

**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

Seventh Interim Consolidated Report of the Liquidator

2 October 2012

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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 in the Dutch Court)
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 had commenced proceedings against Sentry in the Court seeking specific performance of the Trade Confirmation. The Liquidator has filed an application in the Bankruptcy Court seeking disapproval 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 Sixth Interim Report of the Liquidator, dated 12 April 2012
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
Maples and Calder	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 and represents SSPF in the Liquidator's claim for injunctive relief in the BVI
Morning Mist	plaintiffs in 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 & Co Ltd & 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)
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
SEC	US Securities and Exchange Commission
Second Circuit	US Court of Appeals for the Second Circuit
Section 175(1)(d)	"...with effect from the commencement of the liquidation of a company...unless the Court order, no share in the company may be transferred" (the Act)
Section 273	"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." (the Act)
Sentry	Fairfield Sentry Limited - In Liquidation
Sigma	Fairfield Sigma Limited - In Liquidation
SIPA	Securities Investor Protection Act 1970
SSPF	Stichting Shell Pensioenfonds, 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 Please refer to Section 2.2 - 2.5 of the Last Report for details of the appointment of Liquidators over Lambda, which entered Liquidation on 23 April 2009, and Sentry and Sigma, which both entered Liquidation on 21 July 2009. As at the date of this report, Mr. Kryz is the sole Liquidator of the Companies.

Duty to Report

- 2.3 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.
- 2.4 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.
- 2.5 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, the Fifth Interim Report dated 30 September 2011 and the Last Report dated 12 April 2012. These are available on the secure websites for ease of reference.

Restrictions and Qualifications of the Report

- 2.6 The purpose of this report is to provide an update to the Court, creditors and registered shareholders on the work performed by the Liquidator since the Last Report.
- 2.7 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.
- 2.8 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.
- 2.9 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

- 2.10 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.

Sources of Financial Data and Information

- 2.11 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, as detailed in the Last Report;
 - the Registered Agent, Codan Trustees (BVI) Limited;
 - the Anwar Class;
 - PwC Canada; and
 - some Registered Shareholders and beneficial investors.
- 2.12 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

- 2.13 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.
- 2.14 The Liquidator is advised by his legal counsel: Forbes Hare; Brown Rudnick; Brada Abeln and Simmons & Simmons in the Netherlands; Stikeman Elliot in Canada; and Philip Lee, Michael McDonell S.C. and Bernard Dunleavy, Barrister at Law, 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, Mr. Alan Maclean QC and Mr. Jonathon Crow QC.

Currency

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

3. Executive Summary

Redeemer claims

- 3.1 The Liquidator's recovery efforts are progressing. As at 30 September 2012, the Liquidator had filed 316 claims against redeeming investors worldwide seeking to recover an approximate amount of \$6.2 billion. In addition, the Liquidator has completed an evaluation of other potential claims against redeeming investors. 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 was tolled during a two year period, until 22 July 2012.
- 3.2 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 approximately \$25.6 million. Furthermore, settlements *in principle* have also been reached for additional amounts of approximately \$1.45 million. In addition, the Liquidator is in preliminary settlement negotiations with a further ten defendants.
- 3.3 As noted in the Last Report, the appeals of the Preliminary Issues and Summary Judgment first instance decisions of the Court were considered by the Court of Appeal at a three day Hearing commencing on 17 January 2012.
- 3.4 On 13 June 2012, the Court of Appeal issued its decision affirming the judgments of the BVI Court. The Liquidator and the Preliminary Issues Defendants have applied for leave to appeal to the Privy Council. Both applications are scheduled to be heard by the Court of Appeal on 3 October 2012. Out of an abundance of caution in light of the procedural requirements of the Privy Council, the Liquidator has also filed an application for leave to appeal directly with the Privy Council.
- 3.5 On 23 August 2012, the Liquidator's counsel received a letter from Harneys enclosing a Notice of Objection to the Companies' application for leave to appeal to the Privy Council. This was followed by notices on behalf of the respondents represented by O'Neal Webster and Maples and Calder which mirror the contents of the Harneys' Notice of Objection.

PwC

- 3.6 Settlement discussions between the Liquidator and PwC, the former auditor the Companies, did not reach an agreement. Therefore, prior to the expiration of the tolling agreements with PwC on 31 May 2012, the

Liquidator issued claims against PwC Netherlands, auditor between 1999 and 2005, and PwC Canada, auditor in 2006 and 2007, and various key individual partners related to the audit.

Recovery efforts of the Funds held in the Dublin Citco Account

- 3.7 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.
- 3.8 Since the date of the Last Report, the Irish Court has handed down its 'perfected' decision in regards to the Liquidator's petition to seek recognition of his appointment on 26 June 2012.
- 3.9 Subsequently, upon the advice of his Irish Senior Counsel, Mr. Michael McDowell S.C., the Liquidator filed an appeal of the decision on 13 July 2012. The Liquidator understands that the appeal is unlikely to be considered by the Court of Appeal of the Irish Commercial Court for a considerable period of time, likely 18 months or more.
- 3.10 On 17 September 2012, the Court of Appeal handed down its judgment in respect of the application made by Sentry for an "anti-suit injunction" to restrain SSPF from pursuing the proceedings in the Netherlands' courts.
- 3.11 The Court of Appeal held that SSPF's submission of a claim in the liquidation ought to be treated as agreement to participate in and be bound by the liquidation process being administered by the Court, pursuant to the statutory scheme laid down in the Act and the Rules. The Court ordered that SSPF be restrained from taking any further steps in proceedings commenced in the Dutch Court against Sentry, or from issuing or otherwise commencing any proceedings against Sentry in the Dutch Court or elsewhere in the Netherlands.
- 3.12 At the time of preparing this report, the final terms of the Order have not been settled. This is expected to take place at a short hearing before the Court of Appeal in the BVI on or about 3 October 2012. The Liquidator is liaising with counsel to determine the effects of the judgment. As at the date of writing, the Liquidator is considering his strategy regarding the monies held in the Dublin Branch of the Citco Bank.

