

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

RALPH S. JANVEY, IN HIS CAPACITY AS §
COURT-APPOINTED RECEIVER FOR THE §
STANFORD INTERNATIONAL BANK, LTD., §
ET AL. §

Plaintiff, §

v. §

REBECCA REEVES, §

Relief Defendant. §

Case No. 03:09-CV-2151-N

RECEIVER’S ORIGINAL COMPLAINT AGAINST REBECCA REEVES

SUMMARY

1. On February 16, 2009, the Securities and Exchange Commission commenced a lawsuit in this Court against Robert Allen Stanford, two associates, James M. Davis and Laura Pendergest-Holt, and three of Mr. Stanford’s companies, Stanford International Bank, Ltd., Stanford Group Company, and Stanford Capital Management, LLC (collectively “Stanford Defendants”). On the same date, the Court entered an Order appointing Ralph S. Janvey as Receiver over all property, assets, and records of the Stanford Defendants, and all entities they own or control.

2. The Receiver files this Complaint to add as a relief defendant Rebecca Reeves, a woman who has had a decades-long relationship with Mr. Stanford and who was the beneficiary of millions of dollars in funds transferred to her by Mr. Stanford. The Receiver does not allege at this time that Reeves participated in the Stanford Defendants’ fraudulent scheme. Rather, she is added in a nominal capacity to facilitate equitable relief.

3. The funds Mr. Stanford transferred to Reeves constituted assets contributed by defrauded customers and investors of entities controlled by Mr. Stanford. Reeves is in possession of assets traceable to the Stanford Defendants' fraudulent scheme, and she cannot establish a legitimate right to retain those assets. By law, Reeves holds those assets in trust for the Receivership Estate for the benefit of the defrauded investors.

4. Alternatively, the funds received by Reeves from Stanford were transferred with actual intent to hinder, delay, or defraud the Stanford Defendants' creditors. Reeves cannot carry her burden to establish that she conferred reasonably equivalent value in exchange for the payments, or acted in good faith. The payments are therefore fraudulent transfers, and must be returned to the Receivership Estate.

5. During the course of the Receivership, Reeves liquidated a residence in Key Biscayne, Florida that was purchased with assets traceable to the Estate, and wrongfully transferred the resulting proceeds into offshore accounts under her control. Reeves is liable to the Receiver for conversion of that property.

JURISDICTION & VENUE

6. This Court has jurisdiction over this action, and venue is proper, under Section 22(a) of the Securities Act (15 U.S.C. § 77v(a)), Section 27 of the Exchange Act (15 U.S.C. § 78aa), and under Chapter 49 of Title 28, Judiciary and Judicial Procedure (28 U.S.C. § 754).

7. As the Court that appointed the Receiver, this Court has jurisdiction over any claim brought by the Receiver to execute his Receivership duties.

8. Within 10 days of his appointment, the Receiver filed the original Complaint and Order appointing the Receiver in 26 United States district courts pursuant to 28 U.S.C. § 754,

giving this Court *in rem* and *in personam* jurisdiction in each district where the Complaint and Order have been filed, including the Southern District of Florida.

9. This Court has personal jurisdiction over Reeves pursuant to 28 U.S.C. §§ 754 and 1692 and 15 U.S.C. §§ 78aa and 77v(a).

10. Certain of the claims asserted below establish intentional violations of this Court's orders, and the Court has inherent subject matter and personal jurisdiction over Reeves to enforce its own orders.

THE DEFENDANT

11. Rebecca Reeves is a United States citizen who resides at 1660 South Bayshore Court, Apartment 202S, Miami, Florida 33133. She will be served pursuant to the Federal Rules of Civil Procedure, through her attorney of record, or by other means approved by this Court's order.

STATEMENT OF FACTS

A. The Stanford Defendants operated a fraudulent scheme.

12. The factual allegations set forth in the SEC's First Amended Complaint are incorporated herein. *See* First Amended Complaint (Case No. 3:09-CV-298-N, Doc. 48).

13. As alleged by the SEC, the Stanford Defendants marketed fraudulent SIB CDs to investors exclusively through SGC Financial Advisors pursuant to a Regulation D private placement. *Id.* ¶ 23. The CDs were sold by Stanford International Bank, Ltd. *Id.*

14. In marketing, selling, and issuing CDs to investors, the Stanford Defendants repeatedly touted the CDs' safety and security and SIB's consistent, double-digit returns on its investment portfolio. *Id.* ¶ 31.

