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

In re	§	
	§	Chapter 15
STANFORD INTERNATIONAL BANK, LTD.	§	
	§	Case No.: 3-09-CV-0721-N
Debtor in a Foreign Proceeding.	§	
	§	

APPENDIX TO NOTICE OF FILING

Dated: October 29, 2009

Respectfully submitted,

BAKER BOTTS L.L.P.

By: /s/ Kevin M. Sadler

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CERTIFICATE OF SERVICE

On October 29, 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 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).

/s/ Kevin M. Sadler
Kevin M. Sadler

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA §
§
v. § **Cr. No.** H-09-335
§
JAMES M. DAVIS § **UNDER SEAL**

INFORMATION

The United States Attorney Charges:

At all times material to this Information, unless otherwise specified:

COUNT ONE
Conspiracy to Commit Mail, Wire and Securities Fraud
(Violation of 18 U.S.C. § 371)

RELEVANT PERSONS AND ENTITIES

1. Stanford Financial Group (SFG) was the parent company of Stanford International Bank, Ltd. and a web of other affiliated financial services entities, including Stanford Group Company. SFG maintained offices in several locations, including Houston, Texas, Memphis, Tennessee, and Miami, Florida.

2. Stanford International Bank, Ltd. (SIBL) was a private, offshore bank with offices on the island of Antigua and elsewhere. SIBL was organized in or about 1985 in Montserrat, originally under the name of Guardian International Bank. In or about 1989, SIBL's principal banking location was moved to Antigua.

3. SIBL's primary investment product was marketed as a "Certificate of Deposit" (CD). SIBL marketed CDs to investors promising substantially higher rates of return than were generally offered at banks in the United States from 2001 to 2008. In its 2007 Annual Report to investors, SIBL purported to have approximately $6.7 billion worth of the CD deposits and over $7 billion in total assets. In its December 2008 Monthly Report, SIBL purported to have over 30,000 clients from 131 countries representing $8.5 billion in assets.

4. Stanford Group Company (SGC), a Houston-based company, was founded in or about 1995. SGC was registered with the Securities and Exchange Commission (SEC) as a broker-dealer and investment advisor. SGC was also a member of the U.S. Securities Investor Protection Insurance Corporation (SIPIC). Although SGC and the financial advisers employed by SGC promoted the sale of SIBL's CDs through SGC's 25 offices located throughout the United States, SIBL's CDs were not insured by SIPIC or the Federal Deposit Insurance Corporation (FDIC).

5. In Antigua, SIBL was purportedly regulated by the Financial Services Regulatory Commission ("FSRC"), an agency of the Antiguan government, and was subject to annual on-site inspection by the FSRC. The FSRC claimed on its website that it conducted these inspections to determine the solvency of the banks, review the quality of the investments, and review the accuracy of the banks' returns. Annually,

SIBL provided to the FSRC an "Analysis of Investments" report which listed purported values for SIBL's investments. FSRC did not, however, audit SIBL's financial statements or verify the value SIBL ascribed to its investments in the Analysis of Investments.

6. Defendant **JAMES M. DAVIS** was the Chief Financial Officer (CFO) for SFG and SIBL, and served as a member of SIBL's Investment Committee. **DAVIS**, among other things, regularly consulted with ROBERT ALLEN STANFORD about the financial status of SIBL; made investment decisions for SIBL; received regular updates on SIBL's revenue and loss records; made decisions, based on the direction of ROBERT ALLEN STANFORD, about what revenue and asset numbers to report to investors and others; updated investors and others about the financial status and operations of SIBL; and approved reports to investors and others about the financial condition of SIBL.

7. Conspirator ROBERT ALLEN STANFORD controlled SFG and its affiliated companies, including, through a holding company, SIBL. STANFORD was the chairman of the SIBL Board of Directors and a member of SIBL's Investment Committee. STANFORD, among other things, received regular updates and financial reports on the investment activities of SIBL; made hiring decisions for SIBL; made decisions about what revenue and asset numbers to report to investors and others;

made investment decisions for SIBL; updated investors and others about the activities and financial status of SIBL; and approved reports to investors and others about the financial condition of SIBL. STANFORD also authorized SIBL to make loans to himself and authorized SIBL to purchase property from STANFORD-controlled entities and to sell property to STANFORD-controlled entities.

8. Conspirator LAURA PENDERGEST-HOLT was the Chief Investment Officer (CIO) of SFG. In or about December 2005, HOLT was appointed by the SIBL Board of Directors as a member of SIBL's Investment Committee. HOLT, among other things, held herself out to investors, employees of SIBL and SFG, and others as managing the entire investment portfolio of SIBL; updated investors and employees of SIBL and SFG regarding the financial status of SIBL; provided information about SIBL's investment portfolio to SFG and SGC financial brokers; and supervised SFG research analysts.

9. Conspirator GILBERTO LOPEZ was the Chief Accounting Officer of SFG. LOPEZ, among other things, was responsible for tracking SIBL revenues, assets and liabilities, and was responsible for the preparation of the revenue and asset numbers used in SIBL's financial reports.

10. Conspirator MARK KUHRT was the Global Controller for Stanford Financial Group Global Management, an affiliate of SFG and SIBL. KUHRT, among

other things, maintained calculations of investment revenue of SIBL and, along with LOPEZ, was responsible for the preparation of the revenue and asset numbers used in SIBL's financial reports.

11. Conspirator LEROY KING was the Administrator and Chief Executive Officer for the FSRC. KING, among other things, was responsible for Antigua's regulatory oversight of SIBL's investment portfolio, including the review of SIBL financial reports for the Antiguan Government, and the response to requests by foreign regulators, including the SEC, for information and documents about SIBL's operations.

BACKGROUND

SIBL's Investment "Program"

12. STANFORD, **DAVIS**, HOLT, LOPEZ, KUHRT and others managed, marketed and monitored SIBL's CD investment program. The defendants and other conspirators caused investors and potential investors in SIBL CDs to receive a Disclosure Statement, amended several times over the years, and other documents providing information regarding SIBL, including data purportedly depicting SIBL's historical investment portfolio performance by specific categories of investment and updating SIBL investors on the financial condition of SIBL.

13. In promoting the SIBL CDs to investors, STANFORD, **DAVIS** and HOLT represented and caused others to represent: (a) the safety and security of SIBL's investments and CDs; (b) consistent double-digit returns on the bank's investment portfolio; and © high return rates on the SIBL CDs that greatly exceeded those offered by commercial banks in the United States.

14. STANFORD, **DAVIS**, HOLT, LOPEZ, KUHRT and others caused to be sent to investors Annual Reports purportedly representing SIBL's earnings from its "diversified investments." For example, the annual report listed investment earnings of approximately $479 million in 2006, and approximately $642 million in 2007.

15. Commencing in or about 2000, STANFORD sought to increase sales of SIBL CDs in the United States. To do so, SGC recruited investment advisors, along with their clients, from other brokerage firms. Financial advisors at SGC would receive a 1% commission based upon the value of CDs they sold, and were eligible to receive additional commissions for CD sales. STANFORD, **DAVIS** and HOLT provided and caused to be provided information to these financial advisors about the financial condition of SIBL and the SIBL CDs.