Farnum litigation

- 3.13 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.
- 3.14 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 not in Sentry's interests.
- 3.15 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. On 18 April 2012, the Liquidator filed an application in the Bankruptcy Court seeking disapproval of the Trade Confirmation. All papers have been submitted to the Bankruptcy Court. A hearing date for oral argument will be shortly set by the Bankruptcy Court.

Agreement between the Liquidator and the US Trustee

- 3.16 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 that hears appeals from the Bankruptcy Court, was subject to a further appeal by Morning Mist to the United States Court of Appeals for the Second Circuit. Briefing by the parties has been completed and submitted and it is anticipated that oral arguments on the appeal will be scheduled for early next year.
- 3.17 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. One aspect of the

Agreement is also the subject of a challenge by Morning Mist, i.e. the assignment of the Companies' claims against their former investment manager, FGG, and related parties.

4. Analysis and Work Performed to Date

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

- [a] Investigation and progression of common law claims for return of fictitious profits, restitution of redemption proceeds and/or statutory avoidance claims under the Act (the "Redeemer Claims");
- [b] Progressing litigation against PwC, the former auditors of the Companies;
- [c] Keeping the Court and (in the case of Sentry only) the Committee regularly apprised of the administration and conduct of the Liquidation(s);
- [d] Progressing of the litigation in the Republic of Ireland, the Netherlands and the BVI to recover the funds held in the Dublin Citco Account;
- [e] Progressing litigation in relation to the potential sale of the SIPA claim belonging to Sentry;
- [f] Complying with the Agreement between the Liquidator and the US Trustee;
- [g] Ongoing discussions with Citco, and related extension of tolling arrangements;
- [h] Collecting the proceeds on Non-BLMIS investments and reviewing information presently held in relation to same;
- [i] Ongoing discussions with counsel and consideration of advice regarding the relationship between Sentry and Sigma; and

Claims brought against redeeming investors and settlements – general overview

4.2 A substantial aspect of the Liquidator's recovery strategy is the pursuit of claims brought against redeeming investors. As at 30 September 2012, 316 claims have been filed against redeeming investors in the US with an approximate total claim value of \$6.2 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.

4.3 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, commercially reasonable 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.

- 4.4 As at the date of this report, the Liquidator had negotiated settlements which have resulted or will result in payments to the Companies of approximately \$25.6 million. The Liquidator has also negotiated settlements *in principle* with several additional defendants with the contemplated payments that would result from those settlements totalling approximately \$1.45 million. Steps to finalise these settlements are pending. In addition, the Liquidator is in settlement negotiations with a further ten defendants.

US Claims brought against redeeming investors - summary

- 4.5 As at 30 September 2012, there are 316 US 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.

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

- 4.6 As 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"). Please refer to Section 4.13 to 4.19 of the Last Report for additional information on the Bankruptcy Court Remand Decision as no significant developments have occurred since the date of the Last Report.
- 4.7 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.
- 4.8 As further noted in the Last Report, 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. 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.

- 4.9 Please also refer to Sections 4.13 to 4.19 of the Last Report for additional information on the Remand Decisions, the Stay Order and related matters as no significant developments have occurred since the date of the Last Report.

US Claims brought against redeeming investors – Discovery of Unidentified Beneficiaries and Amendments to Complaints

- 4.10 On 25 May 2012, the Liquidator filed with the Bankruptcy Court a motion seeking expedited disclosure of the identity of beneficial holders (the "Motion"). The purpose of the Motion was to allow the Liquidator to identify and name as Redeemer Action defendants any unknown beneficial holders, prior to the expiration of the Section 108 toll in July 2012.
- 4.11 On 26 June 2012, the Bankruptcy Court considered more than 150 objections, and directed defendants in the US Redeemer Actions to identify all beneficial holders within two weeks of the order. The Bankruptcy Court also authorized the Liquidator to file amended complaints incorporating those amendments identified in the 29 November 2011 Notice of Proposed Amendments to Complaints in the Redeemer Actions. The defendants appealed the Bankruptcy Court decision to the District Court, and on 6 July 2012, the District Court reversed the Bankruptcy Court decision in material part with respect to its disclosure directives (the District Court did not address or reverse the amendment approval in the Bankruptcy Court's order), and remanded back to the Bankruptcy Court for further proceedings, including consideration of arguments raised by defendants based on foreign bank secrecy and privacy laws.

