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*Stanford International Bank Investor Update - Contact the Shareholders Foundation, Inc.*

# Stanford Investor Group Update: Stanford allegedly ran a Massive Ponzi Scheme

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2009-03-02 17:41:15 - **Breaking News: Sec alleges Stanford of running a Ponzi Scheme - Second Madoff? Major League Baseball Players affected; Venezuela holds $2.5Billion Investor money - Contact the Shareholders Foundation, Inc at mail@shareholdersfoundation.com**

The Shareholders Foundation has formed the Stanford Investor Group to inform investors and group victims of Stanford together. We offer a free membership without obligation which keeps investors updated and informed about news in relation to the ongoing investigations and legal proceedings in the Stanford case. At least four lawsuits on behalf of Stanford investors have been filed already in the USA.

If you are an investor with Stanford you can join our group: Contact us at mail(at)shareholdersfoundation.com or call us today: (858) 779 - 1554. The Shareholders Foundation was contacted by hundreds of Stanford investors all over the world, like USA, Venezuela, Mexico, Columbia, Peru, Ecuador, Panama, Guatemala, Argentina, England, Italy, Netherlands, Austria, Germany, Australia and many other countries. Groups of investors with Stanford International Bank form in several countries like the USA, Peru, Guatemala, Ecuador, Venezuela and other countries to prepare and/or pursue legal action against Stanford and the affiliates. A group of more then 100 investors in Peru reportedly has lost with Stanford $50-100Million. Peru's securities authority suspended a Stanford associate from trading and Mexico has started its own probe at a Stanford bank unit for irregularities. Last week Canadian banking regulators closed Stanford International Bank's Montreal office.

Colombian Stanford clients transfer to new funds: Hundreds of Colombian clients of a Stanford Group unit voted on Wednesday to transfer their investments to other brokerages just a week after U.S. authorities charged the Stanford. Colombian clients transferred around $30 million from Stanford in the initial days after U.S. authorities charged Stanford. More than 500 clients voted on Wednesday in a ballot to move investments from the Stanford unit, which held another roughly $30 million in three investment funds. In Colombia, Stanford ran a brokerage managing in local peso assets and a separate Stanford Trust office, which acted only as a legal representative of the group's international operations.

Venezuela won't give back $2.5 billion to Stanford's investors and has no plans to help Stanford investors: The government took control of Stanford Bank Venezuela after estimating Venezuelans may have invested around $3 billion in Stanford. But Venezuela says it has no plans to help Stanford investors, it is unlikely to help investors, and Venezuela did not have a responsibility to protect investments made overseas, Finance Minister Ali Rodriguez said on Wednesday.

The OPEC nation's bank regulators say Venezuelans may have invested up to $2.5 billion in high-yield certificates of deposit at the Antigua-based unit of a global financial network owned by Texan billionaire Allen Stanford. Venezuela last week took over Stanford Bank Venezuela after a run on deposits. The government prosecutor's office on Wednesday said it had frozen the assets and bank accounts of eight directors of Stanford Bank Venezuela after prohibiting them from leaving the country as part of an investigation following the bank takeover.The Stanford Bank Venezuela is owned by Allen Stanford, but its accounts are not linked to the discredited offshore unit. In Caracas, a Venezuelan court acting at the request of a special prosecutor has frozen the assets of board members who headed a bank controlled by Allen Stanford, the Associated Press reported. Venezuela's government last week seized temporary control of Stanford Bank after panicked withdrawals on news of the SEC's fraud charges. Though part of Stanford's sprawling financial empire, the Venezuelan bank is not named in the SEC's complaint.

Stanford told U.S. Virgin Islands he had 'a very large war chest of cash': Federal marshals shut down the Houston office of Stanford Group Co., an investment firm, on Feb. 17. Employees received e-mail messages from Stanford's human resources department instructing them to gather in the company's auditorium. U.S. marshals, SEC officials and representatives of the receiver were there and read a prepared statement that told them they were not fired but had to leave the building and were not allowed to talk to their clients. Financial adviser reportedly said: 'We asked if we could take our laptops and cell phones, that they were our own, but they told us we could do so at our own risk'. Stanford himself rarely visited the Houston offices, according to several current and former employees, reserving his presence for events and operations in Florida and especially in the Caribbean, including his home in St. Croix, U.S. Virgin Islands. Stanford, told reportedly U.S. Virgin Islands authorities two years ago he had 'a very large war chest of cash.' Stanford also told members of the Virgin Islands Economic Development Commission that his 62 companies, in which he was the sole shareholder, managed more than $30 billion and that he was ready to invest about $2 billion in the island of St. Croix and elsewhere in the Caribbean in exchange for the right to reduce his personal U.S. tax bill by 90 percent. 'I am a very large target to pay taxes and this is a driving force' for his proposal to relocate his headquarters from Houston to St. Croix, Stanford told the commission at a public hearing on Nov. 30, 2006, according to a transcript. Nine months earlier, he began fighting the U.S. Internal Revenue Service over an