16. SIBL investors and potential investors were *not* advised of the actual investments made by SIBL and could not determine the nature and risk of investments. Unknown to investors, the defendant and his conspirators internally

segregated its investment portfolio into three investment tiers: (a) cash and cash equivalents ("Tier I"); (b) investments with "outside portfolio managers" ("Tier II"); and © other assets ("Tier III").

17. According to internal SIBL documents, as of June 30, 2008: Tier I investments represented only about 9% of the purported total value of SIBL's investments; Tier II investments represented only about 10% of the purported total value of SIBL's investments; and Tier III investments represented more than 80% of the purported total value of SIBL's investments.

18. SIBL's Treasurer ("the SIBL Treasurer") had primary responsibility for the Tier I cash and cash equivalent investments.

19. Unknown to investors, SGC financial advisors and others, HOLT "monitored" only Tier II investments, which were actually managed by well-known investment entities outside of SIBL that had complete discretion over the Tier II investments. SIBL would provide funds for investments to these "outside portfolio managers," also referred to as "money managers," and the money managers would select how funds would be invested for Tier II, that is, what investments would be made, limited by the funds available to them.

20. STANFORD and **DAVIS** directed, managed, and monitored the remaining investments – the Tier III investments. According to internal SIBL

documents, as of June 30, 2008, these Tier III investments comprised the majority of the purported value of SIBL's investment portfolio. Approximately 50% of the purported value of Tier III (approximately $3.2 billion) included investments in artificially valued real estate and approximately 30% of the purported value of Tier III (approximately $1.6 billion) included notes on personal loans to STANFORD. STANFORD, **DAVIS** and others did not disclose to, and actively concealed from, investors, SGC and SIBL employees, and others the fact that approximately $4.8 billion in purported Tier III investments consisted of such artificially valued real estate and notes on personal loans to STANFORD.

21. In its Monthly Report to investors for December 2008, SIBL reported total assets of over $8 billion, and an approximate 1.3% decline in earnings for the year, which the Monthly Report contrasted with the performance of other financial indices reporting approximately 30% to 40% declines. As set forth above, it was not disclosed in the Report that approximately $4.8 billion of the purported $8 billion "value" of these "total assets" was in notes on additional loans to STANFORD and in the interests in the "island properties," the values of which had been grossly overstated.

Marketing of SIBL CDs

22. STANFORD, **DAVIS**, HOLT and others routinely made presentations to financial advisors employed by SGC regarding the financial condition of SIBL and its investment portfolio. The SGC financial advisors would then provide information to prospective investors regarding the CD investment program.

23. STANFORD, **DAVIS** and HOLT, at times, made presentations directly to individuals or groups of prospective investors regarding SIBL's CD program and to existing investors who were considering additional CD purchases or redemptions of their CDs.

24. STANFORD regularly sponsored "Top Producers Club" (TPC) meetings, which were held at various locations, including January 2009 meetings in Phoenix and Miami, and were attended by financial advisors and others. At these TPC meetings, STANFORD, **DAVIS**, HOLT and others would tout the purported economic condition and viability of SIBL to instill confidence in the CD investment program and encourage the financial advisors to aggressively market and sell SIBL's CDs.

25. STANFORD, **DAVIS**, HOLT and others, on behalf of SIBL, also would review and cause the issuance of SIBL's periodic Annual, Quarterly and Monthly Reports, which would be provided to investors and would be used by SGC's financial

advisors in marketing SIBL's CDs. In marketing the CDs as safe and secure investments, the financial advisors and SIBL's brochures, reports and other documents variously emphasized that SIBL was "strong, safe and fiscally sound" and that its investment strategy was a "conservative approach" and "long term, hands on and globally diversified with strong liquidity and minimal leverage."

SEC Investigation

26. In or about 2005, the SEC initiated an investigation of SFG and began making official inquiries with the FSRC regarding the value and content of SIBL's purported investments.

27. In June 2005, the SEC confidentially requested the assistance of KING at the FSRC in determining whether SIBL and SFG had "perpetrated a fraud upon investors."

28. In September 2006, the SEC confidentially requested from KING at the FSRC, among other things, copies of "the FSRC's exam reports" regarding SIBL.

29. In or about January 2009, the SEC issued subpoenas to STANFORD, **DAVIS** and HOLT seeking both testimony and documents regarding SIBL's investment portfolio.

30. In late January 2009, the SEC notified SIBL's attorney that the SEC had scheduled sworn testimony of the SIBL President and HOLT to provide "credible and verifiable testimony regarding all of the assets" of SIBL.

31. On or about February 10, 2009, HOLT attended an SEC proceeding in Fort Worth, Texas, and provided sworn testimony to the SEC regarding SIBL's investment portfolio.

32. On or about February 16, 2009, the SEC filed a Complaint seeking emergency relief against SFG and related individuals and entities in the United States District Court for the Northern District of Texas ("the District Court"), alleging a "massive, on-going fraud." In its Amended Complaint, filed February 27, 2009, the SEC further alleged "misappropriation of billions of dollars of investor funds" and other fraudulent conduct.

33. On or about February 17, 2009, the District Court appointed an individual – known as a Receiver – to take over SFG and its related entities to protect and preserve their investments and assets.

THE CONSPIRACY

34. From in or about at least September 1999, through on or about February 17, 2009, in the Southern District of Texas and elsewhere, the defendant,

JAMES M. DAVIS,

did willfully, that is, with the intent to further the objects of the conspiracy, and knowingly combine, conspire, confederate and agree with ROBERT ALLEN STANFORD, LAURA PENDERGEST-HOLT, GILBERTO LOPEZ, MARK KUHRT, LEROY KING, and with others, known and unknown to the United States, to commit certain offenses against the United States, that is:

(a) to devise and intend to devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, knowing that they were false and fraudulent when made, and causing to be delivered certain mail matter by the United States Postal Service and any private or commercial interstate carrier, according to the directions thereon, for the purpose of executing the scheme, in violation of Title 18, United States Code, Section 1341;

(b) to devise and intend to devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, knowing that they were false and fraudulent when

made, and transmitting and causing to be transmitted certain wire communications in interstate and foreign commerce, for the purpose of executing the scheme, in violation of Title 18, United States Code, Section 1343; and

(c) to, by use of the means and instrumentalities of interstate commerce, the mails, and wire communications, directly and indirectly, use and employ manipulative and deceptive devices and contrivances in connection with the purchase and sale of securities, that is, certificates of deposit of the Stanford International Bank, Ltd. and in connection with such transactions, (i) employ devices, schemes, and artifices to defraud holders of the securities; (ii) make untrue statements of material facts and omit to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (iii) engage in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon holders of securities, in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal Regulations, Section 240.10b-5.

PURPOSE OF THE CONSPIRACY

35. It was a purpose of the conspiracy that the defendant and his conspirators would solicit and obtain billions of dollars of investors' funds through false pretenses, representations and promises, all in order to obtain substantial economic benefits for

themselves and others through the payment of fees, wages, bonuses, and other monies, and unauthorized diversions, misuse, and misappropriation of funds.