15. In its brochure, SIB told investors, under the heading “Depositor Security,” that its investment philosophy is “anchored in time-proven conservative criteria, promoting stability in [the Bank’s] certificate of deposit.” SIB also emphasized that its “prudent approach and methodology translate into deposit security for our customers.” *Id.* ¶ 32. Further, SIB stressed the importance of investing in “marketable” securities, saying that “maintaining the highest degree of liquidity” was a “protective factor for our depositors.” *Id.* ¶ 45.

16. In its 2006 and 2007 Annual Reports, SIB told investors that the Bank’s assets were invested in a “well-balanced global portfolio of marketable financial instruments, namely U.S. and international securities and fiduciary placements.” *Id.* ¶ 44. More specifically, SIB represented that its 2007 portfolio allocation was 58.6% equity, 18.6% fixed income, 7.2% precious metals and 15.6% alternative investments. *Id.*

17. Consistent with its Annual Reports and brochures, SIB trained SGC Financial Advisors, in February 2008, that “liquidity/marketability of SIB’s invested assets” was the “most important factor to provide security to SIB clients.” *Id.* ¶ 46. In training materials, the Stanford Defendants also claimed that SIB had earned consistently high returns on its investment of deposits (ranging from 11.5% in 2005 to 16.5% in 1993). *Id.* ¶ 24.

18. Contrary to the Stanford Defendants’ representations regarding the liquidity of its portfolio, SIB did not invest in a “well-diversified portfolio of highly marketable securities.” Instead, significant portions of the Bank’s portfolio were misappropriated by the Defendants and were either placed in speculative investments (many of them illiquid, such as private equity deals), diverted to other Stanford Entities “on behalf of shareholder” — *i.e.*, for the benefit of Allen Stanford, or used to finance Allen Stanford’s lavish lifestyle (*e.g.*, jet planes, a yacht, other pleasure craft, luxury cars, homes, travel, company credit cards, etc.). In fact, at year-end 2008,

the largest segments of the Bank's portfolio were: (i) at least \$1.6 billion in undocumented "loans" to Defendant Allen Stanford; (ii) private equity; and (iii) grossly over-valued real estate. *Id.* ¶¶ 24, 48.

19. In an effort to conceal their fraud and ensure that investors continued to purchase the CD, the Stanford Defendants fabricated the performance of SIB's investment portfolio. *Id.* ¶ 5.

20. SIB's financial statements, including its investment income, were fictional. *Id.* ¶ 37. In calculating SIB's investment income, Defendants Stanford and James Davis provided to SIB's internal accountants a pre-determined return on investment for the Bank's portfolio. *Id.* Using this pre-determined number, SIB's accountants reverse-engineered the Bank's financial statements to reflect investment income that SIB did not actually earn. *Id.*

21. For a time, the Stanford Defendants were able to keep the fraud going by using funds from current sales of SIB CDs to make interest and redemption payments on pre-existing CDs. *See id.* ¶ 1. However, in late 2008 and early 2009, CD redemptions increased to the point that new CD sales were inadequate to cover redemptions and normal operating expenses. As the depletion of liquid assets accelerated, this fraudulent Ponzi scheme collapsed.

B. Mr. Stanford transferred proceeds from the fraudulent scheme to Reeves; Reeves has since wrongfully exercised control over certain of those proceeds.

22. Reeves is one of several "outside wives" with whom Mr. Stanford had an ongoing relationship. Reeves uses Mr. Stanford's last name as her own (as "Rebecca Reeves-Stanford") and has two children with Mr. Stanford. For two decades, lasting until the SEC brought its enforcement action, Mr. Stanford provided Reeves with large sums of money and substantial gifts. Those gifts and sums of money consisted of and are traceable to illegal proceeds of the Stanford Defendants' fraudulent scheme.

23. Reeves claims to have no marketable skills, and the Receiver has found no indication that she has had any source of funding other than the substantial income provided to her by Mr. Stanford. In pleadings before this Court, Reeves has not disputed that Mr. Stanford has been her sole source of income. Most if not all funds and property currently and previously in Reeves's possession or control are traceable to fraudulent proceeds funneled to her by Mr. Stanford, and therefore Receivership assets.

