

**IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

RALPH S. JANVEY, IN HIS CAPACITY AS  
COURT-APPOINTED RECEIVER FOR THE  
STANFORD INTERNATIONAL BANK, LTD.,  
ET AL.,

Plaintiff,

v.

DEMOCRATIC SENATORIAL CAMPAIGN  
COMMITTEE, INC.; NATIONAL  
REPUBLICAN CONGRESSIONAL  
COMMITTEE; DEMOCRATIC  
CONGRESSIONAL CAMPAIGN  
COMMITTEE, INC.; REPUBLICAN  
NATIONAL COMMITTEE; and NATIONAL  
REPUBLICAN SENATORIAL COMMITTEE,

Defendants.

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CASE NO. 3:10-CV-0346

**APPENDIX IN SUPPORT OF RECEIVER’S RESPONSE TO  
DEMOCRATIC COMMITTEE DEFENDANTS’ MOTION TO DISMISS**

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**ATTORNEYS FOR RECEIVER RALPH S. JANVEY**

Dated: May 14, 2010

Respectfully submitted,

BAKER BOTTS L.L.P.

By: /s/ Kevin M. Sadler

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**ATTORNEYS FOR RECEIVER  
RALPH S. JANVEY**

**Certificate of Service**

On May 14, 2010, I electronically submitted the foregoing document with the clerk of the court of the U.S. District Court, Northern District of Texas, using the electronic case filing system of the Court. I hereby certify that I will serve the Democratic Senatorial Campaign Committee (“DSCC”); the National Republican Congressional Committee (“NRCC”); the Democratic Congressional Campaign Committee (“DCCC”); the Republican National Committee (“RNC”); and the National Republican Senatorial Committee (“NRSC”) individually or through their counsel of record, electronically, or by other means authorized by the Court or the Federal Rules of Civil Procedure.

/s/ Kevin M. Sadler

Kevin M. Sadler

2/17/09 Hous. Bus. J. (Pg. Unavail. Online)  
2009 WLNR 3092487

Houston Business Journal  
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February 17, 2009

SEC files fraud charges against Stanford

Greg Barr

The Securities and Exchange Commission on Tuesday formally charged Robert Allen Stanford and three of his Stanford Financial Group companies for allegedly orchestrating a fraudulent, multi-billion dollar investment scheme.

The focus of the scheme, according to SEC investigators, was an \$8 billion program involving the sale of certificates of deposit.

The Stanford companies named in the action include Antigua-based Stanford International Bank and two Houston-based entities, broker-dealer and investment adviser Stanford Group Co. and investment adviser Stanford Capital Management.

The SEC also charged SIB Chief Financial Officer James Davis as well as Laura Pendergest-Holt, chief investment officer of Stanford Financial Group, in the enforcement action.

U.S. District Judge Reed O'Connor entered a temporary restraining order, froze the defendants' assets, and appointed a receiver to marshal those assets. The company's Galleria-area office buildings were sealed off Tuesday morning by enforcement officials.

"As we allege in our complaint, Stanford and the close circle of family and friends with whom he runs his businesses perpetrated a massive fraud based on false promises and fabricated historical return data to prey on investors," said Linda Chatman Thomsen, director of the SEC's Division of Enforcement. "We are moving quickly and decisively in this enforcement action to stop this fraudulent conduct and preserve assets for investors."

The SEC's complaint, filed in federal court in Dallas, alleges that acting through a network of SGC financial advisers, SIB has sold approximately \$8 billion certificates of deposit to investors by promising "improbable and unsubstantiated" high interest rates.

According to the SEC's complaint, SIB is operated by a close circle of Stanford's family and friends, including Stanford; Stanford's father who resides in Mexia; another Mexia resident with business experience in cattle ranching and car sales; Pendergest-Holt, who prior to joining SFG had no financial services or securities industry experience; and Davis, who was Stanford's college roommate.

The SEC's complaint also alleges an additional scheme relating to \$1.2 billion in sales by SGC advisers of a pro-

prietary mutual fund wrap program known as Stanford Allocation Strategy by using materially false historical performance data.

According to the complaint, the false data helped SGC grow the that program from less than \$10 million in 2004 to more than \$1 billion, generating fees of approximately \$25 million in 2007 and 2008. The allegedly fraudulent SAS performance was used to recruit registered investment advisers with significant books of business, who were then heavily incentivized to reallocate their clients' assets to SIB's CD program.

---- INDEX REFERENCES ----

COMPANY: STANFORD GROUP CO; FINANCIERA DE DESARROLLO SA; SEC SOCIETE EUROPEENNE DE COMMUNICATION; STANFORD FINANCIAL GROUP; SALEM AGENCIES AND SERVICES CO; SOUTHERN AUDIO SERVICES INC; US SECURITIES AND EXCHANGE COMMISSION; SAS; GENERALE (CYPRUS) LTD; ILIAD SA; SYDNEY GAS LTD; IVOIRIENNE DE BANQUE; HOLT AND FRANK PLLC; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (1SO05); Crime (1CR87); Economics & Trade (1EC26); Fraud (1FR30))

REGION: (North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

OTHER INDEXING: (CD; HOLT; LAURA PENDERGEST HOLT; PENDERGEST; SAS; SEC; SECURITIES AND EXCHANGE COMMISSION; SFG; SGC; SIB; STANFORD FINANCIAL GROUP; STANFORD GROUP CO; STANFORD INTERNATIONAL BANK) (Davis; James Davis; Linda Chatman Thomsen; Reed O'Connor; Robert Allen Stanford; Stanford)

EDITION: houston

Word Count: 552  
2/17/09 HOUSTONBUSJ (No Page)  
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2/17/09 Hous. Chron. 1  
2009 WLNR 3101531

Houston Chronicle  
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February 17, 2009

Section: Business

Bank keeping mum while under scrutiny / Some analysts issued warnings; Stanford's whereabouts undisclosed

KRISTEN HAYS, MARY FLOOD, PURVA PATEL

kristen.hays@chron.com mary.flood@chron.com Purva Patel contributed to this story.

Curiously high returns on certificates of deposit at a Caribbean island bank operated by Houston-based Stanford International Group raised red flags that prompted some analysts to warn investors to beware.

And R. Allen Stanford, head of the Stanford Financial Group and its affiliated offshore Stanford International Bank, made no public statements Monday to reassure investors spooked by a week of revelations about ongoing regulatory and possible criminal investigations into sales of high-yield certificates of deposit.

Stanford Financial spokesman Brian Bertsch wouldn't discuss the whereabouts of the Texas billionaire, who lives in St. Croix, U.S. Virgin Islands, or say whether Stanford would respond to depositors' concerns about their investments.

Stanford mailed a letter to clients last week that sought to downplay the regulators' investigations, calling their visits to six Stanford offices in the U.S. "routine examinations."

The Securities and Exchange Commission, the FBI and the Internal Revenue Service are investigating, according to a person familiar with the probes.

While the scope of the probes is unclear, investigators are at least in part looking into the sale of the CDs issued by the bank in the island nation of Antigua and Barbuda.

The bank has drawn federal scrutiny before. In 1999 Stanford handed U.S. Drug Enforcement Administration officers a \$3.1 million cashier's check from the bank after investigators found that a major drug trafficking ring in Mexico had used the bank to stash or launder money. At the time Stanford told the Los Angeles Times that the payment "was the right thing to do morally, and it's the legal thing to do."

The current flurry of revelations include reports that investors have been told they can't redeem their CDs for two months even if they mature sooner. The Wall Street Journal reported Monday that foreign depositors are flying to Antigua hoping to withdraw their money.

Bertsch said only that depositors may withdraw money "in accordance with the terms of their accounts." He declined to specify if that meant they can withdraw time deposits only when they mature.

Atlanta lawyer James Dunlap said he has clients who have had trouble withdrawing money in Stanford CDs. Dunlap's firm and another one in Boston have placed Internet ads looking for investors with complaints against Stanford companies.

Florida accountant Bob Parrish said that last year some Florida clients who came to him for tax preparation had a collective \$500,000 in Stanford International Bank. Parrish looked into it because the offshore institution lacks federal deposit insurance that protects U.S. bank deposits.

He said he found the bank appeared to act more like a hedge fund or mutual fund than a bank. Rather than using its deposits to make loans, it was making what Parrish viewed as risky investments in fledgling U.S. ventures. But unlike a U.S. mutual fund, the bank's annual report did not disclose its investments in securities.

"There's no telling where the money was," Parrish said. The clients withdrew their deposits.

Consistency a problem

L. Burke Files, president of Financial Examinations & Evaluations, a due diligence firm based in Tempe, Ariz., said he also examined the business and became concerned about the consistent rates of return, "whether the market was going up, down or sideways," he said.

The SEC has subpoenaed information about Stanford's U.S. brokerage operations from two former financial advisers who allege in a Harris County lawsuit that they were forced out because they didn't want to participate in unethical or illegal business practices at the firm.

Others also have sued after leaving the firm. In a 2006 lawsuit filed in state court in Miami, Lawrence De Maria, a one-time public relations writer for Stanford, alleged he was fired for asking questions about practices at the company.

De Maria alleged among other things that a majority of deposits in the Antigua bank came from South Americans seeking to hide money and that Stanford Financial and Allen Stanford made cash payments to Antigua politicians.

Stanford lawyers argued that De Maria lacked firsthand knowledge of the company's finances. In his deposition, De Maria acknowledged he had no solid evidence to back up some allegations. The lawsuit ended with a confidential settlement in 2007.

--- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; BANK AND TRUST COMPANY INC THE; BANK AND INSURANCE FUND INC; DRUG ENFORCEMENT ADMINISTRATION; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; BANK AND TRUST THE; INTERNAL REVENUE SERVICE (IRS); EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (ISO05); Business Litigation (1BU04); Crime (1CR87); Business Management (1BU42); Business Lawsuits & Settlements (1BU19))

INDUSTRY: (Investment Management (1IN34); Smuggling & Illegal Trade (1SM35); Securities Investment (1SE57); Financial Services (1FI37))

REGION: (Caribbean (1CA06); North America (1NO39); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); Texas (1TE14); Leeward Islands (1LE19); Florida (1FL79); Latin America (1LA15))

Language: EN

OTHER INDEXING: (ALLEN STANFORD; BANK; DE MARIA; DRUG ENFORCEMENT ADMINISTRATION; FBI; FINANCIAL EXAMINATIONS EVALUATIONS; INTERNAL REVENUE SERVICE; LAWRENCE DE MARIA; SEC; SECURITIES AND EXCHANGE COMMISSION; STANFORD; STANFORD FINANCIAL; STANFORD FINANCIAL GROUP; STANFORD INTERNATIONAL BANK; STANFORD INTERNATIONAL GROUP; TEXAS) (Bertsch; Bob Parrish; Brian Bertsch; Curiously; Dunlap; Florida; James Dunlap; L. Burke Files; Parrish; Purva Patel)

EDITION: 3 STAR R.O.

Word Count: 882  
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2/17/09 Hous. Chron. (Pg. Unavail. Online)  
2009 WLNR 3090021

Houston Chronicle  
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February 17, 2009

SEC charges Stanford, others with fraud  
Kristen Hays and Tom Fowler  
Houston Chronicle

Feb. 17--The Securities and Exchange Commission today filed civil charges against Texas billionaire Robert Allen Stanford, his offshore bank, two of his Houston-based companies and two other officers, alleging that they have orchestrated a multibillion-dollar investment fraud scheme on certificates of deposit.

U.S. District Judge Reed O'Connor issued an order freezing the defendants' assets and appointed a receiver to marshal them.

"As we allege in our complaint, Stanford and the close circle of family and friends with whom he runs his businesses perpetrated a massive fraud based on false promises and fabricated historical return data to prey on investors," said Linda Chatman Thomsen, director of the SEC's division of enforcement, in a statement.

"We are moving quickly and decisively in this enforcement action to stop this fraudulent conduct and preserve assets for investors," she said.

Company spokesman Brian Bertsch said that all media inquiries should be directed to the SEC until further notice. He declined to elaborate or answer any other questions about the defendants or the status of the company.

The SEC complaint, filed in federal court in Dallas, names Stanford himself, Stanford International Bank in the Caribbean island nation of Antigua and Barbuda, Houston-based broker-dealer and investment adviser Stanford Group Company, and investment adviser Stanford Capital Management.

It also names James Davis, chief financial officer for the bank and Stanford's roommate at Baylor University in the 1970s, as well as Laura Pendergest-Holt, chief investment officer for Stanford Financial Group.

The SEC had been looking into Stanford for many months, even before two former employees filed suit for wrongful termination last year, said Steve Korotash, Associate Regional Director of Enforcement in the SEC's Fort Worth office.

"But we ran into a lot of impediments, particularly given the foreign jurisdictions," he said in an interview.

Investigators just recently were able to see certain holdings of the bank that helped them develop the allegations in the complaint, Korotash said.

"The whole thing was a masterfully done masquerade," Korotash said.

Alfredo Perez, spokesman for the U.S. Marshal's office in Houston, said marshals went to the Stanford offices around 10 a.m. this morning. He said they were not removing anything from the building, but were there to make sure no one disturbs computers or documents.

The company has buildings on opposite sides of Westheimer just outside the West Loop.

By late this morning doors were locked and the lobby was filled with people including uniformed officials.

A sign posted on the doors read: "We are temporarily closed; the company is still in operation but under the management of a receiver. For updated information please visit our Web site at [www.stanfordfinancialreceivership.com](http://www.stanfordfinancialreceivership.com)."

Investor Brett Zagone visited the office today, she said, after she couldn't get her investment adviser on the phone.

She said she first invested with the company about a year and a half ago. Asked to assess her concern about the latest development, she said, "On a scale of one to 10? A million, infinity."

Zagone said most of her money -- she declined to say how much -- was in CDs, but she also had some other investments with the company. She added to her Stanford account in October when she transferred all the money from her late mother's estate, and she also took money out of the nosediving stock market last year and placed it with Stanford.

She went to the firm's door seeking to speak with someone and was told somebody would come down. No one did.

Zagone said she was drawn to the company because her brother once worked there.

"Everyone we ever talked to had nothing but good things to say about them," said Zagone, who added that she was trying to remain optimistic.

The judge's restraining order issued today freezes assets at the bank, the U.S. businesses and those of the three individuals, including their passports. It also prohibits destruction of documents.

The order said there was "good cause" to believe the defendants improperly obtained investor funds and assets and they would dissipate them. It also said there is good cause to believe Stanford, Davis and Pendergest-Holt may flee the U.S. to avoid responsibility for alleged fraud.

Stanford lives in St. Croix, U.S. Virgin Islands. The SEC complaint said Davis lives in Baldwin, Miss. and works in Tupelo, Miss. and Memphis. The complaint didn't identify a residence city for Pendergest-Holt, but said she supervises analysts in Memphis, Tupelo and St. Croix.

As the appointed receiver, Dallas attorney Ralph Danvey has sole control over the businesses, books, records, client lists, financial and accounting documents and computers. He also is the boss, with control to keep, hire and fire employees as well as contractors, officers and directors.

Houston lawyer Tom Ajamie, who specializes in financial cases, said investors likely have to wait to get their money now that Stanford's funds are in the receiver's control. The wait could be long because an offshore bank is

involved, he said.

"It's going to be a lot harder now," he said. "I'd guess no one will see any money for two years."

Besides the SEC, the FBI and the Internal Revenue Service have been investigating the Stanford operations, a source with knowledge of the matter told the Chronicle last week. Also investigating are the Financial Industry Regulatory Authority and the Florida Office of Financial Regulation.

Another investor who visited the closed offices today, real estate agent Kelly DeHay, said he had no reservations about his investments with Stanford until last week, when he read about the investigations.

DeHay said his most recent investment was an 8.25 percent CD. He said he visited his adviser when he learned of the investigations Friday, and was told he could withdraw interest, but his principal was locked in.

"He looked like a deer in the headlights," DeHay said.

The SEC complaint alleges that acting through a network of Stanford Group Company financial advisers, the bank has sold about \$8 billion of certificates of deposit to investors by promising "improbable and unsubstantiated" high interest rates, the agency said in a statement.

The bank claims that its high rates of return are earned through its unique investment strategy, which provided double-digit returns over the last 15 years.

The complaint alleges further that the defendants misrepresented to CD purchases that their deposits are safe and falsely claim that:

- \* The bank re-invests client funds primarily in "liquid" assets;
- \* The portfolio is monitored through a team of 20-plus analysts;
- \* The portfolio is subject to annual audits by Antiguan regulators.

The complaint also alleges that the bank is operated by a close circle of Stanford's family and friends.

The firm is a privately held network of financial services companies led by Stanford, the chairman and chief executive. The company's Web site described its private wealth management, institutional investment banking and emerging growth companies as its core businesses, but it also offers merchant and commercial banking, institutional sales and trading, real estate investment and insurance.

The company claims to have more than \$50 billion in assets under management or advisement. It has more than 50 offices in North America, Latin America, the Caribbean and Europe.

Brad Hem and Mary Flood contributed to this story.

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--- INDEX REFERENCES ---

COMPANY: BAYLOR UNIVERSITY; US SECURITIES AND EXCHANGE COMMISSION; FINANCIAL INDUSTRY REGULATORY AUTHORITY INC; STANFORD GROUP CO; CHRONICLE; FINANCIERA DE DESARROLLO SA; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; INTERNAL REVENUE SERVICE (IRS); EUROPEENNE DE CONFISERIE{SEC}; HOLT AND FRANK PLLC

NEWS SUBJECT: (Social Issues (1SO05); Economics & Trade (1EC26); Fraud (1FR30); Crime (1CR87))

REGION: (Caribbean (1CA06); North America (1NO39); Tennessee (1TE37); West Indies (1WE90); USA (1US73); Mississippi (1MI74); Americas (1AM92); Antigua & Barbuda (1AN04); U.S. Virgin Islands (1VI21); Texas (1TE14); Leeward Islands (1LE19); Latin America (1LA15))

Language: EN

OTHER INDEXING: (BAYLOR UNIVERSITY; CD; CHRONICLE; FBI; FINANCIAL INDUSTRY REGULATORY AUTHORITY; FLORIDA OFFICE; HOLT; INTERNAL REVENUE SERVICE; LAURA PENDERGEST HOLT; PENDERGEST HOLT; SEC; SECURITIES AND EXCHANGE COMMISSION; STANFORD FINANCIAL GROUP; STANFORD GROUP CO; STANFORD INTERNATIONAL BANK) (Alfredo Perez; Brad Hem; Brett Zagone; Brian Bertsch; Davis; DeHay; Feb; James Davis; Kelly DeHay; Korotash; Linda Chatman Thomsen; Mary Flood; Ralph Danvey; Reed O'Connor; Robert Allen Stanford; Stanford; Steve Korotash; Tom Ajamie; Zagone)

Word Count: 1500  
2/17/09 HSTNCHRON (No Page)  
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2/17/09 Mem. Bus. J. (Pg. Unavail. Online)  
2009 WLNR 3092471

Memphis Business Journal  
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February 17, 2009

Stanford executives charged with defrauding investors

Christopher Sheffield

Three senior executives with Stanford Group Co. have been charged with defrauding investors of billions through a high-yield certificates of deposit program and using false historical data to push a special Stanford mutual fund program.