- 4.12 On 19 July 2012, the Bankruptcy Court, in a revised ruling after remand from the District Court, denied in part and granted in part the Liquidator's motion for certain expedited disclosure: (i) he denied expedited disclosure of shareholders' unknown beneficiaries based principally on the uncertainty arising from the "good consideration" judgment and the defendants' applications under Section 273 of the Act to stop all US litigation; (ii) he directed defendants to notify all of their beneficiaries by 22 July 2012 of the US litigation against them (thereby providing the Liquidator with a ground to prevent these beneficiaries from raising statute of limitations defences against these claims); and (iii) he granted the Liquidator free ability to amend approximately 200 complaints as of right. Otherwise, the Bankruptcy Court left in place the Stay Order which had stayed the U.S. Redeemer Actions pending the final resolution of the "good consideration" issue by the Privy Council.
- 4.13 Thereafter, in accordance with that part of the Bankruptcy Court's 26 June 2012 order that was not impacted by the District Court's reversal, 126 amended complaints were filed by the Liquidator incorporating those amendments identified in the 29 November 2011 Notice of Proposed Amendments to Complaints in the Redeemer Actions. Per the Bankruptcy Court's 19 July 2012 order, the Liquidator retains the right to amend additional complaints (approximately 200) which continue to be able to be amended as of right by the Liquidator.

BVI Claims brought against redeeming investors

- 4.14 As discussed in the Last Report, the appeals against the Preliminary Issues first instance decisions - the *certification point*, *good consideration* decision and the subsequent granting of Summary Judgment - were heard by the Court of Appeal during a three day hearing commencing 17 January 2012. Michael Brindle QC, Andrew Westwood, William Hare and Robert Nader appeared for the Liquidator.
- 4.15 Maples and Calder, on behalf of several defendants to the BVI redeemer claims, applied for a hearing to resolve the outstanding matter of settling the order from the Summary Judgment hearing. The main issue in dispute was whether the order applies to all defendants to the BVI claims or only to those who were applicants in the Preliminary Issues proceedings. On 12 June 2012, at this hearing, the Court ruled that only the 23 defendants who had applied for determination of Preliminary Issues were entitled to the benefit of the Summary Judgment order. Michael Brindle QC and William Hare represented the Liquidator.

- 4.16 On 13 June 2012, the Court of Appeal handed down its decision on Preliminary Issues and Summary Judgment as follows:
1. In respect of the Article 11 defence (*the justification point*), the Defendants' appeal was dismissed, and the first instance Court's decision was upheld; and
 2. In respect of the *good consideration defence*, the appeal was also dismissed, and the first instance Court's decision was likewise upheld.
- 4.17 On 25 July 2012, the Court of Appeal granted the Liquidator sanction for leave to pursue appeals to the Privy Council of the Preliminary Issues and Summary Judgment decisions. Out of an abundance of caution in light of the procedural requirements of the Privy Council, the Liquidator has also filed an application for leave to appeal directly with the Privy Council. At that time the Liquidator also sought, and was granted, clear sanction to continue to take such steps as necessary to prosecute both the common law and statutory avoidance causes asserted in the US Redeemer Actions.
- 4.18 On 15 August 2012, the Court of Appeal confirmed that the application for leave to appeal to the Privy Council will be heard during the week of 1 October 2012. The Defendants' applications for leave will be heard at the same time.
- 4.19 On 23 August 2012 the Liquidator's counsel received a letter from Harneys enclosing a Notice of Objection to the Companies' application for appeal to the Privy Council. This was followed by notices on behalf of the respondents represented by O'Neal Webster and Maples and Calder which mirror the contents of the Harneys' respondents' notice.
- 4.20 With respect to the Section 273 Applications discussed in the Last Report, both sides have agreed that these applications should remain stayed pending the outcome of the appeals to the Privy Council.

PwC

- 4.21 The Liquidator had in place a tolling agreement with PwC, which was due to expire on 30 April 2012.
- 4.22 Prior to the expiration of the tolling agreement, the Liquidator met with PwC to conduct further discussions regarding a possible settlement of the Companies' claims. No agreement could be reached between the parties and the tolling agreement was extended until 31 May 2012, which PwC indicated would be the last occasion upon which they would be prepared to extend the tolling agreement.
- 4.23 Significant work has been completed by the Liquidator over the past two years in analysing PwC audit documents produced to the Liquidator under the tolling agreement and via the Anwar litigation. The analysis focussed on documents relating to PwC audits of the Companies for financial years 2002 through 2007. In total, over 28,000 documents were provided and reviewed, with key focus placed on the auditors' understanding of the relationship between BLMIS and the Companies, the auditors' testing of existence of investments and risk assessment performed by the auditors in each year's planning stage in order to determine the procedures to be carried out during audit of the Companies.
- 4.24 After settlement discussions were unable to provide any resolution, and given PwC's indication that they would not consider any further extension to the tolling agreements beyond 31 May 2012, and based upon legal advice received, the Liquidator resolved to file claims against PwC. At this time, and prior to the expiration of the tolling agreement, the Liquidator's staff attended the offices of the Liquidator's Dutch and Canadian counsel in order to meet with counsel and assist with the drafting of the writ of summons and statement of claim against PwC Netherlands and PwC Canada respectively. The analysis of audit documents previously undertaken by the Liquidator's staff was utilised extensively by counsel throughout drafting, as was the previous audit experience of the Liquidator's staff. Many of the documents reviewed by the Liquidator's staff were subsequently included as exhibits to the relevant claims.
- 4.25 In relation to PwC Netherlands, which audited the Companies between 1998 and 2005, the Liquidator's Dutch counsel served a Writ of Summons on PwC Netherlands and four individual partners on 30 May 2012. Counsel for PwC appeared in the Dutch Court on 5 September 2012 as required by the Writ of Summons and were granted until 17 October 2012 to lodge a statement of reply. Damages are not required to be stated or quantified at the initiation of litigation under Dutch law. Under Dutch law the plaintiff who claims damages may either directly claim and quantify the amount of damages in the Writ of

Summons, or, for pragmatic reasons, choose to request the court only to declare that the defendants are liable for the damages suffered, and to refer the case to follow-up proceedings for the determination of damages, which will take place after completion of the initial litigation.

