

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

SECURITIES AND EXCHANGE	§	
COMMISSION,	§	
	§	
Plaintiff,	§	
	§	Case No.: 3-09-CV-0298-N
v.	§	
	§	
STANFORD INTERNATIONAL BANK, LTD.,	§	
STANFORD GROUP COMPANY,	§	
STANFORD CAPITAL MANAGEMENT, LLC,	§	
R. ALLEN STANFORD, JAMES M. DAVIS,	§	
and LAURA PENDERGEST-HOLT,	§	
	§	
Defendants.	§	

**BRIEF IN SUPPORT OF RECEIVER’S MOTION FOR ORDER TO SHOW
CAUSE WHY REBECCA REEVES-STANFORD, MELIDA VIERA, AND JOHN
PRIOVOLOS SHOULD NOT BE HELD IN CONTEMPT**

Ralph S. Janvey, Receiver, respectfully moves the Court for an order directing Rebecca Reeves-Stanford, Melida Viera, and John Priovolos to show cause why they should not be held in contempt for failure to comply with the Receivership Orders in this matter. Despite having full knowledge of the Receivership Orders, Rebecca Reeves-Stanford—with the apparent assistance of her lawyers Melida Viera and John Priovolos—transacted the sale of certain real property traceable to the Receivership Estate. The Receiver also seeks its reasonable attorneys’ fees and expenses in bringing and prosecuting the Motion. In support thereof, the Receiver states as follows.

I. INTRODUCTION AND BACKGROUND

On February 16, 2009, the Securities and Exchange Commission filed suit in the United States District Court for the Northern District of Texas alleging numerous violations of the securities laws against Robert Allen Stanford (“Stanford”), James M. Davis, Laura Pendergest-Holt, and three companies of which Stanford is the sole owner, Stanford International Bank, Ltd., Stanford Group Co., and Stanford Capital Management LLC. (collectively “Defendants”). The Northern District appointed the Receiver for the Defendants and all entities owned or controlled by Defendants and ordered that the Receiver take exclusive custody and control of all assets and records of, or traceable to, the Receivership Estate.

A. Rebecca Reeves-Stanford was supported by Allen Stanford for two decades.

Rebecca Reeves-Stanford (“Reeves”), a resident of Key Biscayne, Florida, is one of several “outside wives” with whom Stanford had an ongoing relationship. Stanford apparently provided Reeves with large sums of money and substantial gifts for nearly two decades. To this day, Reeves continues to use Stanford’s last name as her own and has two children with Stanford. Reeves claims to have no marketable skills, and the Receiver has found no indication that Reeves had any source of funding other than the substantial income provided to her by Stanford. *See* Facsimile from Kamilar, Ex. A (Appendix at 4-8).

B. The Receiver attempted to evaluate the source of funding for Reeves' 2005 home purchase in Key Biscayne, FL; however, Reeves, Viera, and Priovolos were uncooperative with the subpoena.

On July 27, 2005, Reeves purchased a large estate located at 38 Grand Bay Estates Circle, Key Biscayne, Florida (the "Property") for \$2.6 million. *See* Warranty Deed, Closing Affidavit, Settlement Statement, and Bill of Sale ("Closing Documents"), Ex. B (Appendix at 9-15). No lender is listed on the settlement statement associated with this transaction, and the Closing Documents appear to indicate that this was a cash purchase by Reeves.

After his appointment by this Court, the Receiver began evaluating assets traceable to the Receivership Estate. Given the relationship between Stanford and Reeves, the Receiver actively engaged in evaluating the source of funding for the 2005 purchase, having reason to believe the purchase was funded by Stanford. On March 25, 2009, a subpoena was issued directing Reeves to produce specific documents related to her purchase of the Property. *See* Subpoena and Proof of Service, Ex. C (Appendix at 16-87). Along with the subpoena, Reeves was served with copies of all applicable orders issued by this Court that enjoined the disposition of assets falling within the scope of the Receivership Estate. *Id.*

Rather than merely complying with the subpoena, Reeves engaged multiple attorneys to contact the Receiver. After the subpoena was served, Melida Viera ("Viera") contacted the Receiver, claiming to represent Reeves. The Receiver sent an additional copy of the subpoena and applicable orders to Viera. *See* Email from Ayers, Ex. D

(Appendix at 88-159). However, Reeves produced no documents to the Receiver through her first counsel, Viera. On April 1, 2009, John Priovolos (“Priovolos”) sent a letter of representation stating that he now represented Reeves. *See* Representation Letter from Priovolos, Ex. E (Appendix at 160). Five days later, Reeves, through her new counsel, produced a scant nine documents related to the Property. When confronted with the deficiency of her production, Reeves’ counsel agreed to produce additional documents upon entry of a confidentiality agreement. *See* Email Exchange, Ex. F (Appendix at 161-173). In good faith, the Receiver agreed to consider such an order, and Reeves’ counsel agreed to supply a draft.

C. Reeves disposed of the Property, despite having notice of both the Receivership Orders and the Receivership Estate’s interest in the Property.

