

INTRODUCTION AND OVERVIEW

1. This is a class action for violations of the anti-fraud provisions of the federal securities laws on behalf of all purchasers of certificates of deposit (“CDs”) from Stanford International Bank Ltd. (“SIB” or the “Company”) or shares in SIB’s Stanford Allocation Strategy proprietary mutual fund wrap program (“SAS”) between February 19, 2004 and February 17, 2009 (the “Class Period”), and who were damaged thereby (the “Class”).

2. SIB is a private international bank domiciled in St. John’s, Antigua, West Indies. During the Class Period, SIB and its affiliated investment advisors, Stanford Group Company (“SGC”) and Stanford Capital Management, LLC (“SCM”), fraudulently peddled CDs that promised rates of return far above those available from other banks. Defendants claimed that these superior returns were possible because SIB invested its deposits rather than loaning them. To ensure that depositors could redeem their CDs, defendants assured them that SIB’s investments were liquid and diversified. In fact, nearly 80% of SIB’s investments were concentrated in just two high-risk, illiquid categories: private equity and real estate. Now that the real estate and private equity markets are in free fall, many of those who purchased SIB’s CDs have recently been informed that they cannot redeem them.

3. Defendants also misled investors in SIB’s SAS program. Specifically, defendants picked a handful of mutual funds that had performed extremely well in 1999-2004 and claimed the returns of those high-performing funds as the historical returns of the SAS program. Defendants also inflated the claimed returns of the SAS program in 2006 and 2007. Investors, misled by defendants’ claims of historic returns, have fared very poorly in the SAS program.

4. When investors became concerned that SIB might have invested in Bernard Madoff’s \$50 billion Ponzi scheme, SIB sent them each a letter unequivocally stating that “Stanford International Bank did not have any exposure to the Madoff Fund.” Just two days before this letter

was sent, an SIB analyst informed all three of the individual defendants – R. Allen Stanford (“Stanford”), SIB’s Chairman of the Board and sole shareholder; James M. Davis (“Davis”), Chief Financial Officer of Stanford Financial Group (“SFG”) and SIB; and Laura Prendergest-Holt (“Prendergest-Holt”), Chief Investment Officer of SIB – that SIB had invested in Meridian, a New York-based hedge fund that used Tremont Partners as its asset manager. Tremont, in turn, had invested a portion of Meridian’s – and SIB’s – money with Madoff.

5. In mid-February 2009, the media began reporting that the U.S. Securities & Exchange Commission (“SEC”) was investigating SIB. Defendant Stanford sought to deflect these reports by claiming that they were part of a “routine examination” and that he was “cooperating.” In fact, he and the other individual defendants were refusing to testify.

6. Finally, on February 16, 2009, the SEC filed a complaint against SIB, SGC, and SCM, as well as against defendants Stanford, Davis and Pendergest-Holt, accusing them of participating in a “massive, ongoing fraud.” According to press reports, the FBI has also begun an investigation. Since then, there has been a “run” on SIB, with investors flying to Antigua from all over the world to try to recover their money. In the meantime, authorities were forced to conduct a manhunt for defendant Stanford before he was finally tracked down in Virginia.

JURISDICTION AND VENUE

7. The investments offered and sold by defendants are “securities” under §3(a)(10) of the Securities Exchange Act of 1934 (“1934 Act”) [15 U.S.C. §78c] and §202(18) of the Investment Advisers Act of 1940 (“Advisers Act”) [15 U.S.C. §80b-2(18)].

8. The claims asserted arise under §§10(b) and 20(a) of the 1934 Act and Rule 10b-5 and §§206(1) and (2) of the Advisers Act. Jurisdiction is conferred and venue is proper pursuant to §27 of the 1934 Act and §214 of the Advisers Act. False statements were made in this District, and

acts giving rise to the violations complained of occurred in this District. SGC is headquartered in this District.

THE PARTIES

9. Plaintiff John Cohron purchased CDs from SIB during the Class Period as set forth in the attached certification and was damaged thereby.

10. Defendant SIB is a private international bank with its headquarters located in St. John's, Antigua, West Indies. Defendant SIB may be served at No. 11 Pavilion Drive, St. John's, Antigua, West Indies.

11. Defendant SGC is a wholly owned subsidiary of Stanford Group Holdings, Inc., which in turn is owned by defendant Stanford. SGC is based in Houston, Texas. Defendant SGC may be served at 5050 Westheimer Road, 13th Floor, Houston, Texas 7701.

12. Defendant SCM is a registered investment advisor that markets the SAS program through SCM. Defendant SCM may be served c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.

