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## Stanford exec threatened to squeal

Thursday 12th March, 2009 Posted: 17:54 CIT (22:54 GMT)

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Four days before Stanford Financial Group's assets were seized, a top executive warned Chairman R. Allen Stanford that he should tell U.S. regulators about deals he was making with an offshore bank at the center of a fraud case and that recent deposits should be returned to investors.

In a Feb. 13 e-mail to Stanford, copied to Chief Financial Officer James Davis and other executives, Chief Compliance Officer Lena Stinson said that if the company did not formally report the deals with the Stanford International Bank in Antigua and other issues, she would resign and report them to the Securities and Exchange Commission herself.

"The company should immediately disclose to the SEC that the bank's financial statements must be revised to reflect related party transactions," she said, referring to a \$541 million capital infusion from Allen Stanford to the bank.

She also said the bank should stop accepting investor deposits and refund recently received payments, according to court documents filed Wednesday.

"Allen if this does not happen I will have no choice but to tender my resignation and report to the SEC the issues I believe exist," Stinson said.

In a civil fraud complaint filed Feb. 17, the SEC alleges a massive fraud surrounding certificates of deposit issued by Stanford International Bank. Defendants in that case are the bank, two other Stanford companies, Allen Stanford, Davis and Laura Pendergest-Holt, Stanford Financial's chief investment officer.

Stanford Financial Group was placed in receivership and its assets frozen in connection with the SEC case, although some assets held by Stanford customers since have been released.

A lawyer for Stinson declined comment.

Hearing today

Stinson's e-mail is among a stack of documents SEC lawyers filed to support arguments for a preliminary injunction against the company and the three executives. They already are under a temporary restraining order that froze the assets and placed other restrictions on the defendants.

A hearing on the injunction is scheduled for today before U.S. District Judge David Godbey in Dallas.

Attorneys for Pendergest-Holt want to argue for their client's release from the order, saying lawyers for the court-appointed receiver violated her constitutional rights in searching her Mississippi home last month. She has been charged with lying to the SEC in interviews — the only criminal charge to arise so far in the Stanford investigation.

Also among the SEC filings is a March 9 document from Allen Stanford declining to testify before the SEC based on his Fifth Amendment right against self-incrimination. Davis also has invoked the Fifth Amendment, according to court papers.



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**Confusion from counsel**

Wednesday's filings also include a Feb. 4 e-mail to Davis from Stanford General Counsel Mauricio Alvarado. He expressed confusion about a meeting in Miami the previous day where it was revealed that Allen Stanford's capital infusion into the bank from Stanford and \$2 billion of the bank's assets were made up of real estate projects the bank had acquired the year before for about \$85 million.

"While I am not an accountant or a finance person, unless you were referring to other real estate holdings of which I do not know, I do not understand or see how it is possible that said acquisition could be considered capital contribution or be valued over 2 Billion when they were acquired to start with by SIBL for a much lower consideration," Alvarado wrote. "There must be some mistake."

An attorney for Alvarado could not be reached.

An outside attorney, Thomas Sjoblom, e-mailed Alvarado on Feb. 8 with a list of actions the bank should take related to issues similar to those Stinson raised. Sjoblom has since withdrawn as Stanford's representative.

On Feb. 12, Alvarado wrote a letter of resignation to Allen Stanford, saying that during the Miami meetings Davis "made verbal statements and represented other information which are completely opposite and in direct conflict to what I had been represented and led to believe during my entire tenure with the company."

**Bankruptcy as an option**

In other court papers filed Wednesday, receiver Ralph Janvey of Dallas asked the judge for authority to seek bankruptcy protection for Stanford businesses if necessary.

It's too soon to tell whether bankruptcy will be the best option for any Stanford entities now controlled by the receiver, he said, but giving the authority to file would make the transition to bankruptcy smoother.

He said he would give at least two days written notice before any bankruptcy filings.

  
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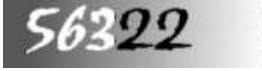
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