-off \$46 million of interim distributions to satisfy the remaining cash payment obligation under the Settlement Agreement between the US Trustee and the Liquidators. Net distributions to date are \$85.7 million. The Farnum litigation is however, as previously discussed, subject to appeal. In the unlikely event that Farnum are successful in its appeal, the Liquidators will be required to conclude the sale of the SIPA claim to Farnum and pay over the distribution received from the US Trustee upon payment of the purchase price of the claim.

5.5 The estimated realisable values for the Non-BLMIS investments are those provided by FGG as at 11 April 2016. The Liquidators express no view as to whether this will be the actual amount recovered from these investments.

*i) Sentry Variance*

5.6 In Sentry, the variance in assets between the Last Report and 13 April 2016 is an increase of \$162,265,280. This variance can be explained by the following movements:

- Cash payments totalling \$20 million, being the Liquidators' remuneration and expenses for the period 1 July 2014 to 31 January 2016;
- The inclusion of the SIPA distributions received by the US Trustee, \$78,433,200;
- A decrease in value of Non-BLMIS investments of \$180,000;
- Non-BLMIS investment proceeds of \$149,980;
- Redeemer settlement recoveries of \$122,138;
- Anwar Class litigation proceeds of \$32,864; and
- Bank interest of \$50,199.

*ii) Sigma Variance*

5.7 In Sigma, the variance in assets between the Last Report and 13 April 2016 is an increase of \$65,093. This variance can be explained by the following movements:

- Cash payments totalling \$140,244, being the Liquidators' remuneration and expenses for the period 1 July 2014 to 31 January 2016;
- Anwar Class litigation proceeds of \$16,793;
- Redeemer settlements of \$14,890; and
- Bank interest of \$173,335.

5.8 Lambda had nil tangible assets at the date on which the Liquidators were appointed. Whilst the Liquidators have brought Redeemer Actions (with an approximate value of \$35 million) against certain Lambda investors, no Redeemer Action settlements have been received to date and there has been no realisations within the liquidation of Lambda specifically. Any fees and expenses of the liquidation of Lambda will only be recoverable in the event that Lambda realisations are

achieved; the Liquidators have sought and obtained approval from the Court for the fees and expenses incurred.

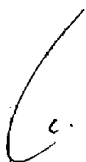
- 5.9 In accordance with the provisions of the Act, the Liquidators' remuneration is based upon their time costs.

## **6. CONCLUSION**

- 6.1 The Liquidators, anticipating that there are sufficient assets to be in a position to declare a distribution, are undertaking certain necessary steps that would enable them to declare a first interim distribution.

- 6.2 The Liquidators have scheduled a meeting of registered shareholders for 24 June 2016, to be held in the offices of Brown Rudnick. The Liquidators will shortly be providing further detail on this. Future reports to the Court, creditors, and registered shareholders, updating them on the progress of the liquidations of the Funds as and when appropriate or as directed by the Court.

- 6.3 In the meantime, however, creditors and registered shareholders are advised to keep a regular check on the websites for further updates. Should you have any queries please contact [fairfieldsentry@KRyS-Global.com](mailto:fairfieldsentry@KRyS-Global.com); [fairfieldsigma@KRyS-Global.com](mailto:fairfieldsigma@KRyS-Global.com); or [fairfieldlambda@KRyS-Global.com](mailto:fairfieldlambda@KRyS-Global.com), quoting your Holder and Account ID number.



**Kenneth Kry**

**Liquidator**

**29 April 2016**

Fairfield Sentry Limited & Fairfield Sigma Limited - both In Liquidation  
Liquidators' cash receipts and disbursements statement  
July 2009 to 13 April 2016