13. Defendant Stanford is a U.S. citizen. Stanford is Chairman of the Board and sole shareholder of SIB and the sole director of SGC's parent company. In 2008, Stanford was listed by *Forbes* as the 205th wealthiest man in the U.S., with a net worth of \$2.2 billion. Defendant Stanford may be served at 5476 Holly Springs Drive, Houston, Texas 77056.

14. Defendant Davis is a U.S. citizen and resident of Baldwin, Mississippi. Davis is a director and Chief Financial Officer ("CFO") of SFG and SIB. Defendant Davis may be served at 1140 County Road, 165, Baldwin, Mississippi 38824.

15. Defendant Pendergest-Holt is the Chief Investment Officer of SIB and its affiliate SFG. Defendant Pendergest-Holt may be served at 410 East Clayton Street, Baldwin, Mississippi 38824.

SCIENTER

16. During the Class Period, the defendants had both the motive and opportunity to conduct fraud. They also had actual knowledge of the misleading nature of the statements they made or acted in reckless disregard of the true information known to them at the time. In so doing, the defendants participated in a scheme to defraud and committed acts, practices and participated in a course of business that operated as a fraud or deceit on purchasers of SIB CDs or shares in the SAS program during the Class Period.

BACKGROUND

17. Unlike most banks, which earn profits by loaning deposits out at a higher interest rate than they pay, SIB takes depositors money and invests it, hoping for a higher rate of return than the CDs pay SIB's depositors. Over the past fifteen years, defendants claimed that SIB's unique investment strategy allowed it to achieve consistent, stable, double-digit returns on its investments, which, in turn, allowed it to pay much higher than market rates on its CDs. Indeed, in 2008, the S&P lost 39%, while SIB, which had the majority of its investments in equities, lost only 1.3%. By virtue of these outsize returns, defendants were able to grow SIB from total assets of \$2.2 billion in 2003 to \$8.5 billion as of November 28, 2008.

18. The SEC has concluded that these returns were not only improbable, but fraudulent. Indeed, only two employees, defendants Stanford and Davis, know the details regarding 80% of SIB's investments. SIB's auditor, C.A.S. Hewlett & Co., a small local accounting firm in Antigua, purportedly checked the books, but it has stopped answering its phone. The Antiguan regulatory, the Financial Services Regulatory Commission, never attempted to verify SIB's claimed assets.

19. As defendants' scheme unraveled in recent days, depositors and investors have largely been unable to recover their money. In the last two weeks, regulators have discovered that SIB sought to remove over \$178 million from its accounts. Whether illiquid, lost, stolen, or a

combination of all three, the SEC has reported that “the vast majority of investor funds have not been accounted for.”

FALSE AND MISLEADING STATEMENTS DURING THE CLASS PERIOD

Defendants’ Misrepresentations Regarding SIB’s Investments

20. In early 2004, SIB issued its 2003 Annual Report. In that report, SIB broke out its \$2.1 billion in investments as follows:

- Bonds: 42%
- Equities: 39%
- Cash and Fiduciary: 11%
- Precious Metals: 8%

21. The report went on to state that “[a]ll listed securities,” including equities, treasury bonds, notes, and corporate bonds, “are generally listed on major international exchanges and are deemed highly liquid.”

22. The 2003 Annual Report also contained a Report of Management signed by defendants Stanford and Davis which stated:

The management of Stanford International Bank is responsible for the preparation, integrity and objectivity of the financial statements of the Bank. The financial statements and notes have been prepared by the Bank in accordance with approved accounting standards, and in the judgement of management, present fairly and consistently the Bank’s financial position and results of operations.

23. In early 2005, SIB issued its 2004 Annual Report. In that report, SIB broke out its \$2.8 billion in investments, as follows:

- Corporate Debt: 17.2%
- Treasury Debt: 12.7%
- Short-term Treasury Debt: 2.1%
- Equities: 52.2%
- Fiduciary: .3%
- Metals: 15.5%

24. The report went on to state that “[a]ll listed securities,” including equities, treasury bonds, notes, and corporate bonds, “are generally listed on major international exchanges and are deemed highly liquid.”

25. The 2004 Annual Report also contained a Report of Management signed by defendants Stanford and Davis, substantially identical to that quoted above.

26. In early 2006, SIB issued its 2005 Annual Report. In that report, SIB broke out its \$3.8 billion in investments, as follows:

Fixed Income: 23.3%
Equities: 54.9%
Fiduciary: 1%
Precious Metals: 13.4%

27. That report went on to state:

SIB employs an investment strategy with the goal of minimizing systematic and unsystematic risk, while maintaining more than adequate liquidity, portfolio efficiency, operational flexibility and absolute yields as opposed to index-benchmark yields.

