UNITED STATES DISTRICT COURT

MIDDLE DISTRICT OF LOUISIANA

SANDRA ALLEN, ON BEHALF OF HERSELF AND ALL OTHERS SIMILARLY SITUATED,	*	
PLAINTIFFS,	*	**C.A. NO. ________________**
VERSUS	*	
STANFORD GROUP COMPANY, STANFORD FINANCIAL GROUP, STANFORD INTERNATIONAL BANK LTD., STANFORD HOLDINGS, INC., STANFORD CAPITAL MANAGEMENT, LLC, R. ALLEN STANFORD, JAMES DAVIS, and LAURA PENDERGREST-HOLT,	*	
DEFENDANTS.	*	

<u>CLASS ACTION COMPLAINT</u>

1. NOW INTO COURT, through undersigned counsel, comes Plaintiff, Sandra Allen, individually and as representative of all persons and entities similarly situated, who alleges as follows:

2. This is a class action suit brought pursuant to the provisions of the Rule 23 of the Federal Rules of Civil Procedure, by Plaintiff Sandra Allen, individually, and on behalf of all other persons and entities similarly situated (hereinafter referred to as "Plaintiffs"), who are residents of the United States, to obtain relief from Defendants Stanford Group Company, Stanford Financial Group, Stanford International Bank, LTD., Stanford Holdings, Inc., Stanford Capital Management, LLC (collectively referred to as "Stanford"), R. Allen Stanford, James Davis and Laura Pendergest-Holt, collectively referred to as "individual Defendants"), based on the facts and causes of action stated below.

THE PARTIES

3. Plaintiff, Sandra Allen, is a person of full age of majority who is domiciled in the Parish of East Baton Rouge, State of Louisiana. Plaintiff is a member of the Plaintiff Class defined herein, and Plaintiff will adequately represent the interests of the Plaintiff Class as the class representative in this case.

4. Named as Defendants are: Stanford Group Company, Stanford Financial Group, Stanford International Bank, LTD., Stanford Holdings, Inc., Stanford Capital Management, LLC (collectively referred to as "Stanford"), R. Allen Stanford, James Davis and Laura Pendergest-Holt, (collectively referred to as "individual Defendants").

JURISDICTION AND VENUE

5. The investments offered and sold by Stanford are "securities" under Section 2(1) of the Securities Act of 1933 [15 U.S.C. § 77b], and Section 3(a)(10) of the Securities Exchange Act of 1934 [15 U.S.C. § 78c].

6. This Court has jurisdiction over this action, and venue is proper, under Section 22(a) of the Securities Act of 1933[15 U.S.C. § 77v(a)], and Section 27 of the Securities Exchange Act of 1934[15 U.S.C. § 78a].

7. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b) because (1) a substantial part of the events or omissions giving rise to Plaintiff's claims occurred in this district and (2) the defendants are subject to personal jurisdiction in this district.

INTRODUCTION

8. This is an action brought by Plaintiff pursuant to various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934.

9. Stanford and the individual Defendants engaged or participated in the implementation of manipulative devices to falsely report investment returns to customers, made or participated in the making of false and misleading statements, and participated in a scheme to

defraud, or a course of business that operated as a massive fraud or a deceit on its customers. As a result of Defendants' wrongful conduct and scheme, thousands of investors placed millions of dollars into Stanford's managed portfolios, including the purchase of "depositor-secured" Certificates of Deposit, and have sustained significant financial losses.

10. This fraud was accomplished through the direction and active participation of the individual Defendants who knowingly violated Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority regulatory provisions, and federal securities law. When certain employees of Stanford complained about discrepancies in certain investment results, Stanford, through its officers and directors (including the individual Defendants), knowingly attempted to "cover up" this information, opting instead to hide and obstruct the truth, and Stanford's duty of compliance with regulatory and statutory law, and its fiduciary duty of full and fair disclosure to its customers. Accordingly, Plaintiff and the Class members are entitled to rescind the sales and recover damages.

