

## Eliot Ivan Bernstein

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**Subject:** Stanford Accountants Face Final Criminal Trial Over Ponzi Scheme  
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By Laurel Brubaker Calkins and Andrew Harris - Oct 17, 2012

Two accountants accused of helping R. Allen Stanford swindle investors in a \$7 billion Ponzi scheme are set to begin the last criminal trial stemming from the plot with opening statements in federal court in Houston.

Stanford Financial Group Co. Chief Accounting Officer Gilbert Lopez, 70, and Global Controller Mark Kuhrt, 40, face 10 counts of wire fraud and one count of conspiracy to commit wire fraud, which could send them to prison for more than 20 years if convicted by a jury. The men pleaded not guilty when they were indicted with the Texas financier in June 2009.

“Kuhrt and Lopez fabricated the financial statements that enabled Stanford to lie to investors about the circumstances surrounding their investments,” Robert Khuzami, enforcement director for the U.S. Securities and Exchange Commission, said in a statement the day the men were indicted.

Stanford, 62, was convicted in March of misappropriating more than \$1.7 billion from investors who bought bogus certificates of deposit from Antigua-based Stanford International Bank Ltd. The former Texas billionaire is now serving a 110-year sentence in federal prison in Florida. He is appealing his verdict and sentence.

Stanford told investors their money was invested in conservative liquid assets. Evidence at his jury trial showed he was actually siphoning cash to fund risky private equity ventures, speculative real estate developments, cricket tournaments and a lavish personal lifestyle that included a fleet of private jets, yachts and multiple mansions.

### Primary Evidence

The primary evidence against Lopez and Kuhrt are e-mails in which they discussed Stanford’s unreported loans and how to value certain assets to disguise that debt in the months before U.S. securities regulators seized Stanford’s businesses in February 2009.

Lopez, Kuhrt and James M. Davis, who was Stanford’s chief financial officer, discussed in these messages how to repeatedly flip a Caribbean resort property among Stanford entities so that its value could be inflated from \$63.5 million to \$3.2 billion in a matter of months, according to the indictment. The inflated value was intended to plug the hole in the books caused by Stanford’s personal loans and bad investments, prosecutors have said.

Lopez and Kuhrt also helped represent to investors that Stanford made a \$741 million capital contribution to bolster the bank’s balance sheet in late 2008, when “Stanford did not make such capital contributions,” prosecutors have said.

Lawyers for Lopez and Kuhrt said during a 2011 court proceeding over legal-defense insurance coverage that the accountants were only following orders from Stanford and Davis and never intended to break any laws.

### Draft Form

The accountants’ lawyers have said prosecutors are misconstruing documents that were in draft form at the time regulators seized the company. They claim that Stanford and his accountants were in the process of consolidating the

private enterprises Stanford funded with investor loans onto the bank's balance sheet, and that they were prevented from completing the rollup by the government shutdown.

Davis pleaded guilty to his role in the fraud scheme in 2009, testified against Stanford at trial and is awaiting sentencing. Laura Pendergest Holt, Stanford's investment chief, pleaded guilty in June to obstructing a federal investigation into Stanford's companies and was sentenced to three years in prison.

As of May 31, more than 20,000 Stanford CD investors had received nothing from about \$220 million that court-appointed receiver Ralph Janvey has recovered from the sale of Stanford's corporate and personal assets. About \$108 million of that recovery has gone to cover the U.S. receivership's expenses and windup costs on Stanford's sprawling business empire.

An additional \$335 million in Stanford assets have been identified in banks in the U.K., Switzerland and Canada. Janvey is fighting for control of those assets with a rival Antiguan-appointed receiver, who has spent about \$20 million pursuing Stanford assets on behalf of defrauded investors.

The case is U.S. v Lopez, 4:09-cr-00342, U.S. District Court, Southern District of Texas (Houston).

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