

IN THE MATTERS OF  
FAIRFIELD SENTRY LIMITED  
FAIRFIELD SIGMA LIMITED  
FAIRFIELD LAMBDA LIMITED  
(ALL IN LIQUIDATION)

Claim No's: 0136, 0139 and 0074 of 2009

Sixth Interim Consolidated Report of the Liquidator

---

12 April 2012

---

## Table of Contents

	Page
1. Glossary of Terms	3-5
2. Introduction	6-9
3. Executive Summary	10-12
4. Analysis of work performed to date	13-27
5. Financial Analysis	27-29
6. Conclusion	29-30
Appendix A Receipts and Payments Account for the period July 2009 to 31 March 2012	
Appendix B Receipts and Payments Account for the period July 2009 to 30 September 2011 (adjusted for comparative purposes)	

## 1. Glossary of Terms

ABN Amro	ABN Amro Fund Service (Isle of Man) Nominees Limited - an investor of Sentry who is a defendant to a common law restitutionary claim for mutual mistake brought by the Liquidator in the BVI, one of the defendants seeking the Court's determination of the Preliminary Issues and the test case applicant awarded Summary Judgment
Act	the Virgin Islands Insolvency Act, 2003
Agreement	the settlement agreement entered into between the Liquidator 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 monies held in the Dublin Citco Account and brought substantive proceedings against Sentry [and the Liquidator]
Bankruptcy Court	United States Bankruptcy Court for the Southern District of New York
BLMIS	Bernard L. Madoff Investment Securities LLC
Brada Abeln	the Liquidator's counsel in the Netherlands (in respect to the defence of the substantive proceedings brought by Atlanta and SSPF)
Brown Rudnick	Brown Rudnick LLP, the Liquidator's US counsel
BVI	British Virgin Islands
Citco	collectively the Companies' former Administrator, Custodian and Depositary, respectively Citco Fund Services Europe B.V., Citco Bank Nederland B.V. (Dublin branch) and Citco Global Custody
Committee	Sentry's ad-hoc committee of representatives of five registered shareholders
Companies	collectively Fairfield Sentry Limited, Fairfield Sigma Limited and Fairfield Lambda Limited (all In Liquidation)
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

Dublin Citco Account	Sentry's pre-liquidation bank account held with Citco Bank Nederland B.V. in its Dublin branch which is the subject of the Dutch conservatory attachments made by SSPF and Atlanta
Dutch Court	the District Court of Amsterdam
Farnum	Farnum Place LLC, the counterparty to a trade confirmation dated 13 December 2010 entered into by the Liquidator regarding a possible sale of Sentry's admitted SIPA claim. Farnum has commenced proceedings against Sentry seeking specific performance of the Trade Confirmation.
FGB	Fairfield Greenwich (Bermuda) Limited, the Companies' Investment Manager
FGG	Fairfield Greenwich Group, the ultimate parent company of FGB and the Marketer of the Companies
Forbes Hare	the Liquidator's counsel in the BVI
Harneys	Harney Westwood & Riegels, a BVI law firm which represents a number of defendants to claims brought by the Liquidator against current and former investors in the Companies for redemption monies paid to them by the Companies
Irish Court	High Court of the Republic of Ireland (Commercial Court)
KRyS Global	the trading style of KryS & Associates (BVI) Limited
Lambda	Fairfield Lambda Limited - In Liquidation
Last Report	the Fifth Interim Report of the Liquidator, dated 30 September 2011
Liquidator	the current Liquidator of the Companies, Kenneth M. KryS and where appropriate this term is also used to collectively describe the acts of the former jointly appointed liquidators, Joanna Lau and Christopher Stride
Morning Mist	purported derivative action on behalf of Sentry against FGG (and its individual and entity affiliates), Citco and PwC
Non-BMLIS investments	investments made by Sentry into allegedly bona-fide investments, largely in "seedling" or start-up funds and non-SEC regulated entities
O'Neal Webster	a law firm in the BVI which represents a number of defendants to claims brought by the Liquidator against current and former investors in the Companies for redemption monies paid to them by the Companies
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 members prior to Sentry's liquidation were barred by reason of either a "good consideration" defence or because Sentry had "certified" the NAV upon which the redemptions were based in such a manner that the NAV (and thus the redemption price based upon the NAV) were binding upon Sentry
Philip Lee	the Liquidator's counsel in the Republic of Ireland
PwC	collectively the Companies' former Auditors, respectively PricewaterhouseCoopers LLP (a Canadian entity) and PricewaterhouseCoopers Accountants N.V. (a Dutch entity)
Rules	the BVI Insolvency Rules, 2005
SEC	US Securities and Exchange Commission
Second Circuit	US Court of Appeals for the Second Circuit
Section 175(1)(d)	<i>"...with effect from the commencement of the liquidation of a company...unless the Court order, no share in the company may be transferred"</i> (the Act)
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> (the Act)
Sentry	Fairfield Sentry Limited - In Liquidation
Sigma	Fairfield Sigma Limited - In Liquidation
SIPA	Securities Investor Protection Act 1970
SSPF	Stichting Shell Pensioenfond, a registered shareholder which obtained a conservatory attachment in the Dutch Court against the monies held in the Dublin Citco Account and brought substantive proceedings against Sentry [and the Liquidator]
Trade Confirmation	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 Place, LLC
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 Companies and the work performed by the Liquidator since the Last Report.

### Appointment

2.2 On 23 April 2009, Mr. Christopher Stride of KRyS Global was appointed by the Court as Liquidator of Lambda pursuant to the provisions of the Act.

2.3 On 21 July 2009, Messrs. Christopher Stride and Kenneth KryS of KRyS Global were jointly appointed by the Court as Liquidators of Sentry and Sigma pursuant to the provisions of the Act.

2.4 Effective 8 September 2010 Mr. Christopher Stride resigned as Liquidator of the Companies and Ms. Joanna Lau was jointly appointed by resolutions of Sentry and Sigma creditors. Furthermore, Ms. Lau and Mr. KryS were jointly appointed as Liquidators of Lambda by resolution of its creditors. The appointments were made in accordance with the resolutions passed by meetings of the Companies' creditors held on 6 September 2010.

2.5 Effective 24 November 2011, Ms. Joanna Lau resigned as Liquidator of the Companies. As at the date of this report, Mr. KryS is the sole Liquidator of the Companies.

2.6 The Liquidator recognises that each of the Companies is a separate legal entity. However, given the similarities between the Companies and their collective history, the Liquidator has determined that a single consolidated Report is appropriate. Where the contents of this Report relate to one specific entity, this is stated. The decision to have one report for all of the Companies should not be deemed to imply or otherwise mean that the Liquidator has considered or made any decision on how they will deal with asset recoveries other than on an entity basis. Should a situation arise where there is a perceived conflict between the Companies, the Liquidator has received the Court's directions in relation to the appointment of a conflict liquidator for Sigma and/or Lambda to look into the specific matter which is the subject of the conflict.