FACTS RELEVANT TO PLAINTIFF

11. In 2008, Plaintiff, Sandra Allen, individually entrusted a significant amount of money to Stanford for investment on her behalf, including the purchase of a Certificate of Deposit issued by Stanford International Bank, Ltd. ("SIB"), based upon materially false and misleading information disseminated by Defendants, to the effect that Stanford was a legitimate enterprise engaged in the lawful brokerage and sale of investment securities, with the purported rates of return on investment.

12. In determining to invest monies through Stanford, Plaintiff naturally, reasonably, and justifiably relied upon Defendants' misrepresentations in deciding to make such investment.

13. As a consequence of Defendants' fraud as alleged herein, Plaintiff has been damaged in an amount to be proven at trial.

FACTS RELEVANT TO DEFENDANTS

14. Stanford is composed of the above named U.S. companies and its flagship entity, an offshore bank known as Stanford International Bank, Ltd. All of these companies are controlled by R. Allen Stanford, who is either the founder, chairman, and/or chief executive officer of all related Stanford companies.

15. Defendant R. Allen Stanford, 58, is a Texas billionaire with a reported net worth, according to Forbes, of an estimated $2.2 billion, making him the 205th on Forbes 2008 list of the richest people in the U.S. worldwide. He often refers to the meager beginnings of his father's insurance business in Mexia, Texas during the Depression, but he equally touts his prominent business and political influence in the twin island Caribbean nation of Antigua and Barbuda, where he was knighted by Sir Allen in 2006, and where his Antiguan-based offshore bank is located.

16. With reported assets of $1 billion in 2001, SIB now has more than $8.5 Billion in total assets, according to the bank's report in December 2008. To do so, R. Allen Stanford and his key management engaged in a campaign to substantially increase SIB assets in Antigua by selling high-yield certificates of deposits to affluent U.S. investors through Stanford's network of U.S. companies. U.S. investors are actively solicited to purchase SIB-issued CDs through his array of affiliated companies. Stanford Group Company is owned by Stanford Group Holdings, Inc., which is in turn owned by R. Allen Stanford. For all practical and legal reasons, all related companies are owned and controlled by R. Allen Stanford.

17. Defendant R. Allen Stanford has created a complex web of affiliated companies that exist and operate under the brand Stanford Financial Group ("SFG"). SFG is described as a privately-held group of companies that has in excess of $50 billion "under advisement."

18. SIB, an Antiguan bank charted under the laws of the sovereign nation of Antigua and Barbuda, boasts in its promotional literature that "deposit safety" is its "number one priority." Acting in concert with Stanford's U.S. based companies, the offshore bank taps into the lucrative U.S. investor market through the conduit of Stanford Group Companies ("SGC"), and its 29 affiliated offices throughout the U.S. In all cases, SGC aggressively pushed its advisors to sell the SIB CD's program and rewarded them handsomely for their success.

19. Among the platform of financial products offered by SGC, the sale of SIB CDs offered the greatest incentive to financial advisors. The campaign involved direct pressure on the financial advisors to sell the foreign CDs, coupled with bonus incentives for employees who could generate the greatest number of deposits. The program was aptly named as "The Contest." An "SIB Scoreboard" was kept, listing each group's performance in meeting their quota, which determined the size of bonus they would receive.

20. From a 3% referral fee payable to SGC on every SIB CD sold, SGC advisers received a 1% commission if they sold $2 million of SIB CDs in a quarter. They would also receive as much as a 1% trailing commission throughout the term of the CD if they maintained the $2 million per quarter production hurdle. This commission structure provided a powerful incentive for SGC financial advisers to aggressively sell CDs to the U.S. investors, and was used extensively to recruit new advisors to SGC.