The Securities and Exchange Commission specifically named chairman Robert Stanford, chief financial officer James Davis and chief investment officer Laura Pendergest-Holt in its complaint filed Tuesday in U.S. District Court in Dallas.

Stanford Group is based in Houston, but both Davis and Pendergest-Holt have offices in Memphis at the Crescent Center.

Sources at the building said federal agents were actively removing documents from the local office Tuesday.

U.S. District Judge Reed O'Connor entered a temporary restraining order, froze the defendants' assets, and appointed a receiver to marshal those assets. The company's Houston-area office buildings were also sealed off Tuesday morning by enforcement officials.

"As we allege in our complaint, Stanford and the close circle of family and friends with whom he runs his businesses perpetrated a massive fraud based on false promises and fabricated historical return data to prey on investors," said Linda Chatman Thomsen, director of the SEC's Division of Enforcement, in a release. "We are moving quickly and decisively in this enforcement action to stop this fraudulent conduct and preserve assets for investors."

The complaint alleges Stanford used its financial advisers to sell about \$8 billion in CDs that promised "improbable and unsubstantiated high interest rates."

The CDs were sold through Stanford's Antigua-based Stanford International Bank Ltd., or SIB.

According to the SEC's complaint, SIB is operated by a close circle of Stanford's family and friends, including Stanford; Stanford's father who resides in Mexia; another Mexia resident with business experience in cattle ranching and car sales; Pendergest-Holt, who prior to joining SFG had no financial services or securities industry experience; and Davis, who was Stanford's college roommate.

The SEC also said Stanford advisers grew its Stanford Allocation Strategy mutual fund program to almost \$1.2 billion in the last four years by using "materially false historical performance data."

"The fraudulent SAS performance was used to recruit registered investment advisers with significant books of business, who were then heavily incentivized to reallocate their clients' assets to SIB's CD program," the SEC stated.

The SEC said the investigation is continuing.

Bloomberg reported that Stanford International Bank had placed a 60-day freeze on early redemptions on its CDs, according to sources familiar with the situation.

The investigation into the CD program by the SEC, FBI and other regulatory agencies had been ongoing since the summer, Bloomberg reported.

Messages left with Stanford's local spokesman were not immediately returned.

Stanford Global Foundation is based in Memphis and the company has contributed millions to charities locally and worldwide.

In 2005, the foundation established the Stanford Financial Excellence in the Arts Award in Memphis and later spread the program to Stanford markets in the South, including Houston, Dallas, Charlotte, N.C., Baton Rouge, La., and Sarasota, Fla.

In 2007 the company became the title sponsor of Memphis' Professional Golf Association event, the St. Jude Classic, replacing FedEx Corp. and investing upwards of \$10 million on top of its sponsorship to rebrand the event the Stanford St. Jude Championship.

--- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; BLOOMBERG LP; STANFORD GROUP CO; FINANCIERA DE DESARROLLO SA; SEC SOCIETE EUROPEENNE DE COMMUNICATION; FEDERAL EXPRESS DTW CO LTD; STANFORD INTERNATIONAL BANK LTD; FEDEX CORP; IVOIRIENNE DE BANQUE; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (ISO05); Crime (ICR87); Economics & Trade (IEC26); Fraud (IFR30))

INDUSTRY: (Press Releases (IPR19))

REGION: (Texas (ITE14); North America (INO39); Tennessee (ITE37); Americas (IAM92); USA (IUS73))

Language: EN

OTHER INDEXING: (ARTS AWARD; BLOOMBERG; CD; CRESCENT CENTER; FBI; FEDEX CORP; PROFESSIONAL GOLF ASSOCIATION; SEC; SECURITIES AND EXCHANGE COMMISSION; SFG; SIB; STANFORD; STANFORD ALLOCATION STRATEGY; STANFORD GLOBAL FOUNDATION; STANFORD GROUP CO; STANFORD INTERNATIONAL BANK; STANFORD INTERNATIONAL BANK LTD; US DISTRICT; US DISTRICT COURT) (Davis; James Davis; Jude Championship; Jude Classic; Laura Pendergest; Linda Chatman Thomsen; Messages; Pendergest; Pendergest-Holt; Reed O'Connor; Robert Stanford; Stanford)

EDITION: memphis

Word Count: 703  
2/17/09 MEMBUSJ (No Page)  
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2/17/09 Miami Herald (Pg. Unavail. Online)  
2009 WLNR 3083486

Miami Herald (FL)  
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February 17, 2009

SEC accuses Stanford Group owner of massive, ongoing fraud

Miami Herald Staff and Wire Report

U.S. regulators accused R. Allen Stanford of running a massive, ongoing fraud while selling about \$8 billion in certificates of deposit through Antigua-based Stanford International Bank Ltd.

The bank made improbable and unsubstantiated claims about its ability to generate safe returns of more than 10 percent, and it misled investors about exposure to Bernard Madoff's alleged Ponzi scheme, the Securities and Exchange Commission said Tuesday in a complaint against Stanford, firms he controls and two colleagues. The agency asked the Dallas federal court to freeze assets and appoint a receiver to return money to investors.

The company has Florida offices in Miami, Boca Raton, Vero Beach and Longboat Key, according to its website.

The SEC has been investigating Stanford's Houston-based investment firm, Stanford Group, since at least last summer over sales of certificates by the Antigua-based affiliate. The inquiry intensified after the December arrest of New York money manager Madoff, who allegedly confessed to masterminding a \$50 billion fraud in which early investors were promised steady returns and paid with money from later participants.

"We are alleging a fraud of shocking magnitude that has spread its tentacles throughout the world," Rose Romero, director of the SEC's Fort Worth office, said Tuesday in a statement. Stanford spokesman Brian Bertsch did not immediately return a call seeking comment.

Stanford's companies include Antigua-based Stanford International Bank and broker-dealer Stanford Group Co. and investment advisor Stanford Capital Management, which are both based in Houston.

The bank's chief financial officer, James Davis, and Stanford Financial Group's chief investment officer, Laura Pendergest-Holt, were also charged in the complaint.

Alfredo Perez, a spokesman for the U.S. Marshall's Service in Houston, confirmed that agents raided Stanford's office in Houston Tuesday morning, but he did not have any other immediate comment.

Stanford's Miami office, which occupies three floors at 201 S. Biscayne Blvd., has 138 employees, down from about 500 in 2006. Operations include a private client group, corporate affairs and investment banking, Brian Bertsch, spokesman for Stanford in New York told The Miami Herald last week.



The company transferred its Latin American operations from Miami to Mexico City about two months ago, he said.

The SEC has asked former employees about the bank's stated returns on investment, between 10.3 and 15.1 percent every year from 1995 until last year, according to documents and annual reports on the bank's website. SIB says it has \$7.2 billion in assets and 30,000 clients, according to the SEC.

Stanford blamed "former disgruntled employees" for stoking regulatory probes into his firm.

Stanford said in a Feb. 12 e-mail to his employees that he would "fight with every breath to continue to uphold our good name in the face of the investigations."

--- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; STANFORD GROUP CO; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; STANFORD INTERNATIONAL BANK LTD; IVOIRIENNE DE BANQUE; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (1SO05); Economics & Trade (1EC26); Fraud (1FR30); Crime (1CR87))

REGION: (Caribbean (1CA06); North America (1NO39); New York (1NE72); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); Texas (1TE14); Leeward Islands (1LE19); Florida (1FL79); Latin America (1LA15))

Language: EN

OTHER INDEXING: (R. Allen Stanford; Vero Beach; Rose Romero; Brian Bertsch; James Davis; Alfredo Perez; Brian Bertsch) (R ALLEN STANFORD; SEC; SECURITIES AND EXCHANGE COMMISSION; SIB; STANFORD; STANFORD CAPITAL MANAGEMENT; STANFORD FINANCIAL GROUP; STANFORD GROUP; STANFORD GROUP CO; STANFORD INTERNATIONAL BANK; STANFORD INTERNATIONAL BANK LTD) (Alfredo Perez; Boca Raton; Brian Bertsch; James Davis; Laura Pendergest-Holt; Longboat Key; Madoff; Rose Romero; S. Biscayne Blvd.) (Antigua; Dallas; Florida; Miami; Houston; Antigua; New York; Fort Worth; Antigua; Houston; Houston; Miami; New York; Miami; Mexico City; us; usa; na; us.fl; us.fl.miami; ag; atg; mex; mx; ca; cam; us.ny; us.tx; mx.mexcty; us.ny.nyc; us.tx.dallas; us.tx.ftwort; us.tx.houstrn)

KEYWORDS: (XC/Unknown); (NT/NEC); (XC/any.company); (XC/any); (SU/international)

TICKER SYMBOL: Unknown:STAN

Word Count: 583  
2/17/09 MIAMIHD (No Page)  
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2/17/09 S.F. Bus. Times (Pg. Unavail. Online)  
2009 WLNR 3095536

San Francisco Business Times  
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February 17, 2009

### Stanford Financial faces fraud charges

The U.S. Securities and Exchange Commission on Tuesday formally charged Robert Allen Stanford and three of his Stanford Financial Group companies for allegedly orchestrating a fraudulent, multi-billion dollar investment scheme.

The focus of the scheme, according to SEC investigators, was an \$8 billion program involving the sale of high-yield certificates of deposit. The SEC's complaint, filed in federal court in Dallas, alleges that acting through a network of SGC financial advisers, SIB has sold about \$8 billion certificates of deposit to investors by promising "improbable and unsubstantiated" high interest rates.

Stanford Financial's Houston headquarters was sealed by authorities Tuesday.

Stanford Group's San Francisco investment banking office at 580 California St. referred a San Francisco Business Times reporter to the SEC's Fort Worth, Texas, office. A call to that office for comment was not immediately returned.

In recent months, Stanford Group had been boosting its investment banking services to the Bay Area's emerging growth companies in technology and other sectors.

Eddie Rollins, executive director of the firm's office in Charlotte, N.C., says that Stanford is still open for business. He declines to discuss whether Charlotte area clients may have purchased the high-yield certificates of deposit that are at the center of the investigation, citing client privacy concerns.

A Stanford spokeswoman reached by the Charlotte Business Journal Tuesday afternoon declined comment and referred inquiries to SEC officials.

The Stanford companies named in the action include Antigua-based Stanford International Bank and two Houston-based entities, broker-dealer and investment adviser Stanford Group Co. and investment adviser Stanford Capital Management.

The SEC also charged SIB Chief Financial Officer James Davis as well as Laura Pendergest-Holt, chief investment officer of Stanford Financial Group, in the enforcement action.

U.S. District Judge Reed O'Connor entered a temporary restraining order, froze the defendants' assets, and appointed a receiver to marshal those assets. The company's Houston office buildings were sealed off Tuesday morning by enforcement officials.

“As we allege in our complaint, Stanford and the close circle of family and friends with whom he runs his businesses perpetrated a massive fraud based on false promises and fabricated historical return data to prey on investors,” said Linda Chatman Thomsen, director of the SEC’s Division of Enforcement. “We are moving quickly and decisively in this enforcement action to stop this fraudulent conduct and preserve assets for investors.”

After opening a Charlotte branch in 2006, Stanford grew by hiring advisers and wealth managers away from Regions Financial's Morgan Keenan & Co. (NYSE:RF) and Bank of America Corp. (NYSE:BAC) in 2008. A group of former Wachovia Corp. wealth managers also recently joined the firm.

--- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; REGIONS FINANCIAL CORP; STANFORD GROUP CO; GENERALE (CYPRUS) LTD; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; SYDNEY GAS LTD; WACHOVIA CORP; IVOIRIENNE DE BANQUE; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (ISO05); Crime (ICR87); Economics & Trade (IEC26); Fraud (IFR30))

INDUSTRY: (Financial Services (IFI37); Banking (IBA20); Financial Services Regulatory (IFI03))

REGION: (Texas (ITE14); California (ICA98); North America (INO39); Americas (IAM92); USA (IUS73))

Language: EN

OTHER INDEXING: (CALIFORNIA ST; LAURA PENDERGEST HOLT; MORGAN KEENAN CO; NYSE:BAC; NYSE:RF; REGIONS FINANCIAL; SEC; SGC; SIB; STANFORD; STANFORD FINANCIAL GROUP; STANFORD GROUP; STANFORD GROUP CO; STANFORD INTERNATIONAL BANK; US SECURITIES AND EXCHANGE COMMISSION; WACHOVIA CORP) (Eddie Rollins; James Davis; Linda Chatman Thomsen; Reed O'Connor; Robert Allen; Stanford; Stanford Financial)

EDITION: sanfrancisco

Word Count: 582  
2/17/09 SFBUSTMS (No Page)  
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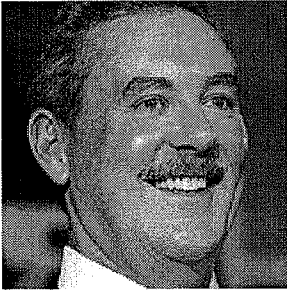


THE WALL STREET JOURNAL

WSJ.com

FEBRUARY 18, 2009, 5:52 PM ET

## Bye Bye Bernie: There's a New Legal Drama in Town



Associated Press

In this June 11, 2008 photo, Allen Stanford, poses for photos at the Lords Cricket Ground in London. (AP Photo/Letteris Pitarakis, file)

Just as Bernie Madoff fatigue was threatening to set in, R. Allen Stanford has entered the picture.

The SEC has charged the Texas financier with an \$8 billion fraud, alleging he promised investors high returns on certificates of deposit only to pour their money into "black box" hard-to-trade assets. [Here's](#) a WSJ front pager on the charges.

With the ink barely dry on the SEC's complaint, Texas lawyers George Fleming and Mike O'Brien have [filed a class action](#) in federal court on behalf of a group of investors who claim to have lost \$1.75 million investing with Stanford. [Here's](#) a report on the Stanford suit from the Texas Lawyer newspaper.

"We want to know where the investors' money went and we're fixing to find out," Fleming wrote in a statement announcing the filing of the Texas suit.

Stanford has so far declined comment.

It's a little early in the unfolding drama, but the Stanford matters appears chock full of intrigue. WSJ reports that Stanford is a fifth-generation Texas worth billions, who doles out money to politicians, sponsors a namesake professional golf tournament, and goes by "Sir Allen" in Antigua, where he was knighted in 2006.

The Houston headquarters of the Stanford companies was raided yesterday by U.S. marshals and SEC agents, who arrived in a fleet of Chevy Suburbans and GMC pickups with tinted windows.

It's good to see that someone is still buying American cars.

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COMPANIES	SUBJECTS	EXECUTIVES
Hathaway I (2,752) Inc. (1,466)	Acquisitions/Mergers (2,924) News Agency Material (1,165) Corporate/Industrial N...	Warren E Buffett (905) Bill H Gates III (107) Irene B Rosenfeld

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## THE WALL STREET JOURNAL.

WSJ.com

FEBRUARY 18, 2009, 12:03 PM ET

# R. Allen Stanford's Private-Equity Connections

*Keenan Skelly, of Private Equity Analyst, files this dispatch looking at the private-equity connections in the Stanford International Bank case. Private Equity Analyst is a Dow Jones publication and a contributor to Deal Journal.*

The Securities and Exchange Commission's complaint against Stanford International Bank and related entities includes many mentions of the firm's involvement in the private-equity industry.



Sir R. Allen Stanford waves at Lords Cricket Ground in London in June 2008. (Associated Press)

The complaint, filed Tuesday in federal court in Dallas, alleges financier R. Allen Stanford orchestrated a multibillion dollar fraud centering on an \$8 billion certificate of deposit program. According to the complaint, the majority of Stanford's money was invested not in liquid securities, as it had told investors, but instead in illiquid asset classes such as private equity or real estate.

Stanford International Bank's 2007 annual report said its portfolio was invested 58.6% in equity, 18.6% in fixed income, 7.2% in precious metals and 15.6% in alternative investments, according to the complaint. However, the SEC alleges the bank's portfolio instead consists of primarily illiquid investments, with "at least 23% private equity." The SEC couldn't be reached for additional comment. Stanford couldn't be reached for comment, either.

People in the private-equity sector said Stanford isn't a big private-equity investor. Two placement agents said they have never contacted the institution about any of their clients. "I have never heard of them, and I guess that's a good thing," one placement agent said.

A small venture firm in Louisiana, VCE Capital Partners, lists Stanford as a limited partner on its Web site. So does Catalyst Funds, an Israeli venture-capital firm, and AquaAgro Fund LP, a venture fund that invests in Israeli water, agriculture and clean-technology businesses.

Russell Vernon, co-founder of VCE Capital, said his firm doesn't know much about Stanford's situation. Hillel Milo, managing partner at AquaAgro, couldn't be reached for comment. Nor could Catalyst Funds.

Stanford also has invested directly in a handful of start-up businesses, including medical device maker Luminetx Corp. and drug developer KineMed Inc. In 2007, Stanford led a \$15 million round of financing consisting of convertible notes for KineMed, of Emeryville, Calif., which is developing a treatment for Lou Gehrig's disease. Luminetx, a Memphis, Tenn., maker of a vein illumination device, received \$11 million of Series A funding led by Stanford in 2005. Stanford participated in a \$15 million Series B round in 2006.

Officials at Luminetx Corp. couldn't be reached. William Custer, president and chief executive of Custer Capital, a Luminetx investor, said he had just returned from vacation and was surprised to hear about Stanford's difficulties. He declined to comment further until he could speak with Luminetx's other directors. Other investors in Luminetx either declined to comment or couldn't be reached.

KineMed President David Fineman said Stanford made a one-time investment in the company as part of a \$15 million funding round in 2007, but hasn't had any say in the company's operations.

For more on the private-equity ties, [click here](#) to read the rest of the LBO Wire article, or [click here](#) to read the latest from our new sister blog, the Private Equity Beat.

—with Lorie Konish and Jonathan Matsey

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2/17/09 Wash. Post (Bus. Sec.) (Pg. Unavail. Online)  
2009 WLNR 3094983

Washington Post  
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February 17, 2009

### SEC Charges Stanford Financial in \$8 Billion Fraud

Zachary A. Goldfarb

WASHINGTON — Federal authorities Tuesday charged a prominent Texas businessman and three of his companies with carrying out a "massive, ongoing fraud" involving the sale of \$8 billion in certificates of deposit, one of the largest alleged financial frauds in U.S. history.

R. Allen Stanford and two colleagues, working through a web of firms in Houston and the Caribbean, lied to customers about how their money was being invested and how the firms' investment portfolios had performed in the past, the Securities and Exchange Commission said in a complaint.

The case comes just two months after the SEC filed charges against Bernard L. Madoff, who the agency said confessed to running a \$50 billion Ponzi scheme.

In addition to Stanford, the SEC complaint charged Antigua-based Stanford International Bank and two affiliates in Houston, Stanford Group and Stanford Capital Management. Also charged were executives James M. Davis, Stanford International Bank's chief financial officer, and Laura Pendergast-Holt, chief investment officer of Stanford Financial Group.

Certificates of deposits, or CDs, are popular savings products, promising fixed-returns to investors, who usually agree to deposit their money for a set period of time.

The SEC said that Stanford International Bank, working through a network of Stanford Group advisers, promised "improbable, if not impossible" returns to investors, often many percentage points higher than what rivals offered.