24. On July 27, 2005, Reeves purchased a residence at 38 Grand Bay Estates Circle in Key Biscayne, Florida (the "Key Biscayne Property"). The closing documents reveal that this was a cash purchase by Reeves. Reeves has represented to the Receiver that at that time Mr. Stanford directly contributed \$1.4 million towards the purchase of the Key Biscayne Property. All other funds Reeves used in purchasing the Key Biscayne are also traceable to fraudulent funds Mr. Stanford provided to Reeves.

25. After his appointment by this Court, the Receiver began evaluating assets traceable to the Receivership Estate. To this end, on March 25, 2009 a subpoena was issued to Reeves directing her to produce specific documents related to the purchase of the Key Biscayne Property. Along with that subpoena, Reeves was served with copies of all applicable orders issued by this Court enjoining the disposition of assets falling within the scope of the Receivership Estate.

26. Rather than merely complying with the subpoena, Reeves engaged multiple attorneys to contact the Receiver and delayed in producing documents. Throughout this time Reeves was in fact attempting to liquidate the Key Biscayne Property. On May 8, 2009 — more than six weeks after being served with this Court's orders — Reeves sold the Key Biscayne Property for \$3 million without informing the Receiver. She claims to have done so because she

had no funds with which to maintain the property after Mr. Stanford's assets were frozen. This further confirms that all of Reeves's assets are traceable, through Mr. Stanford, to fraudulently obtained property that is properly part of the Receivership Estate.

27. Reeves has since informed the Receiver that she sent the proceeds from the sale of the Key Biscayne Property to accounts she controls in the Cook Islands and New Zealand. She claims that, because she transferred the funds to these locales, the funds are now beyond the reach of the Receiver and the Court. Plainly, her purpose in liquidating the Key Biscayne Property and secreting the money overseas was to wrongfully maintain control over those Receivership assets.

REQUESTED RELIEF

28. This Court appointed Ralph S. Janvey as Receiver for the "assets, monies, securities, properties, real and personal, tangible and intangible, of whatever kind and description, wherever located, and the legally recognized privileges (with regard to the entities), of the Defendants and all entities they own or control," including those of the Stanford Group Company brokerage firm. Order Appointing Receiver (Case No. 3:09-CV-298-N, Doc. 10) ¶¶ 1-2; Amended Order Appointing Receiver (Case No. 3:09-CV-298-N, Doc. 157) ¶¶ 1-2. The Receiver seeks the relief described below in this capacity.

29. The Amended Order Appointing Receiver authorizes the Receiver "to immediately take and have complete and exclusive control, possession, and custody of the Receivership Estate and to any assets traceable to assets owned by the Receivership Estate." Amended Order Appointing Receiver ¶ 4. The Order also specifically authorizes the Receiver to "[i]nstitute such actions or proceedings [in this Court] to impose a constructive trust, obtain

possession, and/or recover judgment with respect to persons or entities who received assets or records traceable to the Receivership Estate.” *Id.* ¶ 5(c).

30. One of the Receiver’s key duties is to maximize distributions to defrauded investors and other claimants. *See id.* ¶¶ 5(g), (j) (ordering the Receiver to “[p]reserve the Receivership Estate and minimize expenses in furtherance of maximum and timely disbursement thereof to claimants”); *Scholes v. Lehmann*, 56 F.3d 750, 755 (7th Cir. 1995) (receiver’s “only object is to maximize the value of the [estate assets] for the benefit of their investors and any creditors”); *SEC v. TLC Invs. & Trade Co.*, 147 F. Supp. 2d 1031, 1042 (C.D. Cal. 2001); *SEC v. Kings Real Estate Inv. Trust*, 222 F.R.D. 660, 669 (D. Kan. 2004). But before the Receiver can attempt to make victims whole, he must locate and take exclusive control and possession of assets of the Estate or assets traceable to the Estate. Amended Order Appointing Receiver ¶ 5(b).

A. The Receiver is entitled to disgorgement of Receivership assets held by Reeves-Stanford.

31. As alleged above, the payments received by Reeves are assets of the Receivership Estate, and Reeves is named as a relief defendant to effect full relief in the marshaling of assets that are the fruit of the underlying fraud. *See SEC v. Colello*, 139 F.3d 674, 676-77 (9th Cir. 1998).