21. SGC aggressively expanded its number of financial advisors in the United States. Through this expansion, SIB's network of representatives who sold CD products grew substantially. According to the Annual Report and information provided to advisors, the total assets at SIB grew exponentially from 2001 to 2008, from approximately $1.0 billion in July 2001, to approximately $5.0 billion in October 2006. By the end of 2007, SIB sold $6.7 billion

of CDs, and in its latest report of December 2008, SIB reports over 30,000 clients, representing $8.5 billion in total assets.

22. SIB aggregated all funds from the sale of CDs, and purportedly reinvested those funds pursuant to an investment strategy monitored by a group of analysts in Memphis, Tennessee, who reported to senior investment officers. According to SIB's Annual Reports for 2005 and 2006, which were signed by R. Allen Stanford and James Davis, the bank invested customer deposits "in a well-balanced global portfolio of marketable financial instruments, namely U.S. and international securities and fiduciary placements."

23. SIB CDs are offered in three forms at varying terms: Fixed, Flex and Index Linked. Each CD offers a substantially higher rate of return compared to domestic certificates of deposit. For example, SIB offered 7.45% as of June 1, 2005, 7.878% as of March 20, 2006 for a fixed rate CD based on an investment of $100,000. Plaintiff's 60 month CD, issued in 2008, promised to pay interest at a base rate of 8.275%, with an annual yield of 10.25%.

24. SGC advisors who questioned how SIB could pay such high rates of return for CDs compared to U.S. banks were told that the bank's investment strategy had garnered consistently high investment returns on its portfolio. However, any attempts to discover the specifics of the investment portfolio were rebuffed, and advisors were summarily told that SIB could not disclose the details of its assets or portfolio managers, except to say that the assets were safe in a globally diversified portfolio that was capable of 90% liquidation within 48 hours.

25. To allay advisors' concerns, and facilitate sale of the foreign CDs, senior management at SGC and SIB, including the individual Defendants, had to create the appearance of a stable, liquid, and secure CD, comparable to the low risk associated with a familiar domestic CD. Advisors were deceived by senior management, including the individual Defendants, to

make the following misrepresentations which operate as a fraud or a deceit on purchasers of the SIB CDs:

- The CDs are liquid, minimally leveraged, and can be redeemed at any time.
- SIB is strongly capitalized with R. Allen Stanford's own personal funds, and depositor security is the number one priority.
- The SIB investment portfolio was monitored by a team of analysts and consistently generates more investment return than is paid out in CD interest and expenses so that the principal is not really ever in jeopardy.
- The SIB CDs are secure because of insurance coverage from Lloyd's and other underwriters, and Excess FDIC.
- The SIB investment portfolio is overseen by a regulatory authority in Antigua, and an independent auditor who verified and audited financial statements of SIB.

26. These misrepresentations were false and misleading when made to customers who purchased the SIB CDs.

27. SGC/SCM induced clients, including non-accredited, retail investors, to invest in excess of $1 billion in its managed investment program called "Stanford Allocation Strategies" ("SAS") by touting its track record of "historical performance." SGC/SCM highlighted the purported SAS track record in thousands of client presentation books.

28. SGC/SCM used these impressive, but fictitious, performance results to grow the SAS program from less than $10 million in assets in 2004 to over $1 billion in 2008.

29. SGC/SCM also used the SAS track record to recruit financial advisors away from legitimate advisory firms who had significant books of business.

30. SGC/SCM told investors that SAS has positive returns for periods in which actual SAS clients lost substantial amounts. Upon information and belief, in 2000, actual SAS client returns ranged from negative 7.5% to positive 1.1%. In 2001, actual SAS client returns ranged from negative 10.7% to negative 2.1%. And, in 2002, actual SAS client returns ranged from negative 26.6% to negative 8.7%. These return figures are all gross of SCM advisory fees ranging from 1.5% to 2.75%. Thus, Stanford's claims of substantial market out performance were blatantly false (e.g., a claimed return of 18.04% in 2000, when actual SAS investors lost as much as 7.5%).