- 2.7 This Report should be read in conjunction with the First Interim Report dated 16 September 2009, the Second Interim Report dated 29 March 2010, the Third Interim Report dated 30 September 2010, the Fourth Interim Report dated 11 April 2011 and the Fifth Interim Report dated 30 September 2011 (the "Last Report").

#### **Duty to Report**

- 2.8 The Liquidator is not obliged, either under the provisions of the Act or the Rules or under any of the orders of the Court pursuant to which he was appointed, to provide a report on his acts and dealings and the conduct of the liquidations until their conclusions. Given the size and scope of the liquidations of the Companies, however, the Liquidator wishes to keep the creditors and the registered shareholders of the Companies regularly apprised of the current status of the liquidations, and therefore expects to continue to provide reports biannually.

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

- 2.9 The purpose of this Report is to provide an update to the Court, creditors and shareholders on the work performed by the Liquidator since the Last Report.
- 2.10 In performing his work, the Liquidator has relied upon the integrity and accuracy of the information and documents supplied. Although the Liquidator has attempted to corroborate the information and documents he has obtained from different sources, he has not independently verified all of the information and documentation he has relied upon in preparing this Report. In addition, the Liquidator has not performed an audit or review in accordance with International Audit Standards and, consequently, no assurance is expressed in this regard.
- 2.11 The Liquidator reports solely on the information available to him at the time of this Report and he will update the Court, creditors and shareholders in future reports, as new or additional information comes to light. The Liquidator has 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.
- 2.12 By receiving and reviewing this Report, the recipient expressly agrees, represents and warrants to the Liquidator 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 Liquidator) or otherwise without the Liquidator's express written consent obtained in advance.

### Scope of Work Performed

- 2.13 The powers of the Liquidator are in accordance with the provisions of Schedule 2 of the Act and these are set out in the orders 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).

### Sources of Financial Data and Information

- 2.14 The Liquidator and his staff have had access to certain information and documentation obtained from the following sources, including but not limited to:
- Citco
  - FGB and FGG
  - the US Trustee
  - the directors, Mr. Peter Schmid and Mr. Jan Naess. (Mr. Walter Noel Junior, the other director has however not provided any documentation);
  - the former attorneys, Conyers Dill & Pearman (BVI), Mr. Andrew Goldstein (US), Seward & Kissel LLP (US), and Loyens & Loeff N.V. (The Netherlands);
  - the Registered Agent, Codan Trustees (BVI) Limited;
  - the Anwar Class; and
  - some Registered Shareholders and beneficial investors.

- 2.15 In certain instances, the Liquidator may have received productions of information or documentation pursuant to confidentiality agreements prohibiting the Liquidator from disclosing the contents and in some cases, the fact of the production of the documents or provisions of the information. Due to confidentiality restrictions, the Liquidator cannot make any disclosures regarding such information or documentation at this time.

### Performance of Duties

- 2.16 In order to comply with his duties and obligations, the Liquidator has been assisted by personnel of KRYs Global, whose work has been performed under the direction of the Liquidator.

2.17 The Liquidator is advised by his legal counsel: Forbes Hare in the BVI; Brown Rudnick in the US; Brada Abeln in the Netherlands; and Philip Lee in the Republic of Ireland. In addition, the Liquidator has instructed and been advised by leading English counsel during the period including Mr. Gabriel Moss QC, Mr. Michael Brindle QC, Mr. Paul Girolami QC and Mr. Alan Maclean QC

**Currency**

2.18 All references to \$ in this report refer to the US dollar unless otherwise specified.

### 3. Executive Summary

- 3.1 As previously reported, the Liquidator obtained formal recognition of the Companies' liquidation proceedings as "foreign main proceedings" in the Bankruptcy Court pursuant to Chapter 15 of the US Bankruptcy Code on 22 July 2010. On 16 September 2011 this decision, which was affirmed by the District Court which sits as an appellate court over the Bankruptcy Court, was subject to a further appeal by Morning Mist. Morning Mist filed an appeal to the Second Circuit on 26 January 2012. The Liquidator must file his reply brief by 26 April 2012. Oral argument on the appeal will be scheduled for later this year.
- 3.2 As previously reported, on 8 July 2011, the Agreement between the Liquidators and the US Trustee became effective. The Liquidator has taken all necessary steps to comply with the terms of the Agreement since its approval including paying the initial cash contribution of \$24 million plus a further amount of \$2.3 million in respect of the US Trustee's share of settlements received from redeeming investors. Sentry has also received a first dividend of \$3.6 million in respect of its current admitted SIPA claim. Certain aspects of the Agreement are also subject to challenge by Morning Mist, including the assignment of the Companies' claims against their former investment manager, FGG, and related parties.
- 3.3 The Liquidator's recovery efforts are progressing. As at 31 March 2012, the Liquidator had filed 278 claims against redeeming investors worldwide seeking to recover an approximate amount of \$6 billion. In addition, the Liquidator has completed an evaluation of all other potential claims against redeeming investors. Approximately 30 further potential claims against redeeming investors are being considered. Per s108 of the US Bankruptcy Code and the decision of the Bankruptcy Court on 23 May 2011, the statute of limitations for US claims is tolled for two years until 22 July 2012.
- 3.4 The Liquidator continues to be approached by defendants to redeemer claims to discuss potential settlement. The Liquidator has finalised or substantially finalised settlements having received proceeds of \$24.1 million. Furthermore, settlements *in principle* have also been reached for additional amounts of \$2.3 million. In addition, the Liquidator is in preliminary settlement negotiations with a further 15 defendants.
- 3.5 A number of remand, abstention and jurisdictional proceedings are currently being litigated in the Bankruptcy and District Courts in respect of the Liquidator's claims brought against redeeming investors in New York.