MANNER AND MEANS OF THE CONSPIRACY

The manner and means by which the defendant and his conspirators sought to accomplish the objects and purpose of the conspiracy included, among other things, the following:

36. It was a part of the conspiracy that the defendant and his conspirators would make and cause to be made false and misleading representations in promotional materials, periodic reports, newsletters, emails sent by mail and wire transmissions in interstate commerce to investors and others, and in conversations, presentations and meetings with investors and others, including the following:

False Statements Regarding the Value of SIBL's Finances:

a. The defendant and his conspirators would make and cause to be made false and misleading representations concerning SIBL's financial condition touting year-by-year percentage and dollar amount increases in the purported value of its earnings, revenue, and assets, including an increase in the purported value of SIBL's assets from approximately $1.2 billion in 2001 to approximately $8.5 billion in December 2008, when, in truth and in fact, those values were false and designed

to deceive investors into believing that SIBL's "investments" were performing as falsely touted.

False Statements Regarding SIBL's Investment Strategy and Use of Investors' Funds:

b. The defendant and his conspirators would make and cause to be made false and misleading representations concerning SIBL's investment strategy as seeking to "minimize risk and achieve liquidity," when, in truth and in fact, approximately 80% of SIBL's investment portfolio consisted of illiquid investments, such as (I) grossly overvalued real and personal property that SIBL had acquired from STANFORD-controlled entities through fraudulent "round trip" transactions and (ii) unsecured notes on more than a billion dollars in personal loans to STANFORD.

False Statements Regarding the Management of Investors' Funds:

c. STANFORD, **DAVIS**, HOLT and others would make false and misleading misrepresentations that SIBL's entire investment portfolio was closely and well-managed, including identifying HOLT as SFG's "Chief Investment Officer" and as a member of SIBL's "Investment Committee," responsible for management of SIBL's entire portfolio of assets through a "global network" of "outside portfolio managers" and "money managers," when, in truth and in fact, HOLT ultimately "managed" less than approximately 10% of SIBL's investment portfolio.

False Statements Regarding Oversight by Antiguan Regulators:

d. STANFORD, **DAVIS**, KING and others would make false and misleading representations regarding the nature and extent of regulatory oversight of SIBL, including that SIBL's operations and financial condition were being scrutinized by the FSRC in Antigua and that SIBL's financial statements were subject to annual audits and regulatory inspections by Antiguan regulators, when, in truth and in fact, STANFORD had made corrupt payments to KING in order to ensure that the FSRC did not accurately audit SIBL's financial statements or verify the existence or value of SIBL's assets as reflected in the SIBL financial statements.

37. It was further a part of the conspiracy that the defendant and his conspirators would create and cause to be created false and misleading accounting books and records and other documents concerning the financial condition and investment portfolio of SIBL, through, among other things, the following means:

a. The defendant and his conspirators would create false books and records containing artificial values for SIBL's investment portfolio and its return on investment by causing already inflated values that had been reported to investors for prior periods to be adjusted (multiplied) by a percentage increase "as deemed necessary" to produce the new false investment and revenue values.

b. The defendant and his conspirators would conceal and disguise as "investments" in SIBL's books and records, and fail to disclose in such books and records, that STANFORD had received and not repaid more than a billion dollars of personal loans from SIBL.

c. The defendant and his conspirators would conceal and disguise in SIBL's books and records fraudulent "roundtrip" transactions in which SIBL would transfer interests in real and personal property to STANFORD-controlled entities and then back to SIBL at grossly inflated values, in order to mask the artificially inflated values of those "assets" on SIBL's books and records, to falsely disguise and purportedly "settle" a substantial portion of the loans STANFORD had taken from SIBL, and to falsely inflate the value and disguise the nature of STANFORD's purported capital contributions to SIBL.

38. It was further a part of the conspiracy that STANFORD would make regular secret corrupt payments of thousands of dollars in cash to KING, the Administrator and CEO of the FSRC, to ensure that, among other things:

a. The FSRC would not exercise its true regulatory functions in verifying the existence and value of SIBL's investments;

b. KING corruptly would provide to STANFORD, **DAVIS** and others information about official inquiries that the FSRC had received from United

States regulators who had requested information from the FSRC regarding "possible fraud perpetrated upon investors" by SIBL; and

c. KING would make false representations in response to official inquiries of regulators, including U.S. regulators, and would seek and receive the assistance of STANFORD, **DAVIS** and others, in preparing false responses to such inquiries.

39. It was further a part of the conspiracy that STANFORD, **DAVIS**, HOLT and others would conceal from the SEC the true operations and financial condition of SIBL, and the true nature and value of its holdings, and would forestall the SEC's investigation through various means, including, among others, the following:

a. STANFORD, **DAVIS**, HOLT and others would make and cause to be made false and misleading statements to SEC attorneys in order to persuade them to delay the sworn testimony of STANFORD and **DAVIS** by falsely representing that HOLT and SIBL's President could better explain specific details about SIBL's entire investment portfolio and assets rather than STANFORD and **DAVIS**; and

b. HOLT would attend the SEC proceeding in Fort Worth, Texas, on February 10, 2009, at which HOLT would provide false sworn testimony regarding

SIBL's investment portfolio, her knowledge of the portfolio, and her preparation for her testimony.

OVERT ACTS

40. In furtherance of the conspiracy and to achieve its objects and purpose, at least one of the conspirators committed and caused to be committed, in the Southern District of Texas and elsewhere, at least one of the following overt acts, among others:

a. In or about April 2000, STANFORD and **DAVIS** caused to be sent to investors SIBL's Annual Report for 1999, which included representations that SIBL's total assets at year end 1999 were up 28.75% to $675.89 million with a $3.81 million profit;

b. In or about April 2001, STANFORD and **DAVIS** caused to be sent to investors SIBL's Annual Report for 2000, which included representations that SIBL's total assets at year end 2000 were up 22.84% to $830.70 million with profit up 31.61% to $5.01 million;

c. In or about April 2002, STANFORD and **DAVIS** caused to be sent to investors SIBL's Annual Report for 2001, which included representations that SIBL's total assets at year end 2001 were up 44.19% to $1.198 billion with a record profit up 142.59% to $12.16 million;

d. In or about April 2003, STANFORD and **DAVIS** caused to be sent to investors SIBL's Annual Report for 2002, which included representations that SIBL's total assets at year end 2002 were up 43.1% to $1.7 billion with a record operating profit up 97.9% to $23.7 million, and which included a "Report of Management" signed by STANFORD and **DAVIS** representing that the financial statements presented "fairly and consistently the Bank's financial position and results of operations";

e. In or about March 2004, STANFORD and **DAVIS** caused to be sent to investors SIBL's Annual Report for 2003,which included representations that SIBL's total assets at year end 2003 were up 29.9% to $2.2 billion with a record operating profit up 39.7% to $36.2 million, and which included a "Report of Management" signed by STANFORD and **DAVIS**;

f. In or about March 2005, STANFORD and **DAVIS** caused to be sent to investors and placed on SIBL's website SIBL's Annual Report for 2004, which included representations that SIBL's total assets at year end 2004 were up 38.7% to $3.1 billion with a fifth consecutive year of operating profit, reaching $36.2 million, and which also included a "Report of Management" signed by STANFORD and **DAVIS**;