- 4.26 In relation to PwC Canada, who audited the Companies in 2006 and 2007, a statement of claim was issued in the Canadian Court on 28 May 2012. On 21 September 2012, the Liquidator served this claim on PwC Canada and on 24 September 2012 on the lead engagement partner for the Canadian audits. The claim alleges damages of \$5 billion. Counsel has advised that PwC Canada are required to respond to the Statement of Claim within 20 days, however PwC are likely to seek an extension to this time limit. As such, it is likely to take at least two months for PwC Canada to file a Statement of Defence. Should any motions to strike the Statement of Claim be made, a Statement of Defence will not be filed until after those motions are heard, four to six months from the date of service.

Court applications and communication with the Committee

- 4.27 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.
- 4.28 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.
- 4.29 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.

- 4.30 The members of the Committee have not changed since the date of the Last Report. See Section 4.65 of the Last Report for details.
- 4.31 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, legal advice and related information in regard to the claims being pursued against the redeeming investors.
- 4.32 Since the Last Report, the Liquidator has held two in-person meetings with the unconflicted members of the Committee to discuss the Redeemer Claim strategy. At the meeting held on 3 August 2012, the Liquidator and his legal counsel updated these members on the status of the litigation in the BVI and US, provided them with requested information and consulted on the litigation strategy going forward. The Liquidator has agreed to several action points with respect to recurring reporting going forward.

Recovery Efforts of the Funds held in the Dublin Citco Account

- 4.33 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.

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

- 4.34 Since the date of the Last Report, the Irish Court has handed down its 'perfected' decision in regards to the Liquidator's petition to seek recognition of his appointment. The decision was handed down by Mrs Justice Finlay Geoghegan on 26 June 2012, the content of which remained substantively unchanged from the draft version handed down previously and summarized in the Last Report.
- 4.35 Subsequently, upon the advice of his Irish Senior Counsel, Mr. Michael McDowell S.C., the Liquidator filed an appeal of the decision on 13 July 2012, having first obtained the requisite sanction to do so from the BVI Court.
- 4.36 The Liquidator understands that the appeal is unlikely to be considered by the Court of Appeal of the Irish Commercial Court for a considerable period of time, likely 18 months or more. The Liquidator is currently

considering whether to file a Certificate of Urgency requesting that the matter be put on a fast-track list to be heard on an expedited basis: should the Liquidator decide to do so, and the Irish Court of Appeal determine that the matter is necessarily urgent then it is understood that the appeal may be heard in as short a time as a few weeks or as much as six months. Should the Liquidator decide to file a Certificate of Urgency, this will be filed after the Irish Courts re-open after their summer vacation, which concludes on or around 1 October 2012.

- 4.37 In addition, the Irish Court has made a preliminary decision regarding the question of costs to date. By way of background, there have been two main stages in the Irish proceedings thus far: firstly, a Hearing which took place in February 2011 in which the Irish Court determined that it had the jurisdictional standing to consider the proceedings; and secondly, the Hearing which took place in December 2011 in which the Irish Court determined the substantive issue of the actual recognition proceedings as discussed above.
- 4.38 The Irish Court has ordered that the defendants to proceedings, SSPF and Atlanta, share the burden of the Liquidator's costs of the jurisdictional hearing, which amount to €210,000. In terms of the second, substantive hearing the Irish Court has determined that the Liquidator settle 75% of SSPF's and Atlanta's trial costs: at the present date the quantum of these costs has not been provided to the Liquidator's Irish counsel. However, the question of the settlement of all these costs remain stayed pending the determination of the appeal (or an out-of-court settlement is reached between the parties.)
- 4.39 The Liquidator is currently considering alternative legal remedies which may be available to him in the Republic of Ireland with his Irish legal team and has also consulted leading English counsel, Paul Girolami QC, in this regard. It is not possible for the Liquidator to discuss this in further detail for reasons of confidentiality.

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

- 4.40 On 17 September 2012, the Court of Appeal handed down its judgment in respect of the application made by Sentry for an injunction restraining SSPF from pursuing the Dutch proceedings.
- 4.41 The Court of Appeal judgment arises out of an application by Sentry for an "anti-suit injunction" to restrain SSPF from pursuing the proceedings in the Netherlands' courts. The Court of Appeal heard and has now

determined an appeal against the refusal of the first instance court, by a written judgment delivered on 9 August 2011, following an inter partes hearing in which SSPF participated, to grant the injunction sought.

4.42 The Court of Appeal handed down judgment on 17 September 2012, overturning the first instance decision and granting the injunction sought by Sentry. At the time of writing this report, the Order consequential on the judgment has not been finalised, and the Liquidator is therefore unable to provide details of the its precise ambit. SSPF has indicated that it wishes to seek leave the challenge the decision of the Court of Appeal in the Privy Council. It is at the moment uncertain whether such a challenge will be made.