The firms told customers their deposits were safe, invested in easily sellable securities. In fact, the SEC said, the funds were invested in real estate and private equity holdings.

The firms also falsely told customers that investments were monitored by more than 20 research analysts and subject to yearly audits by Antiguan regulators, according to the SEC. Most of the investments were actually managed only by Allen Stanford and Davis, the SEC said.

More recently, the firms falsely told customers that its funds had no exposure to the Madoff case, the SEC said, when executives knew of \$400,000 tied to Madoff.

"We are alleging a fraud of shocking magnitude that has spread its tentacles throughout the world," said Rose Romero, director of the SEC's Fort Worth office.

The fate of customer deposits wasn't immediately clear. Stanford, which says it has more than 30,000 customers, has not cooperated with investigators, the SEC said. The SEC said a federal judge in North Texas has agreed to freeze the defendants' assets.

A spokesman for Stanford Group referred questions to the SEC.

The SEC has been investigating Stanford for several months. Today, federal authorities raided the firm's office buildings in Houston and posted a notice saying the company had been taken over by a receiver.

The SEC also alleged that Stanford Group used false and misleading historical performance data to lure more than \$1 billion in investments into a mutual fund investment program.

Allen Stanford, with citizenship in the United States and Antigua & Barbuda, is one of the world's richest men, with an estimated worth of \$2 billion, according to Forbes Magazine. The Antinguan government knighted him; he now uses the honorific "sir."

Stanford Group has more than \$43 billion under management or advisement, according to the firm's Web site. The SEC said its investigation is continuing.

bc-stanford

--- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; CDS; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (ISO05); Economics & Trade (1EC26); Fraud (1FR30); Crime (1CR87))

REGION: (Caribbean (1CA06); North America (1NO39); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); Texas (1TE14); Leeward Islands (1LE19); Latin America (1LA15))

Language: EN

OTHER INDEXING: (CDS; SEC; SECURITIES AND EXCHANGE COMMISSION; STANFORD CAPITAL MANAGEMENT; STANFORD FINANCIAL GROUP; STANFORD GROUP; STANFORD INTERNATIONAL BANK) (Allen Stanford; Bernard L. Madoff; Davis; James M. Davis; Laura Pendergast-Holt; Madoff; R. Allen Stanford; Rose Romero; Stanford)

Word Count: 668  
2/17/09 WP-BUS (No Page)  
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2/18/09 Balt. Sun 13A  
2009 WLNR 3219342

Baltimore Sun (MD)  
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February 18, 2009

Section: BUSINESS

### SEC CHARGES TEXAS BILLIONAIRE, 3 COMPANIES IN FRAUD

The Washington Post  
Zachary A. Goldfarb

WASHINGTON WASHINGTON -Federal authorities charged a prominent Texas businessman and three of his companies yesterday with carrying out a "massive, ongoing fraud" involving the sale of \$8 billion in certificates of deposit, one of the largest alleged financial frauds in U.S. history.

R. Allen Stanford and two colleagues, working through a web of firms in Houston and the Caribbean, lied to customers about how their money was being invested and how the firms' investment portfolios had performed, the Securities and Exchange Commission said in a complaint.

The SEC complaint charged Antigua-based Stanford International Bank and two affiliates in Houston, the Stanford Group and Stanford Capital Management. Also charged were James M. Davis, Stanford International Bank's chief financial officer, and Laura Pendergast-Holt, chief investment officer of Stanford Financial Group.

The SEC said Stanford International Bank, working through Stanford Group advisers, promised "improbable, if not impossible" returns. The firms told customers that their deposits were safe, invested in securities. In fact, the SEC said, the funds were invested in real estate and private equity holdings.

The companies told customers that investments were monitored by more than 20 research analysts and subject to yearly audits by Antiguan regulators, but most of the investments were managed only by Stanford and Davis, the SEC said.

"We are alleging a fraud of shocking magnitude that has spread its tentacles throughout the world," said Rose Romero, director of the SEC's Fort Worth office.

The fate of customer deposits was not immediately clear. The SEC said that a federal judge in Texas has agreed to freeze the defendants' assets.

Federal authorities raided offices in Houston yesterday and posted a notice saying that the Stanford Group had been taken over by a receiver.

The SEC said its investigation is continuing.

Stanford is one of the world's richest men, with an estimated worth of \$2 billion, according to Forbes magazine.

The Stanford Group has more than \$43 billion under management or advisement, according to the firm's Web site.

--- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; SECURITIES AND EXCHANGE COMMISSION; STANFORD FINANCIAL GROUP; TEXAS TELECOMMUNICATIONS LP; STANFORD INTERNATIONAL BANK LTD

NEWS SUBJECT: (Social Issues (1SO05); Economics & Trade (1EC26); Fraud (1FR30); Crime (1CR87))

INDUSTRY: (U.S. Securities & Exchange Commission (1US50))

REGION: (Caribbean (1CA06); North America (1NO39); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); Texas (1TE14); Leeward Islands (1LE19); Latin America (1LA15))

Language: EN

OTHER INDEXING: (FORBES; FRAUD; SECURITIES AND EXCHANGE COMMISSION; STANFORD CAPITAL MANAGEMENT; STANFORD FINANCIAL GROUP; STANFORD GROUP; STANFORD INTERNATIONAL BANK; TEXAS) (Davis; James M. Davis; Laura Pendergast-Holt; R. Allen Stanford; Rose Romero; SEC; SEC CHARGES; Stanford)

EDITION: Final

Word Count: 424  
2/18/09 BALTSUN 13A  
END OF DOCUMENT

2/18/09 Baton Rouge Advoc. A1  
2009 WLNR 3170277

Baton Rouge Advocate  
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February 18, 2009

Section: A

Fraud case felt in BR \*\*\* SEC accuses Stanford companies in finance probe  
BILL LODGEGARY PERILLOUX  
Advocate staff writers  
Advocate staff writers

Court-filed allegations of fraud in Dallas reverberated Tuesday in Baton Rouge and scores of other locations as investors worried about the possible loss of billions in retirement nest eggs.

The Fort Worth regional office of the Securities and Exchange Commission persuaded U.S. District Judge Reed OConnor to freeze the property of Stanford Group Co., Stanford Capital Management LLC and Stanford International Bank LTD. The judge also appointed a Dallas receiver, Ralph Janvey, to manage any cash or other assets found at those firms.

Texas financier R. Allen Stanford, associates James M. Davis and Laura Pendergest-Holt, as well as unnamed others, have promoted the Stanford empire as managing more than \$50 billion, SEC attorneys alleged.

SEC officials also accused the group of misleading investors about the location and use of their money. Billions of dollars that were supposed to buy safe certificates of deposit actually were placed in riskier stocks and real estate, according to the commission.

Were hoping that we can get to as many of those assets as possible, said Rose Romero, the SECs regional administrator in Fort Worth.

Romero added that SEC investigators are focused intently on identification and preservation of investors money.

But Stanford International Bank is domiciled on the Caribbean island of Antigua, and investors are in at least two hemispheres.

Romero said there are investors around the world, but particularly in South America, Central America, Mexico, Canada and the United States.

OConnor ordered R. Allen Stanford, Davis and Pendergest-Holt to surrender their passports. The judge also established a 10-day deadline for the group to produce an initial sworn accounting of investor funds.

But, Stanford, who is known as Sir Allen in Antigua, was not in court Tuesday. And he should have plenty of travel money, according to Forbes magazine, which once estimated his personal fortune at \$2.2 billion.

None of the three civil-court defendants could be reached at the Stanford Group Co. office in Houston, where calls repeatedly drew busy signals Tuesday.

At the Stanford Group Co. office in Memphis, Tenn., callers were advised by a machine that, Our offices are temporarily closed until further notice.

The firms Baton Rouge office was closed, and telephone callers were advised by an answer machine: Leave a message, and we will get back to you.

No one called back on Tuesday. By late afternoon, the companys Web site advised that all media inquiries should be directed to the SECs Romero.

Baton Rouge business

Before the SEC investigation, Baton Rouge and its Stanford offices had become a star in Sir Allens expanding constellation.

In 1996, Baton Rouge became Stanfords first satellite brokerage. Eleven years later, then-managing director Jason Green said in an interview with The Advocate that the company had amassed \$2 billion in Baton Rouge investments.

In 2007, Stanford rewarded Green who had worked out of an office of 25 people at City Plaza by naming him president of the companys Private Client Group, with 130 investment advisers under his nationwide supervision.

There were plans to grow that number to 350 advisers by 2010. Stanford said it would establish Baton Rouge as a national headquarters for the Private Client Group, which in 2007 managed \$9 billion of the companys \$30 billion in assets.

Neither Green nor his Baton Rouge successor as managing director, Grady Layfield, returned calls for comment Tuesday.

By early afternoon Tuesday, Stanford customers were riding elevators to the top floor of the City Plaza office building in downtown Baton Rouge. There, silence and locked doors greeted them at the green-marbled floor and cherry wood-gabled foyer of the Stanford Group Co. and Stanford Trust Co. offices.

Several women who said theyd come to inquire about funds had been unable to reach anyone by phone at the Baton Rouge office. Neither they nor a man who said he feared hed been cleaned out wanted to talk about the company on the record. But the man told his wife, who waited curbside at City Plaza, Its locked up tighter than Dicks hat box.

Later, some employees slipped out of the Stanford offices, but gave conflicting reports about whether company executives were at work.

and in Dallas

In their court filings, SEC investigators allege that Pendergest-Holt was indispensable to this scheme by helping to preserve the appearance of safety fabricated by Stanford and by training others to mislead investors.

In addition, the SEC alleged, only two people Stanford and Davis know the details concerning the bulk of (Stanford International Banks) investment portfolio.

Davis is identified by SEC officials as director and chief financial officer for both Stanford International Bank and Sir Allens umbrella company, Stanford Financial Group.

Davis maintains offices in both Memphis and Tupelo, Miss., according to the SEC.

Both Allen Stanford and Davis refused to testify prior to filing of the SECs suit, according to the commission.

OConnor, the judge in the case, ordered Stanford and his employees not to destroy any company records, financial or otherwise.

OConnor added: Nothing in this order shall prohibit any federal or state law enforcement or regulatory authority from commencing or prosecuting an action against the defendants.

--- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; SHENG YANG GUANG DIAN KE JI GU FEN YOU XIAN GONG SI; STANFORD GROUP CO; SECURITIES AND EXCHANGE COMMISSION; SEC; STANFORD FINANCIAL GROUP; STANFORD INTERNATIONAL BANK LTD

NEWS SUBJECT: (Economics & Trade (1EC26))

INDUSTRY: (U.S. Securities & Exchange Commission (1US50))

REGION: (Caribbean (1CA06); North America (1NO39); Tennessee (1TE37); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); Texas (1TE14); Leeward Islands (1LE19); Louisiana (1LO72); Latin America (1LA15))

Language: EN

OTHER INDEXING: (FORBES; PRIVATE CLIENT GROUP; R ALLEN STANFORD; SEC; SECS; SECS ROMERO; SECURITIES AND EXCHANGE COMMISSION; STANFORD; STANFORD CAPITAL MANAGEMENT LLC; STANFORD FINANCIAL GROUP; STANFORD GROUP CO; STANFORD INTERNATIONAL BANK; STANFORD INTERNATIONAL BANK LTD; STANFORD INTERNATIONAL BANKS; STANFORD TRUST CO) (Allen; Allens; Davis; Eleven; Grady Layfield; Green; Holt; James M. Davis; Jason Green; Laura Pendergest-Holt; OConnor; Pendergest; Ralph Janvey; Reed OConnor; Romero; Rose Romero; Texas)

EDITION: Main

Word Count: 1057  
2/18/09 BATONR A1  
END OF DOCUMENT

2/18/09 Birmingham News (AL) 11  
2009 WLNR 3230082

Birmingham News (AL)  
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February 18, 2009

Volume 121;

Section: BUSINESS

Houston-based financial group accused of fraud

RUSSELL HUBBARD and ROY WILLIAMS News staff writers

## FRAUD

Houston-based Stanford Financial Group - no connection to a Birmingham company of the same name - was accused of "massive ongoing fraud" Tuesday by the Securities and Exchange Commission for selling \$8 billion of deposit certificates that paid unusually high rates.

The Houston company is the same company that was behind the aborted purchase of Birmingham-based software maker Emageon Inc. The \$62 million sale of Emageon was called off last week when Stanford Financial couldn't come up with the money for would-be purchaser Health Systems Solutions.

Police raided Stanford Financial's Houston headquarters Tuesday after the SEC filed a suit against the company, which was offering three year CD rates that were more than two percentage points higher than the U.S. average of 3.2 percent.

A Birmingham company of the same name said Tuesday it has no connection to the accused fraudsters. S.C. "Buddy" Stanford said his Stanford Financial Group is an independent insurance agency that has never invested with or otherwise done any business with the Houston group that was raided by police.

The Houston company had designs on Alabama, though. Buddy Stanford said the they tried to get him to sign over the Alabama rights to the name "Stanford Financial Group" a few years ago.

"I refused," said Stanford, who has sold insurance in Birmingham for the past 30 years.

Stanford Financial of Houston is led by Allen Stanford, named last year the 605th richest person world by Forbes magazine.

His Antigua-based affiliate called Stanford International Bank was supposed to pay for the Emageon acquisition, which was announced in October.

According to SEC documents filed in December, Stanford International was having trouble coming up with the money. Emageon, employer of 450 who make and sell software used by clinics and hospitals, called of the deal for good last week. The company collected a \$9 million break-up fee from New York-based HSS.

EMAIL: rhubbard@bhamnews.com

---- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; FINANCIERA DE DESARROLLO SA; EMAGEON INC; CAMTRONICS MEDICAL SYSTEMS LTD; SEC SOCIETE EUROPEENNE DE COMMUNICATION; EMAGEON; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (1SO05); Crime (1CR87); Fraud (1FR30))

REGION: (Texas (1TE14); Alabama (1AL90); North America (1NO39); Americas (1AM92); USA (1US73))

Language: EN

OTHER INDEXING: (CD; EMAGEON; EMAGEON INC; FRAUD; HEALTH SYSTEMS SOLUTIONS; HSS; SEC; SECURITIES AND EXCHANGE COMMISSION; STANFORD INTL; STANFORD INTERNATIONAL BANK) (Allen Stanford; Buddy Stanford; Stanford; Stanford Financial)

Word Count: 395  
2/18/09 BRMINGHAMN 11  
END OF DOCUMENT

2/18/09 Daily Mail 4  
2009 WLNR 3168937

Daily Mail (UK)  
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February 18, 2009

£5.6bn fraud probe into cricket benefactor

BUSINESSMAN and cricket entrepreneur Sir Allen Stanford was charged by U.S.

BUSINESSMAN and cricket entrepreneur Sir Allen Stanford was charged by U.S.

regulators last night with a £5.6billion investment fraud.

The Securities and Exchange Commission said the billionaire and three of his companies had orchestrated a fraud 'of a shocking magnitude' promising investors 'improbable and unsubstantiated' high returns.

The news is a huge embarrassment to English cricket bosses, who have entered into big money agreements with Stanford.

The Texas-born financier is best known in the UK as the man behind last year's winner-takesall \$20million Twenty20 match in November, in which England were thrashed by a team of West Indian all-stars.

It was supposed to be the first of five annual contests and Stanford had also been expected to become a major backer of a tournament in England from 2010.

The charges against Stanford, three of his companies and two executives, follow a raid by U.S.

marshals on the Houston offices of Stanford Financial Group.

A judge froze the assets of Stanford as well as those of the Stanford Group, Antigua-based Stanford International Bank and investment advisor Stanford Capital Management.

The SEC said the Stanford International Bank, operated by 'a close circle of Stanford's family and friends', sold \$8bn worth of certificates to investors.

'We are alleging a fraud of shocking magnitude that has spread its tentacles throughout the world,' said Rose Romero of the SEC.

The commission began investigating Stanford last year and intensified the probe following the arrest of U.S. financier Bernard Madoff over an alleged £35billion investment fraud. SIB told its investors it had no exposure to the funds.



Forbes magazine lists Stanford as the world's 605th richest man, with assets of £1.5billion.

Antigua and Barbuda granted him citizenship some 10 years ago and he became the first American to be knighted by the Commonwealth nation in 2006.

Sportsmail - Back Page

--- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; ENGLISH AND OVERSEAS PROPERTIES PLC; IVOIRIENNE DE BANQUE; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (1SO05); Economics & Trade (1EC26); Fraud (1FR30); Sports Law (1SP70); Crime (1CR87))

INDUSTRY: (Cricket (1CR54); Entertainment (1EN08); Sports (1SP75))

REGION: (Caribbean (1CA06); North America (1NO39); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); Texas (1TE14); Leeward Islands (1LE19); Latin America (1LA15))

Language: EN

OTHER INDEXING: (BUSINESSMAN; ENGLAND; ENGLISH; SEC; SECURITIES AND EXCHANGE COMMISSION; SIB; SPORTSMAIL BACK PAGE; STANFORD FINANCIAL GROUP; STANFORD GROUP; STANFORD INTERNATIONAL BANK; TEXAS) (Allen Stanford; Bernard Madoff; Rose Romero; Stanford; West)

Word Count: 397  
2/18/09 BSX-DMAIL 4  
END OF DOCUMENT

2/18/09 Daily Telegraph (London) 3  
2009 WLNR 3126658

Daily Telegraph (UK)  
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February 18, 2009

Section: Sport

Texan cricket lover seemed too good to be true . . . and was

Derek Pringle Cricket Correspondent

SIR Allen Stanford became notorious in England after bouncing the wives of English cricketers on his knee, but now there is a more serious scandal, after the Texan was accused of fraud by America's Securities and Exchange Commission.

Stanford's financial dealings will no doubt be unravelled over the coming months but his involvement with English cricket, through the Twenty20 for \$20 million and the quadrangular competition scheduled for Lord's this May, was always built on the slightest foundations. Now they have crumbled, the England and Wales Cricket Board have little choice but to admit they consorted with an alleged fraudster, tarnishing both their and cricket's reputation.

The ECB need to answer some serious questions too, if some high-profile heads, including Giles Clarke's, the chairman, are not to roll. Was due diligence and the usual checks carried out on Stanford? And if so, why didn't they reveal the suspected financial bombshell now coming to light?

If they did look into his past they would have discovered that Stanford had been kicked out of the Caribbean island of Montserrat by the British Government in 1990, after setting up his bank there five years earlier. He then took his bank to Antigua where, at the last count, his commercial interests employ five per cent of the island's workforce, a human travesty in the making if it all goes pop.

When Stanford's involvement with the ECB last year became inevitable, I emailed an old university friend who began his banking career in Texas and asked him to see what his contacts there knew of cricket's most unlikely benefactor. Not a lot, came the answer, but while a few had heard of Robert Allen Stanford (the Sir bit came from being knighted by Antigua, not the Queen), they knew nothing of how or where he had made his fortune.

Those of a sceptical nature sensed trouble long ago - 6 ft Texans are interested in oil, money and power, not cricket, as both George Bushes only too readily revealed. But if that fact alone did not set alarm bells ringing, the helicopter stunt and the big perspex box full of fake cash at Lord's must surely have been the clincher that this was going to be a monumental mistake.

The match took place at the Stanford Cricket Ground in Antigua last November and while England lost, the West Indies team who beat them have apparently all been paid.