g. In or about March 2006, STANFORD and **DAVIS** caused to be sent to investors and placed on SIBL's website SIBL's Annual Report for 2005, which included representations that SIBL's total assets at year end 2005 were up 31.5 percent to $4.1 billion, and which also included a "Report of Management" signed by STANFORD and **DAVIS**;

h. On or about October 10, 2006, KING provided to the SEC an official response of the FSRC regarding SIBL, which response contained text actually prepared by STANFORD and others;

i. On or about January 11, 2007, KUHRT sent an email from Houston, Texas, to **DAVIS** in Tupelo, Mississippi, with a copy to LOPEZ in Houston, Texas, attaching an artificial revenue entry for December 2006 and noting that the SIBL president was looking for financials that he could present at the Top Producers Club event;

j. In or about April 2007, STANFORD and **DAVIS** caused to be sent to investors and placed on SIBL's website SIBL's Annual Report for 2006, which included representations that SIBL's total assets at year end 2006 were up 31.5% to $5.3 billion with an operating profit of $28.8 million, and which also included a Report of Management signed by STANFORD and **DAVIS**;

k. On or about April 16, 2007, KUHRT sent an email from Houston, Texas, to **DAVIS** in Tupelo, Mississippi, with a copy to LOPEZ, in Houston, Texas, which attached the falsely inflated March 2007 revenue entry;

l. In or about April 2008, STANFORD and **DAVIS** caused to be sent to investors SIBL's Annual Report for 2007, which included representations that SIBL's total assets grew by 32.3% to $7.1 billion and that the bank earned a record operating profit of $43.6 million, and which also included a Report of Management signed by STANFORD and **DAVIS**;

m. On or about April 8, 2008, KUHRT caused an SFG employee to send a fax from Houston, Texas, to **DAVIS** in Tupelo, Mississippi, which sought **DAVIS**'s review and approval of artificial amounts to insert in the monthly report for SIBL's "Return on Investment" for March 2008 and asked what figures to reduce with the understanding that year-to-date income "should be about $1.8 million loss";

n. On or about April 8, 2008, **DAVIS** caused a reply fax to be sent from Tupelo, Mississippi, back to an SFG employee in Houston, Texas, subject: "SIBL Accrual for Approval MAR 2008," in which **DAVIS** provided handwritten instructions regarding the need to "reduce equity" to "come in line with" a $1.8M loss;

o. In or about December 2008, STANFORD, **DAVIS**, HOLT and others caused to be sent to investors SIBL's Monthly Report for December 2008, which falsely represented that SIBL had received a "capital infusion" of $541 million from STANFORD;

p. In or about January 2009, **DAVIS** instructed SIBL's Treasurer to destroy SIBL records which had been moved to Antigua;

q. On or about January 23, 2009, at a meeting between SIBL's attorney and an SEC Staff Attorney at SFG's offices in Houston, Texas, SIBL's attorney requested that the SEC Staff Attorney defer the SEC subpoenas to STANFORD and **DAVIS** and represented that HOLT and the SIBL President would be better witnesses than STANFORD and **DAVIS**, whom SIBL's attorney claimed were executive level officers of the company not involved in the "nuts and bolts" of the company and who could not to tell the SEC attorneys about details of the bank's assets;

r. On or about February 10, 2009, prior to HOLT's testimony before the SEC, **DAVIS** spoke by telephone with HOLT regarding her planned testimony at the SEC proceeding;

s. On or about February 10, 2009, HOLT and SIBL's attorney attended an SEC proceeding in Fort Worth, Texas, at which HOLT provided sworn

testimony to the SEC in which she (1) did not disclose the Miami meetings to prepare her testimony; and (2) represented that she did not know specifically the nature and allocation of assets in Tier III; and

t. On or about February 11, 2009, HOLT caused funds in the amount of approximately $4.3 million to be sent by wire transfer from the Bank of New York to SIBL's operating account at the Bank of Houston in Houston, Texas.

All in violation of Title 18, United States Code, Section 371.

COUNT TWO
Mail Fraud
(18 U.S.C. §§ 1341 and 2)

1. Paragraphs 1 through 33 of Count One of this Information are re-alleged and incorporated by reference as though fully set forth herein.

2. From in or about at least September 1999, the exact date being unknown, through on or about February 17, 2009, in the Southern District of Texas, and elsewhere, the defendant,

JAMES M. DAVIS,

aided and abetted by others known and unknown to the United States, did knowingly and with intent to defraud devise and intend to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent

pretenses, representations, and promises, knowing that the pretenses, representations, and promises were false and fraudulent when made.

PURPOSE OF THE SCHEME AND ARTIFICE

3. It was a purpose of the scheme and artifice that the defendant and his co-schemers would solicit and obtain billions of dollars of investors' funds through false pretenses, representations and promises, all in order to obtain substantial economic benefits for themselves and others through the payment of fees, wages, bonuses, and other monies, and unauthorized diversions, misuse, and misappropriation of funds.

SCHEME AND ARTIFICE

4. Paragraphs 36 through 39 of Count 1 of this Information are re-alleged and incorporated by reference herein as a description of the scheme and artifice.

USE OF THE MAIL

5. On or about the date specified below, the defendant, for the purpose of executing the aforesaid scheme and artifice to defraud and attempting to do so, knowingly deposited and caused to be deposited the matters and things listed below to be sent and delivered by the United States Postal Service:

COUNT	APPROX. DATE	DESCRIPTION
2	November 30, 2008	Mail matter containing a purported SIBL account statement for Investor TA sent and delivered via United States Postal Service to Investor TA's address in Spring, Texas.

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT THREE
Conspiracy to Obstruct SEC Investigation
(Violation of 18 U.S.C. § 371)

1. Paragraphs 1 through 33 of Count One of this Information are re-alleged and incorporated by reference as though fully set forth herein.

2. From in or around 2005, the exact date being unknown, through in or around February 17, 2009, in the Southern District of Texas and elsewhere, the defendant,

JAMES M. DAVIS,

did willfully, that is, with the intent to further the objects of the conspiracy, and knowingly combine, conspire, confederate and agree with ROBERT ALLEN STANFORD, LAURA PENDERGEST-HOLT, LEROY KING and with others known and unknown to the United States, to commit certain offenses against the United States, that is: to corruptly influence, obstruct and impede and endeavor to

influence, obstruct and impede, in whole or in part, a pending proceeding before any department and agency of the United States of America, that is, the Securities and Exchange Commission ("SEC"), in violation of 18 U.S.C. § 1505.

PURPOSE OF THE CONSPIRACY

3. It was a purpose of the conspiracy that the defendant and his conspirators would corruptly influence, obstruct and impede the SEC's investigation of SFG and SIBL, including the SEC's efforts to ascertain SIBL's true financial condition and the content and value of SIBL's investment portfolio, all in an effort to, among other things, perpetuate and prevent detection of an ongoing fraud and continue receiving economic benefits from the fraud.

MANNER AND MEANS OF THE CONSPIRACY

4. Paragraphs 38 and 39 of Count One of this Information are re-alleged and incorporated by reference as though fully set forth herein as a description of the manner and means by which the defendant and his conspirators sought to accomplish the objects and purpose of the conspiracy.

