

**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

**EIGHTEENTH INTERIM REPORT OF THE LIQUIDATORS TO THE CREDITORS AND REGISTERED
SHAREHOLDERS**

AS AT 31 AUGUST 2022

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1. INTRODUCTION

- 1.1 This Report provides an update to creditors and Registered Shareholders on the current position of the liquidations of the Funds and the work performed by the Liquidators since the Last Report.
- 1.2 There have been seventeen prior interim consolidated reports of the Liquidators, including the 17th Interim Report of the Liquidators dated 31 August 2021 (the “**Last Report**”), and these should be read in conjunction with this Report. These prior reports are available at www.fairfieldsentry.com, www.fairfieldsigma.com, www.fairfieldlambda.com. This Report adopts the terms, definitions and content of the previous seventeen reports. Specific attention is directed to the Restrictions and Qualifications in the previous reports, which are also adopted in this Report.

2. HIGHLIGHTS

Distributions to the Registered Shareholders

- 2.1 As at the date of this report, the following distributions have been declared to Registered Shareholders:

Sentry Distributions		
Date of Distribution	\$ per Share	Distribution(s) Declared
31 August 2017	\$15.00	72,167,280.78
15 December 2017	\$15.00	68,671,722.78
15 November 2018	\$8.50	\$38,909,528.21
Total	\$38.50	\$179,748,531.77

Sigma Distributions		
Date of Distribution	\$ per Share	Distribution Declared
15 November 2018	\$10.00	\$30,139,288.52

- 2.2 Included in the above figures are sums held in escrow for Registered Shareholders who either because they are defendants in the US litigation discussed further below or have not submitted the required anti-money laundering and other documentation to the Liquidators, cannot be paid their distribution at this time. The sums held in escrow are summarised below:

Escrow as of 31 August 2022	
Sentry	\$108,944,249.75
Sigma	\$23,771,090.27

- 2.3 Registered Shareholders who either resolved the US litigation issues or submitted the necessary documentation to the Liquidators received \$1,618,028 during the period of this report.
- 2.4 Currently Lambda does not have sufficient funds to enable a distribution to be made to its eligible Registered Shareholders.

US Litigation

- 2.5 The Liquidators' primary and continuing asset recovery strategy is the pursuit of proceedings in the United States against Registered Shareholders and their underlying clients who redeemed from the Funds prior to the Funds going into liquidation.
- 2.6 There are in broad terms three different claims that the Liquidators are making against those who redeemed from the Funds prior to liquidation:
- a) BVI law common law claims for a period of six years prior to issuance of the claims
 - b) BVI law statutory avoidance claims for a period of two years prior to the application for appointment of Fund liquidators
 - c) BVI law constructive trust claims, for redemption payments within a period of six years prior to issuance of the claims, against those who redeemed shares in bad faith, knowing or willfully blinding themselves to the risk that those shares were inflated through fraud at Madoff's firm ("**Knowledge Defendants**")

Common Law Claims

- 2.7 In its 6 December 2018 decision, the U.S. Bankruptcy Court dismissed all common law claims other than for a constructive trust in the 18 proceedings involving Knowledge Defendants. The Liquidators appealed that decision. The District Court issued an opinion and order on 24 August 2022 ("**24 August Order**") affirming the Bankruptcy Court. The Liquidators have given notice of their intention to appeal this decision to the U.S. Court of Appeals for the Second Circuit .

Statutory Avoidance Claims

- 2.8 In a separate 14 December 2020 decision, the Bankruptcy Court dismissed the statutory avoidance claims. As before, the Liquidators appealed that decision to the District Court. On 19 October 2021, the defendants (as Defendants-Appellees) filed their opposition brief to the appeal, and the Liquidators submitted their reply brief on 3 December 2021. The District Court affirmed in its same 24 August Order the Bankruptcy Court's dismissal of the statutory avoidance claims. As with the common law claims, the Liquidators have also given notice of their intention to appeal this decision to the Second Circuit.

Knowledge Defendant Claims

- 2.8 The Bankruptcy Court denied the motion to dismiss the Knowledge Defendants’ constructive trust claims on the basis of the Bankruptcy Code’s §546(e) safe harbor provision. Accordingly, the Liquidators may continue to pursue US claims valued at over \$2 billion. Should they prevail on appeal to the Second Circuit, the potential recoveries could exceed \$6 billion.
- 2.9 The past year has seen significant progress. Discovery in respect of personal jurisdiction was ordered against the Knowledge Defendants and that exercise has been substantially completed. The Liquidators’ team is reviewing the voluminous documents that were produced and drafting oppositions to the Knowledge Defendants’ motions to dismiss.
- 2.10 In addition, discovery was also progressed against certain other defendants who did not seek to raise personal jurisdiction defences.
- 2.11 The following key events have taken place with regard to Knowledge Defendant claims since the Last Report are provided below:

Date	Case(s)	Event
31 August 2021	10-ap-03496-cgm	The Bankruptcy Court entered orders denying defendants’ motions to dismiss for insufficient service of process.
17 August 2021 to 14 September 2021	10-ap-03496-cgm	Liquidators served on the Knowledge Defendants numerous requests for the production of documents and interrogatories relating to personal jurisdiction.
15 September 2021	10-ap-03496-cgm	The Bankruptcy Court issued an oral ruling that jurisdictional discovery should go forward.
29 October 2021	10-ap-03496-cgm	Knowledge Defendants filed motions to dismiss, solely on personal jurisdiction grounds.
4 November 2021	10-ap-03630-cgm 10-ap-03633-cgm	The Bankruptcy Court issued an order overruling the HSBC defendants’ threshold objections to producing jurisdictional discovery and permitted the

Date	Case(s)	Event
		Liquidators to proceed with discovery under the Federal Rules.
18 November 2021	10-ap-03630-cgm 10-ap-03633-cgm	The HSBC parties filed a motion for leave to appeal the Bankruptcy Court’s interlocutory ruling on the availability of jurisdictional discovery. Numerous other defendants attempt to join that appeal.
27 December 2021	10-ap-03496-cgm	The Bankruptcy Court deconsolidated the Knowledge Actions for all purposes into 18 distinct actions.
31 August 2022	21-cv-10334-lap	The District Court overseeing the interlocutory appeal (Preska, J.) denied the HSBC parties’ appeal on the merits, finding that the Bankruptcy Court did not err when it exercised its discretion to order jurisdictional discovery.

Disputed Claim of FGG

- 2.12 There is only one claim that remains outstanding and that claim concerns deferred management and performance fees due to Fairfield Greenwich Bermuda Limited (“FGBL”). This is being addressed as a counterclaim in legal proceedings in the United States that the SIPA Trustee brought against FGBL and other parties following an assignment from Sentry.
- 2.13 The parties are continuing with the discovery process previously ordered in these proceedings. This discovery process also affects the Funds as documents produced during these proceedings are also sent to the Liquidators for review and therefore form part of Liquidators ongoing discovery review process.

BVI Litigation

- 2.14 On 10 March 2022 the Liquidators received a decision from the ECCA regarding an application filed 8 years ago for sanction to appeal the decision of the District Court's decision on the Farnum litigation. As a reminder, the Farnum litigation pertained to the contract to sell the SIPA claim in BLMIS to Farnum. The Second Circuit found in favor of the Liquidators and disapproved the transaction. The Liquidators have since collected \$162.5 million from the US Trustee in respect of that asset.
- 2.15 The decision was unexpected given the passage of time. The Liquidators at all material times had interim sanction (from the ECCA) to pursue the Second Circuit appeal (up to and including the oral hearing). Nevertheless, the Liquidators intend to appeal the decision and have sought leave to appeal from the ECCA. The ECCA has heard the motion for leave to appeal and has reserved judgment. Farnum has written to the Liquidators indicating that Sentry pay over the recoveries from the SIPA claim in BLMIS minus the trade confirmation price. The Liquidators vehemently disagree.

3. FINANCIAL POSITION

- 3.1 Appendix A details the cash receipts and disbursements since the commencement of the liquidations. As at 31 August 2022, the Liquidators have achieved recoveries in Sentry, Sigma and Lambda of \$588 million compared with cash disbursements of \$145 million and Liquidators and legal fees of \$179 million.
- 3.2 There are net recoveries of \$263 million, of which \$82 million has been distributed to creditors and Registered Shareholders and \$133 million is held in escrow for Registered Shareholders who are currently not eligible for distributions. \$48 million is set aside for the FGG disputed claim, future costs and the potential risk of the Farnum claim.
- 3.3 Since the last report, the US Trustee has declared a further distribution of 0.604% of allowed claims. Sentry has an allowed claim of \$230 million and accordingly received a further distribution of \$1,389,200 bringing the total received to \$162.5 million (70.452% of the allowed claim). In addition, the Liquidators have negotiated settlements with defendants totalling \$3,736,517 during this reporting period. Several other settlements are in the process of being negotiated. Combined interest of \$829,572, gross of charges and fees, has also been realised.

4. CONCLUSION

- 4.1 The Liquidators' efforts continue to concentrate on progressing the US litigation.
- 4.2 The Liquidators continue to be confident that the US Litigation will generate further recoveries for Registered Shareholders. Any future distributions to Registered Shareholders will be dependent on future recoveries and the recent issues arising in the Farnum matter.

Should you have any queries please do not hesitate to contact fairfieldsentry@KRYs-Global.com; fairfieldsigma@KRYs-Global.com; or fairfieldlambda@KRYs-Global.com, quoting your Holder and Account ID numbers.