31. SGC/SCM's management knew that the advertised SAS performance results were misleading and inflated. From the beginning, SCM management knew that the pre-2005 track record was purely hypothetical, bearing no relationship to actual trading. And, as early as November 2006, SGC/SCM investment advisors began to question why their actual clients were not receiving the returns advertised in pitch books.

32. In response to these questions, SGC/SCM hired an outside performance reporting expert to review certain of its SAS performance results. In late 2006 and early 2007, the expert informed SGC/SCM that the performance results for the twelve months ended September 30, 2006 were inflated by as much as 3.4 percentage points. Moreover, the expert informed SGC/SCM managers that the inflated performance results included unexplained "bad math" that consistently inflated the SAS performance results over actual client performance. Finally, in March 2008, the expert informed SGC/SCM managers that the SAS performance results for 2005 were also inflated by as much as 3.25 percentage points.

33. Despite their knowledge of the inflated SAS returns, SGC/SCM management continued using the pre-2005 track record. In fact, in 2008 pitch books, they presented the back-

tested pre-2005 performance data under the heading "Historical Performance" and "Manager Performance" along side the audited 2005 through 2008 figures.

34. Finally, SGC/SCM compounded the deceptive nature of the SAS track record by blending the back-tested performance with audited composite performance to create annualized 5 and 7 year performance figures that bore no relation to actual SAS client performance.

35. Other than the fees paid by SIB to SGC for the sale of the CDs, SAS was the second most significant source of revenue for the firm. In 2007 and 2008, SCG earned approximately $25 million in fees from the marketing of the SAS program.

CLASS ACTION ALLEGATIONS

36. This action is brought as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure. Plaintiffs are pursuing this action to secure redress on behalf of all persons and entities in the United States who have suffered damages as a consequence of Defendants' violations of federal securities laws and regulations. Plaintiff brings the claims herein on behalf of herself and all other persons and entities similarly situated, and seeks certification of the following Plaintiff Class:

> All persons or entities in the United States who purchased securities and certificates of deposit sold by or through the Defendant Stanford entities, or other selling agents affiliated with the Stanford entities, from January 1, 2000 until February 17, 2009 inclusive (the "Class Period"), excluding Defendants and all officers and directors of Defendants during the Class Period ("the Class").

37. Specifically excluded from the proposed Plaintiff Class are the Judge to whom the case is assigned; the Defendants, officers, directors, agents, trustees, representatives or employees of Defendants; or entities controlled by Defendants, and their heirs, successors, assigns, or other persons or entities related to or affiliated with Defendants and/or their officers and/or directors.

38. Membership in the Class is so numerous as to make it impractical to bring all class members before the Court as individual Plaintiffs. The exact number of Class members is unknown, though believed to be in the tens of thousands, but can be reasonably determined from the records maintained by Defendants.

39. A class action is superior to other available methods for the fair and efficient adjudication of this litigation. Individual litigation would be unduly burdensome to the courts in which individual litigation would proceed. The disposition of these claims in a class action will provide substantial benefits to the Class members, the public, and the courts.

40. Defendants' process and procedure for marketing, promoting, and selling investment products, including CDs and securities, were uniform. Total uniformity in this respect is consistent with class action principles. This action alleges violations of specific federal securities laws and regulations during a specific time period by Defendants, and thus a singular legal focus on the nature and content of Defendants' conduct is present.

41. Individual litigation would present the potential for varying, inconsistent, or contradictory judgments and would magnify the delay and expense to all parties and to the court system resulting from multiple trials of the same factual issues. Plaintiff knows of no difficulty to be encountered in the management of this action that would preclude its maintenance as a class action. Accordingly, relief concerning Plaintiff's rights under the laws herein alleged and with respect to the Plaintiff Class would be proper. This class action provides the benefits of unitary adjudication, economies of scale and comprehensive supervision by a single court.

42. Plaintiff is a member of the Plaintiff Class described herein and will adequately and fairly represent the interests of the classes. Plaintiff has retained counsel who are

experienced in class action litigation and are well-qualified and competent to represent the Plaintiff Class.