4.43 The Liquidator is liaising with counsel to determine the effects of the judgment. As at the date of writing, the Liquidator is still considering his strategy regarding the monies held in the Irish Branch of the Citco Bank.

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

4.44 Since the date of the last report, it is understood that SSPF have dismissed the proceedings brought against Fairfield Greenwich Limited ("FGL"). It is understood that this is due to an agreement being reached between FGL and SSPF although no details of this agreement have been provided to the Liquidators by SSPF.

4.45 As a result of this dismissal, the proceedings against Sentry, which had been temporarily dormant pending the discussions between SSPF and FGL, were moved across to the 'active docket list' of the Dutch Court in June 2012. SSPF filed its substantive retort to the Liquidator's earlier Statement of Defence, the 'Statement of Reply' against Sentry, on 11 July 2012.

4.46 It is understood that the second plaintiff in the Dutch proceedings, Atlanta, did not file a Statement of Reply by the requisite deadline and has therefore determined not to progress further their litigation against Sentry in the Netherlands.

4.47 Sentry's Liquidator, through his Dutch counsel in this matter, Brada Abeln, has filed his 'Statement of Rejoinder' to SSPF's pleadings on 18 September 2012. The preparation of the Statement of Rejoinder was a significant exercise as it required substantial input from the Liquidator's US and BVI Counsel, in regards to questions of law relating to their respective jurisdictions. In addition, Mr. Gabriel Moss QC provided an Expert Opinion upon BVI / English common law.

- 4.48 Concurrently, the Liquidator also made a formal discovery / disclosure request to SSPF to set out the terms of the agreement reached with FGL.
- 4.49 On 20 September 2012, the Dutch Court ordered that SSPF has a period of 14 days to file a Statement of Defence regarding the FGL document disclosure request and to respond to the Statement of Rejoinder.
- 4.50 The Liquidator is advised that the Court has significant discretion with regards to the litigation process and it is therefore difficult to accurately indicate procedurally what will take place next. However, it appears reasonably likely that the Dutch Court will determine that there should be an oral hearing of the arguments, with relevant witnesses called. Dutch Counsel anticipate that this will not now likely occur until the first quarter of 2013 due to scheduling and adherence to notice periods set.
- 4.51 At the present date, it is inappropriate for commentary to be given upon how the recent decision by the Court of Appeal regarding the anti-suit injunction will impact upon the Dutch proceedings or what the Liquidator's strategy will be in regards to these proceedings. The Liquidator is taking all necessary legal advice from his legal team and, insofar as is possible, keeping Sentry's Liquidation Committee fully apprised of the developments in this matter.

Sale of the SIPA Claim - Farnum Litigation

- 4.52 You will recall from the Last Report that the Liquidator had entered into a Trade Confirmation with Farnum on 13 December 2010. Significant events occurring up to 31 March 2012 are detailed in Sections 4.41 to 4.47 in the Last Report.
- 4.53 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, per Section 363 of the US Bankruptcy Code
- 4.54 Accordingly, an application was made forthwith to the US Bankruptcy Court and interested parties, including the stakeholders of Sentry's liquidation, were invited to make submissions by 13 June 2012. The following Sentry investors made submissions to the US Bankruptcy Court, all in favour of disapproval of the Trade Confirmation: Joanne Behling, Inez Berz-Demarco, Jose Delgadillo, Haven Holdings Limited, Nordea,

Novastar Holdings Limited, PFC Nominees, Ltd., and the Tabat Family Foundation. Counsel for the Anwar Class also made a submission in favour of disapproval of the Trade Confirmation. Subsequently, both sides have engaged in and completed a discovery process, which included production of documents by each side and depositions of witnesses for each party including the Liquidator.

- 4.55 A hearing for this application was initially scheduled for 12 September 2012. The US Bankruptcy Court adjourned the hearing, and the parties are discussing whether the matter could be settled, including whether mediation is in order to resolve the matter. In the absence of such a resolution, the matter will be put back on the calendar by the Bankruptcy Court for hearing.
- 4.56 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.

The US Trustee

- 4.57 Since the Agreement became effective on 8 July 2011, the Liquidator and the Trustee have continued to work closely to assist each other in pursuing claims for which recoveries are to be shared between the parties under the Agreement.
- 4.58 To date, the US Trustee has filed avoidance claims under the US Bankruptcy Code against 128 subsequent transferee defendants (compared with 96 at the date of the Last Report), for over approximately \$4.4 billion relating to the redemptions and profits received by investors from the Companies (compared with \$1.9 billion at the date of the Last Report). 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.
- 4.59 Pursuant to the terms of the Agreement, the Liquidator has to date paid \$24 million to the US Trustee (including cash of \$16 million). An additional \$2.3 million was paid to the US Trustee pursuant to the sharing provisions of the Agreement as the result of out of court settlement monies received from redeeming investors at the date of the Last Report.
- 4.60 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.

- 4.61 On 22 August 2012, the Bankruptcy Court authorized the US Trustee to make a second interim distribution of \$2.427 billion, or 33.541%, to holders of allowed SIPA claims, which will bring the cumulative distribution to 38.141%.

Citco

- 4.62 The Liquidator's primary focus with respect to Citco has remained unchanged since the Last Report, namely the continued collection of the Companies' books and records. The Liquidator has a tolling agreement with Citco which is currently due to expire on 25 February 2013.