There are mixed feelings in Antigua over this scandal and many there claim his domestic Twenty20 tournament invigorated cricket in a region now prey to the inexorable creep of basketball and football. But an American saving them from the advance of an American sport? It seemed too good to be true, and was.

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COMPANY: TEXAN; ENGLISH AND OVERSEAS PROPERTIES PLC

INDUSTRY: (Cricket (1CR54); Entertainment (1EN08); Sports (1SP75))

REGION: (England (1EN10); Caribbean (1CA06); North America (1NO39); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); United Kingdom (1UN38); Europe (1EU83); Texas (1TE14); Leeward Islands (1LE19); Western Europe (1WE41); Latin America (1LA15))

Language: EN

OTHER INDEXING: (ECB; ENGLAND AND WALES CRICKET BOARD; ENGLISH; EXCHANGE COMMISSION; STANFORD CRICKET GROUND; TEXAN) (George Bushes; Giles Clarke; Robert Allen; SIR Allen Stanford; Stanford)

Word Count: 533  
2/18/09 DTLONDON 3  
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2/18/09 Deseret News A08  
2009 WLNR 3145677

Deseret Morning News  
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February 18, 2009

Section: Business

SEC freezes assets of 3 companies run by financier

Stephen Bernard , Associated Press

NEW YORK — The federal government says R. Allen Stanford's investment businesses were too good to be true, and shut his companies down on Tuesday.

Two months after Bernard Madoff was accused of running the largest investment fraud in history, Securities and Exchange Commission officials raided the offices of Stanford, a Texas billionaire, and froze the assets of three companies he controls, saying he perpetrated an \$8 billion investment fraud.

Stanford was accused in civil charges of lying about the safety of investments he sold as "certificates of deposit" and promised unrealistically high rates of return. Regulators also said he faked historical data about other investments which he then used to lure in more investors for the CD products.

The fraud's operations allegedly reached as far as the tiny Caribbean island of Antigua, where Stanford was knighted in 2006 and helped sponsor high-stakes cricket matches. As news of the charges broke Tuesday afternoon, panicked residents of Antigua swarmed a second bank controlled by Stanford hoping to take their money out, only to be turned away by guards. That bank was not part of the complaint released Tuesday.

Dozens of angry customers turned up at the main branch of the Bank of Antigua trying to get their money.

"Open the door and give us our money," Liston Lewis, a 45-year-old construction worker said to one of the guards. "Even if it takes until 12 o'clock give us our money."

Stanford's whereabouts were not immediately known. Brian Bertsch, a spokesman for Stanford, referred all questions to the SEC. Stephen Webster, an SEC attorney, said the agency is actively trying to find Stanford and didn't know whether he had been served with court papers.

Stanford owns a home in St. Croix, U.S. Virgin Islands, and operates his businesses from Houston and Antigua.

The SEC, which has come under heavy criticism for missing early warning signs of Madoff's alleged fraud scheme, said Stanford used a tight circle of family and friends to operate a network through an Antigua-based company to push the investments on buyers, all the while promising "improbable and unsubstantiated high interest rates."

In addition to Stanford himself, the civil lawsuit filed in federal court in Dallas names as defendants James Davis, the chief financial officer of Stanford International Bank, an Antigua-based company that was one of the three whose assets were frozen, as well as Laura Pendergest-Holt, the chief investment officer of Stanford Financial Group, a Houston-based financial advisory firm.

While not named in the SEC's civil complaint, regulators said Stanford was aided in running the Antigua-based operation by his father, who lives in Mexia, Texas, and another Mexia resident with a background in cattle ranching and car sales. Davis, who was named in the lawsuit, was Stanford's college roommate.

In Dallas, district court judge Reed O'Connor appointed a receiver to handle the frozen assets. A receiver was also appointed in the Madoff case to oversee the liquidation of that firm and to help investors recoup money. Madoff, who is under house arrest in his Manhattan apartment, is accused of orchestrating a giant \$50 billion Ponzi scheme.

James Dunlap, an Atlanta-based securities lawyer, said Stanford customers he has been advising have been told they can't get their money out of the firm, with some being told there is an indefinite hold on withdrawals.

Dunlap said his firm is still trying to understand the scope of the alleged fraud and how to pursue remedies for his clients, which include customers in the United States, Latin America and Australia.

"At this point I can't say where the money is," Dunlap said.

Stanford, 58, is one of the most prominent businessmen in the Caribbean, with investment advisers around the world helping him grow a personal fortune estimated at \$2.2 billion by Forbes magazine.

Last year Stanford shook up the staid world of professional cricket by bankrolling the purse in a \$20 million winner-take-all match in Antigua between England and a West Indies select team. The England and Wales Cricket Board said it has suspended negotiations for a new sponsorship deal with Stanford amid the allegations.

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COMPANY: FINANCIERA DE DESARROLLO SA; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (ISO05); Economics & Trade (IEC26); Fraud (IFR30); Crime (ICR87))

REGION: (Caribbean (ICA06); North America (INO39); New York (INE72); West Indies (IWE90); USA (IUS73); Americas (IAM92); Antigua & Barbuda (IAN04); Texas (ITE14); Leeward Islands (ILE19); Latin America (ILA15))

Language: EN

OTHER INDEXING: (ANTIGUA; BANK OF ANTIGUA; BERNARD MADOFF; CD; ENGLAND; EXCHANGE COMMISSION; LAURA PENDERGEST HOLT; MADOFF; MANHATTAN; SEC; STANFORD; STANFORD FINANCIAL GROUP; STANFORD INTERNATIONAL BANK; TEXAS; WALES CRICKET BOARD) (Brian Bertsch; Davis; James Davis; James Dunlap; Liston Lewis; R. Allen Stanford; Reed O'Connor; Stanford; Stephen Webster)

EDITION: All

Word Count: 840  
2/18/09 DSRTNEWS A08  
END OF DOCUMENT

2/18/09 Evening Standard (London, UK) 1  
2009 WLNR 3169420

Evening Standard (London, UK)  
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February 18, 2009

Stanford empire's links to Enfield terrace  
Texan tycoon who 'bought' English cricket faces prison ..

ROBERT MENDICK

THE financial empire of a Texan tycoon facing multi-billion-dollar fraud charges was audited from a terrace house in Enfield, the Standard can reveal today.

THE financial empire of a Texan tycoon facing multi-billion-dollar fraud charges was audited from a terrace house in Enfield, the Standard can reveal today.

Flamboyant financier and cricket sponsor Sir Allen Stanford, 58, was charged yesterday by US regulators over a "massive" investment fraud through his off-shore bank.

The man who bankrolled a £70 million sponsorship deal with the England and Wales Cricket Board is accused of an \$8 billion fraud, although the true scale of his alleged deception may be even higher. At one stage Stanford International Bank claimed to control more than \$50 billion of assets.

The suggestion that a lone accountant working from a north London office could have been in charge of Stanford's investment empire, which consisted of a series of small companies around the world, will cause incredulity in the financial world.

Little-known accountancy firm CAS Hewlett was responsible for checking the books of Stanford International Bank of Antigua for almost a decade.

CAS Hewlett was originally run from Antigua by the firm's founder Charlesworth Shelley Hewlett but when he died last month, operations are understood to have transferred to his daughter Celia Hewlett.

The business CAS Hewlett is currently registered to a house converted into offices in Southbury Road, Enfield, close to the railway station.

There is no company sign and five other companies appear to be operating at the first and second floor offices, including a mortgage provider and

Stanford auditor in Enfield house design company. One worker entering the office block this morning told the Standard: " I've been working here for two years and there has been no sign of any accountancy firms and I've never

heard of Celia Hewlett." The US Securities and Exchange Commission, which is bringing the case against Sir Allen, will want to know how an accountancy firm the size of CAS Hewlett could have audited a large- scale investment bank.

The case has echoes of the Bernard Madoff scandal in which up to \$ 50 billion of investors' money has gone missing. Madoff, who coNTiNued FroM PAGE 1 was charged in December, employed an auditor in an industrial estate in a New York suburb which consisted of a 13ft by 18ft office, staffed by three people , one of whom was 78. The Stanford allegations are hugely embarrassing for the England and Wales Cricket Board which immediately suspended relations with him.

Sir Allen bankrolled a winnertake- all \$ 20 million cricket match between England and a team of all- stars last year.

In a complaint filed in a federal court in Dallas, the US Securities and Exchange Commission accused him and two other executives at Stanford Financial Group of fraudulently selling \$ 8 billion in high- yield certificates of deposit in a scheme that stretched around the world.

Sir Allen, who got an honorary knighthood from Antigua, has denied any wrongdoing..

---- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; STANFORD FINANCIAL GROUP

NEWS SUBJECT: (Social Issues (ISO05); Contracts & Orders (ICO29); Sales & Marketing (IMA51); Fraud (1FR30); Sports Law (1SP70); Crime (1CR87); Business Management (1BU42))

INDUSTRY: (Cricket (1CR54); Entertainment (1EN08); Sports (1SP75))

REGION: (Caribbean (1CA06); North America (1NO39); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); Texas (1TE14); Leeward Islands (1LE19); Latin America (1LA15))

Language: EN

OTHER INDEXING: (BERNARD MADOFF; ENFIELD; ENFIELD HOUSE; ENGLAND; ENGLAND AND WALES CRICKET BOARD; EXCHANGE COMMISSION; MADOFF; SECURITIES; STANFORD FINANCIAL GROUP; STANFORD INTERNATIONAL BANK; US SECURITIES AND EXCHANGE COMMISSION; WALES CRICKET BOARD) (Allen; Allen Stanford; CAS Hewlett; Celia Hewlett; Flamboyant; Stanford; Texan)

Word Count: 607  
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2/18/09 Herald 2  
2009 WLNR 3230551

Herald (Glasgow, Scotland)  
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February 18, 2009

Section: News

How Stanford upset purists of Test cricket with his 'circus' Flamboyant billionaire charged with fraud

WILLIAM TINNING

TRADITIONALISTS and purists who harped on about the Test and County game being cricket's "soul" must have been raising a glass last night after learning that Sir Allen Stanford had been allegedly caught out by the US financial regulators.

Critics predicted that the billionaire, cigar-smoking Texan's relationship with the England and Wales Cricket Board (ECB) was always going to be an uneasy union.

The incongruous image of a helicopter landing at Lord's - the home of English cricket - last June as he unveiled England as the opponents in his Stanford Super Series illustrated the concerns of doubters.

The self-styled saviour of West Indies cricket had set his heart on a \$20m (GBP14m), winner-takes-all clash involving his own team of Caribbean stars as part of his continuing attempts to rejuvenate sport in the region.

Sir Allen pledged more than \$100m (GBP70.2m) of his own money to the project over five years. But that commitment was thrown into huge doubt yesterday after he was charged by US financial regulators over an alleged \$8bn (GBP5.6bn) fraud.

The ECB yesterday quickly suspended negotiations over a new sponsorship deal. The decision will upset some who saw Sir Allen's input as a much-needed cash injection to the game. Others will welcome the opportunity to end a relationship which was as controversial as it was rewarding.

The England team had hardly arrived in the Caribbean for the first of the clashes last November when problems surfaced.

The cricket was unexciting.

There were contract disputes with the West Indies Cricket Board, and Sir Allen was forced to apologise after being spotted with an England player's wife on his knee.

Sir Allen made his money first in property, then finance, building an empire under the Stanford Financial Group

which spans six continents.

His first commercial involvement with cricket came when he sponsored his own Twenty20 tournament between Antigua and Barbuda, where he had lived for 10 years. He built his own stadium to host the tournament which was first held in 2006.

A profile on the website of Stanford Financial hailed the tournament as a resounding success, declaring: "The Stanford 20/20 Tournament reignited the West Indies' enthusiasm for cricket, united the region, and generated considerable profit for local businesses " "Dancing, music, Twenty20, this is the way we play it, for entertainment, " Sir Allen, who admits he finds Test cricket boring said in one interview.

He had been expected to become a major backer of the proposed English Premier League Twenty20 tournament from 2010 .

A volley of critics in England who denounced the first of his Twenty20 sorties as "a vulgar circus which had sold the soul of cricket" could be hoping he will not return to the crease to negotiate any new deal any time soon.

--- INDEX REFERENCES ---

COMPANY: STANFORD FINANCIAL GROUP; TEXAN; ENGLISH AND OVERSEAS PROPERTIES PLC

NEWS SUBJECT: (Social Issues (1SO05); Fraud (1FR30); Sports Law (1SP70); Crime (1CR87))

INDUSTRY: (Cricket (1CR54); Entertainment (1EN08); Sports (1SP75))

REGION: (England (1EN10); Caribbean (1CA06); West Indies (1WE90); Americas (1AM92); Antigua & Barbuda (1AN04); United Kingdom (1UN38); Europe (1EU83); Leeward Islands (1LE19); Western Europe (1WE41); Latin America (1LA15))

Language: EN

OTHER INDEXING: (ALLEN STANFORD; ECB; ENGLAND AND WALES CRICKET BOARD; ENGLISH; PREMIER LEAGUE; STANFORD; STANFORD FINANCIAL; STANFORD FINANCIAL GROUP; TEXAN; TRADITIONALISTS; WEST INDIES; WEST INDIES CRICKET BOARD) (Allen; England)

EDITION: Final

Word Count: 557  
2/18/09 BSX-HRLD 2  
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2/18/09 Hous. Chron. 2  
2009 WLNR 3173988

Houston Chronicle  
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February 18, 2009

Section: Business

2nd Stanford investment under suspicion / SEC questions performance of 'wrap program'

TOM FOWLER

tom.fowler@chron.com

The civil complaint filed Tuesday against arms of the Stanford Financial Group focused on \$8 billion in certificates of deposit, but also alleged that a second, smaller investment vehicle may have misled investors.

From 2004 though 2009, Stanford Capital Management, an investment adviser arm of the company, attracted more than \$1 billion into an investment called the Stanford Allocation Strategy. The investment wasn't a typical mutual fund, but a "wrap program" in which investor funds are put into a portfolio of mutual funds picked based on a particular investment strategy.

Wraps tend to have lower fees than regular mutual funds but still give an investor the benefit of some level of advisory expertise.

The wraps were available to smaller investors than Stanford's certificates of deposit, which were marketed to those meeting the SEC guidelines for sophisticated investors - a net worth of more than \$1 million and annual earnings of more than \$200,000.

The complaint doesn't say how many investors put money into the wrap.

The complaint alleges that sales materials called "pitch books" used false performance data dating back to 2000 - presenting data from mutual funds that performed well beginning in 1999 as the actual returns earned by the wraps, the SEC alleged

Sales materials inflated actual performance by as much as 4??percent beginning in 2005, according to the complaint.

"The false data has helped SGC grow the SAS program from less than \$10 million in around 2004 to over \$1.2 billion, generating fees for SGC (and ultimately Stanford) in excess of \$25 million," according to the complaint.

For example, in 2000 Stanford claimed an 18.04??percent return when the actual returns for the program's investors ranged from a 1.1 percent gain to a 7.5 percent loss, according to the complaint. In 2001 the program lost

2.1??percent, but Stanford claimed a 4.32??percent return.

By November 2006 some of Stanford Capital Management's own investment advisers began to question management about why their clients weren't receiving the returns advertised in pitch books.

The firm hired an outside expert to review the performance data for the 12 months ended Sept. 30, 2006, according to the complaint, and found the performance was inflated by up to 3.4 percent.

But the company continued to report the data in a way the outside expert called "grossly misleading," according to the complaint.

---- INDEX REFERENCES ----

COMPANY: SOUTHERN AUDIO SERVICES INC; SAS; GENERALE (CYPRUS) LTD; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; ILIAD SA; SYDNEY GAS LTD; EUROPEENNE DE CONFISERIE{SEC}; SALEM AGENCIES AND SERVICES CO

NEWS SUBJECT: (Economics & Trade (1EC26))

INDUSTRY: (Mutual Funds (1MU87); Investment Management (1IN34); Securities Investment (1SE57); Financial Services (1FI37); Financial Services Regulatory (1FI03))

Language: EN

OTHER INDEXING: (2ND STANFORD; SAS; SEC; SGC; STANFORD; STANFORD ALLOCATION STRATEGY; STANFORD CAPITAL MANAGEMENT; STANFORD FINANCIAL GROUP)

EDITION: 3 STAR R.O.

Word Count: 485  
2/18/09 HSTNCHRON 2  
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2/18/09 Hous. Chron. (Pg. Unavail. Online)  
2009 WLNR 3116978

Houston Chronicle  
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February 18, 2009

Houston Chronicle Loren Steffy column: Too little, too late from SEC in Stanford case  
Loren Steffy  
Houston Chronicle

Feb. 18--As of Tuesday, Sir R. Allen Stanford was looking more like Jack Sparrow than George Bailey, facing claims from federal regulators that he and his firm bilked investors out of billions.

But those claims, contained in a civil suit filed Tuesday by the Securities and Exchange Commission, also serve as an indictment of regulators, who once again proved too slow in coming to investors' aid.

Authorities swarmed the Houston office of Stanford Financial Group, and by the afternoon, the doors were locked and Stanford Financial and its Antigua-based bank had been placed in receivership by a federal judge. In its lawsuit, the SEC claims Sir Allen, Stanford Financial, its Antigua-based bank and two other close associates defrauded investors through the sale of some \$8 billion worth of certificates of deposit bearing too-good-to-be-true returns.

The action may be too little, too late. Despite years of controversy and concern, regulators appeared to ignore the ample warning signs.

Never registered

For starters, Stanford Financial never registered as an investment adviser, according to Tuesday's complaint, which should have tipped off the SEC years ago.

As far back as 2000, the Chronicle reported on the State Department's concerns about money laundering in Antigua and Stanford's role in getting the laws changed. Stanford later turned over to U.S. agents more than \$3 million in cocaine proceeds from a Mexican drug cartel, the Chronicle reported at the time.

Even if that brush with federal authorities didn't raise suspicions about Stanford's operations, the bank itself should have.

Stanford International Bank didn't make loans. Instead, it invested the deposits in the markets, buying stocks, bonds, precious metals, and dribbling private equity onto a handful of tiny companies. Yet those risky and illiquid investments were supposedly generating security and hefty returns for depositors.

Expensive digs

Michael Harrington, a local mortgage broker, said he visited Stanford's Houston office in late 2007 and was stunned by the private dining room featuring freshly prepared duck and the private movie studio for viewing Stanford's promotional videos.

"I was always wondering how they paid for that Galleria-area office," he said.

Even so, Harrington said Stanford's pitch won him over. He didn't invest because he didn't have the \$25,000 minimum required deposit, but he said he did recommend Stanford to clients and friends, referrals he now regrets.

"If I'd have had the money, I'd have put it in," he said. "I was hyped up about it."

Recent reports said Stanford was paying returns of more than 4 percent on its CDs late last year, even after conventional banks cut their rates to less than 2 percent.

Harrington showed me a rate sheet from 2006 that listed Stanford's short-term rates, and they were reasonable at the time at a little more than 4 percent. Five-year rates, though, could be more than double that depending on principal amount. And Stanford claimed to consistently return rates that high.

The bank, in materials posted on its Web site, claimed it could generate such grand returns because it took a diversified approach, investing in companies and markets around the world.