- 3.6 As reported in the Last Report, an application was made by 22 of the defendants in proceedings commenced by the Liquidator in the BVI to recover redemption monies, seeking to have certain 'Preliminary Issues' determined by the Court. The Court handed down judgment on 16 September 2011. In its decision, the Court found that the documents and contract notes of the Companies were not held to be certificates (the "certification point") and ruled in favour of the Liquidator on that point. Conversely, the Court found in favour of the defendants' good consideration defence.
- 3.7 After receiving the Court's judgment, ABN Amro Fund Services (Isle of Man) Nominees Limited applied for dismissal of the Redeemer Claim commenced by the Liquidator against it and/or seeking Summary Judgment to be entered in its favour. This application was heard on 27 September 2011 and was granted by the Court, being the court of first instance.
- 3.8 On 30 September 2011, five defendants to the Preliminary Issues proceedings filed applications for leave to appeal the certification point which was granted on 30 October 2011. The Liquidator also filed a Notice of Appeal with respect to the good consideration point and the granting of Summary Judgment. These appeals were considered by the Court of Appeal at a three day Hearing commencing on 17 January 2012. As at the date of this report, a decision has yet to be handed down by the Court of Appeal.
- 3.9 The Liquidator continues to seek the recovery of the approximately \$71 million held in the Dublin Citco Account. The Liquidator commenced proceedings in the Republic of Ireland in July 2010 seeking a declaration that the monies held in the Dublin Citco Account belonged to Sentry and also seeking recognition of the Liquidator's appointment in that jurisdiction. A five day hearing to consider the Liquidator's application took place in the Irish Court in December 2011. A decision was handed down by the Irish Court on 28 February 2012. In summary, the Irish Court decided that:-
- The Liquidator's appointment was recognised (although subject to qualification).
  - The Dublin Citco Account is subject to the General Conditions set out in the Custodian Agreement between Citco and Sentry which is governed by Irish law.
  - However, the Irish Court declined to grant the declaration sought by the Liquidator to have the Dublin Citco Account held to his order on the basis that the Irish Court determined that the Liquidator was not entitled to a declaration that the Dutch conservatory attachments are not entitled to recognition in the Republic of Ireland.

The decision by the Irish Court is still being fully digested by the Liquidator's legal team, including his Irish, Dutch and BVI counsel. Mr Paul Girolami QC has also been advising upon the next steps to be taken by the Liquidator. The Liquidator is intending to appeal this decision.

- 3.10 As previously reported, on 16 February 2011, the Dutch Court rejected an application by the Liquidator seeking a ruling that the Dutch Court did not have jurisdiction to decide the statements of claim relating to the conservatory attachments previously granted to SSPF and Atlanta. The Liquidator filed his formal Statement of Defence to those proceedings on 17 August 2011. The Liquidator's Dutch counsel has advised that the next step in those proceedings is likely to be oral arguments presented in a hearing before the Dutch Court however a final decision is unlikely before the end of 2012.

## 4. Analysis and Work Performed to Date

4.1 Since the Last Report, the most significant tasks have been:

- [a] Complying with the Agreement between the Liquidator and the US Trustee;
- [b] Investigation and progression of claims for return of fictitious profits, restitution of redemption proceeds and/or statutory avoidance claims under the Act (the "Redeemer Claims");
- [c] Progressing of the litigation in the Republic of Ireland, the Netherlands and the BVI to recover the funds held in the Dublin Citco Account;
- [d] Progressing litigation in relation to the potential sale of the SIPA claim belonging to Sentry;
- [e] Ongoing discussions with PwC and Citco, and related extensions of tolling arrangements with these parties;
- [f] Collecting the proceeds on non-BLMIS investments and seeking a sale or assignment of the remaining portfolio;
- [g] Ongoing discussions with counsel and consideration of advice of potential distribution alternatives; and
- [h] Keeping the Court and (in the case of Sentry only) the Committee regularly apprised of the administration and conduct of the Liquidation(s).

### The US Trustee

4.2 Since the Agreement became effective on 8<sup>th</sup> July 2011, the Liquidator and the Trustee have worked closely to mutually assist each other in pursuing claims for which recoveries are shared between the parties under the Agreement.

4.3 The Liquidator and the US Trustee have also subsequently agreed to an operational protocol which sets out the time frames and procedures for the sharing of documents, information and other matters of mutual interest including evidence that will assist the prosecution of claims against redeeming investors. To date, the US Trustee has filed avoidance claims under the US Bankruptcy Code against 96 defendants, for over approximately \$1.9 billion relating to the redemptions and profits received by investors from the Companies. Should these claims be successful the Companies will receive a share (between 40-85%) of the settlement proceeds in accordance with the provisions of the Agreement

- 4.4 Pursuant to the terms of the Agreement, the Liquidator has paid consideration of \$24 million to the US Trustee (including cash of \$16 million). A further \$2.3 million was paid to the US Trustee as the result of out of court settlement monies received from redeeming investors.
- 4.5 In turn, Sentry is entitled to a total admitted SIPA claim of \$230 million in the BLMIS estate under the Agreement, contingent upon it paying over a total of \$70 million in cash. As noted above, to date, Sentry has paid \$24 million to the US Trustee and per the Agreement currently has an admitted SIPA claim of \$78 million. The US Trustee paid a first interim 4.602% dividend on 5 October 2011, therefore Sentry received a payment of \$3,589,560. These funds are being held in escrow pending the resolution of the Farnum litigation (which is discussed below starting at paragraph 4.41). As and when Sentry subsequently pays the balance of the \$46 million in cash payable under the Agreement to the US Trustee, it will immediately receive a "catch-up" distribution incrementally on the additional amounts paid.

#### **Claims brought against redeeming investors and settlements – general overview**

- 4.6 A substantial aspect of the Liquidator's recovery strategy is the pursuit of claims brought against redeeming investors. As at 31 March 2012, 278 claims have been filed against redeeming investors in the US with an approximate total claim value of \$6 billion (the "**U.S. Redeemer Actions**"). In the BVI, 33 Redeemer Claims have been filed against redeeming shareholders with an approximate claim value of \$1.4 billion. Each Redeemer Claim can involve a number of defendants. As such, the number of Redeemer Claims filed does not reflect the number of defendants being pursued, which is currently in excess of 900.
- 4.7 The Liquidator has concluded his analysis on the remaining redemptions. Approximately 30 Redeemer Claims are under consideration and may be filed.
- 4.8 The Liquidator considers carefully which claims against redeeming investors to pursue, in which jurisdiction to pursue them and for what amount. Each case is reviewed individually and the Liquidator considers, amongst other things: the amount of redemptions received within the lifetime of the Companies; six year and two year period redemptions; net position; home jurisdiction; subscription documents and applicable consent to jurisdiction provisions therein; and likelihood of recoverability and enforceability of judgments.
- 4.9 The Liquidator has been approached by a number of defendants in the U.S. Redeemer Actions, with a view to entering into settlement negotiations. The Liquidator considers that it is in the best interests of the

Companies' estates that, where possible, that settlements be pursued to avoid unnecessary litigation risks and costs. As such, the Liquidator has encouraged such discussions and makes all reasonable efforts to meet and determine settlement possibilities with defendant parties.