Realisation of Non-BLMIS Investments

- 4.63 Since the Last Report, the Liquidator has continued to liquidate the remaining investments in the Non-BLMIS portfolio. Since the date of the Last Report a total of \$157,515 has been collected. The estimated value of the remaining Non-BLMIS investments, as reported by FGG, is \$6,563,610.
- 4.64 From the date of the Liquidator's appointment, total monies received from the Non-BLMIS portfolio are \$76,278,290.
- 4.65 In addition to monitoring the remaining Non-BLMIS investments and making collections, the Liquidator has, since the date of the Last Report, collated and summarised all known information about the Non-BLMIS portfolio. This process has been undertaken to ensure that all outstanding investments held by Sentry are collected by the Liquidator. A number of documents including Information Memorandums and Private Placement Memorandums for investments held were identified as missing. The Liquidator is making attempts to obtain copies of these documents in order to assess shared relationships between the Non-BLMIS investments and Sentry, and to conclude whether the investment strategies of these funds was in accordance with the Sentry Private Placement Memorandum.

4.66 A schedule of remaining investments is provided quarterly, with the last statement received on 19 July 2012.

The remaining investments, adjusted for receipts received in the intervening period, are detailed below:

Investment	Estimated Value	Comment
Enhanced Guardian II	\$3,400,000	Invested in Guardian II, which is attempting to recover funds through redeemer claims. Timing of payment of distribution will depend on time taken to complete claims.
Irongate Global Strategy	\$938,385	A pending settlement should release cash reserves held at present totalling circa 55% of total NAV. Release of these funds should see payments to Sentry directly and through other Non-BLMIS Investments who are shareholders in Irongate Global Strategy (see below).
Chester Global Strategy	\$938,283	A pending settlement should release cash reserves held at present totalling circa 55% of total NAV. Once settlement is achieved, payment should be made to Sentry.
Fairfield Aerium International	\$684,864	Partial distribution was received during the period since the Last Report. Timing of further distributions is uncertain.
Fairfield Investment	\$371,713	Approximately 70 per cent of distributions have now been received. Finalisation of the liquidation is dependent on resolution of a number of redeemer claims made by the company.
Wilshire Portable Alpha	\$222,208	A pending settlement in relation to Irongate (see above), one of Wilshire Portable Alpha's investments, should result in a distribution to Sentry.
Fairfield Lion Investment Fund	\$8,157	Final distribution is expected to be received in early October 2012.
Total	\$6,563,610	

Relationship of the Liquidations of Sentry and Sigma and Apportionment of Costs between Sentry and Sigma

- 4.67 The Liquidator recognises that there are a number of potential issues which require resolution as a result of the relationship between Sentry and Sigma. The Liquidator has sought advice from leading English counsel, Gabriel Moss QC. in order to clarify these issues, which has yet to be received.
- 4.68 Pending receipt of this advice, the Liquidator has also sought advice from counsel regarding: i) potential methods for distribution; and ii) the correct method for allocating shared costs of the liquidations of Sentry and Sigma between the two companies. Any decisions regarding payment of a distribution and cost allocation are required to be put on hold until issues related to the relationship between Sentry and Sigma are resolved.

Meeting of Creditors and Registered Shareholders

- 4.69 The Liquidator is currently in the process of making arrangements for a meeting of creditors and registered shareholders to be held on 26 October 2012 via teleconference. Notice of this meeting is attached to the same email as this report.
- 4.70 The Liquidator has convened this meeting in order to provide creditors and registered shareholders with an update on the progress of the liquidations of the Companies and to give an opportunity creditors and registered shareholders to ask questions of the Liquidator. Should you wish to pose a question to the Liquidator, please do so in advance by emailing fairfieldsentry@KRyS-Global.com, fairfieldsigma@KRyS-Global.com or fairfieldlambda@KRyS-Global.com.
- 4.71 No resolutions are to be proposed and as such no voting or proxy forms are required to be completed. Dial in details for the meeting will be provided to all creditors and registered shareholders prior to the call via email and on the secure extranet sites.

Requests to Transfer Shareholdings

- 4.72 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.

- 4.73 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 in circumstances where there might be no adverse impact on the estate. 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 or fairfieldsigma@KRyS-Global.com for further information.

Directors

- 4.74 The Liquidator has a tolling agreement with Messrs. Jan Naess and Peter Schmid which is currently due to expire on 11 March 2013. The third director, Walter Noel Junior is already named as a co-defendant in Sentry's claim against FGG: this claim is due to be assigned to the US Trustee per the terms of their settlement agreement as discussed below.

FGG

- 4.75 As previously reported, prior to the Liquidator's appointment, Sentry had filed claims with an approximate value of \$920 million against FGG seeking recovery of investment management and performance fees paid to it.
- 4.76 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, which sought to withdraw the reference to the Bankruptcy Court as to this issue. Morning Mist's withdrawal motion is pending with the District Court. All activity on the FGG litigation has been extended by the Liquidator and the Trustee, with approval by the Bankruptcy Court, to early 2013.