unpaid tax bill that reached more than $104.2 million in August 2008. He also began constructing a complex of offices, a conference center, and an airport hangar on a 37-acre site near the Henry Rohlsen airport. He pledged to relocate 32 employees from his offices around the world to St. Croix and eventually hire enough local residents to bring his island payroll to 100. The territory generally follows federal laws, but its government has the right to create special incentives to attract businesses. In 2001, it expanded a program that effectively lets hedge fund managers and other financiers who meet certain requirements to pay a 3.5 percent tax rate rather than the 35 percent they'd face in the U.S. mainland. To qualify for the tax incentives, firms must invest at least $100,000 in the territory, buy products such as office supplies and computers in the Virgin Islands, contribute to area charities and hire at least 10 people, 80 percent of whom must be natives of the islands.
SEC Updated: Stanford Ran Ponzi Scheme: No criminal charges have been brought so far against Mr. Stanford or Mr. Davis. Neither Mr. Stanford nor Mr. Davis have responded to the civil charges. But on late Friday the U.S. Securities and Exchange Commission filed an amended civil complaint in a Dallas U.S. District Court alleging that R. Allen Stanford and his company's chief financial officer, James M. Davis, operated a 'massive Ponzi scheme' over the last decade in which he misappropriated billions of investor dollars and made 'bogus' personal loans to himself. Is Stanford the second Madoff? It was the second high-profile alleged Ponzi scheme revealed by U.S. regulators, after charges that Bernard Madoff carried out a $50 billion fraud that allegedly involved a giant Ponzi scheme. The SEC accused Stanford and Davis misappropriated billions of dollars of investors' money and falsified financial statements to investors who bought $8 billion worth of 'self-styled certificates of deposit' in its affiliated Antigua-based Stanford International Bank Ltd to hide their fraud. The SEC said it now also has evidence that Stanford and Davis misappropriated at least $1.6 billion of investor money through bogus personal loans to Stanford. The SEC said "Stanford International Bank's financial statements, including its investment income, are fictional". To lure investors, the bank promised overly high rates of return, and told people it was able to achieve those rates by investing in safe, liquid financial instruments, the SEC alleged. In fact, the SEC claimed, Mr. Stanford and his company were actually investing them in real estate and private equity and an undetermined amount of investors' money was also put into speculative and unprofitable private businesses. By the end of 2008, overvalued real estate, undocumented loans and private equity made up the bulk of the bank's portfolio even though the company marketed it as a "well-diversified portfolio of highly marketable securities," the SEC alleged. The funds were invested in "speculative, unprofitable private businesses controlled by Stanford," and to hide the fraud Stanford and Davis fabricated the performance of the bank's investment portfolio and each month, the men decided on a predetermined investment return for Stanford International Bank's portfolio and had the bank's internal accountants reverse-engineer its financial statements to "report investment income that the bank did not actually earn," so the SEC. The complaint claims that, in a meeting with senior employees, Stanford and Davis admitted sometime in early February that they had misappropriated funds and falsified financial documents. The $1.6 billion in loans first came to light in a criminal complaint filed by the Justice Department against Pendergest-Holt, chief investment officer for the Stanford Financial Group. The SEC document paints a curious picture of Ms Pendergest-Holt, who became a senior executive of a vast business empire despite having "no experience in the financial services or securities industries". Under Mr Davis's wing, she rose quickly; working her way up to become - at the age of 34 - chief investment officer for the whole of Stanford Financial. Pendergest-Holt's salary in 2007 and 2008 was $1 million.
Chief investment officer for Houston-based Stanford Financial Group arrested: Late last fall one of Stanford Financial Group's top salesmen sent an e-mail message to Laura Pendergest-Holt, that a client with $20 million in Stanford's bank had grown nervous about its financial safety and wanted to withdraw his money. Mrs. Pendergest-Holt told the salesman he could report that nothing was wrong and that his client's assets were safe. On Thursday, February 26, 2009, the Department of Justice arrested Laura Pendergest-Holt, the chief investment officer for Houston-based Stanford Financial Group, on charges of obstructing the SEC's investigation. . Authorities say she failed to reveal the extent of her knowledge about where as much as $5 billion of the banks' assets were when she testified before the agency in early February. A lawyer for Ms. Pendergest-Holt said she committed no crime and there was 'no proof' she did not cooperate with investigators. Her lawyer said "I see a billionaire who has not been charged", "I see a semi-millionaire who has not been charged. I see a multi-thousandaire who is being charged. That's just wrong." Stanford has surrendered his passport. But no criminal charges have been filed. The government lawyer said, Pendergest-Holt 'is one of three people who had access to $6 billion now missing to investors.' In earlier testimony to the S.E.C., Mrs. Pendergest-Holt said that only Mr. Stanford and Mr. Davis knew the status of billions of dollars stashed in an opaque part of the bank's portfolio known as Tier III. According to the F.B.I., however, only four days before testifying, Mrs. Pendergest-Holt gave a presentation in Stanford's Miami office and during the meeting 'executive B,' gave her a data drive showing that the Tier III asset group included more than $3 billion in real estate holdings and $1.6 billion that turned out to be a 'loan to shareholder'. In her S.E.C. testimony, however, Mrs. Pendergest-Holt did not reveal these details, despite repeated questioning. A lawyer who represented the firm and who was present during Mrs. Pendergest-Holt's testimony before the S.E.C., withdrew his counsel the day after her testimony. Two days later, the lawyer, who had spent 20 years with the S.E.C. before entering private practice, disavowed all previous oral and written representations he had made to the S.E.C. on behalf of the firm. On Friday, Mrs. Pendergest-Holt appeared at a bail hearing in Houston after the F.B.I. arrest and U.S. District Court Judge Mary Milloy agreed to release Ms. Pendergest-Holt on $300,000 bond, even though U.S. prosecutors had asked the judge to set bond at $1 million. Judge Mary Milloy also ordered Mrs. Pendergest-Holt, who appeared in court dressed in a dark pants suit and heels, to be placed under electronic surveillance and to wear an electronic tracking until her next court appearance. The tall, slender brunette reportedly appeared grim for most of the hearing but occasionally turned in her chair to smile at her husband, an equity fund manager.
Stanford's James Davis refuses to cooperate in SEC Fraud Probe: James M. Davis, chief financial officer of both Stanford Financial Group and Stanford International Bank and second-highest ranking executive at the Stanford Financial Group of companies, refused to cooperate in the U.S. investigation. Davis said in papers filed Feb. 27 in Dallas federal court as part of a U.S. Securities and Exchange Commission lawsuit: 'I hereby assert my privilege against self-incrimination under the Fifth Amendment of the U.S. Constitution and decline to testify or provide an