OVERT ACTS

5. The acts alleged in parts h, p, q, r, s and t of Paragraph 40 of Count One of this Information are re-alleged and incorporated by reference as though fully set forth herein as overt acts at least one of the conspirators committed and caused to be

committed, in the Southern District of Texas and elsewhere, in furtherance of the conspiracy and to achieve the objects and purpose thereof.

All in violation of 18 U.S.C. § 371.

NOTICE OF FORFEITURE
28 U.S.C. § 2461(c); 18 U.S.C. § 981(a)(1)(c)

Pursuant to Title 28, United States Code, Section 2461(c) and Title 18, United States Code, Section 981(a)(1)(c), the United States gives notice to the defendant

JAMES M. DAVIS,

that in the event of conviction of the offenses charged in Counts One and Two of this Information, the United States intends to forfeit all property, real or personal, which constitutes or is derived from proceeds traceable to mail fraud or conspiracy to commit mail, wire and securities fraud.

Money Judgment

Defendant is further notified that in the event of conviction the United States will seek a money judgment in an amount up to $1 billion pursuant to Title 18, United States Code, Section 981(a)(1)(c), for which the defendant may be jointly and severally liable.

Substitute Assets

In the event that property subject to forfeiture, as a result of any act or omission of any of the defendant

(A) cannot be located upon the exercise of due diligence;

(B) has been transferred or sold to, or deposited with, a third party;

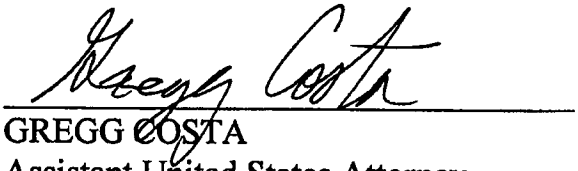
(C) has been placed beyond the jurisdiction of the court;

(D) has been substantially diminished in value; or

(E) has been commingled with other property that cannot be divided without difficulty,

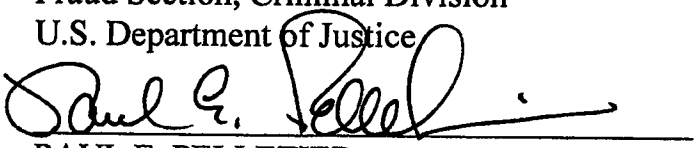
it is the intent of the United States to seek forfeiture of any other property of the defendants up to $1 billion, pursuant to Title 21, United States Code, Section 853(p), iincorporated by reference in Title 28, United States Code, Section 2461(c)

TIM JOHNSON
United States Attorney

BY: 

GREGG COSTA
Assistant United States Attorney

STEVEN A. TYRRELL
Chief
Fraud Section, Criminal Division
U.S. Department of Justice

BY: 

PAUL E. PELLETIER
Principal Deputy Chief
JACK B. PATRICK
Senior Litigation Counsel
MATTHEW KLECKA
Trial Attorney
U.S. Department of Justice
Fraud Section, Criminal Division

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA	§	
	§	
v.	§	**Criminal No. H-09-335**
	§	
JAMES M. DAVIS	§	
	§	

PLEA AGREEMENT

The United States of America, by and through its United States Attorney for the Southern District of Texas and the Fraud Section of the Criminal Division of the Department of Justice, the defendant, James M. Davis, and the defendant's counsel, David Finn, have entered into the following plea agreement (the "Agreement") pursuant to Rule 11(c)(1)(B) of the Federal Rules of Criminal Procedure:

The Defendant's Agreement

1. (a) The defendant agrees to plead guilty to Counts One, Two and Three of the Information. Count One charges the defendant with conspiracy to commit wire, mail and securities fraud, in violation of 18 United States Code, Section 371. Count Two charges the defendant with mail fraud, in violation of 18 United States Code, Section 1341. Count Three charges the defendant with conspiracy to obstruct an SEC proceeding, in violation of 18 U.S.C. § 371. By entering this

Agreement, the defendant waives any right to have the facts that the law makes essential to the punishment of Counts One, Two or Three either charged in the Information, proved to a jury or proven beyond a reasonable doubt.

(b) The defendant agrees that the facts of this case support the following Sentencing Guidelines calculation:

Section 2B1.1(a) – Base offense level for wire fraud:	7
Section 2B1.1(b)(1)(K) – Loss of more than $400 million	30
Section 2B1.1(b(2)(B)– More than 250 victims	6
Section 2B1.1(b)(9)(C, D) – Substantial part of scheme committed outside United States and otherwise used sophisticated means	2
Section 2B1.1(b)(14)(B) – Affecting safety and soundness of financial institution and endangering solvency or financial security of 100 or more victims	4
Section 3B1.3 – Abuse of position of trust	2
Section 2B1.1(b)(14)(C) – Combination of enhancement for more than 250 victims and enhancement for safety and soundness of financial institution and endangering the solvency or security of 100 or more victims, equals 10, therefore reduced to 8	-2
Section 3E1.1(a, b) – Acceptance of responsibility	-3
Total Offense Level – Adjusted	46

(c) The defendant further agrees to recommend at the time of sentencing that the Sentencing Guidelines provide a fair and just resolution based on the facts of this case, and that no downward departure or variances are appropriate other than the reduction for acceptance of responsibility discussed in Paragraph

Thirteen and the potential for a downward departure based on substantial assistance pursuant to U.S.S.G. § 5K1.1 as discussed in Paragraph Seven.

Punishment Range

2. The statutory penalty for the violation of Title 18, United States Code, Section 371, in Counts One and Three, is not more than five years imprisonment and/or a fine of up to $250,000.00. The statutory penalty for the violation of Title 18, United States Code, Section 1341, in Count Two, is not more than twenty years imprisonment and/or a fine of up to $250,000.00. Additionally, on all three counts, the defendant may receive a term of supervised release after imprisonment of up to three (3) years. Title 18 U.S.C. §§ 3559(a)(4) and 3583(b)(2). Defendant acknowledges and understands that if he should violate the conditions of any period of supervised release which may be imposed as part of his sentences, then defendant may be imprisoned for the entire term of supervised release, not to exceed two years, without credit for time already served on the term of supervised release prior to such violation. Title 18 U.S.C. §§ 3559(a)(4) and 3583(e)(3). Defendant understands that he cannot have the imposition or execution of the sentence suspended, nor is he eligible for parole.

Mandatory Special Assessment

3. Pursuant to 18 U.S.C. § 3013(a)(2)(A), immediately after sentencing the defendant will pay to the Clerk of the United States District Court a special assessment in the amount of $100.00 per count of conviction. The payment will be by cashier's check or money order payable to the Clerk of the United States District Court, c/o District Clerk's Office, P.O. Box 61010, Houston, Texas 77208, Attention: Finance.

Fine and Reimbursement

4. The defendant understands that under the *United States Sentencing Commission Guidelines Manual* (hereafter referred to as "*Sentencing Guidelines*" or "U.S.S.G."), the Court is permitted to order the defendant to pay a fine that is sufficient to reimburse the United States for the costs of any imprisonment or term of supervised release, if any is ordered.