Amid a global recession, it doesn't matter what country you invest in. Stocks, bonds and metals have all lost money. In fact, 90 percent of the money was put into illiquid private equity deals, the SEC now contends.

Ignoring red flags

Yet to all of this, the SEC and other regulators seemed oblivious. As it did with so many other cases -- Bernie Madoff and Bear Stearns, just to name last year's biggest misses -- it ignored the red flags, allowing investors once again to become victims.

Now state and federal regulators are swarming over Stanford, and Tuesday's civil action is likely just the beginning as they track where the money went.

The answers, of course, lie with Sir Allen himself, who these days is looking less like a knight in shining armor and more like a pirate of the Caribbean.

Loren Steffy is the Chronicle's business columnist. His commentary appears Sundays, Wednesdays and Fridays. Contact him at [loren.steffy@chron.com](mailto:loren.steffy@chron.com). His blog is at <http://blogs.chron.com/lorensteffy/>.

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COMPANY: ALLEN AND GERRITSEN; ALLEN; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; ALLEN AND ALLEN CO; ALLEN AND MATHEWSON ENERGY CORP; STATE DEPARTMENT; ALLEN AND SONS CONSTRUCTION INC; ALLEN AND COWLEY URBAN TRADING CO LLC; US SECURITIES AND EXCHANGE COMMISSION; ALLEN AND CO INC/ALLEN HOLDING INC; ALLEN AND COMPANY OF FLORIDA INC; ALLEN AND GRAHAM INC; BEAR STEARNS SECURITIES CORP; ALLEN AND CO INC; ALLEN AND WEBB; EUROPEENNE DE CONFISERIE{SEC}; ALLEN AND COMPANY LLC

NEWS SUBJECT: (Legal (1LE33); Economics & Trade (1EC26); Business Litigation (1BU04); Business Management (1BU42); Business Lawsuits & Settlements (1BU19))

REGION: (Caribbean (1CA06); North America (1NO39); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); Texas (1TE14); Leeward Islands (1LE19); Latin America (1LA15))

Language: EN

OTHER INDEXING: (ALLEN; BEAR STEARNS; SEC; SECURITIES AND EXCHANGE COMMISSION; STANFORD; STANFORD FINANCIAL; STANFORD FINANCIAL GROUP; STANFORD INTERNATIONAL BANK; STATE DEPARTMENT) (Allen; Expensive; Feb; Fridays; George Bailey; Harrington; Loren Steffy; Michael Harrington; R.; Recent)

Word Count: 838  
2/18/09 HSTNCHRON (No Page)  
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2/18/09 Hous. Chron. (Pg. Unavail. Online)  
2009 WLNR 3165758

Houston Chronicle  
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February 18, 2009

SEC charges Stanford, others with fraud  
Kristen Hays and Tom Fowler  
Houston Chronicle

Feb. 18--A Texas billionaire and two associates are in regulators' cross hairs, alongside Houston-based companies and an affiliated offshore bank, accused of perpetuating a multibillion-dollar fraud that could sting investors worldwide.

"We are alleging a fraud of shocking magnitude that has spread its tentacles throughout the world," said Rose Romero, regional director of the Securities and Exchange Commission's Fort Worth office, which filed civil charges Tuesday against R. Allen Stanford, the bank, two Houston companies and two company executives, James Davis and Laura Pendergest-Holt.

Romero told Bloomberg News today that regulators don't know Stanford's whereabouts.

U.S. marshals descended early Tuesday upon the firms' offices -- on opposite sides of Westheimer just outside the West Loop -- to ensure computers, documents and all other assets are preserved.

"We are moving quickly and decisively in this enforcement action to stop this fraudulent conduct and preserve assets for investors," said Linda Chatman Thomsen, director of the SEC's enforcement division.

A federal judge in Dallas issued a restraining order and appointed a receiver to take control of the Stanford Financial Group and its assets. Stanford Financial Group is described on a company Web site as "a privately held global network of independent, affiliated financial services led by Chairman Sir Allen Stanford." Stanford, a Mexia native who holds dual citizenship in the U.S. and in the Caribbean island nation of Antigua and Barbuda, has been knighted in that country.

The Web site says the company has more than 50 offices in North America, Latin America, the Caribbean and Europe.

The SEC alleges that Stanford International Bank in St. John's, Antigua, acting through Houston-based investment advisers Stanford Group Co. and Stanford Capital Management, sold \$8 billion in "self-styled" CDs by promising double-digit returns that exceed those available through CDs offered by traditional banks.

Regulators also allege a \$1.2 billion scheme in which Stanford Group Co. advisers used false performance data to solicit clients to invest in a mutual fund program called Stanford Allocation Strategy. That data also was used to recruit registered investment advisers with significant client lists, who then pushed their clients to invest in the



bank's CD program.

Legal paperwork did not identify lawyers for the defendants. Washington attorney Tom Sjoblom informed the SEC last week that he and his firm, Proskauer Rose, had resigned as the bank's counsel, according to a memorandum filed alongside the complaint.

Sjoblom couldn't be reached for comment.

Stanford Group spokesman Brian Bertsch declined to respond on behalf of the individuals or the companies, referring all questions to the SEC.

The SEC had been looking into Stanford companies for months, even before two former employees filed a suit in Houston last year alleging they had been terminated for questioning company activities, said Steve Korotash, associate regional director of enforcement in the SEC's Fort Worth office.

"We ran into a lot of impediments, particularly given the foreign jurisdictions," Korotash said in an interview. Investigators only recently saw certain holdings of the bank that helped them develop the allegations in the complaint, he said. "The whole thing was a masterfully done masquerade," Korotash said.

Besides Houston, he said, marshals went to company offices in Memphis, Tenn., and Tupelo, Miss.

The FBI and Internal Revenue Service also are investigating, a person familiar with the probes told the Chronicle last week.

The restraining order freezes assets at the bank, the U.S. businesses and those of the three individuals, including their passports. It also prohibits any destruction of documents.

The order said there was "good cause" to believe the defendants improperly obtained investor funds and assets and would dissipate them, and that they might try to flee the United States. Romero declined to say whether the defendants were personally served with the complaint.

The SEC complaint said Davis is the chief financial officer of Stanford International Bank and Pendergast-Holt is its chief investment officer.

According to the complaint, Stanford lives in St. Croix, U.S. Virgin Islands. It said Davis lives in Baldwin, Miss., and works in Tupelo and Memphis. It didn't identify Pendergast-Holt's residence, but said she supervises analysts in Memphis, Tupelo and St. Croix.

As the appointed receiver, Dallas attorney Ralph Danvey has sole control over the businesses, books, records, client lists, financial and accounting documents and computers. He also can hire and fire employees, contractors, officers and directors.

Houston lawyer Tom Ajamie, who specializes in financial cases, said Stanford investors may have to wait up to two years for invested money now under the receiver's control because an offshore bank is involved, he said.

After U.S. marshals went to the Stanford offices Tuesday, its doors were locked and a sign was posted saying that updates would be posted on the Internet at [www.stanfordfinancialreceivership.com](http://www.stanfordfinancialreceivership.com). The offices remained locked today and entrances to parking garages blocked, with little evidence of activity or personnel except for security guards.

The Web site still contained only links to the SEC documents and referred inquiries to the SEC.

Investor Brett Zagone visited the office Tuesday after she couldn't reach her investment adviser by phone, and tried unsuccessfully to speak with someone at the office.

She declined to say how much she invested, but said most of it was in CDs.

The SEC alleged the defendants falsely claimed that CD funds were invested primarily in safe liquid assets when in fact they mostly were in illiquid real estate and private equity.

Brad Hem, Lise Olson and Mary Flood contributed to this story.

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COMPANY: US SECURITIES AND EXCHANGE COMMISSION; BLOOMBERG LP; STANFORD GROUP CO; CHRONICLE; FINANCIERA DE DESARROLLO SA; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; INTERNAL REVENUE SERVICE (IRS); EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (1SO05); Economics & Trade (1EC26); Fraud (1FR30); Crime (1CR87))

REGION: (Caribbean (1CA06); North America (1NO39); Tennessee (1TE37); West Indies (1WE90); USA (1US73); Mississippi (1MI74); Americas (1AM92); Antigua & Barbuda (1AN04); U.S. Virgin Islands (1VI21); Texas (1TE14); Leeward Islands (1LE19); Latin America (1LA15))

Language: EN

OTHER INDEXING: (BLOOMBERG; CD; CHRONICLE; FBI; INTERNAL REVENUE SERVICE; SEC; SECURITIES AND EXCHANGE COMMISSION; STANFORD ALLOCATION STRATEGY; STANFORD CAPITAL MANAGEMENT; STANFORD FINANCIAL GROUP; STANFORD GROUP; STANFORD GROUP CO; STANFORD INTERNATIONAL BANK) (Allen Stanford; Brad Hem; Brett Zagone; Brian Bertsch; Davis; Feb; James Davis; Korotash; Laura Pendergest-Holt; Legal; Linda Chatman Thomsen; Lise Olson; Mary Flood; Proskauer Rose; R. Allen Stanford; Ralph Danvey; Romero; Rose Romero; Sjoblom; Stanford; Steve Korotash; Tom Ajamie; Tom Sjoblom)

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2009 WLNR 3173985

Houston Chronicle  
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February 18, 2009

Section: Business

Uncertainty for Stanford-backed charities / Many groups in Houston area garnered support

PURVA PATEL, SHANNON BUGGS

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Shannon Buggs contributed to this story.

Regulators' move Tuesday freezing assets of Stanford Financial Group created uncertainty for several charities, arts groups and other organizations that have enjoyed the Houston-based firm's support.

Stanford Group is known as a supporter of the arts in Houston, it has bought advertising signs displayed at Rockets games, and it has raised millions for St. Jude Children's Research Hospital in Memphis.

Most of its support has been through sponsorships, which it used to promote its brand in cities where it had a large presence.

Locally, at least one group has learned its pending grants have been suspended.

Houston Arts Alliance had just finished reviewing applications for the second Stanford Financial Excellence in the Arts awards when it heard the award money was on a temporary hold, said Joseph Wilson, director of grants for the alliance.

He declined to say whether he expects the funds to come through.

"It has been a well appreciated grant by the arts community, and we think it's a great asset to the city," Wilson said.

The award honors local arts organizations that manage their money efficiently and effectively.

Inaugural grant winners in 2007 were The Museum of Fine Arts, Houston, \$25,000; cultural arts center Talento Bilingüe de Houston, \$15,000; and Mercury Baroque, an ensemble that performs 17th- and 18th-century music, \$5,000.

A 2007 community investment report posted on the Stanford Group Web site emphasizes donations to the art museum.

Stanford supported MFAH as recently as 2008 but has not renewed support for 2009, spokeswoman Dana Mattice said. It is museum policy not to disclose contribution amounts, she said.

The community investment report also lists a number of charities and organizations as "partners" without specifying whether that relationship included financial support.

Among those listed are Houston Children's Charity, the Hispanic Chamber of Commerce, Houston Livestock Show and Rodeo, Junior League of Houston, Memorial Hermann Foundation, Latin Women's Initiative, and the River Performing and Visual Arts Center.

Laura Murillo, president of the Houston Hispanic Chamber, said Stanford hasn't been a member, at least for the past few years, and that the company may have listed the chamber as a partner because it has attended chamber events.

Chairman and Chief Executive R. Allen Stanford and his companies likely are best known for various sports sponsorships around the world, including charity golf tournaments in Memphis, worldwide cricket competitions in Antigua, and a special entrance at the American Airlines Arena in Miami.

Locally, the company has rights for logo signs on the pole pads that are part of the basketball goals at Rockets games and has a sign in the sky bridge area at Toyota Center, said Nelson Luis, a Rockets spokesman.

He declined to comment on the value of the sponsorships or any suites the company may hold, noting the sports team is still evaluating what the SEC charges could mean for the sponsorships.

Stanford also sponsored receptions for a speaker series at the University of Houston's Bauer College of Business, but Bauer spokesman Chester Jacinto couldn't offer any details.

---- INDEX REFERENCES ----

COMPANY: DANA; AMERICAN AIRLINES; ARTS AND BUSINESS COUNCIL INC; UNIVERSITY OF HOUSTON SYSTEM; MEMORIAL HERMANN FOUNDATION; AMERICAN AIRLINES INC; SEC SOCIETE EUROPEENNE DE COMMUNICATION; UNIVERSITY OF HOUSTON; DORNIER AVIATION NIGERIA AIEP LTD; EUROPEENNE DE CONFISERIE{SEC}

REGION: (Texas (1TE14); North America (1NO39); Tennessee (1TE37); Americas (1AM92); USA (1US73))

Language: EN

OTHER INDEXING: (AMERICAN AIRLINES; ARTS; BAUER; BAUER COLLEGE OF BUSINESS; DANA; FINE ARTS; HISPANIC CHAMBER; HOUSTON HISPANIC CHAMBER; JUNIOR LEAGUE; LATIN WOMENS INITIATIVE; MEMORIAL HERMANN FOUNDATION; RESEARCH HOSPITAL; ROCKETS; RODEO; SEC; STANFORD; STANFORD GROUP; TOYOTA CENTER; UNIVERSITY OF HOUSTON; VISUAL ARTS CENTER) (Chester Jacinto; Executive R. Allen; Inaugural; Joseph Wilson; Jude Children; Laura Murillo; Mercury Baroque; Nelson Luis; Regulators; Shannon Buggs; Talento Bilingüe; Wilson)

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Word Count: 643  
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2009 WLNR 3141064

International Herald Tribune  
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February 18, 2009

Section: Finance

U.S. financier accused of a 'massive' fraud

Phillip L. Zweig  
Julie Creswell

Stopping what it called a "massive ongoing fraud," the U.S. Securities and Exchange Commission on Tuesday accused Robert Allen Stanford of Stanford Financial Group as well as two top executives and some affiliates of fraud in the sale of about \$8 billion of high-yielding certificates of deposit held in the firm's bank in Antigua.

In the complaint, filed in Federal District Court in Dallas, the SEC accused Stanford and two associates - James Davis, a director and chief financial officer of Stanford Group and the Antigua-based bank affiliate, and Laura Pendergest-Holt, the chief investment officer of both organizations - with misrepresenting the safety and liquidity of the uninsured CDs.

The CDs were sold by Stanford International Bank through the firm's registered broker-dealer and investment adviser, which are in Houston. Both the bank, which claims \$8.5 billion in assets and 30,000 clients in 131 countries, and the brokerage unit, which operates about 30 offices in the United States, were named in the SEC suit. Stanford Financial asserts that it advises about \$50 billion in assets.

In its complaint, the SEC said it could not account for the \$8 billion in assets that were housed in the Antigua bank after issuing subpoenas for bank records and to various witnesses. Most witnesses, including Stanford, Davis, and the Antigua-based bank's president, failed to appear to testify, nor did they produce documents shedding light on the assets.

Pendergest-Holt said in testimony to the SEC that she could not account for the assets, asserting that Stanford and Davis were the only ones with access to the bank's assets.

In the complaint, the SEC called "improbable, if not impossible" claims by the offshore bank that it paid "significantly" higher returns on its CDs because of the high quality of its investments.

The SEC accused the bank and its affiliates of falsely stating in marketing materials that client funds were placed in liquid financial instruments, when in fact they were invested in private equity funds and real estate. On Nov. 28, Stanford International Bank quoted a rate of 5.375 percent on a \$100,000 three-year CD, compared with rates of less than 3.2 percent at American banks. The bank recently has offered rates of more than 10 percent on five-year CDs, the filing stated.

In the complaint, the SEC requested that the defendants' assets be frozen and that a receiver be appointed to take control of business operations. It also requested that the assets of the bank and other offshore units be repatriated. And the agency asked that Stanford and the other named executives be required to surrender their passports.

The SEC has come under fire in the U.S. Congress and the news media for ignoring repeated warnings over a period of years about Bernard Madoff, who is accused of running a \$50 billion Ponzi scheme.

While investigators have been looking at Stanford and his financial empire's activities for many months, the scrutiny into the too-good-to-be-true returns on the CDs increased substantially after the Madoff case.

Oddly enough, even the Stanford operation was touched by Madoff. Even though the Antigua bank assured investors in a report in December 2008 that it had no "direct or indirect" exposure to Madoff's funds, the bank suffered an estimated \$400,000 in losses, apparently through investments in so-called feeder funds.

--- INDEX REFERENCES ---

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; FINANCIERA DE DESARROLLO SA; SEC SOCIETE EUROPEENNE DE COMMUNICATION; CDS; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (1SO05); Crime (1CR87); Economics & Trade (1EC26); Fraud (1FR30))

REGION: (Antigua & Barbuda (1AN04); Leeward Islands (1LE19); North America (1NO39); Caribbean (1CA06); West Indies (1WE90); Latin America (1LA15); Americas (1AM92); USA (1US73))

Language: EN

OTHER INDEXING: (CD; CDS; CONGRESS; FEDERAL DISTRICT COURT; SEC; STANFORD GROUP; STANFORD INTERNATIONAL BANK; US SECURITIES AND EXCHANGE COMMISSION) (Bernard Madoff; Davis; Holt; James Davis; Laura Pendergest-Holt; Madoff; Oddly; Robert Allen Stanford; Stanford; Stanford Financial; Stopping)

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Word Count: 675  
2/18/09 INTLHT 13  
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2/18/09 L.A. Times 1  
2009 WLNR 3129441

Los Angeles Times  
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February 18, 2009

Section: Business

FINANCE  
Texan accused of \$8-billion scam

Carol J. Williams

R. Allen Stanford, the Texas billionaire charged Tuesday with perpetrating an \$8-billion investment fraud, cast himself as offshore investment guru to the transatlantic jet set and benefactor to the Caribbean islands' poor through multimillion-dollar promotions of their beloved sport of cricket.

The Securities and Exchange Commission charged Stanford and two other principals of his investment and banking empire in a complaint alleging massive fraud just two months after the investment operation of former Nasdaq Chairman Bernard Madoff collapsed.

A federal judge froze the assets of Stanford and three of his financial services companies and appointed a receiver to marshal what funds could be located.

"Stanford and the close circle of family and friends with whom he runs his businesses perpetrated a massive fraud based on false promises and fabricated historical return data to prey on investors," said Linda Chatman Thomsen, director of the SEC's enforcement division. "We are moving quickly and decisively in this enforcement action to stop this fraudulent conduct and preserve assets for investors."

The SEC called Stanford's promises of high-interest returns on his bank's certificates "improbable and unsubstantiated." The 25-page complaint filed in federal court in Dallas cast doubt on Stanford's claims of a "unique investment strategy" that allowed the bank to achieve double-digit returns on its investments over the last 15 years.

Also charged were James Davis, Stanford International Bank Ltd.'s chief financial officer, and Laura Pendergest-Holt, Stanford Financial Group's chief investment officer. The SEC said the trio had engaged in "a fraud of shocking magnitude that has spread its tentacles throughout the world."

Stanford and Davis, former Baylor University roommates, refused to cooperate with investigators, the SEC complaint said.

It wasn't immediately clear how much of the Stanford empire would be subject to the SEC action. Federal investigators raided his Houston offices and shut them down, but much of the financial services group is based abroad, primarily on the tiny Caribbean island of Antigua, part of the two-island country of Antigua & Barbuda.