accounting'. In his declaration, Davis said he won't provide any information or answer questions related to his personal assets or any actions he took regarding any of the Stanford-related entities, including how investors were solicited or how their funds were invested, according to court papers.

Only about $90 million in actual assets, and about $160 million in a Credit Suisse account identified: Meanwhile, Stanford's assets are under the control of a court-appointed receiver and a Dallas judge is expected to rule on Monday on whether to extend a temporary restraining order that gives the receiver control of Stanford's assets -- pegged by the company at $50 billion. The receiver thus far reportedly has identified only about $90 million in actual assets.. That does not include a Credit Suisse account containing about $160 million that Pendergest-Holt had access to and signed over to the receiver shortly before her arrest. U.K. investigators located more than 100 million pounds ($143 million) in personal and business accounts related to Stanford, according to a report today on the Financial Mail's Web site, citing an unidentified person 'close to the Serious Fraud Office.'

Players across Major League Baseball also affected: Baseball players, many of them multimillionaires, are short on cash because the government froze accounts in the businesses of Stanford. The Yankees' Johnny Damon and Xavier Nady; former Yankee Bernie Williams; the Mets' Mike Pelfrey; Boston's Jacoby Ellsbury; Seattle's Adrian Beltre; Tampa Bay's Carlos Pena; and Philadelphia's Scott Eyre are among those who say they've had accounts frozen. Eyre said: 'I invested in (Stanford) three years ago - thought it was too good to be true - and it was." Beltre, a third baseman for the Mariners, said " I don't even know how much money I have in those accounts-'. Ellsbury, an outfielder on the Red Sox, said he had direct investments in Stanford funds. Those who don't have access to their accounts are angry at Stanford. Eyre said: 'He's a billionaire. Does he really need to do a scam to make more money?" Major League Baseball doesn't have a handle yet on the exact number of players involved. Rob Manfred, executive vice president of baseball operations in the commissioner's office said "We are aware of the situation, and given the number of players involved, we're monitoring it closely".

Class action lawsuit also in Canada filed: Besides the lawsuits against Stanford filed in the US with similar allegations one of Canada's largest manufacturers of upholstered furniture filed on February 25, 2009 in Alberta Court of Queen's Bench in Calgary the first Canadian class-action lawsuit against Stanford and his group of companies seeking damages for misrepresentation, unjust enrichment, conversion, fraudulent conveyance and breach of trust for what it claims is an investment scheme that is "untruthful and inaccurate." The Canadian Manufacturer, which makes sofas, love-seats, chairs and tables and operates large plants in Calgary and Mississauga, alleges it invested US$1-million in "self-styled" certificates of deposit offered by Stanford International Bank, Ltd., which is also named in the suit. The claim alleges that Stanford Bank sold the certificates through a network of its own financial advisors, who allegedly sold to the plaintiff the investments after "promising high rates of return that exceed those available through true certificates of deposit offered by traditional banks." The claim alleges "Stanford International Bank's network of Stanford Group Company financial advisors has made repeated misrepresentations to the purchasers of CDs in order to induce them into thinking their investment is safe." These include representations that the money was primarily in "liquid financial investments," subject to monitoring by a portfolio of 20 analysts, and audited annually by financial regulators in Antigua, while in fact only Stanford and Davis monitored the portfolio and that Antiguan regulators never verified the assets, so the lawsuit. The plaintiff claims none was true, "a substantial portion of the portfolio was placed in illiquid investments, such as real estate and private equity".



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