* * *

The Bank’s investment portfolio maintains a stable and well-balanced structure due to a high proportion of fixed-income investments and a diversified investment advisory network resulting in an optimum diversification process. There is a policy of maintaining sufficient liquidity, thus protecting longer-term investments with significant returns.

28. The 2005 Annual Report contained a Report of Management signed by defendants Stanford and Davis, substantially identical to that quoted above.

29. In early 2007, SIB issued its 2006 Annual Report. In that report, SIB broke out its \$4.9 billion in investments, as follows:

Fixed Income: 21.9%
Equities: 57.4%
Fiduciary: 1.3%
Precious Metals: 13%
Alternative: 6.4%

30. The report goes on to state that:

The Bank's investment portfolio maintains a stable and well-balanced structure due to a high proportion of fixed-income investments and a diversified investment advisory network resulting in an optimum diversification process. There is a policy of maintaining sufficient liquidity, thus protecting longer-term investments with significant returns.

* * *

Capital preservation and steady annual flow of revenues is a specific objective of the portfolio. This objective is met by the investment methodology that pursues a minimization of risk (both systematically and unsystematically), liquidity (marketability), portfolio efficiency (highest return/minimum risk), operational flexibility, and absolute – as opposed to index-linked – yields on investment.

31. The 2006 Annual Report contained a Report of Management signed by defendants Stanford and Davis, substantially identical to that quoted above.

32. In early 2008, SIB issued its 2007 Annual Report. In that report, SIB broke out its \$6.3 billion in investments as follows:

Fixed Income: 18.6%
Alternative: 15.6%
Precious Metals: 7.2%
Equities: 58.6%

33. The report went on to state:

Stanford international bank's investment strategy is designed to minimize systematic and unsystematic risk while maintaining liquidity, portfolio efficiency (highest yield/minimum risk), operational flexibility and absolute yields.

* * *

While others in our industry, even the world's largest, have needed to take extreme steps to recapitalize their balance sheets, Stanford International Bank's overall liquidity and tier one capital are stronger today than at any time in our history.

* * *

The Bank's investment portfolio maintains a stable and well-balanced structure due to a high proportion of fixed-income investments and a diversified investment advisory network resulting in an optimum diversification process. There is a policy of maintaining sufficient liquidity, thus protecting longer-term investments with significant returns.

34. Finally, the 2007 Annual Report contained a Report of Management signed by defendants Stanford and Davis, substantially identical to that quoted above.

35. Defendants' statements in ¶¶19-34 above were materially false and misleading because SIB's investments were neither diversified or liquid, but rather concentrated in two high risk, illiquid types of investments: private equity and real estate.

36. Internally, SIB classified its investment portfolio into three tiers: Tier 1, consisting of cash and cash equivalents, Tier 2, consisting of investments managed by outside portfolio managers, and Tier 3, consisting of investments managed by defendants Stanford and Davis. In 2007, 81% of SIB's investment assets were Tier 3. Of those, the vast majority were invested in real estate and private equity, both highly illiquid investments.

37. SIB owned a majority of the shares of Health Systems Solutions Inc. of New York City, which is very thinly traded on the OTC Bulletin Board. SIB also made loans to a series of real estate companies affiliated with a development in Orlando, Florida, called Tisera Del Sol. Tisera Del Sol was being built by a firm called American Leisure Group Ltd. that traded on the London Stock Exchange until it was de-listed in October 2008. Such investments were not "listed on major international exchanges and . . . highly liquid," as defendants claimed.

Defendants' Misrepresentations Regarding SAS Performance Results

38. SAS is a proprietary mutual fund wrap program. In 2004, defendants cherry-picked a handful of mutual funds that had performed exceptionally well in the previous five years. In the pitch books they presented to investors throughout the Class Period, defendants claimed that the SAS program had achieved the same returns as the group of retrospectively chosen high performers, rather than the returns the program had actually generated, as follows:

	2005	2004	2003	2002	2001	2000
SAS Growth	12.09%	16.15%	32.84%	-3.33%	4.32%	18.04%
S&P 500	4.91%	10.88%	26.68%	-22.10%	-11.88%	-9.11%

39. By touting these false and misleading return figures, defendants grew the SAS program from \$10 million in 2004 to over \$1 billion in 2008. When the SAS program's actual returns became too disappointing to hide, defendants perpetuated their deception by using the false historical returns to inflate the program's three, four, and five-year average returns. In 2007 and 2008, SIB earned approximately \$25 million in fees from the marketing of the SAS program.

Defendants' Misrepresentations Regarding SIB's Madoff Exposure

40. When investors became concerned that SIB might have invested in Bernard Madoff's \$50 billion Ponzi scheme, SIB sent them each a letter on December 17, 2008, stating unequivocally that "Stanford International Bank did not have any exposure to the Madoff Fund." Just two days before, on December 15, 2008, an SIB analyst informed defendants Stanford, Davis and Pendergest-Holt that SIB had invested in Meridian, a New York-based hedge fund that used Tremont Partners as its asset managers. Tremont, in turn, had invested a portion of Meridian's – and SIB's – money with Madoff.

