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U.S. Files Criminal Charges in Stanford Case

Texas Financier, Four Others Accused in $7 Billion Fraud

By EVAN PEREZ

WASHINGTON -- Federal prosecutors filed criminal charges against R. Allen Stanford, accusing the Texas financier and several officials in his once-booming financial firm of conspiring with a top Caribbean regulator in a $7 billion scheme to defraud investors.

Mr. Stanford appeared for a hearing in U.S. District Court in Richmond, Va., Friday afternoon before authorities can move him to Texas where the grand jury indictment was filed.

A federal judge on Friday ordered Mr. Stanford be transferred to Houston to face criminal indictments in the massive fraud scheme. He will remain in custody until that hearing can be held in Houston.

Also charged in the criminal complaint were Laura Pendergest-Holt, chief investment officer, as well as accountants Gilberto Lopez and Mark Kuhrt. James Davis, chief financial officer, was named as a co-conspirator, but not charged as he cooperates with the probe. Messrs. Lopez and Kuhrt were arrested in Houston, federal officials said.

The charges include multiple counts of wire and mail fraud, and conspiracy to launder money.

Prosecutors also alleged that the fraud was aided by Leroy King, administrator of the Financial Services Regulatory Commission in the island nation of Antigua and Barbuda, where the Stanford firms were headquartered. Mr. King is charged with accepting $100,000 in bribes. Prosecutors also unveiled a separate indictment against Bruce Perraud, an employee with SFG Global Security, in Fort Lauderdale, Fla., charging him with destroying documents related to the federal investigation.

In a written statement, Mr. Stanford's attorney, Dick DeGuerin, said his client "will continue to fight these allegations" and that he was confident of being found not guilty. Mr. DeGuerin blamed the collapse of Mr. Stanford's financial empire on the "heavy-handed actions" of the SEC.

Mr. King's assistant at the FSRC said he was away on vacation and unavailable for comment. David Finn, the Dallas-based attorney for Mr. Davis, the chief financial officer, said his client has "been answering questions posed by the Department of Justice and FBI as recently as today. Mr. Davis has, and will continue to, accept full responsibility for his actions." Representatives of others named could not be immediately reached for comment.

Mr. Stanford's financial empire collapsed in February after the Securities and Exchange Commission filed a civil complaint accusing Mr. Stanford, top executives and the companies of orchestrating "a massive Ponzi scheme."

Much of the alleged fraud flowed through Stanford International Bank, the offshore bank headquartered in the Caribbean island-nation of Antigua and Barbuda, which attracted funds from well-heeled investors from Latin America and the U.S.

A revised SEC complaint filed Friday said the fraud stretched over at least 10 years. Stanford International Bank, the complaint alleged, sold more than $7.2 billion of what investors believed were high-yielding certificates of deposit. Many were seeking safety amid the tumult of the unstable financial markets in countries such as Venezuela.

Instead of safe investments, the Stanford companies "misappropriated billions of dollars of investor money" and squandered the funds on "speculative, unprofitable private businesses controlled by Mr. Stanford," the SEC complaint said.

Hundreds of investors who were promised double-digit interest rates, well above rates offered by CDs sold by major banks, instead have been left with the likelihood they will collect little of their invested funds.

—Jared Favole and Associated Press contributed to this article.

Write to Evan Perez at evan.perez@wsj.com