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	31-Mar-12	31-Aug-12	Mar to Aug 12
Cash	\$71,126,716	\$107,837,069	\$103,398,846	-\$4,438,223
Non-BLMIS investments	\$79,506,337	\$3,622,208	\$3,622,208	\$Nil
Fee deferral assets	\$21,000,000	\$3,089,773	\$2,941,402	-\$148,371
SIPA claim receivable	\$Nil	\$Nil	\$24,297,940	\$24,297,940
Total	\$171,633,053	\$114,549,050	\$134,260,396	\$19,711,346

SIGMA				
Assets	Position as at	Position as at	Position as at	Variance
	21-Jul-09	31-Mar-12	31-Aug-12	Mar to Aug 12
Cash	\$62,411,835	\$62,929,425	\$62,844,882	-\$84,543
	€ 185,873	€ 186,328	€ 186,375	€ 47
Promissory Note	€80,000	€80,000	€80,000	€Nil
Total	\$62,411,835	\$62,929,425	\$62,844,882	-\$84,543
	€ 185,873	€ 186,328	€ 186,375	€ 47

5.3 The following is a reconciliation of Sentry's cash balance:

Sentry Cash	Position as at	Position as at	Position as at
	21-Jul-09	31-Mar-12	31-Aug-12
Held by Liquidator	\$Nil	\$33,120,793	\$28,682,570
Received from US Trustee (see Section 4.60)	\$Nil	\$3,589,560	\$3,589,560
Dublin Citco Account (see Section 4.33)	\$71,126,716	\$71,126,716	\$71,126,716
Total	\$71,126,716	\$107,837,069	\$103,398,846

5.4 The following is a reconciliation of Sentry's SIPA claim receivable:

Sentry SIPA claim receivable	Position as at	Position as at	Position as at
	21-Jul-09	31-Mar-12	31-Aug-12
Total value of SIPA claim	\$Nil	\$Nil	\$230,000,000
Value of claim at 32.125%	\$Nil	\$Nil	\$73,887,500
Liability to US Trustee	\$Nil	\$Nil	-\$46,000,000
Dividend received from US Trustee	\$Nil	\$Nil	-\$3,589,560
Total	\$Nil	\$Nil	\$24,297,940

5.5 As detailed in Sections 4.59 to 4.60 of this report, pursuant to the Agreement with the US Trustee, Sentry is entitled to an allowed SIPA claim of \$230 million in the estate of BLMIS. The claim is presently allowed in the amount of \$78 million, and will increase to \$230 million upon the Liquidator's payment of \$46 million of Sentry's cash pursuant to the terms of the Agreement.

5.6 Solely for purposes of this financial analysis, the Liquidator has calculated the present value of the claim as 32.125% of its fully allowed amount, the price for the sale of the claim under the disputed Farnum Trade Confirmation (more fully discussed in Sections 4.52 to 4.56 of this report in relation to the Farnum litigation). The Liquidator has applied to the Bankruptcy Court to have the sale of the SIPA claim to Farnum disapproved under applicable US bankruptcy law. As discussed in Section 4.60, Sentry has received a dividend of \$3.6 million from the US Trustee. The reporting of the value of the SIPA claim as set forth above is without prejudice to the Liquidator's positions in the US proceedings.

- 5.7 These calculations are provided as an estimate only. They are not binding on the Liquidator and should not be relied upon for any other purpose.
- 5.8 The above cash figures represent the monies held as at 31 August 2012. No adjustments have been made for the unpaid accrued Liquidators' fees, legal fees or other expenses. The Liquidator intends to file a fee application for payment of the accrued unpaid fees and expenses totalling approximately \$7.6million which will be considered by the Court on 7 November 2012. The Liquidator estimates that the amount of Liquidator's fees and expenses invoiced to date, which will be part of the next fee application, to be \$2.2 million.
- 5.9 The estimated realisable values for the Non-BLMIS investments are those provided by FGG as at 19 July 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. See Section 4.66 above for details of these investments.
- 5.10 The variance in assets between the Last Report and 31 August 2012 in Sentry is an increase in asset position of \$19,711,344. This is due primarily to:
- The recognition of a receivable for the SIPA claim in the estate of BLMIS of \$24,297,940. See Sections 5.5 to 5.7 for details;
 - The receipt of settlement proceeds from redeemers and other miscellaneous revenue (including interest on cash held with banks) of \$1,255,333;
 - The payment of the Liquidators' fees and expenses totalling \$5,882,847 which related to expenses and fees incurred, invoiced and approved by the Court on 8 May 2012;
 - The receipt of Non-BLMIS investment redemptions of \$157,515; and
 - The reduction in the value of the residual Non-BLMIS investments of \$148,371 from their February 2012 balances.

- 5.11 The variance in assets between the Last Report and 31 August 2012 in Sigma is an decrease of \$84,543 and an increase of €47. This is primarily due to:
- the payment of Liquidators' fees and expenses of \$99,531 incurred, invoiced and approved by the Court on 8 May 2012; and
 - Bank interest received of \$14,896
- 5.12 Fees and expenses which have been directly and solely beneficial to Sentry or Sigma, 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. As discussed in Section 4.68, the Liquidator is currently seeking advice in relation to allocation of costs between the liquidation of Sentry and Sigma.
- 5.13 Lambda had nil tangible assets at the date which the Liquidator was appointed. Whilst the Liquidator has brought redeemer claims (with an approximate value of \$35m) against certain Lambda investors no settlements have been received to date and there have 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 Liquidator has sought and obtained approval from the Court for the fees and expenses incurred.
- 5.14 In accordance with the provisions of the Act, the Liquidator's remuneration is based upon his time costs. The Liquidator's rates have remained unchanged since 1 January 2010. As is usual, these rates are reviewed periodically. Accordingly, the Liquidator has increased his rates with effect from 1 June 2012. As a result of discussions between the Liquidator and the Committee, the Liquidator has agreed discounted rates (compared to standard KRYs Global BVI liquidation rates) for the Companies, to be fixed until 31 December 2013. Final determination of the appropriateness of rates will be made by the Court at the next scheduled fee application listed for 7 November 2012.