Stanford Group is regulated and audited by the Financial Services Regulatory Commission of Antigua & Barbuda. Commission Chairman Leroy King told Reuters news service Tuesday that he hadn't initiated any special probe of Stanford's operations because the commission hadn't received any complaints from island citizens.

"We have no credible information coming to us to say that they are not sound," King said.

However, news agencies later reported a run on the Bank of Antigua, a Stanford entity that was not named in the SEC complaint.

Stanford's whereabouts were unknown. He has homes in Texas, Antigua & Barbuda and the U.S. Virgin Islands. A duty officer for the U.S. Marshals Service declined to say whether a warrant had been issued for Stanford's arrest or whether the billionaire had been taken into custody.

Stanford Financial Group has offices in 14 U.S. cities in addition to its operations in the Caribbean.

Neither Brian Bertsch, a spokesman for Stanford Group, nor Rose Romero, the SEC's Fort Worth regional director, responded to The Times' inquiries about what authority the U.S. financial watchdog might wield over Stanford's foreign-based assets.

As with other offshore investment havens such as the Cayman Islands and Bermuda, U.S. regulation is probably limited to the taxable revenues of U.S. citizens or corporations.

Lawyers familiar with international investment law pointed out that U.S. regulators lack the authority to seize assets abroad without the foreign country's assistance.

"The ability of the United States to go after someone in a foreign country, or to go after someone's assets in a foreign country -- it varies but it's generally difficult," said Bob Klueger, a wealth management attorney in Los Angeles. He added that the reason investors often go to foreign countries is the absence of formal treaties obliging local governments to cooperate in putting crooked offshore entities out of business.

Stanford, 58, acquired Antigua & Barbuda citizenship a decade ago and was bestowed the title of knight commander by the British Commonwealth nation in 2006, allowing him to become known of late as "Sir Allen."

In December, Stanford Group initiated a monthly newsletter to investors to calm their concerns over world markets and the failure of Madoff's alleged \$50-billion Ponzi scheme.

"We want our depositors to know that SIBL had no direct or indirect exposure to any of Madoff's investments," Stanford's 30,000 clients were told. "Just as the bank had no direct or indirect exposure to the securitized debt or subprime meltdown."

The SEC also alleged that Stanford Group used false performance data to generate \$1.2 billion in sales through its Stanford Allocation Strategy. The program grew from less than \$10 million in 2004 to more than \$1 billion, producing returns for Stanford of \$25 million in each of the last two years.

An employee at Stanford's Miami offices, which occupy three floors of a downtown building, said the staff hadn't been given any direction in how it should deal with its Caribbean operations in the wake of the SEC action.

"Everything is normal in our office," said executive assistant Hycha Moreno.

Stanford is the 205th-wealthiest person in the United States, with a net worth of \$2.2 billion, according to the 2008 Forbes Rich List.

His anticipated fall from local hero status could worsen what is already a strained U.S. relationship with Antigua & Barbuda. U.S. politicians and social conservatives targeted the islands' online gambling industries on grounds that Internet betting lured vulnerable students into vice and debt. About 10% of the islands' workers were employed in online gaming in the late 1990s, and all but a handful have lost their jobs as national income from the once-thriving sector has fallen to less than \$20 million a year now from a high of \$90 million a year.

Stanford was best known in the Caribbean playground for his transformation of cricket from a sport of the elite to a shortened version more amenable to tournament play and the work schedules of its avid island fans. The sport, wildly popular throughout the former British Empire, involves bats, balls, runs and innings but bears little other resemblance to baseball.

Stanford inaugurated the 20/20 Tournament in the summer of 2006, awarding \$1-million prizes to winners of the competition and \$6 million to support the establishment of 20 regional teams. He also built the Stanford Cricket Grounds, the West Indies Cricket Hall of Fame and the Sticky Wicket Restaurant near Antigua's VC Bird International Airport outside the capital of St. John's.

The stadium stands at the base of a street lined with four-story, teal buildings housing Stanford Group, Stanford International Bank Ltd., Stanford Development Co. and Stanford Trust Co. Ltd.

In June, Stanford and the English Cricket Board signed a deal to stage five England-West Indies 20/20 matches with a \$20-million prize fund, an agreement that was scuttled by the English side after word of the SEC action disquieted potential sponsors.

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carol.williams@latimes.com

PHOTO: LOCKOUT: A Stanford Financial Group employee posts a closure notice at the company's Houston offices. The bulk of the firm's financial services operations are based abroad.

PHOTOGRAPHER: Craig Hartley Bloomberg News

PHOTO: FROZEN ASSETS: Stanford Financial Group's Houston offices were shut down, though it was unclear how much of the Stanford empire would be subject to the SEC action.

PHOTOGRAPHER: Craig Hartley Bloomberg News

PHOTO: R. Allen Stanford holds the title knight commander and has a passion for cricket.

PHOTOGRAPHER: Lefteris Pitarakis Associated Press

---- INDEX REFERENCES ----

COMPANY: BAYLOR UNIVERSITY; US SECURITIES AND EXCHANGE COMMISSION; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; STANFORD INTERNA-

TIONAL BANK LTD; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (1SO05); Fraud (1FR30); Economics & Trade (1EC26); Sports Law (1SP70); Crime (1CR87))

INDUSTRY: (Financial Services Regulatory (1FI03); Financial Services Products (1FI16); Entertainment (1EN08); Sports (1SP75); Cricket (1CR54); Financial Services (1FI37); Financial Services Convergence (1FI45))

REGION: (Caribbean (1CA06); West Indies (1WE90); Americas (1AM92); USA (1US73); Antigua & Barbuda (1AN04); Europe (1EU83); United Kingdom (1UN38); Texas (1TE14); California (1CA98); U.S. Virgin Islands (1VI21); England (1EN10); North America (1NO39); Leeward Islands (1LE19); Western Europe (1WE41); Latin America (1LA15))

Language: EN

OTHER INDEXING: (BAYLOR UNIVERSITY; COMMISSION; CRAIG HARTLEY BLOOMBERG; CRAIG HARTLEY BLOOMBERG NEWS; ENGLISH CRICKET BOARD; FINANCE TEXAN; FINANCIAL SERVICES REGULATORY COMMISSION; NASDAQ; PENDERGEST HOLT STANFORD FINANCIAL GROUP; PHOTOGRAPHER; SEC; SECURITIES AND EXCHANGE COMMISSION; SIBL; STANFORD; STANFORD ALLOCATION STRATEGY; STANFORD CRICKET GROUNDS; STANFORD DEVELOPMENT CO; STANFORD FINANCIAL GROUP; STANFORD GROUP; STANFORD INTERNATIONAL BANK LTD; STANFORD TRUST CO LTD; STICKY WICKET RESTAURANT; TEXAS; US MARSHALS SERVICE) (Allen; Allen Stanford; Bernard Madoff; Bob Klueger; Brian Bertsch; Davis; Hycha Moreno; James Davis; King; Lawyers; Leroy King; Linda Chatman Thomsen; Madoff; R. Allen Stanford; Rich List; Rose Romero; Stanford; Stanford Group)

KEYWORDS: STANFORD, R ALLEN; INVESTMENT FRAUD; INDICTMENTS; SECURITIES AND EXCHANGE COMMISSION

EDITION: Home Edition

Word Count: 1561  
2/18/09 LATIMES 1  
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2/18/09 Newsday A35  
2009 WLNR 3128162

Newsday (USA)  
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February 18, 2009

Section: BUSINESS & TECHNOLOGY

SEC alleges \$8B fraud

ANTHONY M. DESTEFANO. anthony.destefano@newsday.com

Next to the billions of dollars lost by other investors, the \$400,000 Stanford International Bank Ltd. may have seen purloined by Bernard Madoff is small change.

But yesterday the bank, Stanford Group Co., a Houston-based financial company, its chairman, R. Allen Stanford, and others were accused by the Securities and Exchange Commission with running a massive investor fraud that could be second only to what Madoff is charged with.

Yesterday the SEC, after filing a civil complaint in Dallas federal court, seized the Stanford companies and froze their assets after investigators said they couldn't account for more than \$8 billion in investor funds purportedly held by an Antigua-based bank affiliated with the Houston operation. A federal judge also appointed a receiver - something also done in the suspected \$50-billion Ponzi scheme of Madoff - to try and find assets.

"We are alleging a fraud of shocking magnitude that has spread its tentacles throughout the world," SEC Fort Worth regional director Rose Romero said in a prepared statement.

The Stanford Group Web site lists offices throughout the world, including Manhattan, Switzerland, Canada, Colombia, Ecuador, Mexico, Peru and Venezuela, as well as Antigua and elsewhere in the West Indies.

In its court papers the SEC doesn't charge that the Stanford operation was a Ponzi scheme like Madoff allegedly ran. But the agency accused the companies of misleading investors by creating the false appearance of safety in their investment programs. Central to the scheme, the SEC charged in court papers, was the sale through a network of financial advisers of about \$8 billion in so-called "certificates of deposits" that promised double-digit returns. The certificates were marketed by the Stanford International Bank of St. John's, Antigua, court records stated.

Among the outlandish and false claims the SEC said were made by the bank to investors was that their money was safe because SIB had no direct or indirect exposure in the Madoff scandal. The agency said at least \$400,000 was invested in a feeder fund which put some of it with Madoff, who is under house arrest in Manhattan after posting a \$10-million bail. Right after Madoff was arrested in December, Stanford officials learned that they faced a "rough estimate" of a \$400,000 loss, court papers stated.

The SEC also alleged in its complaint that Stanford failed to cooperate with its investigation. The agency said SIB's

investment portfolio remained out of view in a "black box," a phrase which wasn't explained.

Stanford's Web site indicated it had offices mainly in the Southwest and Southeastern United States. The SEC said Stanford Financial Group, the umbrella for several companies started by R. Allen Stanford, claimed to have \$50 billion "under advisement."

No one answered the telephone at the Houston offices of Stanford. The company's Web site directed all news media inquiries to Romero's SEC regional office. There was also no answer at the company's office in Manhattan.

---- INDEX REFERENCES ----

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; STANFORD GROUP CO; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; STANFORD INTERNATIONAL BANK LTD; IVOIRIENNE DE BANQUE; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (1SO05); Economics & Trade (1EC26); Fraud (1FR30); Crime (1CR87))

REGION: (Caribbean (1CA06); North America (1NO39); New York (1NE72); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); Ecuador (1EC67); Texas (1TE14); South America (1SO03); Leeward Islands (1LE19); Latin America (1LA15))

Language: EN

OTHER INDEXING: (ALLEN STANFORD; R ALLEN STANFORD; SEC; SECURITIES AND EXCHANGE COMMISSION; SIB; SOUTHWEST; STANFORD; STANFORD FINANCIAL GROUP; STANFORD GROUP; STANFORD GROUP CO; STANFORD INTERNATIONAL BANK; STANFORD INTERNATIONAL BANK LTD) (Bernard Madoff; Central; Madoff; Romero; Rose Romero)

KEYWORDS: CRIME.

EDITION: ALL EDITIONS

Word Count: 601  
2/18/09 NWSDAY A35  
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2/18/09 N.Y. Post 37  
2009 WLNR 3156905

New York Post  
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February 18, 2009

Section: Business

## STANFORD & FRAUD - FEDS SAY HOUSTON BANKER OPERATED \$8B SCAM

### KAJA WHITEHOUSE

Wealthy Texas businessman Sir R. Allen Stanford ran a "massive, ongoing fraud," scamming unsuspecting investors out of at least \$8 billion by luring them in with unrealistically high returns on bank CDs and mutual funds, federal regulators charged.

The Securities and Exchange Commission, which filed the charges yesterday, quickly won an order to freeze assets and appoint a receiver to take control of investors' money.

US marshals and FBI agents yesterday morning swarmed the Houston headquarters of Stanford's company, Stanford Financial Group, sequestering employees and loading documents and computers into nearby vehicles, a witness told The Post.

The 58-year-old Stanford's whereabouts were undisclosed yesterday. He holds citizenship in both the US and Antigua. He was the first American to be knighted by the West Indies island.

It's the second-largest fraud to emerge since Bernard Madoff allegedly confessed to running a \$50 billion Ponzi scheme in December. "After Madoff, everything sounds small, but \$8 billion is not small," said Thomas Ajamie, a Houston securities lawyer who's been fielding calls from worried investors.

The SEC accused Stanford of using a network of companies to perpetrate his alleged fraud, including an Antigua-based bank.

According to the SEC's complaint, financial advisers from Stanford's Houston-based advisory company, Stanford Group Co., sold roughly \$8 billion in certificates of deposits managed by his Antigua bank Stanford International Bank Ltd.

The bank touted "a unique investment strategy" that purported to produce double-digit returns for its CDs over the past 15 years, the SEC said.

The agency also lobbed charges against the bank's chief financial officer, James Davis - who the SEC claims is the only other person besides Stanford to be privy to certain details of the bank's investment portfolio - and Chief In-

vestment Officer Laura Pendergest-Holt, who is accused of aiding and abetting.

Officials began investigating Stanford last year but the probe heated up a few months ago amid reports that investors were unable to get their money out, according to a person familiar with the matter. Investigators also discovered the bank sought to remove more than \$178 million from its accounts in recent weeks.

Stanford's fraudulent conduct also extended to more than \$1.2 billion of proprietary mutual funds, the SEC said.

What's more, the SEC said \$400,000 of the bank's assets were invested in Meridian, a New York hedge fund that used Tremont Partners, which invested 6 percent to 8 percent of its assets with Madoff's investment firm.

After the Madoff scandal broke, Stanford lied to investors, saying it had no "direct or indirect" exposure to the alleged scheme, the SEC said.

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'Stanford and the close circle of family and friends . . . perpetrated a massive fraud based on false promises and fabricated historical return data to prey on investors.' - SEC's statement.

---- INDEX REFERENCES ----

COMPANY: US SECURITIES AND EXCHANGE COMMISSION; STANFORD GROUP CO; SEC SOCIETE EUROPEENNE DE COMMUNICATION; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (ISO05); Economics & Trade (IEC26); Fraud (IFR30); Crime (ICR87))

INDUSTRY: (Investment Management (IIN34); Financial Services Regulatory (IFI03); Securities Investment (ISE57); Financial Services (IFI37))

REGION: (Caribbean (ICA06); North America (INO39); West Indies (IWE90); USA (IUS73); Americas (IAM92); Antigua & Barbuda (IAN04); Texas (ITE14); Leeward Islands (ILE19); Latin America (ILA15))

Language: EN

OTHER INDEXING: (ALLEN STANFORD; FBI; INTERNATIONAL BANK LTD; MADOFF; SEC; SECURITIES AND EXCHANGE COMMISSION; STANFORD; STANFORD GROUP CO; TREMONT PARTNERS) (CDs; James Davis; Laura Pendergest-Holt; R.; Thomas Ajamie; Wealthy Texas)

Word Count: 585  
2/18/09 NYPOST 37  
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2/18/09 N.E. Miss. Daily J., Tupelo, Miss. (Pg. Unavail. Online)  
2009 WLNR 3163485

Northeast Mississippi Daily Journal (Tupelo, MS)  
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February 18, 2009

NeMiss pair among accused in \$8B securities fraud case  
Dennis Seid and Carlie Kollath  
Northeast Mississippi Daily Journal, Tupelo, Miss.

Feb. 18--TUPELO -- A close-knit group of family and friends -- some in Northeast Mississippi -- is at the center of what federal regulators call a "fraud of shocking magnitude."

Stanford Financial Group CEO Robert Allen Stanford, a Texas billionaire who has a home in the Virgin Islands, Chief Financial Officer James Davis and Chief Investment Officer Laura Pendergest-Holt, both of Baldwin, have been charged by the Securities and Exchange Commission of bilking investors out of about \$8 billion in high-yield certificates of deposit.

In a civil complaint filed in Federal District Court in Dallas, the SEC said "Stanford and the close circle of family and friends with whom he runs his businesses perpetrated a massive fraud based on false promises and fabricated historical return data to prey on investors."

Both Davis and Pendergest-Holt have offices in SFG's Tupelo office. Davis, who was Stanford's college roommate, is a fifth-generation north Mississippian with family ties to the Baldwin area; Pendergest-Holt is a native of Baldwin.

Law enforcement officials, including U.S. marshals, and SEC officials entered the company's offices Tuesday morning in Houston, Memphis and Tupelo.

Stanford, a privately held company, has its headquarters in Houston. The Tupelo office is in a two-story, 7,500-square-foot building that Stanford bought in the city's Fairpark District last year.

In addition to Davis' and Pendergest-Holt's offices, the Tupelo office houses Stanford's private client group and more than a dozen analysts.

The Tupelo office was closed shortly after mid-day Tuesday, and most of the workers were sent home for the day. Jason Rose, with the SEC's Fort Worth regional office, told the Daily Journal that "a few employees" were still in the office around noon. He said it would be up to the receiver whether employees should return Wednesday.

At least one employee inside the building had bloodshot eyes and appeared to have been crying.

Around 12:30 p.m., a sign was put on the front door that read: "We are temporarily closed; the company is still in operation but under the management of a receiver. For updated information please visit our Web site at



www.stanfordfinancialreceiver ship.com."

A federal marshal was guarding the door to the Tupelo office, where several people were either turned away or allowed to enter throughout the day. An SEC official told the Daily Journal that Davis and Pendergest-Holt "aren't here" but did not comment further. Their whereabouts were unknown.

Later Tuesday, a locksmith was changing the locks on the office's doors.

The Houston Chronicle, citing a spokesman for the U.S. Marshals, reported that the marshals in Houston were not removing anything from the building, but were there to make sure no one disturbed computers or documents.

"We are alleging a fraud of shocking magnitude that has spread its tentacles throughout the world," Rose Romero, regional director of the SEC's Fort Worth Regional Office, said in a statement.

'Improbable rates'

U.S. District Judge Reed O'Conner entered a temporary restraining order to freeze the assets of the executives, plus several of the company's affiliates, including Antigua-based Stanford International Bank, Stanford Group Co. and Stanford Capital Management. The judge also appointed a receiver to oversee the assets.

The certificates of deposit were sold by Stanford International Bank through Houston-based broker-dealer and investment adviser Stanford Group Co. The SEC said in a statement that the bank sold about \$8 billion in certificates of deposits to investors by promising "improbable and unsubstantiated interest rates."

The SEC alleges that the defendants "have misrepresented to CD purchasers that their deposits are safe, falsely claiming that the bank reinvests client funds primarily in liquid' financial instruments; monitors the portfolio through a team of 20-plus analysts; and is subject to yearly audits by Antiguan regulators."

In reality, the SEC says, client funds were placed in riskier private-equity funds and real estate. And the bank recently offered rates of 10 percent on five-year CDs.

The SEC also alleges that the Stanford International Bank tried to calm investors by "falsely claiming the bank has no direct or indirect' exposure" to the Bernard Madoff's multibillion-dollar Ponzi scheme.

According to the SEC, the SIB is run by a close circle of Stanford's family and friends. The bank's investment committee, which is responsible for the management of the bank's assets, is composed of Stanford; Stanford's father, who lives in Mexia, Texas; another Mexia resident with business experience in cattle ranching and car sales; Pendergest-Holt, who had no financial services or securities industry experience before joining SFG; and Davis, who was Stanford's roommate at Baylor University.