32. Case law amply supports the power of a receiver to seek disgorgement of tainted funds from relief defendants who receive proceeds from a fraudulent scheme.¹ Reeves cannot

¹ *SEC v. George*, 426 F.3d 786, 798-99 (6th Cir. 2005); *SEC v. JT Wallenbrock & Assocs.*, 440 F.3d 1109, 1116 (9th Cir. 2006); *SEC v. Infinity Group Co.*, 212 F.3d 180, 193 (3d Cir. 2000); *Quilling v. 3D Marketing, LLC*, No. 3-06-CV-0293-L, 2007 WL 1058217, at *4 (N.D. Tex. Feb. 8, 2007); *SEC v. Alanar, Inc.*, No. 1:05-cv-1102, 2008 WL 1994854, at *5-6 (S.D. Ind. May 6, 2008); *SEC v. Cross Fin. Servs., Inc.*, 908 F. Supp. 718, 730 (C.D. Cal. 1995); *CFTC v. Bolze*, No. 3:09-CV-88, 2009 WL 1313249, at *2 (M.D. Tenn. April 1, 2009); *SEC v. AmeriFirst Funding, Inc.*, Civil Action No. 3:07-CV-1188-D, 2008 WL 1959843, at *2 (N.D. Tex. May 5, 2008); *CFTC v. Foreign Fund*, 549 F. Supp. 2d 1005, 1008 (M.D. Tenn. 2008); *CFTC v. Foreign Fund*, No. 3:04-0898, 2007 WL 1850007, at *5 (M.D. Tenn. June 25, 2007); *SEC v. Dowdell*, No. Civ. A. 3:01-CV-00116, 2002 WL 31357059, at *4-5 (W.D.

establish a legitimate ownership interest in the tainted funds. Accordingly, she holds the assets in trust for the Receivership Estate for the benefit of defrauded investors. *See SEC v. George*, 426 F.3d 786, 799-800 (6th Cir. 2005) (Assets held by a third party can be considered property of the receivership estate if (1) the assets are traceable to the fraudulent activity and (2) the non-party has no legitimate claim to retain the assets.); *CFTC v. Kimberlynn Creek Ranch, Inc.*, 276 F.3d 187, 191-92 (4th Cir. 2002) (recipient of proceeds of fraud had no ownership interest in the funds).

33. In order to carry out the duties delegated to him by this Court, the Receiver seeks complete and exclusive control, possession, and custody of the fraudulent funds received by Reeves.

B. In the alternative, the Receiver is entitled to disgorgement of assets fraudulently transferred to Reeves.

34. Mr. Stanford made the payments to Reeves with actual intent to hinder, delay, or defraud the Stanford Defendants' creditors. Those payments thus constitute fraudulent transfers under applicable law. As a result, the Receiver is entitled to the disgorgement of those assets from Reeves.

35. The Receiver may avoid transfers made with the actual intent to hinder, delay, or defraud creditors. "[T]ransfers made from a Ponzi scheme are presumptively made with intent to defraud, because a Ponzi scheme is, as a matter of law, insolvent from inception." *Quilling v. Schonsky*, No. 07-10093, 2007 WL 2710703, at *2 (5th Cir. Sept. 18, 2007); *see also Warfield v. Byron*, 436 F.3d 551, 558 (5th Cir. 2006). The uncontroverted facts establish that the Stanford Defendants were running a Ponzi scheme, and that Mr. Stanford paid Reeves with monies taken

Va. Oct. 11, 2002); *SEC v. Chem. Trust*, No. 00-8015-CIV, 2000 WL 33231600, at *11-12 (S.D. Fla. Dec. 19, 2000); *SEC v. Better Life Club of Am., Inc.*, 995 F. Supp. 167, 184 (D.D.C. 1998); *SEC v. Infinity Group Co.*, 993 F. Supp. 324, 331 (E.D. Pa. 1998), *aff'd*, 212 F.3d 180 (3d Cir. 2000).

from defrauded investors. The Receiver is, therefore, entitled to disgorgement of the fraudulently transferred funds that Reeves received.

36. In order to carry out the duties delegated to him by this Court, the Receiver seeks complete and exclusive control, possession, and custody of the funds Reeves received from Mr. Stanford.

C. Reeves is liable for conversion of the Key Biscayne Property.

37. Based on the evidence developed to date, it appears that all funds used in the purchase of the Key Biscayne Property were supplied to Reeves by Mr. Stanford. Mr. Stanford had no access to funds other than those that were fraudulently obtained from the Stanford Defendants' victims. The funds used to purchase the Key Biscayne Property, and the property itself, were thus Receivership assets under this Court's Orders. At the time Reeves sold the Key Biscayne Property, the Receiver owned, possessed, and had the right to possess that property. Reeves wrongfully exercised dominion or control over the Key Biscayne Property.