5. The defendant agrees that becaue the offenses of conviction occurred after April 24, 1996, restitution is mandatory without regard to Davis's ability to pay and that the Court must order Davis to pay restitution for the full loss caused by his criminal conduct pursuant to Title 18, United States Code, Section 3663A, provided, however, that the United States agrees that the value of any property returned to victims through the forfeiture and remission process shall be credited against any

order of restitution.

6. The defendant agrees to make complete financial disclosure by truthfully executing a sworn financial statement (Form OBD-500) prior to sentencing if he is requested to do so. In the event that the Court imposes a fine or orders the payment of restitution as part of the defendant's sentence, the defendant shall make complete financial disclosure by truthfully executing a sworn financial statement immediately following his sentencing.

Cooperation

7. The parties understand that the Agreement carries the potential for a motion for departure pursuant to U.S.S.G. § 5K1.1. The defendant understands and agrees that whether such a motion is filed will be determined solely by the United States. Should the defendant's cooperation, in the sole judgment and discretion of the United States, amount to "substantial assistance," the United States reserves the sole right to file a motion for departure pursuant to U.S.S.G. § 5K1.1. The defendant agrees to persist in his guilty plea through sentencing and to cooperate fully with the United States. The defendant understands and agrees that the United States will request that sentencing be deferred until his cooperation is complete.

8. The defendant understands and agrees that the term "fully cooperate" as used in this Agreement includes providing all information relating to any criminal activity known to the defendant. The defendant understands that such information

includes both state and federal offenses arising therefrom. In that regard:

(a) The defendant agrees that this Agreement binds only the United States Attorney for the Southern District of Texas, the Fraud Section of the Criminal Division of the Department of Justice and the defendant; it does not bind any other United States Attorney or any other component of the Department of Justice.

(b) The defendant agrees to testify truthfully as a witness before a grand jury or in any other judicial or administrative proceeding when called upon to do so by the United States.

(c) The defendant agrees to voluntarily attend any interviews and conferences as the United States may request.

(d) The defendant agrees to provide truthful, complete, and accurate information and testimony; and he understands that any false statements he makes to the Grand Jury, at any court proceeding (criminal or civil), or to a government agent or attorney, can and will be prosecuted under the appropriate perjury, false statement, or obstruction statutes.

(e) The defendant agrees to provide to the United States all documents in his possession or under his control relating to all areas of inquiry and investigation.

(f) Should the recommended departure, if any, not meet the defendant's expectations, the defendant understands that he remains bound by the terms of this Agreement and cannot, for that reason alone, withdraw his plea.

Waiver of Appellate Rights

9. The defendant is aware that 18 U.S.C. § 3742 affords a defendant the right to appeal the sentence imposed. The defendant agrees to waive the right to appeal the sentence imposed or the manner in which it was determined on all other

grounds set forth in 18 U.S.C. § 3742 except he reserves the right to appeal a sentence above the statutory maximum. Additionally, the defendant is aware that 28 U.S.C. § 2255 affords the right to contest or "collaterally attack" a conviction or sentence after the conviction or sentence has become final. The defendant waives the right to contest his conviction or sentence by means of any post-conviction proceeding, including but not limited to proceedings authorized by 28 U.S.C. § 2255. If at any time the defendant instructs his attorney to file a notice of appeal on grounds other than those specified above, the United States will seek specific performance of this provision.

10. In exchange for this Agreement with the United States, the defendant waives all defenses based on venue, speedy trial under the Constitution and Speedy Trial Act, and the statute of limitations with respect to any prosecution that is not time-barred on the date that this Agreement is signed, in the event that (a) the defendant's conviction is later vacated for any reason, (b) the defendant violates any provision of this Agreement, or (c) the defendant's plea is later withdrawn.

11. In agreeing to these waivers, the defendant is aware that a sentence has not yet been determined by the Court. The defendant is also aware that any estimate of the possible sentencing range under the *Sentencing Guidelines* that he may have received from his counsel, the United States, or the Probation Office is a prediction,

not a promise, did not induce his guilty plea, and is not binding on the United States, the Probation Office, or the Court. The United States does not make any promise or representation concerning what sentence the defendant will receive. The defendant further understands and agrees that the *Sentencing Guidelines* are "effectively advisory" to the Court. *United States v. Booker*, 125 S.Ct. 738 (2005). Accordingly, the defendant understands that, although the Court must consult the *Sentencing Guidelines* and must take them into account when sentencing him, the Court is bound neither to follow the *Sentencing Guidelines* nor to sentence the defendant within the guideline range calculated by use of the *Sentencing Guidelines*.

12. The defendant understands and agrees that each and all of his waivers contained in this Agreement are made in exchange for the corresponding concessions and undertakings to which this Agreement binds the United States.

The United States' Agreements

13. The United States agrees to each of the following:

(a) At the time of sentencing, the United States agrees not to oppose the defendant's anticipated request to the Court and the United States Probation Office that he receive a two level downward adjustment pursuant to U.S.S.G. § 3E1.1(a) should the defendant accept responsibility as contemplated by the *Sentencing Guidelines*. The United States is not required to make this recommendation if Davis (1) fails or refuses to timely entire his plea and make a full, accurate and complete disclosure to the United States and the Probation Department of the circumstances surrounding the relevant offense conduct and his present financial condition; (2) is found to have misrepresented facts to

the United States prior to entering this Agreement; or (3) commits any misconduct after entering into this Agreement, including but not limited to committing a state or federal offense, violating any term of release, or making false statements or misrepresentations to any governmental entity or official.

(b) If the defendant qualifies for an adjustment under U.S.S.G. Section 3E1.1(a), the United States agrees to file a motion for an additional one level departure based on the timeliness of the plea or the expeditious manner in which the defendant provided complete information regarding his/her role in the offense if the defendant's offense level is 16 or greater.

(c) The United States agrees that the appropriate Guidelines calculation in this case is the calculation described in Paragraph 1(b) above.

United States' Non-Waiver of Appeal

14. The United States reserves the right to carry out its responsibilities under the *Sentencing Guidelines*. Specifically, the United States reserves the right:

(a) to bring its version of the facts of this case, including its evidence file and any investigative files, to the attention of the Probation Office in connection with that office's preparation of a presentence report;

(b) to set forth or dispute sentencing factors or facts material to sentencing;

(c) to seek resolution of such factors or facts in conference with the defendant's counsel and the Probation Office;

(d) to file a pleading relating to these issues, in accordance with U.S.S.G. § 6A1.2 and 18 U.S.C.§ 3553(a); and

(e) to appeal the sentence imposed or the manner in which it was determined. If the United States appeals Davis's sentence, then Davis shall be released from his waiver of appellate rights.

Sentence Determination

15. The defendant is aware that the sentence will be imposed by the Court after consideration of the *Sentencing Guidelines*, which are only advisory, as well as the provisions of 18 U.S.C. § 3553(a). The defendant nonetheless acknowledges and agrees that the Court has authority to impose any sentence up to and including the statutory maximum set for the offense(s) to which the defendant pleads guilty, and that the sentence to be imposed is within the sole discretion of the sentencing judge after the Court has consulted the applicable *Sentencing Guidelines*. The defendant understands and agrees that the parties' positions regarding the application of the *Sentencing Guidelines* do not bind the Court and that the sentence imposed is within the discretion of the sentencing judge. If the Court should impose any sentence up to the maximum established by statute, the defendant cannot, for that reason alone, withdraw a guilty plea, and he will remain bound to fulfill all of his obligations under this Agreement.