- 4.10 As at the date of this report, the Liquidator had negotiated settlements which have resulted in payments to Sentry of \$22,882,430 and to Sigma of \$ 1,193,837. The Liquidator has also negotiated settlements *in principle* with several additional defendants with the contemplated payments that would result from those settlements totalling approximately \$2.3 million. Steps to finalise these settlements are pending. In addition, the Liquidator is in settlement negotiations with a further 15 defendants.

#### **US Claims brought against redeeming investors - summary**

- 4.11 As at 31 March 2012, there are 278 U.S. Redeemer Actions. Generally, the actions filed in the US include:
- Restitutionary common law claims for recovery of redemption monies received within the 6 year period prior to filing the complaint or, pursuant to the toll provided by Section 108 of the US Bankruptcy Code, the period running from 14 June 2004 to the date of filing, whichever is longer; and
  - Statutory avoidance claims under Sections 245 and 246 of the Act.
- 4.12 As discussed in the Last Report, all new actions brought against redeeming investors that are being pursued in the US have been filed in the Bankruptcy Court.

#### **US Claims brought against redeeming investors - Remand, Abstention and Jurisdictional Issues**

- 4.13 As also discussed in the Last Report, on 23 May 2011, the Bankruptcy Court issued its decision denying motions filed by approximately 40 defendants to the U.S. Redeemer Actions seeking remand of certain of those actions to New York State Court and/or for abstention (the "Bankruptcy Court Remand Decision"). On 6 June 2011, defendants filed petitions for leave to appeal the Bankruptcy Court Remand Decision to the District Court, and motions to stay their actions pending appeal. The motions for leave to appeal were filed in the District Court, and the motions to stay pending appeal were filed in the Bankruptcy Court. After the Bankruptcy Court denied the motion to stay, defendants indicated their intent to renew their request for a stay by letter to the District Court. On 14 July 2011, the District Court issued an order staying actions subject to the motions for leave to appeal.

- 4.14 As also noted in the Last Report, on 19 September 2011, the District Court issued a decision granting the defendants' motion for leave to appeal and, on the merits of the appeal, reversing the Bankruptcy Court's determination that the US claims asserted for the recovery of the redemption monies are "core" proceedings (the "District Court Remand Decision"). In connection with this decision, the District Court remanded the cases to the Bankruptcy Court for reconsideration of the Bankruptcy Court's prior determination that mandatory abstention does not apply and, specifically, to determine whether the actions can be timely adjudicated in the New York State court, as contemplated by the abstention statute.
- 4.15 On 29 September 2011, the Liquidator, through its US counsel, asked the District Court to issue a certification pursuant to 28 USC. § 1292(b), certifying that the District Court Remand Decision met the criteria for seeking an immediate appeal to the Second Circuit. On 12 October 2011, the District Court granted this request and provided the requisite certification. On 24 October 2011, the Liquidator filed a petition in the Second Circuit requesting permission to appeal from the District Court Remand Decision, as required to try to obtain an immediate appeal of that decision. On 3 March 2012, the Second Circuit issued an order denying the petition but making clear that this denial was without prejudice to a later appeal on the underlying substantive issues following further developments in the proceedings.
- 4.16 Meanwhile, the Bankruptcy Court entered an order dated 18 October 2011 (and amended on 19 October 2011, the "Stay Order") staying all the claims brought against the redeeming investors, including those filed after the entry of the Stay Order, pending developments in connection with (a) of the Preliminary Issues / Summary Judgment appeal, and (b) the Liquidator's request for interlocutory appeal of the District Court's 19 September 2011 decision, and disposition of any such appeal, which at the time was still pending.
- 4.17 The Stay Order operates to stay proceedings in the U.S. Redeemer Actions, including proceedings in any actions filed against redeeming investors after the issuance of the Stay Order, but allows the Liquidator to commence new claims, to commence or complete service of process, to participate in settlement negotiations, to finalise settlements, and to dismiss claims, among other things. As permitted by the Stay Order, the Liquidator has continued to file and serve new claims following the Stay Order in accordance with the overall litigation strategy described above.
- 4.18 In addition, and in accordance with terms of the Stay Order, the Liquidator compiled a schedule of proposed amendments to pending complaints in the U.S. Redeemer Actions, amendments that the Liquidator either

planned to make as of right, or intended to seek leave to make, once the Stay Order is lifted. Accordingly, on 29 November 2011, the Liquidator filed a Notice of Proposed Amendments to Complaints in the Redeemer Actions. The proposed amendments included, among other things, additional allegations regarding money transfers directed to the US.

#### **Schedule for US Claims brought against redeeming investors**

- 4.19 As discussed in the Last Report, pursuant to the US District Court's decision, there will be further proceedings in the actions subject to Remand Motions to consider the "timely adjudication" issue. In light of the Stay Order and the overall stay of proceedings that is in place pursuant to that order however, the Bankruptcy Court has not determined how it will proceed with respect to that issue. Moreover, although the Bankruptcy Court had entered an amended scheduling order dated 28 September 2011 (as further amended on 11 October 2011) setting deadlines for defendants in actions not subject to the Remand Motions to respond to complaints, and for the Liquidator to oppose any responsive motions, those deadlines have since passed, and have not been rescheduled in light of the continuing stay applicable to all US Redeemer Actions.

#### **BVI Claims brought against redeeming investors**

- 4.20 As discussed in the Last Report, the Court handed down judgment on the Preliminary Issues on 16 September 2011 in which it ruled in favour of the Liquidator on the *certification point*, as it found that the documents and contract notes of the Companies were not certificates. Conversely, the Court found in favour of the defendants' *good consideration* defence.
- 4.21 ABN Amro sought 'Summary Judgment' dismissing the claim brought against it by the Liquidator for restitution of the redemption monies it received on the basis that the Court had determined that ABN Amro had provided '*good consideration*' for the redemptions received. The application for Summary Judgment was heard by the Court on 27 September 2011 and was granted.
- 4.22 On 30 September 2011, five defendants to the Preliminary Issues filed applications for leave to appeal the *certification point* which was granted by the Court of Appeal on 31 October 2011.
- 4.23 The Liquidator filed Notices of Appeal with respect to the Preliminary Issues '*good consideration*' decision and the subsequent granting of Summary Judgment. The required Notices of Opposition were also

prepared and filed with respect to the certification point. The appeals were listed to be heard by the Court of Appeal during a three day hearing commencing 17 January 2012. Michael Brindle QC and Andrew Westwood appeared for the Liquidator. At the date of this report the Court of Appeal had not handed down its decision.