THE TRUTH BEGINS TO COME TO LIGHT

41. In mid-February 2009, the media began reporting that the SEC was investigating SIB. Defendant Stanford sought to deflect these reports by claiming that they were part of a "routine examination" and that he was "cooperating." In fact, he and the other individual defendants were refusing to testify.

42. Finally, on February 16, 2009, the SEC filed a complaint against SIB, SGC, and SCM, as well as against defendants Stanford, Davis and Pendergest-Holt, accusing them of participating in a "massive, ongoing fraud." According to press reports, the FBI has also begun an investigation. Since then, there has been a "run" on SIB, with investors flying to Antigua from all over the world to try to recover their money. In the meantime, authorities were forced to conduct a manhunt for defendant Stanford before he was finally tracked down in Virginia.

LOSS CAUSATION/ECONOMIC LOSS

43. During the Class Period, as detailed herein, defendants made false and misleading statements by means of concealment and engaged in a scheme to deceive the market. This operated as a fraud or deceit on the Class. Later, when defendants' prior misrepresentations and fraudulent conduct became apparent to the market, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

NO SAFE HARBOR

44. SIB's verbal "Safe Harbor" warnings accompanying its oral forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability.

45. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of SIB who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

CLASS ACTION ALLEGATIONS

46. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased CDs from SIB or shares in SIB's SAS program during the Class Period, and who were damaged thereby (the "Class"). Excluded from the Class are defendants, directors and officers of SIB and their families and affiliates.

47. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. SIB had thousands of depositors during the Class Period.

48. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the Advisers Act was violated by defendants;
- (b) Whether the 1934 Act was violated by defendants;
- (c) Whether defendants omitted and/or misrepresented material facts;
- (d) Whether defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- (e) Whether defendants knew or recklessly disregarded that their statements were false and misleading; and
- (f) The extent of damage sustained by Class members and the appropriate measure of damages.

49. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

50. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

51. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

52. Plaintiff incorporates ¶¶1-51 by reference.

53. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

54. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

(a) Employed devices, schemes, and artifices to defraud;

(b) Made untrue statements of material facts or 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; or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of SIB CDs or shares in the SAS program during the Class Period.

55. Plaintiff and the Class have suffered damages. Plaintiff and the Class would not have purchased SIB CDs or shares in the SAS program at the prices they paid, or at all, if they had been aware of the misleading nature of defendants' statements.

56. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of SIB CDs and shares in the SAS program during the Class Period.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

57. Plaintiff incorporates ¶¶1-56 by reference.

58. The Individual Defendants acted as controlling persons of SIB within the meaning of §20 of the 1934 Act. By virtue of their positions and their power to control public statements about SIB, the Individual Defendants had the power and ability to control the actions of SIB and its employees. SIB controlled the Individual Defendants and its other officers and employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

COUNT III

For Violations of §§206(1) and 206(2) of the Advisers Act Against Defendants SIB, SGC and SCM

59. Plaintiff incorporates ¶¶1-58 by reference.

60. SIB, SGC and SCM, directly or indirectly, singly or in concert, knowingly or recklessly, through the use of the mails or any means of instrumentality of interstate commerce, while acting as investment advisers within the meaning of §202(11) of the Advisers Act: (a) have employed, are employing, or are about to employ devices, schemes, and artifices to defraud any client or prospective client; or (b) have engaged, are engaging, or are about to engage in acts, practices, or courses of business which operate as a fraud or deceit upon any client or prospective client.

61. Plaintiff and the Class have suffered injury, as set forth above, as a result of defendants' violation of the Advisers Act.

COUNT IV

For Aiding and Abetting Violations of §§206(1) and 206(2) of the Advisers Act Against Defendants Stanford, Davis and Pendergest-Holt

62. Plaintiff incorporates ¶¶1-61 by reference.

63. Based on the conduct alleged herein, 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 the Advisers Act §§206(1) and 206(2).

64. For these reasons, Stanford, Davis and Pendergest-Holt aided and abetted and, unless enjoined, will continue to aid and abet violations of §§206(1) and 206(2) of the Advisers Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class compensatory and consequential damages and interest;
- C. Awarding rescission and rescissory damages;
- D. Ordering disgorgement and restitution of all earnings, profits, compensation and benefits received by defendants as a result of their wrongdoing;
- E. Awarding plaintiff's reasonable costs, including attorneys' fees; and
- F. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: February 19, 2009

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