Another complaint involves a \$1.2 billion mutual fund that the SEC says used "materially false historical performance data," which showed the fund grew from \$10 million in 2004 to more than \$1 billion. The fund generated about \$25 million in fees in 2007 and 2008. The complaint claims the fraudulent fund performance was used to recruit registered investment advisers, who were then "heavily incentivized to reallocate their clients' assets to SIB's CD program."

In testimony to the SEC, Pendergest-Holt said that she could not account for the \$8 billion in assets. She said only Stanford and Davis had access to the bank's assets.

Contact Dennis Seid at (662) 678-1578 or dennis.seid@djournal.com.

--- INDEX REFERENCES ---

COMPANY: BAYLOR UNIVERSITY; US SECURITIES AND EXCHANGE COMMISSION; STANFORD GROUP CO; DAILY JOURNAL CORP; FINANCIERA DE DESARROLLO SA; STANFORD FINANCIAL GROUP; SEC SOCIETE EUROPEENNE DE COMMUNICATION; IVOIRIENNE DE BANQUE; EUROPEENNE DE CONFISERIE{SEC}

NEWS SUBJECT: (Social Issues (1SO05); Economics & Trade (1EC26); Fraud (1FR30); Crime (1CR87))

REGION: (Caribbean (1CA06); North America (1NO39); West Indies (1WE90); USA (1US73); Mississippi (1MI74); Americas (1AM92); Antigua & Barbuda (1AN04); Texas (1TE14); Leeward Islands (1LE19); Latin America (1LA15))

Language: EN

OTHER INDEXING: (BALDWIN; BAYLOR UNIVERSITY; BERNARD MADOFF; CD; DAILY JOURNAL; FORT WORTH REGIONAL OFFICE; PONZI; SEC; SECURITIES AND EXCHANGE COMMISSION; SFG; SIB; STANFORD CAPITAL MANAGEMENT; STANFORD FINANCIAL GROUP; STANFORD GROUP CO; STANFORD INTERNATIONAL BANK; US MARSHALS) (Contact Dennis Seid; Davis; Feb; James Davis; Jason Rose; Laura Pendergest-Holt; Law; NeMiss; Pendergest; Reed O'Conner; Robert Allen Stanford; Rose Romero; Stanford)

TICKER SYMBOL: NASDAQ-SMALL:DJCO

Word Count: 1103  
2/18/09 NEMISSDLYJ (No Page)  
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2/18/09 Palm Beach Post 1A  
2009 WLNR 6543105

Palm Beach Post (FL)  
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February 18, 2009

Section: A SECTION

### SCAM CLAIM AGAINST BILLIONAIRE COULD HARM CHARITY RECIPIENTS

ALEXANDRA CLOUGH and PHIL GALEWITZ, Palm Beach Post Staff Writers

BOCA RATON R. Allen Stanford, the Texas investment guru with a thirst for cricket and a knighthip from Antigua, made his companies' presence known in Palm Beach County. The Stanford Field polo grounds, a brokerage in Boca Raton, tens of thousands of dollars spread among charitable groups -- all bore the Stanford name.

National groups benefited from the Texas billionaire and his companies, too -- most notably St. Jude Children's Research Hospital in Memphis.

Tuesday, it all came tumbling down.

The Securities and Exchange Commission filed suit in Dallas against Stanford personally, Antigua-based Stanford International Bank, Houston-headquartered broker-dealer Stanford Group Co. and investment adviser Stanford Capital Management.

All assets were frozen.

"We are alleging a fraud of shocking magnitude that has spread its tentacles throughout the world," Rose Romero, director of the SEC's Fort Worth, Texas, office, said in a statement.

At issue is \$8 billion in certificates of deposit sold by Stanford companies, promising low risk and unusually strong and consistent rates of return described by the SEC as "improbable and unsubstantiated."

Stanford Group's alleged fraud wasn't limited to certificates of deposit. Since 2005, investors put \$1 billion into a proprietary mutual fund program using "false and misleading" data, the SEC said.

It's not certain where the money is.

In its complaint, the federal agency said it could not account for \$8 billion in assets that were housed in Stanford's Antigua bank. Most witnesses, including Stanford and the Antigua-based bank's president, refused to testify before SEC investigators.

Another executive told investigators that she could not account for the assets.

It's also not certain where Stanford is. An attorney for the securities agency said it is trying to find the business executive and didn't know whether he had been served with court papers.

The Florida Office of Financial Regulation also is investigating Stanford, spokeswoman Holly Hinson said, but she couldn't offer any details. The Florida investigation is separate from the federal complaint, she said. The FBI also is probing Stanford's operations, The Wall Street Journal reported.

The SEC's formal complaint follows a January visit to Stanford Group's Florida offices, where state and federal investigators made copies of computer hard drives.

In Boca Raton Tuesday, the reception area for Stanford's Private Client Group was empty. The only activity was two harried receptionists fielding phone calls.

A Stanford official there declined to comment on the firm's clients in Palm Beach County and the Treasure Coast, referring calls to Brian Bertsch, a company spokesman in New York.

Bertsch could not be reached for comment.

The grandson of a Texas insurance salesman who started the family business during the Depression, Stanford, 58, has a personal fortune pegged at \$2.2 billion by Forbes magazine.

Deposits at his Stanford International Bank Ltd. reached \$8.4 billion in December, according to the company. The bank is based in the twin-island Caribbean nation of Antigua and Barbuda, which has carved out a niche as a tax haven and offshore base for Internet gambling.

In 2006, he was knighted by the tiny country. Company materials refer to him as Sir Allen.

Stanford could be flamboyant with money: After announcing a \$20 million purse for a series of cricket matches, he arrived by helicopter at Lord's Cricket Ground in London, plucking dollar bills from a crate he brought with him to illustrate the cash prizes.

Sports have been major beneficiaries of Stanford companies. Stanford is also a founding partner of the AT&T National PGA Tour event, which benefits the Tiger Woods Foundation.

Closer to home, in January 2006, International Polo Club Palm Beach struck a three-year sponsorship agreement with Stanford Financial. As part of the agreement, the showcase arena was renamed Stanford Field. Officials there declined to comment on the how the SEC filing -- and the freezing of Stanford assets -- might affect the deal.

Among cultural and social organizations, the Festival of the Arts Boca said Stanford gave it \$10,000 last year, but several months ago said it would not contribute this year.

Stanford gave Delray Beach-based Boys Town Jerusalem Foundation of America \$25,000 in early December, said Robert Tropp, the foundation's executive director. The Children's Place at Home Safe Inc. in Lake Worth, which treats abused and neglected children, also is listed as a recipient of money from Stanford companies.

But none of the recipients is as high-profile as St. Jude Children's Research Hospital, the famed hospital founded by entertainer Danny Thomas.

Stanford companies donated \$8 million to St. Jude in the past two years, said hospital spokesman Jerry Chipman. The hospital had expected another round of funding this year, Chipman said.

Donations pay for all treatment at St. Jude.

Stanford dismissed the SEC's interest Monday, saying it was triggered by a disgruntled former employee, and pledged to "fight with every breath to continue to uphold our good name."

But on Tuesday, key support was waning: A lawyer who had represented Stanford International Bank during the SEC's inquiries last week withdrew as counsel, telling investigators that he and his firm "disaffirm all prior oral and written representations."

Bloomberg News contributed to this story.

~ alexandra\_clough@pbpost.com

~ phil\_galewitz@pbpost.com

Florida organizations linked to Stanford

The list of Florida charities, groups and sporting events supported with Stanford Financial Group money ranges from International Polo Club Palm Beach to Kiwanis of Little Havana in Miami.

Festival of the Arts Boca

Annual cultural arts event presented by the Centre for the Arts in conjunction with IMG artists.

St. Andrew's Booster Club, Boca Raton

Supports physical education and scholastic activities for children at St. Andrew's School.

Andy Roddick Foundation

Provides children in need with quality education and other necessary resources.

International Polo Club Palm Beach

Sponsorship deal includes the name of Stanford Field, which lures some of the world's top players. Sony Ericsson tennis

Stanford is host sponsor of the 2009 Sony Ericsson Open, the fifth-largest tennis event in the world.

Other affected organizations in state

\* New title sponsor of the LPGA's Tour Championship.

\* Founding partner of the AT&T National PGA Tour event hosted by Tiger Woods. The tournament benefits the

Tiger Woods Foundation.

- \* Kiwanis of Little Havana, Miami.
- \* Ringling College of Art and Design, Sarasota.
- \* Girl Scouts of Gulf Coast Florida.
- \* Florida Winefest, Sarasota and Manatee counties.
- \* Sarasota Sports Foundation.
- \* Take Stock in Children.
- \* Easter Seals Meadows Club, Southwest Florida.

The Children's Place at Home Safe Inc., Lake Worth

Provides care for abused, abandoned, neglected and drug-exposed infants and children.

Boys Town Jerusalem, Delray Beach

Supports a school within Israel's pre-1967 borders for grades 7-12.

---- INDEX REFERENCES ----

COMPANY: TWI (UK) LTD; STANFORD GROUP CO; SONY CORP SONY COMMUNICATION NETWORK; SEC SOCIETE EUROPEENNE DE COMMUNICATION; SONY ERICSSON; STANFORD FINANCIAL GROUP; EUROPEENNE DE COMMUNICATIONS SA; US SECURITIES AND EXCHANGE COMMISSION; JERUSALEM FOUNDATION; STANFORD INTERNATIONAL BANK LTD; EUROPEENNE DE CONFISERIE{SEC}; TELEFONAKTIEBOLAGET LM; IMG

NEWS SUBJECT: (Social Issues (1SO05); Sales & Marketing (1MA51); Foundations (1FO95); Economics & Trade (1EC26); Business Litigation (1BU04); Sports Law (1SP70); Philanthropy (1PH09); Business Management (1BU42); Business Lawsuits & Settlements (1BU19))

INDUSTRY: (Sponsorship (1SP44); Financial Services Regulatory (1FI03); Financial Services Products (1FI16); Celebrities (1CE65); Entertainment (1EN08); Sports (1SP75); Golf (1GO13); U.S. Securities & Exchange Commission (1US50); Advertising & Public Relations (1AD83); Cricket (1CR54); Financial Services (1FI37); Financial Services Convergence (1FI45))

REGION: (Caribbean (1CA06); West Indies (1WE90); Americas (1AM92); USA (1US73); Antigua & Barbuda (1AN04); Texas (1TE14); Israel (1IS16); North America (1NO39); Middle East (1MI23); Leeward Islands (1LE19); Florida (1FL79); Latin America (1LA15))

Language: EN

OTHER INDEXING: (ANDY RODDICK FOUNDATION; BLOOMBERG NEWS; BOOSTER CLUB; BOYS

TOWN JERUSALEM; COAST FLORIDA; EASTER SEALS MEADOWS CLUB; FBI; FLORIDA; FLORIDA OFFICE; FLORIDA WINEFEST; HOME SAFE INC; IMG; INTERNATIONAL POLO CLUB; INTERNATIONAL POLO CLUB PALM; JERUSALEM FOUNDATION; LPGA; PRIVATE CLIENT GROUP; RESEARCH HOSPITAL; RINGLING COLLEGE OF ART; SARASOTA SPORTS FOUNDATION; SEC; SECURITIES AND EXCHANGE COMMISSION; SONY ERICSSON; SOUTHWEST FLORIDA; STANFORD FINANCIAL GROUP; STANFORD GROUP CO; STANFORD INTERNATIONAL BANK; STANFORD INTERNATIONAL BANK LTD; TEXAS; TIGER WOODS; TIGER WOODS FOUNDATION) (Allen; Bertsch; Brian Bertsch; Children; Chipman; Danny Thomas; Festival; Founding; Girl Scouts; HARM CHARITY; Holly Hinson; Info; Jerry Chipman; Jude; Jude Children; Manatee; R. Allen Stanford; Robert Tropp; Rose Romero; Sarasota; SCAM CLAIM AGAINST BILLIONAIRE; Stanford)

EDITION: FINAL

Word Count: 1403

2/18/09 PALMBCHPST 1A

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2/18/09 St. Paul Pioneer Press (Minn.) C3  
2009 WLNR 3192393

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February 18, 2009

Section: Business

SEC CHARGES FINANCIER IN \$8B FRAUD: TEXAS BILLIONAIRE R. ALLEN STANFORD ACCUSED OF  
RUNNING CD SCAM

Stephen Bernard  
Associated Press

NEW YORK -- The federal government says R. Allen Stanford's investment businesses were too good to be true and shut his companies down on Tuesday.

Two months after Bernard Madoff was accused of running the largest investment fraud in history, Securities and Exchange Commission officials raided the offices of Stanford, a Texas billionaire, and froze the assets of three companies he controls, saying he perpetrated an \$8 billion investment fraud.

Stanford was accused in civil charges of lying about the safety of investments he sold as "certificates of deposit" and promising unrealistically high rates of return. Regulators also said he faked historical data about other investments, which he then used to lure in more investors for the CD products.

The fraud's operations allegedly reached as far as the tiny Caribbean island of Antigua, where Stanford was knighted in 2006 and helped sponsor high-stakes cricket matches. As news of the charges broke Tuesday afternoon, panicked residents of Antigua swarmed a second bank controlled by Stanford hoping to take their money out, only to be turned away by guards. That bank was not part of the complaint released Tuesday.

Stanford's whereabouts were not known. Brian Bertsch, a spokesman for Stanford, referred all questions to the SEC. Stephen Webster, an SEC attorney, said the agency is actively trying to find Stanford and didn't know whether he had been served with court papers.

Stanford owns a home in St. Croix, U.S. Virgin Islands, and operates his businesses from Houston and Antigua.

The SEC, which has come under heavy criticism for missing early warning signs of Madoff's alleged fraud scheme, said Stanford used a tight circle of family and friends to operate a network through an Antigua-based company to push the investments on buyers, all the while promising "improbable and unsubstantiated high interest rates."

In addition to Stanford himself, the civil lawsuit filed in federal court in Dallas names as defendants James Davis, the chief financial officer of Stanford International Bank, an Antigua-based company that was one of the three whose assets were frozen, as well as Laura Pendergest-Holt, the chief investment officer of Stanford Financial



Group, a Houston-based financial advisory firm.

While not named in the SEC's civil complaint, regulators said Stanford was aided in running the Antigua-based operation by his father, who lives in Mexia, Texas, and another Mexia resident with a background in cattle ranching and car sales. Davis was Stanford's college roommate.

In Dallas, District Court Judge Reed O'Connor appointed a receiver to handle the frozen assets.

James Dunlap, an Atlanta-based securities lawyer, said Stanford customers he has been advising have been told they can't get their money out of the firm, with some being told there is an indefinite hold on withdrawals.

Dunlap said his firm is still trying to understand the scope of the alleged fraud and how to pursue remedies for his clients, which include customers in the United States, Latin America and Australia.

---- INDEX REFERENCES ----

COMPANY: FINANCIERA DE DESARROLLO SA; STANFORD FINANCIAL GROUP

NEWS SUBJECT: (Social Issues (1SO05); Economics & Trade (1EC26); Fraud (1FR30); Crime (1CR87))

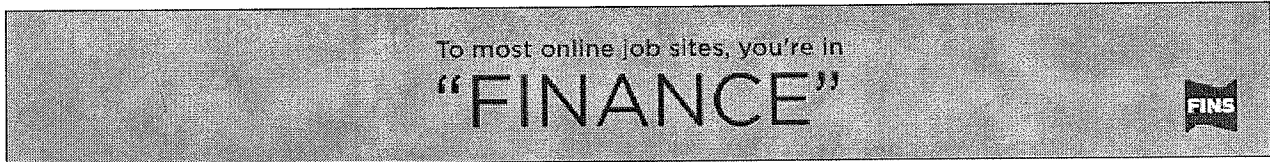
REGION: (Caribbean (1CA06); North America (1NO39); West Indies (1WE90); USA (1US73); Americas (1AM92); Antigua & Barbuda (1AN04); Texas (1TE14); Leeward Islands (1LE19); Latin America (1LA15))

Language: EN

OTHER INDEXING: (BERNARD MADOFF; CD; EXCHANGE COMMISSION; LAURA PENDERGEST HOLT; MADOFF; STANFORD FINANCIAL GROUP; STANFORD INTERNATIONAL BANK; TEXAS) (BILLIONAIRE R. ALLEN; Brian Bertsch; Davis; Dunlap; James Davis; James Dunlap; R. Allen Stanford; Reed O'Connor; SEC; SEC CHARGES FINANCIER; Stanford; Stephen Webster; TEXAS)

EDITION: St. Paul

Word Count: 610  
2/18/09 STPLPP C3  
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**THE WALL STREET JOURNAL**  
WSJ.com

FEBRUARY 17, 2009, 7:20 PM ET

## Another Scandal With PE Ties

By **Keenan Skelly**

The words "private equity" are showing a disconcerting tendency to surface in association with the investment scandal du jour.

First, it was the Bernard Madoff scandal. When the list of Madoff investors was made available publicly, it turned out that several private equity executives were on it ([click here to see our coverage](#)), having invested their personal money in his funds.

Now, PE firms find themselves on the other side of the table, with some having accepted money from R. Allen Stanford's Stanford Investment Bank Ltd. or related entities that are now the target of a fraud investigation by the Securities and Exchange Commission. Stanford, according to a complaint filed in a Texas federal court by the SEC, had a significant amount of its capital tied up in illiquid private equity and real estate investments, rather than the more liquid financial instruments it assured would-be investors it was investing in.

Given the secrecy of both the PE industry and Stanford, it's hard to dig up the names of specific institutions that Stanford backed. Placement agents said the firm isn't a well-known PE investor. A small venture firm in Louisiana, VCE Capital Partners, listed Stanford as a limited partner on its Web site until late today. So do Catalyst Funds, an Israeli VC firm, and AquaAgro Fund LP, a venture fund that invests in Israeli water, agriculture and clean-technology businesses. Stanford also made a few investments directly in VC-backed start-ups.

Russell Vernon, co-founder of VCE Capital, said that his firm does not know much about Stanford's situation. Hillel Milo, managing partner at AquaAgro, could not be reached late Tuesday for comment. Nor could Catalyst Funds.

The SEC said it won a temporary restraining order freezing the assets of Stanford and three of his companies. That will present problems for PE funds that did accept money from the firm when they go to call down capital from their limited partners.


Martha Coultrap, partner at law firm Sullivan & Worcester LLP, said a fund manager has the right to make a capital call, so it will be interesting to see what the SEC does in such a situation. She drew a parallel to Lehman Brothers Holdings Inc.

"If a capital call is due from Stanford, the general partner may choose to defer exercise of the remedies or proceed," she said. "Or, the SEC may determine to protect the limited partnership investment and meet the capital call, if it has the power to do so."

For more, [click here](#).

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**THE WALL STREET JOURNAL**  
WSJ.com

FEBRUARY 17, 2009, 1:24 PM ET

## Hints of Madoff: SEC Charges Stanford With 'Massive Fraud'

Let's head to Antigua for the latest example of alleged financial fraud. This morning, the Journal reported that depositors from as far away as Colombia have begun arriving in the island nation, seeking to withdraw their money from an offshore bank under investigation by U.S. state and federal authorities.