- 4.24 On 9 December 2011, Harneys, made an application on behalf of the defendants which they represented in Preliminary Issues, pursuant to Section 273 of the Act (the "s273 Application"). The s273 Application sought to force the Liquidator to withdraw or discontinue all claims against certain defendants in the US and to reverse the sanction previously granted by the Court which granted the Liquidator leave to pursue the claims against the redeeming investors in the US or elsewhere, including the statutory avoidance claims. In the alternative, the application sought an injunction restraining the Liquidator from taking any further steps in the US in regard to the litigation brought against the redeeming investors in that jurisdiction. The s273 Application was listed to be heard during the week of 13 February 2012.
- 4.25 On 17 January 2012, a second s273 application was made by O'Neal Webster, on behalf of some of its clients, who were also Preliminary Issues defendants, seeking the same relief as the earlier s273 Application made by Harneys.
- 4.26 On 26 January 2012, Harneys, on its own behalf and for O'Neal Webster, wrote to the Liquidator seeking an adjournment of the s273 Applications which had been listed to be heard by the Court at the beginning of February 2012. Harneys requested that the s273 Applications hearing be adjourned until the after the Court of Appeal hands down its decisions on the Preliminary Issues and Summary Judgment. The Liquidator opposed this request and the Court considered the adjournment applications at a hearing on 6 February 2012. The Liquidator was represented by Alan Maclean QC, who was advised to object to the adjournment on various grounds.
- 4.27 The Court granted the adjournments sought, and the s273 Applications will be re-listed to be heard once the Court of Appeal has handed down its decisions regarding Preliminary Issues and Summary Judgment. Harneys, on behalf of five of its clients, sought and received the Liquidator's consent to discontinue their related actions, subject to certain terms.

**Claims brought against redeeming investors in other jurisdictions**

- 4.28 As advised in the Last Report, five claims against redeeming investors were filed in the Cayman Islands; four of the five defendants sought and obtained stays in the Cayman proceedings pending the decision on Preliminary Issues in the BVI. The claim against the fifth defendant proceeded to the discovery stages of the litigation. Shortly after the Court handed down its decision on Summary Judgment, the fifth defendant filed an application seeking Summary Judgment in its case with the Grand Court of the Cayman Islands.
- 4.29 Upon advice from counsel and after consulting with the unconflicted members of the Committee, the Liquidator negotiated dismissal terms with the fifth defendant and discontinued the other four claims.
- 4.30 The Liquidator has not initiated any other proceedings against redeeming investors in the Cayman Islands or other jurisdictions aside from the BVI and the US.

**Recovery Efforts of the Funds held in the Dublin Citco Account**

- 4.31 There have been significant developments with respect to the Liquidator's efforts to recover the approximately \$71 million that has been the subject of conservatory attachments issued by the Dutch Court, for the benefit of Sentry's estate. In addition to the legal proceedings detailed below, the Liquidator entered into extensive settlement discussions with both SSPF and Atlanta; however the parties have so far been unable to reach a mutually acceptable position.

**Recovery Efforts of the Funds held in the Dublin Citco Account: Irish proceedings**

- 4.32 The Liquidator's bid to obtain limited recognition of his appointment and the release of the attached monies held in the Dublin Citco account in the Republic of Ireland was considered by the Irish Court during a five-day contested Hearing in the beginning of December 2011.
- 4.33 Expert witnesses appeared for the Liquidator and for SSPF on the topics of the nature of Dutch conservatory attachments and Dutch contract law. Evidence was admitted as to BVI law and the background to the obtaining of the Dutch conservatory attachments. The Liquidator attended the hearing and also gave evidence.
- 4.34 Judgment was handed down by the Irish Court on 28 February 2012. In summary, the Irish Court decided that:-

- The Liquidator's appointment was recognised.
- The Dublin Citco Account is subject to the General Conditions of Citco Bank Nederland NV and that it is thereby governed by Irish law.
- Arguments put forward by the opposing parties seeking to refer the proceeding to the European Court of Justice, were rejected.
- The Irish Court refused to grant the declaration sought by the Liquidator to have the Dublin Citco Account held to his order on the basis that the Liquidator was not entitled to a declaration that the Dutch conservatory attachments are not entitled to recognition in the Republic of Ireland.

4.35 The judge, Ms Justice Finlay Geoghegan, has not made her final order in the Irish proceedings. A further hearing took place on Friday 30 March 2012 when the judge heard the parties on costs and as to the form of her final orders; this may now include a number of additional declarations arising from factual findings contained in the judgment that the governing law of the Dublin Citco Account is Irish law and that, accordingly, the place of repayment of the funds held on that account is Dublin.

4.36 Ms Justice Finlay Geoghegan reserved judgment on costs and indicated that it will be handed down and that she will make her final orders after 16 April 2012 when the Irish Court re-convenes following the Easter vacation period. Once the final orders are made in the Irish proceedings the Liquidator will decide whether to appeal the judgment. Any Notice of Appeal is due to be filed within 21 days of the date of the Judge's order.

4.37 The implications of the decision by the Irish Court are still being fully digested by the Liquidator's legal team, including his Irish, Dutch and BVI counsel. Mr Paul Girolami QC has also been advising upon the next steps to be taken by the Liquidator. It is anticipated that the Liquidator will appeal the decision.

#### **Recovery Efforts of the Funds held in the Dublin Citco Account: Anti-suit injunction**

4.38 The Liquidator's appeal of the decision of the Court to refuse to grant a permanent anti-suit injunction against SSPF has been listed to be heard by the Court of Appeal, sitting in the BVI, during the week commencing 16 April 2012. Mr. Paul Girolami QC and Mr. Andrew Westwood will again appear for the Liquidator in these proceedings.

#### **Recovery Efforts of the Funds held in the Dublin Citco Account: Dutch proceedings**

- 4.39 The Liquidator submitted Sentry's Statement of Defence in August 2011 to these proceedings which were brought against it by SSPF and Atlanta. To date, Fairfield Greenwich Limited ("FGL"), which is also named as a defendant, has not done so. Dutch Counsel for the Liquidator has advised that last month, SSPF wrote to the Dutch Court requesting that the proceedings be moved to the "sleeping docket list" because of the fact that SSPF remain in settlement negotiations with FGL. SSPF has advised the Dutch Court that it will make a further request, at the earliest opportunity, to the Dutch Court to place the proceedings on the "active docket list" again. If settlement with FGL cannot be reached, FGL will have to submit its statement of defence; however, if settlement with FGL is reached then the proceedings will continue but against Sentry only.
- 4.40 Dutch Counsel has advised that in the Netherlands, estimating timing in a complex case like this is difficult. This is partly due to the fact that the Dutch Court has significant flexibility in establishing the procedures and the timing thereof. In these particular proceedings timing is also dependent upon when SSPF reactivates the proceedings by moving them back to the active docket list. Therefore, a detailed and accurate timetable is hard to deliver. Dutch counsel has advised that a decision is unlikely to be made before the end of 2012.