After the Receiver again inquired of Priovolos on May 5, 2009, Priovolos supplied a draft Confidentiality Agreement on May 13, 2009. *See* Email Exchange, Ex. F (Appendix at 161-173). Only after receiving that proposed order did the Receiver independently learn that Reeves had already sold the Property on May 8, 2009, for \$3 million, using an attorney located in the same building as Priovolos. *See* Ex. G (Appendix at 174-177). Neither Reeves nor her attorneys made any attempt prior to the sale to inform the Receiver of her intention to sell the Property.

Upon learning of the sale, the Receiver contacted Reeves through her counsel, Priovolos, who confirmed the sale of the Property, though he denied being involved in the transaction. *See* Email from Priovolos, Ex. H (Appendix at 178-180). On June 24, 2009, the Receiver wrote Priovolos and Viera questioning the propriety of the

sale and raising the issue of Reeves' incomplete document production. *See* Letter from Samuel Cooper, Ex. I (Appendix at 181-184). The Receiver also proposed that a third-party take custody of the sale proceeds until the matter was resolved. *Id.*

On June 25, 2009, Priovolos responded claiming that he had terminated his attorney-client relationship with Reeves, and that Reeves had obtained a third attorney. *See* Email from Priovolos, Ex. J (Appendix at 185). In the same email, he claimed to have forwarded the Receiver's letter to Reeves and her new counsel. *Id.* Reeves' new counsel has confirmed that at least \$1.4 million used to purchase the Property in 2005 was contributed directly by Stanford. *See* Facsimile from Kamilar, Ex. A (Appendix at 4-8). In addition, Reeves' new counsel revealed that shortly after the May 8, 2009, sale of the Property, Reeves transferred the proceeds of the sale to the Cook Islands and New Zealand, in an apparent attempt to move the funds beyond the reach of the Receiver. *See* Facsimile from Kamilar, Ex. A (Appendix at 4-8). Court intervention is now required in order to remedy the conduct of Reeves and her attorneys—Viera and Priovolos.

II. ARGUMENT AND AUTHORITIES

Rebecca Reeves-Stanford's sale of the Property, with the apparent aid of her attorneys Melida Viera and John Priovolos, is in direct violation of the Preliminary Injunctions and Sections 10(a) and 5(b) of the Receivership Order.

A. This Court has inherent equity power to enforce its orders by finding Rebecca Reeves-Stanford, Melida Viera, and John Priovolos in contempt.

A federal court's power to enforce its own injunctive decrees is inherent and necessary to properly perform the functions of the court. *Waffenschmidt v. MacKay*,

763 F.2d 711, 716 (5th Cir. 1985); *Powell v. Ward*, 643 F.2d 924, 931 (2d Cir. 1981); *Myers v. United States*, 264 U.S. 95, 103 (1924). “The jurisdiction of a court to enforce its orders extends nationwide.” *In re Zyprexa Injunction*, 474 F. Supp. 2d 385, 418 (E.D.N.Y. 2007); *see also Stiller v. Hardman*, 324 F.2d 626, 628 (2d Cir. 1963) (“Violation of an injunctive order is cognizable in the court which issued the injunction, regardless of where the violation occurred.”).

In addition to having inherent equity power to enforce its orders, the Court is also empowered by the United States Code to find Rebecca Reeves-Stanford, Melida Viera, and John Priovolos in contempt. The United States Code provides that “[a] court of the United States shall have power to punish by fine or imprisonment, or both, at its discretion, such contempt of its authority, and none other, as . . . [d]isobedience or resistance to its lawful writ, process, order, rule, decree, or command.” 18 U.S.C. § 401(3) (2009).

B. The sale of the Key Biscayne Estate by Rebecca Reeves-Stanford violates the Receivership Orders.

There is no question that the sale of the Property by Reeves is a violation of the Court’s order. First, Reeves was undoubtedly actually aware of the Court’s orders. The subpoena and orders were served on her and then again on her first attorney Viera. This notice is sufficient to impose on Reeves an obligation not to dissipate Estate assets. *See Sec. & Exch. Comm’n v. Elfindapan S.A.*, No. 1:00CV00742, 2002 WL 31165146, at *5 (M.D.N.C. Aug. 30, 2002) (Although the defendants “were not mentioned in the complaint at the time the TRO and Asset Freeze were issued” they “were on notice of the

TRO and Asset Freeze and knew that they held funds that were likely frozen, absent a legitimate ownership interest”).

Second, the Property is plainly part of the Receivership Estate. Based on the admission by Reeves’ own attorney, there is no question that at least \$1.4 million of the funds used to purchase the property came from Stanford. Indeed, the amount is likely far higher as Reeves has no other apparent means of support beyond the ill-gotten funds Stanford lavished on her. Assets purchased with Stanford’s funds are plainly part of the Receivership Estate, as the order makes clear when it gives the Receiver authority to take control of all “**assets traceable to assets owned or controlled by the Receivership Estate**, wherever situated.” Receivership Order at 3, ¶ 5(b) (Doc. 157) (emphasis added).