Rights at Trial

16. The defendant represents to the Court that he is satisfied that his attorney has rendered effective assistance. The defendant understands that by entering into this Agreement, he surrenders certain rights as provided herein. The defendant understands that the rights of a defendant include the following:

(a) If the defendant persisted in a plea of not guilty to the charges, the defendant would have the right to a speedy jury trial with the assistance of counsel. The trial may be conducted by a judge sitting without a jury if the defendant, the United States, and the Court all agree.

(b) At a trial, the United States would be required to present witnesses and other evidence against the defendant. The defendant would have the opportunity to confront those witnesses and his attorney would be allowed to cross-examine them. In turn, the defendant could, but would not be required to, present witnesses and other evidence on his own behalf. If the witnesses for the defendant would not appear voluntarily, he could require their attendance through the subpoena power of the Court.

(c) At a trial, the defendant could rely on a privilege against self-incrimination and decline to testify, and no inference of guilt could be drawn from such refusal to testify. However, if the defendant desired to do so, he could testify on his own behalf.

Factual Basis for Guilty Plea

17. If this case were to proceed to trial, the United States could prove each element of the offense beyond a reasonable doubt. The following facts, among others, would be offered to establish the defendant's guilt:

(a) Beginning in at least 1988, **JAMES M. DAVIS (DAVIS)** began serving as Controller of Guardian International Bank, Ltd (Guardian), a bank chartered in Montserrat and owned by Robert Allen Stanford (Stanford). Soon after **DAVIS** became Controller, Stanford requested that, in order to show fictitious quarterly and annual profits, DAVIS make false entries into the general ledger for the purpose of reporting false revenues and false investment portfolio balances to the banking regulators. In late 1989, Stanford closed Guardian in Montserrat due, in part, because of his concern with the heightened scrutiny being imposed upon Guardian by bank regulators in Montserrat.

(b) In early 1990, Stanford moved Guardian's banking operations to Antigua under the name Stanford International Bank, Ltd. (SIBL), of which he was the sole shareholder and for which **DAVIS** continued to serve as Controller through approximately 1992, when **DAVIS** became Chief Financial Officer of Stanford Financial Group (SFG). SFG was the parent company of SIBL and a web of other affiliated financial services entities, including Stanford Group Company (SGC) and Stanford Capital Management (SCM).

(c) SIBL's primary investment product was referred to as a Certificate of Deposit (CD) which SIBL would solicit to potential investors in the United States and elsewhere through SFG broker-dealers, sometimes referred to as "Financial Advisors" (FAs). By 2008, SIBL had sold CDs resulting in liabilities totaling over $7 billion to investors in the United States and elsewhere. Stanford, **DAVIS**, and their conspirators promoted SIBL's investments as being well-managed, safe and secure, claimed that SIBL's investment strategy was to minimize risk and achieve liquidity, and falsely touted in SIBL's Annual Reports beginning in at least 1999 an almost year-by-year percentage and dollar increase in the purported value of SIBL's earnings, revenue and assets.

(d) Prior to purchasing SIBL CDs, potential investors were required to provide their basic biographical and financial information in the form of a Subscription Agreement. Subscription Agreements regarding the investors were routinely sent from Stanford Group Company in Houston, Texas to SIBL in Antigua. CDs and account statements regarding the CDs were also routinely sent by mail to investors, including an account statement driven by the false investment and revenue values for an investor (identified as "Investor TA" in Count 2 of the Information) which on November 30, 2008 was sent and delivered via United States Postal Service to Investor TA's address in Spring, Texas.

(e) Stanford, **DAVIS** and their conspirators further promoted the sale of SIBL's CDs by representing to investors that SIBL's operations and financial condition were being scrutinized by Antigua's bank regulator, the Financial Services Regulatory Commission (FSRC), and that SIBL's financial statements were subject to annual examination and inspections by the FSRC and audits by an independent outside auditor.

(f) Stanford, **DAVIS**, Chief Investment Officer Laura Pendergest-Holt (Holt) and other conspirators created and perpetuated the false impression to investors, potential investors, and the majority of SFG employees that Holt was responsible for overseeing and monitoring SIBL's entire portfolio of non-cash assets and that she managed all of those assets through a global network of money managers. In order to continue to effectuate the scheme, on December 7, 2005, Stanford and others, appointed Holt to the SIBL "Investment Committee." The purpose of this appointment was to continue to dupe the CD investors into falsely believing that Holt understood and "managed" SIBL's entire investment portfolio.

(g) Unknown to investors, Stanford, **DAVIS**, Holt and other conspirators internally segregated SIBL's investment portfolio into three investment tiers: (a) cash and cash equivalents ("Tier I"); (b) investments with "outside money managers," sometimes also referred to as "outside portfolio managers" ("Tier II"); and (c) other assets ("Tier III"). In actuality, Holt's management of SIBL's assets was confined to those assets contained in Tier II which, by 2008 made up only 10% of SIBL's entire portfolio. In fact, by 2008, approximately 80% of SIBL's investment portfolio was made up of illiquid investments, including grossly overvalued real and personal property that SIBL had acquired from Stanford-controlled entities at falsely inflated prices. At least $2 billion dollars of undisclosed, unsecured personal loans from SIBL to Stanford were concealed and disguised in SIBL's financial statements as "investments."

(h) At Stanford's direction and assisted by SFG's Chief Accounting Officer, Gilberto Lopez (Lopez), and the Global Controller for an affiliate of SFG, Mark Kuhrt (Kuhrt), **DAVIS** regularly created false books and records in which the value of the investment portfolio was further fraudulently adjusted by percentage increases to produce false investment and revenue values. As a result, SIBL's values for revenue and investments were falsified on a routine basis.

(i) From at least 2002, **DAVIS**, at the request of Stanford, would prepare with the assistance of Lopez and Kuhrt, fictitious SIBL investment reports, which were provided to the Antiguan FSRC on a quarterly basis, again falsely inflating the value of SIBL's investments. These false forms continued to be provided to the FSRC on a quarterly basis until at least September 2008. Kuhrt would send the false documents to SIBL in Antigua. SIBL Executive A would then execute the documents and provide them to the FSRC.

(j) Stanford was insistent that SIBL appear to show a profit each year. Stanford and **DAVIS** would collaborate to select a false revenue number. **DAVIS** would then send the collaborative false revenue numbers to Lopez and Kuhrt.

(k) To create the falsely inflated values for SIBL's assets, **DAVIS** would extrapolate from the values attributed to a portion of SIBL's investment portfolio which was monitored by Holt and managed by money managers. **DAVIS**, at Stanford's urging, would multiply those actual values by artificial percentage factors necessary to equal the value for depositor liabilities. By email or personal delivery, **DAVIS** would send the false investment valuation report to Kuhrt, who then sent it to SIBL.