#### **Farnum Litigation**

- 4.41 On 13 December 2010, the Liquidator entered into a Trade Confirmation with Farnum regarding the price and terms of a sale of Sentry's potential SIPA claim in the BLMIS estate. The Trade Confirmation was not a sale contract in itself, as at that time Sentry's potential SIPA claim had not been allowed as the negotiations between the US Trustee and the Liquidator were ongoing.
- 4.42 The Liquidator was advised that consummation of the transaction would require the approvals of both the Court in the BVI as well as the Bankruptcy Court .
- 4.43 On 17 December 2010, immediately after the Trade Confirmation was signed, the market trading price of SIPA claims in the BLMIS estate rose significantly, due to an unprecedented \$7.2 billion settlement reached by the US Trustee with the estate of Jeffrey Picower.
- 4.44 It was clear to the Liquidator that the business rationale for continuing to progress the Trade Confirmation with Farnum could no longer be justified as being in the best interest of the creditors and the shareholders of Sentry. Consequently, the Liquidator did not pursue the transaction with Farnum.

- 4.45 On 27 October 2011 Farnum applied to the Court seeking an order for among other things, specific performance, namely that the Liquidator complete the transaction with Farnum - arguing that this was a provision of the Trade Confirmation. The Liquidator resisted this application as the performance of the Trade Confirmation and the assignment of the SIPA claim was no longer in the interests of the estate.
- 4.46 During a three day hearing commencing 13 March 2012, the Court heard this matter and on 27 March 2012, the Court issued a judgment approving the Trade Confirmation as a matter of BVI insolvency law and ordering the Liquidator to make an application to the US Bankruptcy Court for its approval or disapproval of the Trade Confirmation as a matter of US bankruptcy law. The Liquidator is preparing for this application.
- 4.47 Should the Bankruptcy Court disapprove the Trade Confirmation, then the (BVI) Court has indicated that it will not require that the Trade Confirmation be progressed.

#### **PwC**

- 4.48 The Liquidator has a tolling agreement with PwC, which is currently due to expire on 30 April 2012; it is anticipated that this tolling agreement will be extended by a further 90 day period prior to its expiration.
- 4.49 The Liquidator has had preliminary discussions with PwC regarding a possible settlement of the Companies' claims, although no formal proceedings have commenced to date. These discussions are ongoing and the Liquidator is meeting with PwC again this month.
- 4.50 These settlement discussions also involve lead counsel acting for the Anwar Class, who have already brought claims against PwC in the US for their conduct as auditor of the Funds. Concurrently, the Liquidator is exploring settlement strategies with the Anwar Class.

#### **Citco**

- 4.51 The Liquidator's primary focus with respect to Citco has been directed toward collecting information and documentation regarding the Companies' affairs and particularly subscription and redemption data. Citco has provided approximately 500,000 pages of documents and continues to provide further documents upon request. The Liquidator continues to monitor the extent to which the continued sharing of information and

documentation benefits the Companies and also the extent to which Citco continues to provide this cooperation.

- 4.52 The Liquidator has a tolling agreement with Citco which is currently due to expire on 25 February 2013.

#### **Directors**

- 4.53 The Liquidator has a tolling agreement with Messrs. Jan Naess and Peter Schmid which is currently due to expire on 11 March 2013.

#### **FGG**

- 4.54 As previously reported, prior to the Liquidator's appointment, the Companies had filed claims with an approximate value of \$920 million against FGG seeking recovery of investment management and performance fees paid to it.
- 4.55 Under the terms of the Agreement between the Liquidator and the US Trustee, the Liquidator is to assign this claim to the US Trustee. The assignment of this claim has been challenged to by Morning Mist.

#### **Distribution**

- 4.56 Since the Last Report, the Liquidator has received updated advice on possible methods of distribution. The Liquidator is considering these further and will seek direction from the Court in due course.
- 4.57 Whilst notice of a distribution to potential creditors was made in November 2011 in regards to Sentry and Sigma, the Liquidator subsequently determined that a number of factors, including potential indemnity claims being made against the estates of Sentry and Sigma, existed which made payment of the dividend premature. The Liquidator continues to monitor these and other claims and will advise of the likelihood and potential timing of a distribution in due course.

#### **Realisation of Non-BLMIS Investments**

- 4.58 The Liquidator continues to liquidate the remaining investments in the Non-BLMIS portfolio. Since the date of the Last Report a total of \$21,362,026 has been collected. The estimated value of the remaining Non-BLMIS investments, as reported by FGG, is \$6,711,981.

- 4.59 As previously reported, Fairfield Argenis Healthcare (the last remaining investment in the Diabetes Center of America fund) with a previously disclosed value of \$1.4 million has been declared bankrupt. The Liquidator is currently investigating this and anticipates filing a claim in that fund's liquidation.
- 4.60 From the date of the Liquidator's appointment, total monies received from the non-BLMIS portfolio are \$54,721,723.
- 4.61 The remaining investments (as at 29 February 2012 and adjusted for receipts received in the intervening period) are detailed below:

Investment	Estimated Value	Comment
Enhanced Guardian II	\$3,400,000	Partially invested in Fairfield Sentry
Chester Global Strategy	\$936,840	Being liquidated in instalments
Irongate Global Strategy	\$935,580	Partially liquidated for \$657,973.
Fairfield Aerium International	\$738,400	Based on real estate; awaiting market turn
Fairfield Investment	\$371,713	Suspended. 20% invested in Fairfield Sentry.
Wilshire Portable Alpha	\$222,208	Nominal holdback amount.
Chester Horizons	\$72,496	Remaining portion to be liquidated 2012
Chester Global Emerging Market	\$25,944	Being liquidated in instalments
Fairfield Lion Investment Fund	\$8,800	Remaining portion to be liquidated 2011
<b>Total</b>	<b>\$6,711,981</b>	

Court applications and communication with the Committee

- 4.62 The terms of the Liquidator's appointment are such that prior sanction from the Court in respect of the commencement, continuance or defence of any legal action must be sought. As a result, the Liquidator, through his BVI counsel, has had to make a number of applications to the Court since the Last Report.
- 4.63 The Liquidator consults with the Committee on a number of recovery matters relating to Sentry and also keeps the Committee apprised as to his activities and strategies by way of bi-monthly written updates and numerous memoranda. The Liquidator holds conference calls with the Committee on a monthly basis and holds face to face meetings with the Committee on a quarterly basis.
- 4.64 Since the Last Report, the Liquidator and the Committee have finalised a revised protocol. The Committee is actively involved in reviewing and consulting on the Liquidator's fees and Sentry's liquidation expenses (including those of the Liquidator's lawyers and other service-providers) and their views are brought to the attention of the Court when it reviews and approves the Liquidator's fees and expenses. The finalised protocol sets out the timetable for the Liquidator to present invoices for review and the deadline for queries to be raised by the Committee.
- 4.65 The members of the Committee are:

Committee Member	Represented by	Firm
Bank Hapoalim (Suisse) SA	Ian Benjamin (alternate: Philipp Käzig)	Berwin Leighton Paisner LLP London, UK <a href="mailto:Ian.Benjamin@blplaw.com">Ian.Benjamin@blplaw.com</a> <a href="mailto:philipp.kaenzig@ssplaw.ch">philipp.kaenzig@ssplaw.ch</a>
EVG Bank Limited	Sashi Bach Boruchow (alternate: David Barrett)	Boies, Schiller & Flexner LLP Fort Lauderdale, USA. <a href="mailto:sbach@BSFLLP.com">sbach@BSFLLP.com</a> <a href="mailto:dbarrett@BSFLLP.com">dbarrett@BSFLLP.com</a>
Natixis	Ed Davis – Chair (alternate:	Stephenson Harwood London, UK

Committee Member	Represented by	Firm
	Julie Engwirda)	<a href="mailto:Edward.Davis@shlegal.com">Edward.Davis@shlegal.com</a> <a href="mailto:julie.engwirda@walkersglobal.com">julie.engwirda@walkersglobal.com</a>
Nordea Life and Pensions	Leif Raanes	Nordea Group Legal Oslo, Norway <a href="mailto:leif.raanes@nordea.com">leif.raanes@nordea.com</a>
UBP Luxembourg (various entities)	Meade Malone (alternate: Kenneth Scarlett)	Meade Malone & Co. Road Town, BVI <a href="mailto:mmalone@mwmabacus.com">mmalone@mwmabacus.com</a> <a href="mailto:kscarlett@mwmabacus.com">kscarlett@mwmabacus.com</a>

4.66 Three of the members of the Committee are themselves defendants to claims for redemption monies received prior to the commencement of the liquidation. As such, the Liquidator considers that those Committee members have a conflict of interest and therefore the Liquidator is unable to fully share with them his strategies or legal advice in regard to the claims bring pursued against the redeeming investors.

4.67 Since the Last Report, the Liquidator attempted to form a sub-committee consisting of the non-conflicted members together with two or three new members. Despite approaching a number of investors in this regard the Liquidator was unable to identify any member willing to act on the sub-committee. As a result, the Liquidator, together with the non-conflicted members of the Committee formed the opinion that further efforts to do so were surfeit. The Liquidator continues to consult with the non-conflicted members of the Committee with regard to matters pertaining to the litigation of the claims against the redeeming investors.

### Requests to Transfer Shareholdings

- 4.68 The Liquidator regularly receives requests to transfer shares held by investors in the Companies. In accordance with the provisions of Section 175(1)(d) of the Act, such transfers are prohibited unless leave of the Court is sought and obtained.
- 4.69 In relation to Sentry and Sigma only, the Court ordered, on 7 July 2011 and 26 March 2012 respectively, that the Liquidator now has a general discretion to register the transfer of shares. As a result of the orders, registered shareholders may avoid the costs of making an application pursuant to Section 175(1)(d) of the Act, subject to the Liquidator's discretion. Any registered shareholder interested in transferring their share should contact the Liquidator by sending an email to [fairfieldsentry@KRyS-Global.com](mailto:fairfieldsentry@KRyS-Global.com) or [fairfieldsigma@KRyS-Global.com](mailto:fairfieldsigma@KRyS-Global.com) for further information.

## 5. Financial Analysis

- 5.1 A comparative analysis of the Companies' financial position from the Last Report to the current estimated asset position follows. Lambda has no tangible assets and therefore no analysis for Lambda is detailed.
- 5.2 These analyses do not provide for potential recoveries from claims against redeeming investors or, former third party service providers.

SENTRY				
Assets	Position as at	Position as at	Position as at	Variance
	21-Jul-09	30-Sep-11	31-Mar-12	Sep 11 to Mar 12
Cash	\$71,126,716	\$85,519,610	\$107,837,069	\$22,317,459
Non-BLMIS investments	\$79,506,337	\$23,239,756	\$3,622,208	-\$19,617,548
Fee deferral assets	\$21,000,000	\$5,530,444	\$3,089,773	-\$2,440,671
<b>Total</b>	<b>\$171,633,053</b>	<b>\$114,289,810</b>	<b>\$114,549,050</b>	<b>\$259,240</b>

SIGMA				
Assets	Position as at	Position as at	Position as at	Variance
	21-Jul-09	30-Sep-11	31-Mar-12	Sep 11 to Mar 12
Cash	\$62,411,835	\$62,212,544	\$62,929,425	\$716,881
	€ 185,873	€ 186,186	€ 186,328	€ 142
Promissory Note	\$80,000	\$80,000	\$80,000	\$0
Total	\$62,411,835	\$62,212,544	\$62,929,425	\$716,881
	€ 185,873	€ 186,186	€ 186,328	€ 142

- 5.3 The above cash figures represent the monies held as at 31 March 2012. No adjustments have been made for the unpaid accrued Liquidators' fees, legal fees or other expenses. The Liquidators intend to file a fee application for payment of the accrued unpaid fees and expenses totalling approximately \$5.6million which will be considered by the Court on 8 May 2012. The Liquidator estimates that the amount of Liquidator's fees and expenses incurred to date, which will be part of the next fee application is \$1.3million.
- 5.4 The estimated realisable values for the non-BLMIS investments are those provided by FGJ as at 29 February 2012 (adjusted to take account of funds received in the intervening period). The Liquidator expresses no view as to whether this will be the actual amount recovered from these investments.
- 5.5 The variance in assets between the Last Report and 31 March 2012 in Sentry is an increased asset position of \$259,240. This is due primarily to:
- The receipt of settlement proceeds from redeemers and other miscellaneous revenue (including interest on cash held with banks) of \$13,162,323;
  - The payment of the Liquidators' fees and expenses totalling \$13,630,523 which related to expenses and fees incurred and approved by the Court for the period 1 May 2011 through 31 December 2011;
  - The receipt of non-BLMIS cash proceeds of \$21,362,026;
  - The reduction in the value of the non-BLMIS securities of \$22,058,219 from their September 2011 balances.
  - SIPA Trustee Dividend Received of \$3,589,560. These funds are being held in escrow pending the resolution of the Farnum litigation (which is discussed above starting at paragraph 4.41)

- Redeemer Settlement Payments paid SIPA Trustee pursuant to the Settlement Agreement of \$2,165,927.