Stanford International Bank Ltd. and related firms controlled by Texas businessman R. Allen Stanford, the Journal notes, have fallen under scrutiny by the FBI, the SEC and other regulatory bodies.



Texas businessman R. Allen Stanford during an interview in May 2008. (Reuters)

The latest: the SEC has filed civil charges against Stanford, alleging he orchestrated a multibillion dollar scheme centering on an \$8 billion certificate of deposit program. The SEC said Stanford "perpetrated a massive fraud based on false promises and fabricated historical return data to prey on investors."

Sound familiar?

"As we allege in our complaint, Stanford and the close circle of family and friends with whom he runs his businesses perpetrated a massive fraud based on false promises and fabricated historical return data to prey on investors," SEC enforcement director Linda Thomsen said in a statement. "We are moving quickly and decisively in this enforcement action to stop this fraudulent conduct and preserve assets for investors."

Attempts to reach Stanford were unsuccessful.

**Update:** The receiver in the case is Ralph Janvey, a Dallas lawyer and former assistant director of securities for the U.S. Comptroller of the Currency.

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**THE WALL STREET JOURNAL.**  
WSJ.com

FEBRUARY 17, 2009, 3:17 PM ET

## How to Know if a Certificate of Deposit Is Safe

So it turns out not even certificates of deposit are immune to financial scandal.

The Securities and Exchange Commission has charged R. Allen Stanford with an \$8 billion fraud related to sales of CDs. (Read the official SEC statement here.) CDs historically have been among the safest of investments for risk-weary investors. And in today's tumultuous market, investors have rushed to CDs.

Stanford allegedly wooed CD investors "by promising high and seemingly safe returns," according to this Journal story.

Stop right there. CDs should never have high returns. They're low-risk, which means low yield. We've written before about how to shop for CDs and how banks desperate for deposits are posting some competitive rates on CDs. But even the savviest CD shopper knows that it's unusual to do much better than 4% on a 5-year CD.

CDs are not designed for long-term investors seeking to reap high returns, nor should you ever throw all of your investing dollars into CDs. (Or any one asset class, for that matter.) CDs are best used for cash that you want to stay liquid and keep at pace with inflation. If anyone promises you double-digit returns on a CD, as Stanford allegedly did, then hold on to your cash.

Another reason that investors love CDs: They are insured by the FDIC up to the legal limit of \$250,000. But that doesn't mean you should hand over custodianship of your account to an adviser. As with your retirement account, read the fine print. Do not write checks to your financial adviser, write checks to the custodial firm (i.e. Fidelity, Vanguard).

Even more importantly, look for those four magic letters: FDIC. Don't settle for "guaranteed" or "insured," says **Richard Ferri**, CEO of Portfolio Solutions, an investment management service. "You've got to get into the details. Who are they insured by? The FDIC or Bill's Bike Shop down the road?" A smooth-talking financier can tinker marketing of products to give the illusion of safety, but if it doesn't have the FDIC guarantee, leave it aside.

The case of R. Allen Stanford will unfold with more details. It's unfortunate that even CDs are now fraud fodder. But check your fine print, invest carefully and keep up the fight.

For more information, check out the Journal's guide on how to invest in CDs.

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## **THE WALL STREET JOURNAL**

WSJ.com

BUSINESS | FEBRUARY 17, 2009, 9:16 P.M. ET

# On Antigua, Frustrated Stanford Account Holders Gather

By EVAN PEREZ

ST. JOHN'S, Antigua -- The U.S. action against financier R. Allen Stanford reverberated 1,500 miles away on the island of Antigua.

At the Stanford International Bank, a handful of customers were ushered into separate private banking rooms inside the handsome offices adorned with dark wood paneling and oil paintings. The bank is housed in a landscaped complex just outside Antigua's international airport.

One depositor who said she invested hundreds of thousands of dollars in certificates of deposit via Stanford's representative office in Bogotá, Colombia, met with a senior Stanford International Bank official Tuesday to discuss her request to withdraw her money.

The bank provided a Lincoln Town Car to escort the woman and her daughter early Tuesday and she left reassured that she would receive her money, minus an early-withdrawal penalty, on Thursday.

"I feel like a huge weight of worry has been lifted," the depositor said after her meeting. Just a couple hours later, however, the woman rushed back to Stanford after hearing of the SEC's charges.

She demanded her money immediately, threatening to remain at the offices until they gave her the funds.

After meeting with several Stanford officials, the depositor left the bank and said she would remain on the island through the rest of the week to see that the bank made the promised money transfer.

"I don't know what do, I am at their mercy," she said.

Across the street, a flood of account-holders arrived at the Stanford-controlled Bank of Antigua after word of the SEC action -- alleging an \$8 billion fraud -- was broadcast on Antiguan radio in the early afternoon.

Dozens of customers were seen inside the lobby of the stately main branch building. Security guards tried to calm another dozen or so anxious customers who were angry after they locked out when the bank closed at its normal 3 p.m. time.

A bank official, Ralph Potter, emerged to tell customers that the bank would open on schedule Wednesday "and will process all transactions as planned."

Liston Lewis, 45-year-old owner of a construction company, rushed over to the bank when he heard the news from one of his workers and quickly became the leader of a group of irate accountholders who stood at the bank doors held shut by a security guard's baton. "Give the people their money," he said angrily. "My message to Mr. Stanford is this: we are happy to bank with you if this all turns out to be nothing. But in the meantime, let us get our money. Don't make us go down with you. If you go down, go down alone."

Some customers emerged with thick yellow envelopes that appeared to contain cash. "I'm very happy. I don't know what is going to happen, but I'm pleased to be out of there," one woman who declined to give her name said as she hurried to her car.

Antiguan Prime Minister Winston Baldwin Spencer addressed the nation on live television Tuesday night, saying the Eastern Caribbean Central Bank is working with the Stanford-controlled Bank of Antigua "to put together a contingency plan" to deal with the fallout from the U.S. charges. He urged residents not to panic, but acknowledged that the charges against Mr. Stanford, the largest investor and private employer in the island nation of 80,000 people, could have "profound serious implications for Antigua and Barbuda."

**Write to** Evan Perez at [evan.perez@wsj.com](mailto:evan.perez@wsj.com)

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## **THE WALL STREET JOURNAL**

[WSJ.com](http://WSJ.com)

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BUSINESS | FEBRUARY 17, 2009, 12:13 P.M. ET

# SEC Statement on R. Allen Stanford Charges

*Here is the text of the SEC's press release on the charges against R. Allen Stanford and related entities..*

## SEC CHARGES R. ALLEN STANFORD, STANFORD INTERNATIONAL BANK FOR MULTI-BILLION DOLLAR INVESTMENT SCHEME

Washington, D.C., Feb. 17, 2009 – The Securities and Exchange Commission today charged Robert Allen Stanford and three of his companies for orchestrating a fraudulent, multi-billion dollar investment scheme centering on an \$8 billion CD program.

Stanford's companies include Antigua-based Stanford International Bank (SIB), Houston-based broker-dealer and investment adviser Stanford Group Company (SGC), and investment adviser Stanford Capital Management. The SEC also charged SIB chief financial officer James Davis as well as Laura Pendergest-Holt, chief investment officer of Stanford Financial Group (SFG), in the enforcement action.

Pursuant to the SEC's request for emergency relief for the benefit of defrauded investors, U.S. District Judge Reed O'Connor entered a temporary restraining order, froze the defendants' assets, and appointed a receiver to marshal those assets.

"As we allege in our complaint, Stanford and the close circle of family and friends with whom he runs his businesses perpetrated a massive fraud based on false promises and fabricated historical return data to prey on investors," said Linda Chatman Thomsen, Director of the SEC's Division of Enforcement. "We are moving quickly and decisively in this enforcement action to stop this fraudulent conduct and preserve assets for investors."

Rose Romero, Regional Director of the SEC's Fort Worth Regional Office, added, "We are alleging a fraud of shocking magnitude that has spread its tentacles throughout the world."

The SEC's complaint, filed in federal court in Dallas, alleges that acting through a network of SGC financial advisers, SIB has sold approximately \$8 billion of so-called "certificates of deposit" to investors by promising improbable and unsubstantiated high interest rates. These rates were supposedly earned through SIB's unique investment strategy, which purportedly allowed the bank to achieve double-digit returns on its investments for the past 15 years.

According to the SEC's complaint, the defendants have misrepresented to CD purchasers that their deposits are safe, falsely claiming that the bank re-invests client funds primarily in "liquid" financial instruments (the portfolio); monitors the portfolio through a team of 20-plus analysts;

and is subject to yearly audits by Antiguan regulators. Recently, as the market absorbed the news of Bernard Madoff's massive Ponzi scheme, SIB attempted to calm its own investors by falsely claiming the bank has no "direct or indirect" exposure to the Madoff scheme.

According to the SEC's complaint, SIB is operated by a close circle of Stanford's family and friends. SIB's investment committee, responsible for the management of the bank's multi-billion dollar portfolio of assets, is comprised of Stanford; Stanford's father who resides in Mexia, Texas; another Mexia resident with business experience in cattle ranching and car sales; Pendergest-Holt, who prior to joining SFG had no financial services or securities industry experience; and Davis, who was Stanford's college roommate.

The SEC's complaint also alleges an additional scheme relating to \$1.2 billion in sales by SGC advisers of a proprietary mutual fund wrap program, called Stanford Allocation Strategy (SAS), by using materially false historical performance data. According to the complaint, the false data helped SGC grow the SAS program from less than \$10 million in 2004 to more than \$1 billion, generating fees for SGC (and ultimately Stanford) of approximately \$25 million in 2007 and 2008. The fraudulent SAS performance was used to recruit registered investment advisers with significant books of business, who were then heavily incentivized to reallocate their clients' assets to SIB's CD program.

The SEC's complaint charges violations of the anti-fraud provisions of the Securities Act of 1933, the Securities Exchange Act of 1934 and the Investment Advisers Act, and registration provisions of the Investment Company Act. In addition to emergency and interim relief that has been obtained, the SEC seeks a final judgment permanently enjoining the defendants from future violations of the relevant provisions of the federal securities laws and ordering them to pay financial penalties and disgorgement of ill-gotten gains with prejudgment interest.

The Commission acknowledges the assistance and cooperation of the Financial Industry Regulatory Authority (FINRA) in connection with this matter. FINRA independently developed information through its examination and investigative processes that contributed significantly to the filing of this enforcement action.

The SEC's investigation is continuing.

*Source: SEC*

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## **THE WALL STREET JOURNAL**

WSJ.com

LAW | FEBRUARY 17, 2009

# Stanford Depositors Head to Antigua for Redemptions

By EVAN PEREZ in Antigua, GLENN R. SIMPSON in Washington and DIONNE SEARCEY in New York

Depositors from as far away as Colombia have begun arriving in the island nation of Antigua, seeking to withdraw their money from an offshore bank under investigation by U.S. state and federal authorities.

Stanford International Bank Ltd. and related firms controlled by Texas businessman R. Allen Stanford have fallen under scrutiny by the Federal Bureau of Investigation, the Securities and Exchange Commission and other regulatory bodies, according to people familiar with the matter.

Authorities are examining the group's marketing practices, which include offering certificates of deposit with unusually high interest rates, as well as a mutual-fund product sold by Stanford Trust Co., a person familiar with the matter says.

On its Web site, Stanford says the product, known as Stanford Allocation Strategies, aims to "reduce volatility throughout the investment cycle." Investigators are looking at whether Stanford provided false historical return data that bolstered its performance, this person said.

Reached by telephone on Monday afternoon, the chief financial officer at Stanford International Bank, James M. Davis, declined to comment when asked if investors are having difficulty obtaining redemptions. "I don't have any comment, but I appreciate your call," said Mr. Davis, the longtime top aide to Mr. Stanford.

A Stanford spokesman said because of the holiday he was unable to comment on the mutual-fund product.

Mr. Stanford said in a conference call to employees Tuesday there would be a temporary moratorium of two months on early redemptions for CDs, according to one Stanford financial adviser who has worked at the firm for about five years. Several depositors say they have been told the same thing.

Depositors sign contracts that state redemptions are accommodated at the discretion of the institution, said the adviser, who added that he himself has a sizable amount of money invested in the bank's CDs.

The bank says it has more than 30,000 investors and \$8.5 billion in assets; it says the larger group of which it is a part manages over \$51 billion in assets. A spokesman for parent company Stanford Financial Group, based in Houston and St. Croix, U.S. Virgin Islands, said depositors may withdraw funds in accordance with the terms of their accounts.

In Antigua, anxious depositors have flown in from overseas to seek their money from Stanford International Bank, housed in an imposing neo-Georgian building beside Antigua's international airport.

Lawyers said at least some depositors were being allowed to withdraw funds under the terms of their certificates of deposit. Meanwhile, some local clients have also responded to the news headlines by pulling funds from the separate Stanford-controlled Bank of Antigua. Clients have been told processing of the withdrawals could take several days, according to depositors and attorneys.

One depositor arrived Monday on her first visit to this lush Caribbean island, mobbed in recent days by British tourists following their national cricket squad taking on the West Indies.

"This is not a vacation, I'm here to calm my nerves," said the depositor, who said she has hundreds of thousands of dollars tied up in Stanford certificates of deposit. She said a Stanford representative in Colombia told her he submitted the withdrawal request Friday and that it would take five days to process. Despite such assurance, she said she remained nervous. "For some people, this isn't a lot of money. For me, this is my life."

One depositor in Houston said he tried to redeem his CDs worth roughly \$500,000 Friday morning after reading newspaper articles about the investigation into Mr. Stanford's operations. The rate on his CDs was 8.25%, he said. His advisor told him he couldn't redeem them for two months.

"Ironically, I thought it was one of the more safe investments," he said. "My fear is that some investors are being allowed to redeem CDs while others are not. I am trying to get additional information about the bank and my redemption request, but have been unsuccessful so far."

Atlanta lawyer James A. Dunlap Jr. said he has been advising a retired woman in Texas who invested about \$250,000 in Stanford Bank CDs. "She has been advised she can't withdraw it," Mr. Dunlap said. "She was just told that she can't withdraw it now, but they are working to try to raise funds to be able to make a redemption good." Mr. Dunlap is soliciting other Stanford customers as potential clients through an ad on Google.

Mr. Stanford, a flamboyant entrepreneur who launched a Caribbean airline that subsequently went out of business and has lavished money on real-estate ventures in Antigua, has been ratcheting back his spending lately. Local reports say Stanford-related enterprises have laid off more than 200 workers recently. A Stanford spokesman said in an email: "In the current economic situation, we are doing what every responsible company is doing: undertaking a number of expense management measures and reallocating capital and resources where they can have the greatest impact."

Just over three months ago, Mr. Stanford paid out \$20 million in prize money to the winners of a single cricket match in Antigua. Mr. Stanford announced his inaugural tournament by descending on Lord's Cricket Ground in London in what was described as a gold-plated helicopter. According to the Times of London, Mr. Stanford now plans to continue the tournament but in reduced form.

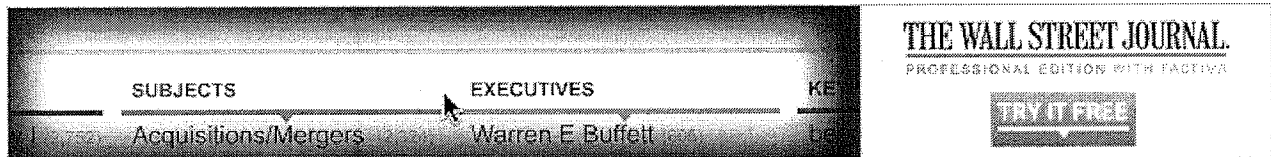
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Printed in The Wall Street Journal, page C1

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**THE WALL STREET JOURNAL.**  
WSJ.com

FEBRUARY 17, 2009, 8:33 PM ET

## Stanford Scandal Touches Start-Ups

By Scott Austin, Lorie Konish and Jonathan Matsey

The scandal involving financier R. Allen Stanford has several venture capital firms and start-up companies scrambling to figure out their potential exposure.

As sister blog [Private Equity Beat](#) reports, a few small venture capital firms accepted money from Stanford or various entities that were charged by The Securities and Exchange Commission with orchestrating a multibillion dollar fraud centering on an \$8 billion certificate of deposit program. According to the complaint, the majority of Stanford's money was invested not in liquid securities, as it had told investors, but instead in illiquid asset classes such as private equity or real estate.

VCE Capital Partners, a small venture firm in Louisiana, and Israeli VC firm Catalyst Investments, both listed Stanford as a limited partner on their Web sites today before the name was removed. Another Israeli firm, AquAgro Fund LP, also received funds from Stanford in the past.

VCE Capital's portfolio includes a wide range of biopharma, chemical, energy and technology companies, including [GodTube.com](#) (which recently changed its name to Tangle), the religious-themed social-networking site that reportedly raised \$30 million last year. [Catalyst's Fund II](#), which received a commitment from Stanford of at least \$5 million, has invested in eight technology companies since 2007, according to the firm's Web site. [AquAgro's small portfolio](#) includes companies developing water and agriculture technologies.

We've also learned that one of Stanford's companies, Stanford Financial Group, also has invested directly in a handful of start-ups, including medical device maker [Luminetx Corp.](#) and drug developer [KineMed Inc.](#) In 2007, Stanford led a \$15 million round of financing consisting of convertible notes for Emeryville, Calif.-based KineMed, which is developing treatments for Lou Gehrig's disease and Parkinson's disease among others. Luminetx, a Memphis-based maker of a vein illumination device, received \$11 million of Series A funding led by Stanford in 2005 and \$15 million in Series B funding in 2006 from investors including Stanford.

Officials at Luminetx Corp. couldn't be reached. William Custer, president and chief executive of Custer Capital, a Luminetx investor, said he had just returned from vacation and was surprised to hear about Stanford's difficulties when we relayed the news to him. He declined to comment further until he could speak with Luminetx's other directors. Other investors in Luminetx either declined to comment or couldn't be reached.

KineMed President David Fineman said Stanford made a one-time investment in the company but hasn't had any say in Kinemed's operations. "After that investment, they just seemed to have lost interest in us," he said.

Fineman said a "very bright banker" who has since left Stanford Financial made the investment, declining to provide the person's name. Fineman said the company is currently fund-raising and didn't approach Stanford Financial for new funding. About the investment, he said, "Maybe I'll call them and offer to buy it back personally." Other investors in the company couldn't be reached for comment.

Losing an investor in a syndicate, especially one that has already committed money and has no board seat, would not likely severely hamper a start-up's future. However, the venture capital firms involved may run into trouble when they have

to call down capital from their limited partners since the SEC won a temporary restraining order freezing the assets of Stanford and his three companies.

The venture capital industry hasn't had any known major direct links to Bernard Madoff's Ponzi scheme, although, as we wrote about earlier this month, one of Silicon Valley's original venture capitalists, Arthur Rock, invested with Madoff through five trusts. And at least one start-up company, Scottsdale, Ariz.-based AbTech Industries Inc., received capital from Bernard L. Madoff Investment Securities LLC, which led a \$6.8 million Series A round for AbTech in 2006. Officials from that company, which sells technology to filter polluted rainwater runoff, haven't commented.

**UPDATE:** This post has been updated to include the fourth paragraph detailing the portfolio companies of the various venture firms involved.

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