43. Neither Plaintiff nor her attorneys have any interests which are contrary to, or conflicting with, those of the Class members. Accordingly, the interests of the Class members will be adequately protected and advanced. In addition, the interests of Plaintiff and members of the Class are aligned because they have a strong interest in securing their right to recover damages.

44. This action has been brought and may properly be maintained as a class action under the Federal Rules of Civil Procedure. The Class satisfies the numerosity, commonality, typicality, adequacy, and superiority requirements of Rule 23 of the Federal Rules of Civil Procedure because there is a well-defined community of interests and common questions of law and fact which predominate over any questions affecting only individual members of the classes. These common legal and factual questions do not vary from one class member to another, and may be determined on a class-wide basis without reference to the individual circumstances of any class member. These questions include, but are not limited to, the following:

(a) whether Defendants violated Section 10b and rule 10b-5 of the Securities Exchange Act of 1934, 15 USC § 78a, by fraudulently inducing Plaintiffs and the Class to purchase investments marketed by Stanford through the use of materially false and misleading Monthly Account Statements, sales materials and oral presentations;

(b) whether Defendants violated the provisions of the Securities Exchange Act Section 10b and rule 10b-5 by

knowingly or with severe recklessness providing the substantial assistance in connection with the violations of Securities Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] alleged herein;

(c) whether Defendants violated the provisions of the Securities Exchange Act Section 12 by knowingly or with severe recklessness communicating material misstatements and/or omissions that were disseminated by use of the means and instruments of transportation or communication in interstate commerce or of the mails; and,

(d) whether Defendants violated the provisions of the Securities Exchange Act Section 17(a) by knowingly or with severe recklessness (a) employing devices, schemes or artifices to defraud; (b) obtaining money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaging in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

45. Plaintiff's claims are typical of the class she represents. Plaintiff and members of the class all invested in CDs or securities through Stanford and based on representations made by

Defendants. The losses experienced by Plaintiff were caused by the same events and conduct that gives rise to the claims of the other class members.

46. Notice can be provided to members of the Plaintiff Class by a combination of published notice, Internet notice, and first-class mail using techniques and forms of notice similar to those customarily used in product liability cases and class actions.

CAUSES OF ACTION
FIRST CLAIM

FIRST CLAIM FOR RELIEF
(Violations of § 10(b) of the Securities and Exchange Act and Rule 10-b5)

47. Plaintiff repeats and re-alleges each and every allegation contained in the foregoing paragraphs as if set forth herein.

48. As more fully set forth in the factual allegations above, Defendants, through the use of the mails and the means and the instrumentalities of interstate commerce, fraudulently induced Plaintiff and the Class to purchase investments, being marketed by Stanford through the use of materially false and misleading Monthly Account Statements, sales materials and oral presentations.

49. Defendants knowingly transmitted to Plaintiff and the Class and disseminated, directly and through its agents, materially false and misleading statements, as more fully described above, describing and recommending the purchase of the securities purchased by Plaintiff and the Class.

50. At the time of the misstatements and omissions described above, Defendants knew or should have known that such statements were materially false and misleading and omitted facts required in order to make the statements made, in light of the circumstances under

which they were made, not misleading, but knowingly or recklessly made such statements to Plaintiff and the Class in order to induce them to purchase the investments.

51. Plaintiff and the Class reasonably relied upon the information provided to them and statements made by Stanford and its agents recommending the purchase of the securities. At the time of such investments, Plaintiff and the Class had no knowledge that the information and recommendations provided by Defendants contained material misstatements and omissions.

52. Plaintiff and the Class would not have purchased the CDs and securities but for the materially false and misleading information provided to them by Defendants.

53. As a result of their investments, Plaintiff and the Class have been damaged and their original investment capital has been substantially depleted.