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 April 2013.
- 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; fairfieldsigma@KRyS-Global.com; or fairfieldlambda@KRyS-Global.com.



Kenneth Krys

Liquidator

2 October 2012

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

Appendix A

	USD \$ SENTRY 31-Aug-12	USD \$ SIGMA 31-Aug-12	USD \$ LAMBDA 31-Aug-12	TOTAL 31-Aug-12	
Cash Receipts					
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	76,278,290	-	-	76,278,290	
Proceeds received from redeemers	24,137,764	1,193,837	-	25,331,601	
Proceeds received from SIPA Trustee	3,589,560			3,589,560	
Recovery of retainers	-	316,952	-	316,952	
Interest received	55,494	252,670	-	308,164	
	<u>174,160,222</u>	<u>64,435,559</u>	<u>-</u>	<u>238,595,781</u>	
Cash Disbursements					
Legal fees and expenses	29,228,486	83,212	-	29,311,698	
Legal Contingency Fees	2,188,645	177,875	-	2,366,520	
Liquidators fees and expenses	12,097,410	822,131	-	12,919,541	
Payment - SIPA Trustee Payment	26,165,927	177,415	-	26,343,342	
Other professional fees	612,279	46,510	-	658,789	
Database & web fees	180,723	7,150	-	187,873	
Liquidation committee expenses	83,615	-	-	83,615	
Office rental expenses	7,800	13,400	-	21,200	
Application costs and fees	186,381	-	-	186,381	
Bank charges	10,110	2,126	-	12,236	
	<u>70,761,376</u>	<u>1,329,818</u>	<u>-</u>	<u>72,091,195</u>	
Net Cash Position	<u>103,398,846</u>	<u>63,105,741</u>	<u>-</u>	<u>166,504,587</u>	A
Closing Balance made up of:					
Held by Liquidator or at the Liquidator's discretion	28,682,569	63,105,741	-	91,788,311	B
Received from US Trustee	3,589,560	-	-	3,589,560	C
Dublin Citco Account	71,126,716	-	-	71,126,716	D
	<u>103,398,846</u>	<u>63,105,741</u>	<u>-</u>	<u>166,504,587</u>	

Notes

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

B - Sigma funds held in Euro are converted to USD for the purposes of presentation in this Appendix

C - Sentry funds of \$3,589,560 were received from the US Trustee. See Section 5 of the report.

D - Sentry funds of \$71,126,716 with Citco are subject to a freezing order. See Section 5 of the report.

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

Appendix B

	USD \$ SENTRY 31-Mar-12	USD \$ SIGMA 31-Mar-12	USD \$ LAMBDA 31-Mar-12	TOTAL 31-Mar-12	
Cash Receipts					
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>	
Cash Disbursements					
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>	
Net Cash Position	<u>107,837,069</u>	<u>63,190,284</u>	<u>-</u>	<u>171,027,353</u>	A
Closing Balance made up of:					
Held by Liquidator or at the Liquidator's discretion	33,120,793	63,190,284	-	96,311,077	B
Received from US Trustee	3,589,560	-	-	3,589,560	C
Dublin Citco Account	71,126,716	-	-	71,126,716	D
	<u>107,837,069</u>	<u>63,190,284</u>	<u>-</u>	<u>171,027,353</u>	

Notes

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

B - Sigma funds held in Euro are converted to USD for the purposes of presentation in this Appendix

C - Sentry funds of \$3,589,560 were received from the US Trustee. See Section 5 of the report.

D - Sentry funds of \$71,126,716 with Citco are subject to a freezing order. See Section 5 of the report.

TO ALL KNOWN CREDITORS AND REGISTERED SHAREHOLDERS

2 October 2012

Dear Sir or Madam

**FAIRFIELD SENTRY LIMITED, FAIRFIELD SIGMA LIMITED & FAIRFIELD LAMBDA LIMITED
(ALL IN LIQUIDATION) (“THE COMPANIES”)
Notice of Meeting of Creditors and Registered Shareholders**

PLEASE HEREBY TAKE NOTICE that a combined meeting of the Creditors and Registered Shareholders of the Companies has been convened to be held as follows:-


Date: 26 October 2012
Time: 10.00am (BVI time)
Venue: Teleconference only

The purpose of this meeting is to provide the Creditors and Registered Shareholders with an opportunity to receive an update upon the progress of the Companies' Liquidations. No resolutions are proposed to be sought.

Dial in details will be provided prior to the scheduled date of the call via email.

If you have *not previously* submitted a completed Form R184 (Creditors only) or an Investor Claim Form (Registered Shareholders only) then you should do so now and return this to my office. These forms are available for download from the secure extranet, details of which have been sent to you previously – please contact my office if you have any queries.

Yours faithfully
For and on behalf of
FAIRFIELD SENTRY LIMITED
FAIRFIELD SIGMA LIMITED
FAIRFIELD LAMBDA LIMITED
(ALL IN LIQUIDATION)


Kenneth Krys
Liquidator