Appendix A

	SENTRY USD \$ 13-Apr-16	SIGMA USD \$ 13-Apr-16	TOTAL 13-Apr-16	
<b>Cash Receipts</b>				
Citco at liquidation date	70,099,115	62,411,835	132,510,950	
Unencumbered Cash at Bank	-	260,265	260,265	
Investments	78,266,808	-	78,266,808	
Anwar Litigation Proceeds	32,864	16,793		
Redeemer Action Settlements	25,909,496	2,063,769	27,973,266	
Proceeds received from SIPA Trustee	131,747,200	-	131,747,200	
Recovery of retainers	-	316,952	316,952	
Subsequent Transferee Recoveries	10,473,626	41,587,861	52,061,487	
Interest received	145,456	519,625	665,081	
	<u>316,674,565</u>	<u>107,177,102</u>	<u>423,851,666</u>	
<b>Cash Disbursements</b>				
Legal fees and expenses	55,662,636	115,283	55,777,919	
Legal Contingency Fees	5,622,544	7,586,912	13,209,457	
Liquidators fees and expenses	23,648,020	1,495,369	25,143,389	
Payment - SIPA Trustee Payment	72,409,479	292,608	72,702,087	
Other professional fees	647,244	46,510	693,754	
Database & web fees	304,690	7,680	312,370	
Liquidation committee expenses	146,990	-	146,990	
Office rental expenses	13,200	18,800	32,000	
Petitioner's Costs	186,381	-	186,381	
Bank charges	32,671	5,862	38,533	
FX Loss	-	22,893	22,893	
Correction of bank error	24,826	-	24,826	
	<u>158,698,681</u>	<u>9,591,918</u>	<u>168,290,598</u>	
<b>Net Cash Position</b>	<u><b>157,975,884</b></u>	<u><b>97,585,184</b></u>	<u><b>255,561,069</b></u>	<b>A</b>
<b>Closing Balance made up of:</b>				
Held by Liquidator or at the Liquidator's discretion	72,228,684	97,585,184	169,813,869	
Received from US Trustee	85,747,200	-	85,747,200	<b>B</b>
Dublin Citco Account	-	-	-	
	<u>157,975,884</u>	<u>97,585,184</u>	<u>255,561,069</u>	

Notes

A - The receipts and disbursements account reflects cash transactions since the liquidation date as approved by the Court.

B - Sentry funds of \$66.7 million were received from the US Trustee. See Section 5 of the report.



Fairfield Sentry Limited & Fairfield Sigma Limited - both In Liquidation  
Liquidators' cash receipts and disbursements statement  
July 2009 to 13 April 2015

Appendix B

	SENTRY USD \$ 13-Apr-15	SIGMA USD \$ 13-Apr-15	TOTAL 13-Apr-15	
<b>Cash Receipts</b>				
Citco at liquidation date	70,099,115	62,411,835	132,510,950	
Unencumbered Cash at Bank	-	260,265	260,265	
Investments	78,116,828	-	78,116,828	
Anwar Litigation Proceeds	32,864	16,793	49,657	
Redeemer Action Settlements	25,887,348	2,063,769	27,951,118	
Proceeds received from SIPA Trustee	112,744,600	-	112,744,600	
Recovery of retainers	-	316,952	316,952	
Subsequent Transferee Recoveries	10,473,668	41,587,861	52,061,529	
Interest received	111,945	435,945	547,889	
	<u>297,466,367</u>	<u>107,093,420</u>	<u>404,559,786</u>	
<b>Cash Disbursements</b>				
Legal fees and expenses	48,547,249	115,283	48,662,532	
Legal Contingency Fees	4,144,386	7,586,912	11,731,298	
Liquidators fees and expenses	19,824,135	1,425,511	21,249,646	
Payment - SIPA Trustee Payment	72,409,479	292,608	72,702,087	
Other professional fees	647,244	46,510	693,754	
Database & web fees	304,581	7,680	312,261	
Liquidation committee expenses	146,990	-	146,990	
Office rental expenses	13,200	18,800	32,000	
Petitioner's Costs	186,381	-	186,381	
Bank charges	24,486	4,275	28,760	
FX Loss	-	22,893	22,893	
Correction of bank error	24,826	-	24,826	
	<u>146,272,957</u>	<u>9,520,473</u>	<u>155,793,431</u>	
<b>Net Cash Position</b>	<u><b>151,193,410</b></u>	<u><b>97,572,947</b></u>	<u><b>248,766,355</b></u>	<b>A</b>
<b>Closing Balance made up of:</b>				
Held by Liquidator or at the Liquidator's discretion	84,448,810	97,572,947	182,021,756	
Received from US Trustee	66,744,600	-	66,744,600	<b>B</b>
Dublin Citco Account	-	-	-	<b>C</b>
	<u><b>151,193,410</b></u>	<u><b>97,572,947</b></u>	<u><b>248,766,355</b></u>	

Notes

A - The receipts and disbursements account reflects cash transactions since the liquidation date as approved by the Court.

B - Sentry funds of \$60.43million were received from the US Trustee. See Section 5 of the report.

C - Sentry funds of \$71million with Citco are subject to a freezing order. See Section 5 of the report.