5.6 The variance in assets between the Last Report and 31 March 2012 in Sigma is \$716,881 and an increase of €142. This is primarily due to:

- the receipt of settlement proceeds from redeemer investors of \$1,193,837;
- the payment of Liquidators' fees and expenses of \$521,926 for the period 1 May 2011 through 31 December 2011; and
- Bank interest received of \$44,970
- Bank Interest Received and Charges Paid of €142

5.7 Fees and expenses which have been directly and solely beneficial to one of the Companies in particular have been borne by that estate. However, where a cost has been incurred which the Liquidator considers has a global benefit to all of the Companies this has been billed to and paid by Sentry alone. The Liquidator, following comments made by the Court *in obiter*, is currently seeking counsel's advice on the appropriate methodology to allocate costs among the Companies. Once this advice is received the Liquidator expects to seek the Court's approval to apply the recommended methodology.

## 6. Conclusion

6.1 The Liquidator intends periodically 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. The next interim consolidated report is scheduled to be issued in October 2012.

6.2 In the meantime, however, Registered Shareholders are advised to keep a regular check on the secure website for further updates. The secure websites include a list of Frequently Asked Questions which I ask you to check prior to contacting the Liquidator with any queries. If you do not have, or have lost your log-in credentials for the secure website, please email the Liquidator (quoting your Holder and Account ID numbers) at: [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).



Kenneth Krys  
Liquidator

12 April 2012

Fairfield Sentry Funds Liquidation  
Liquidators' cash receipts and disbursements statement  
July 2009 to March 2012

Appendix A

	USD \$ SENTRY 31-Mar-12	USD \$ SIGMA 31-Mar-12	USD \$ LAMBDA 31-Mar-12	TOTAL 31-Mar-12	
<b>Cash Receipts</b>					
Citco at liquidation date	70,099,115	62,411,835	-	132,510,950	
Clydesdale EURO at liquidation date	-	260,265	-	260,265	
Proceeds on liquidation of positions	76,083,749	-	-	76,083,749	
Proceeds received from redeemers	22,882,430	1,193,837	-	24,076,267	
Proceeds received from SIPA Trustee	3,589,560			3,589,560	
Recovery of retainers	-	316,952	-	316,952	
Interest received	55,469	237,565	-	293,034	
	<u>172,710,323</u>	<u>64,420,453</u>	<u>-</u>	<u>237,130,777</u>	
<b>Cash Disbursements</b>					
Legal fees and expenses	24,742,161	81,341	-	24,823,501	
Legal Contingency Fees	2,188,645	177,875	-	2,366,520	
Liquidators fees and expenses	10,741,826	724,683	-	11,466,509	
Payment - SIPA Trustee Payment	26,165,927	177,415	-	26,343,342	
Other professional fees	610,828	46,510	-	657,338	
Database & web fees	163,440	6,938	-	170,377	
Liquidation committee expenses	58,487	-	-	58,487	
Office rental expenses	7,800	13,400	-	21,200	
Application costs and fees	185,667	-	-	185,667	
Bank charges	8,473	2,008	-	10,481	
	<u>64,873,254</u>	<u>1,230,169</u>	<u>-</u>	<u>66,103,423</u>	
<b>Net Cash Position</b>	<b><u>107,837,069</u></b>	<b><u>63,190,284</u></b>	<b><u>-</u></b>	<b><u>171,027,353</u></b>	<b>C</b>
<b>Closing Balance made up of:</b>					
Citco	71,126,716	-	-	71,126,716	<b>A</b>
VP Bank	-	329,602	-	329,602	
Clydesdale	176,355	59,188,298	-	59,364,653	<b>B</b>
Scotia Bank	36,533,998	3,672,384	-	40,206,382	
	<u>107,837,069</u>	<u>63,190,284</u>	<u>-</u>	<u>171,027,353</u>	

**Notes**

A - Sentry funds of \$71,126,716 with Citco are subject to a freezing order

B - Funds held at Clydesdale are held in a Brown Rudnick escrow account, following the SIPA Trustee Agreements these funds shall be moved to the Fund's Liquidation Accounts in the BVI.

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

**Fairfield Sentry Funds Liquidation**  
**Liquidators' cash receipts and disbursements statement**  
**July 2009 to September 2011 (Unadjusted Comparative)**

**Appendix B**

	USD \$ SENTRY 30-Sep-11	USD \$ SIGMA 30-Sep-11	USD \$ LAMBDA 30-Sep-11	TOTAL 30-Sep-11	
<b>Cash Receipts</b>					
Citco at liquidation date	70,099,115	62,411,835	-	132,510,950	
Clydesdale EURO at liquidation date	-	260,265	-	260,265	
Proceeds on liquidation of positions	54,721,723	-	-	54,721,723	
Proceeds received from redeemers	9,720,544	-	-	9,720,544	
Proceeds received from SIPC	-	-	-	-	
Recovery of retainers	-	316,952	-	316,952	
Interest received	54,893	192,325	-	247,218	
	134,596,275	63,181,377	-	197,777,652	
<b>Cash Disbursements</b>					
Legal fees and expenses	17,272,130	48,676	-	17,320,805	
Legal Contingency Fees	-	-	-	-	
Liquidators fees and expenses	7,209,352	604,030	-	7,813,383	
Payment - Trustee's Settlement Agreement	24,000,000	-	-	24,000,000	
Redeemer Settlement Distribution	-	-	-	-	
Other professional fees	284,741	36,906	-	321,648	
Database & web fees	77,517	6,302	-	83,818	
Liquidation committee expenses	34,750	-	-	34,750	
Office rental expenses	5,100	10,700	-	15,800	
Application costs and fees	185,667	-	-	185,667	
Bank charges	7,408	1,558	-	8,966	
	49,076,665	708,172	-	49,784,836	
<b>Net Cash Position</b>	<b>85,519,610</b>	<b>62,473,205</b>	-	<b>147,992,815</b>	<b>C</b>
<b>Closing Balance made up of:</b>					
Citco	71,126,716	-	-	71,126,716	<b>A</b>
VP Bank	-	329,511	-	329,511	
Clydesdale	412,593	59,143,270	-	59,555,863	<b>B</b>
Scotia Bank	13,980,300	3,000,425	-	16,980,725	
	\$ <b>85,519,610</b>	<b>62,473,205</b>	-	<b>147,992,815</b>	

**Notes**

A - Sentry funds of \$71,126,716 with Citco are subject to a freezing order

B - Funds held at Clydesdale are held in a Brown Rudnick escrow account, following the SIPA Trustee Agreements these funds shall be moved to the Fund's Liquidation Accounts in the BVI.

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