38. Upon liquidating the Key Biscayne Property, the proceeds from that sale were Receivership assets under this Court's Orders. The Receiver owned, possessed, and had the right to possess those proceeds. Reeves wrongfully exercised dominion or control over those proceeds.

39. As a direct and proximate result of Reeves's wrongful acts, the Receiver has been damaged in amount to be determined through discovery, plus interest that has accrued on such sum since the dates of the wrongful acts.

PRAYER

40. The Receiver respectfully requests the following:

- (a) An order providing that the funds transferred by Mr. Stanford to Reeves are property of the Receivership Estate, and are held pursuant to a constructive trust for the benefit of the Receivership Estate;
- (b) An order providing that the funds transferred by Mr. Stanford to Reeves were a fraudulent transfer under applicable law;
- (c) An order providing that Reeves is liable to the Receivership Estate in an amount to be determined through discovery that is equal to the sum of all payments made by Mr. Stanford to Reeves;
- (d) An order providing that Reeves is liable to the Receivership Estate for conversion, and recovery of such damages as may be appropriate, including actual and punitive damages; and
- (e) Such other and further relief as the Court deems proper under the circumstances.

Dated: November 10, 2009

Respectfully submitted,

BAKER BOTTS L.L.P.

By: /s/ Kevin M. Sadler

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ATTORNEYS FOR RECEIVER RALPH S. JANVEY

CERTIFICATE OF SERVICE

On November 10, 2009, I electronically submitted the foregoing document with the clerk of the court of the U.S. District Court, Northern District of Texas, using the electronic case filing system of the Court. I hereby certify that I have certified the Court-appointed Examiner and all counsel and/or pro se parties of record electronically or by another manner authorized by the Court or the Federal Rules of Civil Procedure.

/s/ Kevin M. Sadler
Kevin M. Sadler

CIVIL COVER SHEET

The JS-44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court.

I.(a) PLAINTIFFS
Ralph S. Janvey, Receiver

DEFENDANTS
Rebecca Reeves

(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF Dallas Co., Texas
(EXCEPT IN U.S. PLAINTIFF CASES)

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT Dade Co., Florida
(IN U.S. PLAINTIFF CASES ONLY)
NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.

(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER)
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ATTORNEYS (IF KNOWN)

II. BASIS OF JURISDICTION (PLACE AN "X" IN ONE BOX ONLY)

- X1 U.S. Government Plaintiff
2 U.S. Government Defendant
3 Federal Question (U.S. Government Not a Party)
4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN "X" IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)

- Citizen of This State PTF DEF X 1 1
Citizen of Another State 2 X 2
Citizen or Subject of a Foreign Country 3 3
Incorporated or Principal Place of Business In This State PTF DEF 4 4
Incorporated and Principal Place of Business in Another State 5 5
Foreign Nation 6 6

IV. NATURE OF SUIT (PLACE AN "X" IN ONE BOX ONLY)

Table with 5 columns: CONTRACT, REAL PROPERTY, TORTS, CIVIL RIGHTS, PRISONER PETITIONS, FORFEITURE/PENALTY, LABOR, IMMIGRATION, BANKRUPTCY, SOCIAL SECURITY, FEDERAL TAX SUITS, OTHER STATUTES. Includes various legal categories like Insurance, Personal Injury, Real Property, etc.

V. ORIGIN (PLACE AN "X" IN ONE BOX ONLY)

- X 1 Original Proceeding
2 Removed from State Court
3 Remanded from Appellate Court
4 Reinstated or Reopened
5 Transferred from another district (specify)
6 Multidistrict Litigation
7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE BRIEF STATEMENT OF CAUSE. DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY.)

28 USC 754 & 1692; 15 USC 78aa; 15 USC 77v(a)
Brief Description of Cause: Receivership Claims for Disgorgement and Fraudulent Transfer

VII. REQUESTED IN COMPLAINT: DEMAND \$ 3\$ Million
CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23
CHECK YES only if demanded in complaint: JURY DEMAND: YES NO

VIII. RELATED CASE(S) (See Instructions): IF ANY
JUDGE Godbey DOCKET NUMBER 3:09cv298-N

DATE: 11/10/09
SIGNATURE OF ATTORNEY OF RECORD /s/ Kevin M. Sadler
Kevin M. Sadler

FOR OFFICE USE ONLY

RECEIPT # _ AMOUNT _ APPLYING IFP _ JUDGE _ MAG. JUDGE _