Stanford Investors Committee

Second Statement Regarding Fraudulent Transfer Lawsuits

February 18, 2010

The Stanford Investors Committee is aware that certain investors have both objected to the lawsuit filed by the Committee against St. Jude's and other charities, and have questioned why other actions have not been brought by the Receiver or the Committee. This statement addresses those matters.

First, it is important to recognize that the Stanford Investors Committee was created by an Order of the District Court and given the authority to work on behalf of all Stanford victims. It is the ONLY Investors Committee so created and authorized. While statements have recently been issued on a variety of topics on behalf of certain other purported investor groups, the make-up and authority of those groups is unknown to the Committee and its members. The members of the Stanford Investors Committee have been working tirelessly since their appointment, and the attorneys on the Committee have been working non-stop to investigate and develop legal actions to recover assets stolen from Stanford investors, consistent with the duties undertaken by them pursuant to the court's order.

Second, certain investors have issued statements indicating their opinion that the statute of limitations "for any lawsuits relating to Stanford" has expired. While there are certain limitations periods that MAY have expired as to certain types of claims that the committee members did not determine should be pursued at this time, there are many different statutes of limitations that apply to different sorts of claims. Moreover, whether any applicable limitations period has run with respect to a particular claim often depends upon the law that will govern the claim and when the claimant discovered, or should have discovered, the facts supporting the claim. The Investors Committee is continuing to investigate and identify claims and intends to continue to bring actions to recover funds stolen from Stanford investors.

Third, the attorney members of the Investors Committee have been working diligently (and successfully) to negotiate and execute tolling agreements (that is, agreements stopping the running of limitations periods) with a number of litigation targets involving significant claims that may be asserted for the benefit of Stanford investors. Those tolling agreements, and the parties with whom they have been entered, have not been made public (and pursuant to their terms cannot be made public) so that the Investors Committee and those parties can continue to exchange information concerning, and negotiate with respect to, the claims that may be asserted.

Fourth, there is ample support among Stanford investors for lawsuits that seek to recover the assets stolen from those investors. The attorneys on the Investors Committee represent thousands of individual investors. The Examiner, who also serves on the investors committee supports the actions of the committee.

Fifth, it is unfortunate that Mr. Stanford gave some of the money he stole from investors to worthy organizations (like St. Jude's), but the worthiness of the recipient doesn't make the money any less stolen. This fact, and the law that supports the Investors Committee lawsuit, has been discussed in at least one of the local Memphis papers. A copy of an article from the Memphis *Commercial Appeal* follows this statement. The lawsuit brought by the Investors

Committee against the St. Jude entities is not unique under the circumstances of this type of case; indeed, the *Madoff* trustee recently announced that he had reached a settlement of his claims against Hadassah (an internationally known charity) pursuant to which Hadassah will repay $45 million. Our understanding is that the *Madoff* trustee is pursing and, where appropriate, resolving claims against other charitable organizations as well

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Legal opinions favor Stanford investors, not charities

By Toby Sells

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A thief walks unseen into a church and drops stolen cash into the collection plate.

Can the church -- unaware of the money's source -- keep and spend it?

No, not legally, because the money belongs to the thief's victims.

That was the parable U.S. Court of Appeals Chief Judge Richard Posner used in a 1995 ruling to force a religious group to return funds it received from Ponzi architect Michael S. Douglas.

His ruling is the basic premise of a lawsuit filed Tuesday that would grab back $7.3 million from St. Jude Children's Research Hospital; its fundraising arm, American Lebanese Syrian Associated Charities; and the Le Bonheur Children's Hospital Foundation.

The lawsuit calls for the money to be returned to investors allegedly defrauded by the Stanford Financial Group's Ponzi scheme.

The group of Stanford investors call the suit they filed against the Memphis nonprofit organizations Tuesday an "unfortunate reality." They say the money was "stolen" from them by Stanford Financial Group and they want it back.

The $7.3 million suit is one of many lodged across the globe by a committee that represents thousands of investors trying to retrieve billions they lost in Stanford's Ponzi scheme.

The group, called The Official Stanford Investors Committee, sued the Le Bonheur foundation, St. Jude and ALSAC for charitable contributions made by Stanford since 2006.

The investors committee is a seven-member group comprising a court-appointed examiner, and attorneys and investors who represent those allegedly defrauded by Stanford's scheme.

"We regret having to take this action, but the bottom line is that this was stolen money that was, unfortunately, given to many charities by Allen Stanford," said committee member and San Antonio attorney Edward C. Snyder. "Our function is to recover the stolen money, just as the Madoff Trustee is doing."

The committee issued a statement Wednesday saying so far it has identified "hundreds of millions" of dollars fraudulently transferred from Stanford to third parties who, by law, have to return the money, the committee said.

"These recipients of stolen investor funds include professional athletes, political campaigns, various professional service providers and unfortunately, charitable organizations," the statement said. "In many instances, the funds stolen from Stanford's victims were used to buy legitimacy and further perpetuate the Ponzi scheme."

A representative from the Le Bonheur Foundation said they were "baffled" by the suit's grouping.

"It doesn't make a lot of sense from our end why we're bundled in with them on this specific lawsuit," said Le Bonheur spokeswoman Anne Glankler. "Stanford did give a financial donation to us, specifically to the capital campaign (to build the new Le Bonheur Children's Hospital). So, it's completely separate from ALSAC and St. Jude and any of the funds they gave to them."

While taking tainted money back from a nonprofit group may seem unfair, legal precedent exists and experts say these cases are common.

Ponzi law expert Kathy Bazoian Phelps has represented numerous trustees and receivers in Ponzi cases and is a partner in Los Angeles law firm Danning, Gill, Diamond & Kollitz.

She said claiming back money from nonprofit organizations in Ponzi cases can be a "difficult call" that can depend on the type of the charity, how much money is at stake and whether the charity took the money knowing it was tainted.

"If there really was good faith across the board and smaller dollars at issue, many trustees and receivers will make the political call, if you will, not to pursue (nonprofit organizations)," she said. "You have to balance the sympathy you have for the charity against the sympathy you have for the defrauded investors."