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Louisiana investors sue financial advisers over Stanford Group losses

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Ten Louisiana investors who said they lost millions in a bank run by Texas billionaire R. Allen Stanford sued their financial advisers on Tuesday, arguing that the men misrepresented the investment products they sold.

The suit accuses the six employees of the Stanford Group Company of misleading investors, telling clients they were investing in safe certificates of deposit when the Stanford International Bank in Antigua was actually "a speculative, highly leveraged hedge fund" and the CDs "were nothing more than ultra-speculative mezzanine-type junk bonds."

The investors seek repayment for their losses.

Lawyer Philip Preis declined to say how much his clients lost with Stanford's Baton Rouge office but said it was in the millions of dollars. The suit does not allege the Stanford advisers purposely deceived investors, but accuses them of negligence and breach of contract.

"The Stanford Group had a real high profile in Baton Rouge, and as a result of this, a lot of people have been hurt," Preis said.

The Securities and Exchange Commission has accused Stanford and his finance chief James M. Davis of conducting a "massive Ponzi scheme" through companies they controlled, including the Antigua bank. Stanford and Davis misappropriated billions of dollars of investors' money and falsified the bank's financial statements to conceal the fraud, the agency has said in a civil complaint filed in federal court last month in Dallas.

Among the defendants of the Louisiana lawsuit is Grady Layfield, listed on Stanford's Web site as the managing director of the Baton Rouge office. Neither Layfield nor four other defendants returned a call to comment on the suit.

Michael Stanley, a lawyer for Baton Rouge defendant Dirk Harris, said the lawsuit is premature. He said it's still unclear how much money — if any — Stanford's investors have lost, so it's too soon to seek damages.

"We're all kind of in the dark. Our hope is that they find the money," Stanley said.

Stanley said he's representing both Stanford employees and clients in Texas, and described both groups as victims of turmoil since allegations against the company arose earlier this year.

The SEC on Feb. 17 brought civil charges against Stanford, Davis and Laura Pendergest-Holt, the chief investment officer for the company, alleging an $8 billion investment fraud where investors were lied to about the safety of investments sold by the bank as certificates of deposit and promised unrealistically high rates of return.

An attorney representing Stanford has said his client denies the allegations made by the SEC.

FBI agents served Stanford with legal papers last month and he was ordered to surrender his passport, but has not been charged with a crime.