

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

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| SECURITIES AND EXCHANGE | § | |
| COMMISSION, | § | |
| Plaintiff, | § | |
| | § | CIV. ACTION NO.3-09CV0298-N |
| | § | |
| v. | § | |
| | § | |
| STANFORD INTERNATIONAL BANK, | § | |
| LTD., ET AL., | § | |
| Defendants. | § | |

**DEFENDANTS R. ALLEN STANFORD, STANFORD INTERNATIONAL BANK, LTD.,
STANFORD GROUP COMPANY, AND STANFORD CAPITAL MANAGEMENT,
LLC’S RESPONSE TO RECEIVER’S MOTION TO
TRANSFER ACCOUNTS (REC. DOC. 747)**

COME NOW, Defendants, R. Allen Stanford, Stanford International Bank, Ltd., Stanford Group Company, and Stanford Capital Management, LLC (hereinafter collectively referred to as the “Stanford Defendants”), who file this Response to Receiver’s Motion to Transfer Accounts and respectfully show the Court as follows:

ARGUMENT

The Receiver seeks approval of the free transfer of Stanford Group Company (SGC) accounts which are untainted assets of the Receivership Estate (“Estate”).¹ He proposes to hand over 3,500 SGC accounts holding the aggregate of approximately \$135,430,000 to Dominick & Dominick, LLC.² While the Stanford Defendants recognize that the accounts may need managing, this gifting of Estate assets strips away value of the Estate. Moreover, the disposal of these assets, and other Estate assets, in the Receiver’s current manner abrogates the Court’s ability to render a meaningful judgment and should not occur until the case is resolved on its

¹ See Rec. Doc. 384 at page 12.

² See Rec. Doc. 747.

merits. Accordingly, while the Stanford Defendants do not oppose the transfer of the accounts to the extent transfer is necessary to protect the account holders, the Stanford Defendants are compelled to object to the transfer of the accounts, untainted Estate assets, without remuneration or compensation to SGC or the Estate or a showing that the proposed free transfer is in the best interest of the Estate.

The Receiver, in his Motion For Approval of Interim Fee Request, notes that within the first days of the Receivership it was immediately apparent to him that, “the vast majority, almost 92% of the Stanford Group Company brokerage accounts,” were untainted by fraud and eligible for release from the asset freeze.³ He further notes that 28,452 accounts that were released pursuant to this Court’s orders “contained assets valued at approximately \$4.6 billion.”⁴ Heretofore the Receiver has participated in an unencumbered fire sale of Estate assets without regard for whether the sales are ultimately beneficial to the Estate or whether the assets are amenable to sale. In the instant case, he proposes to give Stanford Group Company assets away despite the fact that this company’s value as a legitimate business was immediately apparent within the first days of the Receivership. The Receiver has shown no attempt to conduct the transfer of the accounts in a manner that would satisfy his fiduciary obligations to the Estate. Nowhere in the Receiver’s motion does he explain why the accounts should be given away rather than sold. He merely indicated that his team researched “potential transferee firm[s].”⁵

Allowing the Receiver to continue to gift Estate assets will abrogate this Court’s ability to render a meaningful judgment on the merits. A preliminary injunction preserves the status quo, prevents irreparable injury to the parties and preserves the court’s ability to render a meaningful

³ See Rec. Doc. 384 at page 12.

⁴ See Rec. Doc. 384 at page 12.

⁵ See Rec. Doc. 747 at page 6.

decision after a trial on the merits.⁶ If the Receiver is able to dispose of many of the Estate's assets prior to adjudication on the merits, the Court's findings will have little or no value. If the Stanford Defendants are victorious at a trial on the merits, that result will be diminished significantly if the Receiver is permitted to continue to discard Estate assets in this manner. The Receiver should not be permitted to dispose of Estate assets without an adjudication of the merits of the underlying claims.⁷ Furthermore, the Court stated in its Order of July 1, 2009, it acknowledges that there may be Estate assets that are untainted by alleged fraud that may be used by Stanford in his defense of this case. Nevertheless, the Receiver has set about depleting the Estate of these assets.

CONCLUSION

The Stanford Defendants do not oppose the transfer of the accounts to the extent transfer is necessary to protect the account holders; however the Stanford Defendants object to the Receiver's attempt to give away the accounts, untainted assets, without remuneration or compensation to SGC or the Estate or a showing that the proposed free transfer is in the best interest of the Estate. Gifting untainted assets exceeds the scope of the Receivership Order and prevents the Court from rendering a meaningful judgment on the merits in this case. Accordingly, the Stanford Defendants respectfully request that the Court condition transfer of the accounts on the Receiver showing that the free transfer of the accounts is in the best interest of the Estate or that the Estate is being compensated for the untainted assets being transferred.

⁶ See *Meis v. Sanitas Service Corp.*, 511 F.2d 655 (5th Cir. 1975).

⁷ See *Securities Exchange Commission v. TLC Investments and Trade Co.*, 147 F. Supp. 2d 1031, 1036 (C.D. Ca. 2001) (holding, "[i]t is only in rare cases that it is appropriate for a receiver, rather than a bankruptcy court and particularly before judgment has been entered, to liquidate, rather than manage, the assets of a receivership."); *SEC v. Current Financial Services*, 783 F.Supp. 1441, 1445-46 (D.D.C. 1992)(agreeing to appoint a receiver after TRO granted but refusing to grant receiver the right to liquidate assets; stating, "[s]uch drastic measures are [not] appropriate prior to the entry of final judgment. The SEC may renew its motion to encompass such relief if necessary in the future").

Dated: September 17, 2009

Respectfully submitted,

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ATTORNEY IN CHARGE FOR ALL DEFENDANTS

CERTIFICATE OF SERVICE

I hereby certify that this document filed through the ECF system will be sent electronically to the registered participants as identified on the Notice of Electronic Filing and paper copies will be sent those indicated as non-registered participants on September 17, 2009.

/s/Ruth Brewer Schuster