For all such assets, disposition without court approval is prohibited. The order states: “[c]reditors and **all other persons** are hereby restrained and enjoined, without prior approval of the Court, from any act to obtain possession of the Receivership Estate assets.” *Id.* at 8, ¶ 10 (emphasis added). Further, the corresponding Preliminary Injunctions declare that “[**a**]ll **other individuals** . . . are hereby restrained and enjoined from disbursing any funds, securities, or **other property** obtained from Defendant Stanford without adequate consideration.” *See* Preliminary Injunction and Other Equitable Relief As To R. Allen Stanford at 9, ¶ VI (Doc. 159). Reeves’ actions in the face of these orders supports a contempt finding. *See Elfindapan*, 2002 WL 31165146, at *5 (noting that defendants “chose to spend the funds and risk contempt of court”).

Moreover, Reeves' conduct strongly suggests an actual awareness that she was acting in contravention of court orders. Once she had secured the proceeds from the sale of the Property, she promptly moved the money to offshore trusts in an apparent effort to shield the money from any later attempt to recover it. This evidence of bad motive alone supports a contempt finding here. *See In re BKS Properties, Inc. v. Shumate*, 271 B.R. 794, 802 (N.D. Tex. 2002) (holding that "knowing and deliberate violations of court orders must be sanctioned by contempt").

Finally, even if Reeves is innocent of any wrongdoing with regard to the improper scheme by Stanford that underlies this action, she still had no entitlement to act as she did. Reeves was a beneficiary of Stanford's scheme and while she may not be "directly culpable in [the] securities violations," she is a beneficiary of the violations and should disgorge "the benefits that [she] derived from the violations by [the] culpable [actors]." *Sec. Exch. Comm'n v. Egan*, 856 F. Supp. 401, 402 (N.D. Ill. 1993). Indeed, in the Millennium Bank Receivership, another Northern District Court made clear that even an innocent spouse—which Reeves may or may not be—has no entitlement to house sale proceeds where the purchase itself depended on ill-gotten funds. *Sec. & Exch. Comm'n v. Millennium Bank, et al.*, No. 7:09-CV-050-O, at 7 (N.D. Tex. July 21, 2009), Ex. K (Appendix at 186-194).

C. Reeves' attorneys should also be the subject of a show-cause order.

To preserve the integrity of the Court and the orders it issues, it is especially important for courts to consider improper behavior of attorneys. "[T]he rule

with reference to the duty of an attorney regarding his conduct toward the court is stated as follows: ‘It is particularly the duty of an attorney to maintain the respect due to courts and judicial officers, and any breach of this duty is a contempt punishable by fine or imprisonment.’” *Ex parte Norton*, 144 Tex. 445, 451 (Tex. 1946) (citing 9 Tex. Jur., p. 600, § 16).

Here, there is substantial reason to suspect that either or both Viera and Priovolos effectively assisted Reeves in her efforts. First, it is extremely difficult to believe that Viera and Priovolos were unaware of Reeves’ planned actions. Priovolos’ conduct is especially suspect. He apparently took over the representation from Viera prior to the sale, and the attorney who assisted in the sale of the Reeves property was apparently located in the same building as Priovolos. Moreover, it is unlikely that Reeves on her own would have arrived at the idea of shielding the sale proceeds in investment vehicles located in the Cook Islands and in New Zealand.

The Receiver has attempted to investigate these issues without success. Viera now contends that she was never really Reeves’ attorney. *See* Email from Viera, Ex. L (Appendix at 195-196). Priovolos stated he was no longer Reeves’ attorney but failed to respond to a further inquiry on his involvement in the Property sale transaction. *See* Email from Cooper, Ex. M (Appendix at 197-198). As a result, only a show cause order can effectively force the attorneys to explain their conduct in this instance.

D. Additional relief to be requested in the future.

Because the sale was in violation of the Receivership Orders, the Receiver requests that this Court find Mrs. Reeves and her attorneys who facilitated the sale of the Property in contempt. The Receiver is still in the process of analyzing and reviewing the information surrounding the purchase and sale of the Property in order to determine the precise amount of the sales proceeds that falls within the ambit of the Receivership Estate.¹ Once the evaluation is complete, the Receiver intends to seek additional relief from this Court, including an order freezing Reeves' accounts and mandating the return of these assets to the Receivership Estate.

III. CONCLUSION

For the foregoing reasons, the Receiver respectfully requests entry of an order directing Rebecca Reeves-Stanford, Melida Viera, and John Priovolos to show cause why they should not be held in contempt for failure to comply with the Receivership Orders.

Dated: August 13, 2009

¹ Further discovery on this point may be necessary.

Respectfully submitted,

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CERTIFICATE OF SERVICE

On August 13, 2009, I electronically submitted the foregoing brief, the motion, the appendix, and the proposed order with the clerk of court for the U.S. District Court, Northern District of Texas, using the electronic case filing system of the court. I hereby certify that I have served all counsel and/or pro se parties of record electronically or by another manner authorized by Federal Rule of Civil Procedure 5(b)(2). I further certify that I have served the following by certified U.S. Mail, return-receipt requested:

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