SECOND CLAIM
AS TO STANFORD, DAVIS, COMEAUX, PARRISH AND PENDERGEST-HOLT
Aiding and Abetting Violations of Securities Exchange Act Section 10(b) and Rule 10b-5

54. Plaintiff repeats and re-alleges each and every allegation contained in the foregoing paragraphs as if set forth herein.

55. In addition to violating the provisions of the Securities Exchange Act Section 10(b) and Rule 10b-5, Stanford, Davis, and Pendergest-Holt, in the manner set forth above, knowingly or with severe recklessness provided substantial assistance in connection with the violations of Securities Exchange Act Section 10(b) [15 U.S.C. § 78j(b)] and Rule 10b-5 alleged herein.

56. For these reasons, Stanford, Davis, Pendergest-Holt, Comeaux, and Green aided and abetted violations of Section 10(b) of the Exchange Act [15 U.S.C. . § 78j(b)] and Rule 10b-5.

THIRD CLAIM
(Violations of Section 12 of the Securities Act)

57. Plaintiffs repeat and re-allage each and every allegation contained in the foregoing paragraphs as if set forth herein.

58. Defendants sold the securities to Plaintiff by means of oral and written communications, which contained material misstatements and/or omissions and were disseminated by use of the means and instruments of transportation or communication in interstate commerce or of the mails.

59. Plaintiff and the Class, without knowledge of the falsity of Defendants' statements and of the material omissions in the written materials provided by Defendants including, but not limited to, Monthly Account Statements and other misrepresentations made by Defendants, as described above, and reasonably believing such statements to be true and complete, purchased investments from Defendants.

60. Plaintiff and the Class would not have purchased the investments but for the materially false and misleading information provided to them by Defendants.

61. By virtue of the foregoing, Plaintiff and the Class have been damaged and are entitled to damages and other relief for Defendants' violations of Section 12 of the Securities Act as alleged herein.

FOURTH CLAIM
(Violations of Section 17(a) of the Securities Act)

62. Plaintiff repeats and re-alleges each and every allegation contained in the foregoing paragraphs as if set forth herein.

63. Defendants, directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in

interstate commerce and by use of the mails, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

64. As part of and in furtherance of this scheme, Defendants, directly or indirectly, prepared, disseminated or used contracts, written offering documents, promotional materials, investor and other correspondence, and oral presentations, which contained untrue statements of material fact and which omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

65. Defendants made the referenced misrepresentations and omissions knowingly or grossly recklessly disregarding the truth.

66. For these reasons, Plaintiff and the Class have been damaged, and are entitled to damages and other relief for Defendants' violation of Section 17(a) of the Securities Act as alleged herein.

67. Plaintiff prays for a trial by jury.

PRAYER FOR RELIEF

Wherefore, Plaintiff prays for judgment as follows:

1. For an order certifying that this action may be maintained as a class action against Defendants, establishing an appropriate Class, appointing Plaintiff Sandra Allen as Class Representative and her counsel to represent the Class, and directing that reasonable notice of this action be given to the Class members;

2. For an award of all remedies and damages incurred as a consequence of the liability of the Defendants, together with legal interest thereon from the date of judicial demand until paid;

3. For disgorgement and restitution of all earnings, profits, compensation and benefits received by Defendants as a result of their unlawful acts and practices;

4. For an award of a reasonable sum for attorney fees;

5. For the costs of these proceedings;

6. For such other and further relief as this Court may deem just and proper; and,

7. For trial by jury.

BY ATTORNEYS:

/s/ Patrick W. Pendley
PATRICK W. PENDLEY (LSBA# 10421)
CHRISTOPHER L. COFFIN (LSBA# 27902)
STAN P. BAUDIN (LSBA# 22937)
NICHOLAS R. ROCKFORTE (LSBA #31305)
PENDLEY, BAUDIN & COFFIN, L.L.P.
P.O. DRAWER 71
24110 EDEN STREET
PLAQUEMINE, LOUISIANA 70765
TEL: (225) 687-6396
FAX: (225) 687-6398