Greig Mitchell
Joint Liquidator
30 September 2022

Fairfield Sentry Limited, Fairfield Sigma Limited and Fairfield Lambda Limited – All In Liquidation
Liquidators' cash receipts and disbursements statement
For the period to 31 August 2022

	SENTRY USD \$ 31-Aug-22	SIGMA USD \$ 31-Aug-22	LAMBDA USD \$ 31-Aug-22	TOTAL USD \$ 31-Aug-22
Cash Receipts				
Cash Held At Citco	70,099,114.70	62,411,835.00	-	132,510,949.70
Other Cash at Bank	-	260,264.82	-	260,264.82
Compromise Receipts	65,602,821.95	-	-	65,602,821.95
Non-BLMIS Investments	78,555,565.55	-	-	78,555,565.55
Pre-Liquidation Redemption Receipts	32,541,852.84	2,889,664.97	-	35,431,517.81
US Trustee Redemption Recovery Allocation	33,043,895.94	41,532,739.92	-	74,576,635.86
Distributions on SIPA Claim in BLMIS	162,539,530.00	-	-	162,539,530.00
Third Party Service Provider Actions	2,091,531.07	724,718.24	26,484.72	2,842,734.03
Recovery of retainers	-	316,952.00	-	316,952.00
Interest received	7,304,609.51	4,942,571.02	-	12,247,180.53
Other Income	22,964.46	55.00	-	23,019.46
Loan Receivable	-	113,551.38	-	113,551.38
Distribution from Sentry	-	22,066,554.90	1,046,122.90	23,112,677.80
	<u>451,801,886.02</u>	<u>135,258,907.25</u>	<u>1,072,607.62</u>	<u>588,133,400.89</u>
Cash Disbursements				
Payment Pursuant to Agreement	70,000,000.00	-	-	70,000,000.00
Payment Pursuant to Compromise	-	65,605,361.35	640,872.42	66,246,233.77
Allocation to Trustee of Redemption Receipts	3,067,826.04	292,608.00	-	3,360,434.04
Database & web fees	1,408,531.96	10,135.54	-	1,418,667.50
Office rental expenses	13,200.00	18,800.00	-	32,000.00
Petitioner's Costs	185,666.68	-	-	185,666.68
Interest Paid	-	1,678,574.97	58,261.97	1,736,836.94
Bank charges and other costs	1,741,979.70	362,837.12	-	2,104,816.82
	<u>76,417,204.38</u>	<u>67,968,316.98</u>	<u>699,134.39</u>	<u>145,084,655.75</u>
Net Cash Before Liquidators Fees and Expenses and Distributions	<u>375,384,681.64</u>	<u>67,290,590.27</u>	<u>373,473.23</u>	<u>443,048,745.14</u>
Legal fees and expenses				
Legal Contingency Fees	91,370,774.21	15,930,150.05	527,948.33	107,828,872.59
Liquidators fees and expenses	6,252,820.27	7,586,912.41	-	13,839,732.68
Adverse Costs (net of costs recovered)	45,012,339.32	5,226,521.65	968,065.90	51,206,926.87
Other professional fees	5,380,318.95	-	-	5,380,318.95
Liquidation committee expenses	1,018,004.45	47,210.01	-	1,065,214.46
Legal Fees Paid on behalf of Lambda	153,128.79	-	-	153,128.79
Liquidators fees paid on behalf of Lambda	154,475.10	-	(154,475.10)	-
	957,820.66	10,245.24	(968,065.90)	-
	<u>150,299,681.75</u>	<u>28,801,039.36</u>	<u>373,473.23</u>	<u>179,474,194.34</u>
Net Cash Before Distribution to Creditors and Shareholders	<u>225,084,999.89</u>	<u>38,489,550.91</u>	<u>-</u>	<u>263,574,550.80</u>
Distribution to Trade Creditors				
Due from Sigma	752,312.81	60,950.00	617,887.68	1,431,150.49
Payment of Loan on Behalf of Lambda	9,914.58	(9,914.58)	-	-
Payments to Unpaid Redeemers	617,887.68	-	(617,887.68)	-
Distributions to Registered Shareholders	3,727,564.43	-	-	3,727,564.43
	<u>70,817,341.78</u>	<u>6,368,073.25</u>	<u>-</u>	<u>77,185,415.03</u>
	<u>75,925,021.28</u>	<u>6,419,108.67</u>	<u>-</u>	<u>82,344,129.95</u>
Net Cash Position	<u>149,159,978.61</u>	<u>32,070,442.24</u>	<u>-</u>	<u>181,230,420.85</u>
Net Cash Position Consists of:				
Unencumbered Cash	40,215,728.86	8,299,351.97	-	48,515,080.83
Distributions Held Pending Litigation and KYC	108,944,249.75	23,771,090.27	-	132,715,340.02
	<u>149,159,978.61</u>	<u>32,070,442.24</u>	<u>-</u>	<u>181,230,420.85</u>
Cash Position as Per Bank	<u>149,159,978.61</u>	<u>32,070,442.24</u>	<u>-</u>	<u>181,230,420.85</u>

Notes

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