(l) Initially, **DAVIS** did the calculations manually, but later a computer spreadsheet was created which was useful in generating the bogus revenue numbers. Every year, SIBL would prepare a budget projecting growth. Stanford, **DAVIS**, Lopez, Kuhrt and other conspirators would then use the "budgeted" numbers to develop falsely inflated revenue numbers which would be claimed as the "actual" revenue numbers to generate the desired Return on Investment (ROI). At Kuhrt's direction, subordinate employees in SFG's accounting group would be given a secret instruction sheet informing them as to how to make the changes to generate the false adjusted revenue figures, including the steps necessary to obtain approval by Lopez and **DAVIS**. After "backing into" or "reverse engineering" the numbers to match the "budgeted" numbers, Kuhrt would then transmit the inflated revenue numbers from Houston initially, and later from St. Croix when Kuhrt's accounting group moved to St. Croix, to Lopez in Houston, Texas and to **DAVIS** in Mississippi for **DAVIS'** approval. **DAVIS** often would further adjust the already bogus numbers to reach a desired ROI and would transmit to Kuhrt and Lopez the changes to be made.

(m) Kuhrt and Kuhrt's employees in the accounting group would prepare the false financial statements published in SIBL's annual reports, which Stanford, Lopez and **DAVIS** would review prior to publishing and sending out to investors.

(n) This continued routine false reporting by Stanford, **DAVIS**, Lopez, Kuhrt and their conspirators, upon which CD investors routinely relied in making their investment decisions, in effect, created an ever-widening hole between reported assets and actual liabilities, causing the creation of a massive Ponzi scheme whereby CD redemptions ultimately could only be accomplished with new infusions of investor funds. Stanford, **DAVIS**, Lopez, Kuhrt and their conspirators fraudulently claimed in SIBL's Annual Reports an increase in assets from approximately $1.2

billion in 2001 to approximately $8.5 billion reported in SIBL's Monthly Report for December 2008. By the end of 2008, Stanford, **DAVIS** and their conspirators falsely represented in SIBL's December monthly report that it held over $7 billion in assets, when in truth and in fact, SIBL actually held less than $2 billion in assets.

(o) By at least 2002, Stanford had introduced **DAVIS** to Leroy King, a bank auditor for the FSRC, a former Ambassador to the United States from Antigua and a former executive at Bank of America in New York. King became Administrator and the Chief Executive Officer (CEO) of the FSRC in approximately 2003.

(p) Sometime in 2003, Stanford performed a "blood oath" brotherhood ceremony with King and another employee of the FSRC, each of whom participated in the FSRC's regulatory oversight of SIBL. This brotherhood oath was undertaken in order to extract an agreement from both King and the other FSRC employee that they, in exchange for regular cash bribe payments by Stanford to King and the other FSRC employee, would ensure that the Antiguan bank regulators would not "kill the business" of SIBL. During the course of the fraud scheme King routinely referred to Stanford as "Brother" or "Big Brother." In the regular preparation of the false SIBL investment reports for submission to the FSRC, Stanford, **DAVIS**, and other conspirators relied upon the assurances that King and the other FSRC employee, because of the bribes, would ensure that the FSRC would not actually examine the validity of the investments of SIBL as set forth in those investment reports.

(q) When Stanford needed cash to make these bribe payments, he generally would instruct **DAVIS** to debit funds from a secret numbered Swiss bank account at Society General Bank (SocGen account #108731) and to wire those funds to an SFG account at Bank of Antigua, from which the cash in United States dollars would be withdrawn. This secret SocGen account #108731was funded by CD investor funds and was also used to make regular bribe payments, via wire transfer, to SIBL's outside auditor in Antigua, C.A.S. Hewlett & Co. Ltd. The cash bribe payments by Stanford to King ultimately exceeded $200,000.

(r) Sometime in approximately 2003, Stanford and SIBL Executive A complained to King that two FSRC examiners were becoming aggressive and suspicious in their examination of SIBL's financial statements. Stanford reassured **DAVIS** and SIBL Executive A that, because of their brotherhood oath and the bribe payments, King would assist in removing the two FSRC employees from the regulatory oversight function of SIBL. Both FSRC employees soon thereafter were reassigned or replaced.

(s) In January 2004, Stanford also continued his bribery scheme with Leroy King by paying $8000 for tickets to the Super Bowl game in Houston and by corruptly giving those tickets to King and his girlfriend to attend the game.

(t) In June of 2005, King provided to Stanford a confidential letter that King had received from the United States Securities and Exchange Commission (SEC) in his capacity as Administrator and CEO of the FSRC wherein the SEC sought information and records regarding SIBL's CD investment portfolio. In the confidential letter, the SEC maintained that it was investigating SIBL's sales practices with respect to its CD program and sought from the FSRC details and records of SIBL's investments because the SEC stated that it had evidence to suggest that SIBL was engaged in a "possible Ponzi scheme." Stanford and SIBL Executive A then assisted King in drafting a false and misleading response by the FSRC to this confidential SEC letter.

(u) By August of 2005, Stanford had retained an outside counsel to represent the interests of SIBL in the SEC inquiry of SIBL's sales practices (hereafter Outside Attorney A). During that month, Outside Attorney A traveled to the SIBL facility in Antigua where he met with Stanford, **DAVIS**, SIBL Executive A, Leroy King and others to familiarize himself with the operations and finances of SIBL. Outside Attorney A further reviewed SIBL's disclosures to investors in its CD program.

(v) On July 30, 2006, Leroy King transmitted to SFG Attorney A in Houston, Texas, a letter dated July 11, 2006 from the Director of the Bank Supervision Department at the Eastern Caribbean Central Bank ("ECCB") to the FSRC in Antigua concerning, inter alia, the affiliate relationship of SIBL to the Bank of Antigua. Similarly, on August 1, 2006, King again faxed to SFG Attorney A in Houston, Texas, a proposed response to the ECCB letter which sought the input of SFG Attorney A in crafting a response by the FSRC calculated to mislead the ECCB as to the financial bona fides of SIBL to prevent legitimate scrutiny of SIBL by the Eastern Carribean bank regulator. Recognizing that he had already been paid through cash bribe payments from Stanford, King concluded the August 1, 2006 facsimile transmission with the following handwritten words: "Please do not bill me (laugh), Thanks a million, Lee."

(w) On September 25, 2006, King provided to Stanford, SFG Attorney A, and SIBL Executive A another confidential letter he had received from the SEC wherein the SEC again sought records and information regarding SIBL's CD investment

portfolio. Stanford, **DAVIS**, SIBL Executive A, and SFG Attorney A would then propose various responses designed to mislead the SEC that King would be requested to insert into the FSRC's response to the SEC's confidential letter.

(x) In late September of 2006, Outside Attorney A contacted the SEC and represented that he had "heard through the grapevine" that the FSRC had not been provided with an appropriate request from the SEC for documents; that the SEC should "go to Antigua" to review the SIBL examination reports; that the SEC had "no basis" to request documents regarding SIBL's investment portfolio from SIBL; that he (Outside Attorney A) had spent 15 years investigating fraud for the SEC and was "well-equipped" to recognize the "hallmarks of fraud"; that he (Outside Attorney A) found SIBL to be credible in all their business dealings; and that, based upon his review of the situation and personal visit to SIBL, Outside Attorney A found SIBL to be an "incredible institution."

(y) In late 2008, Outside Attorney A was informed that SIBL's CD investment portfolio included a previously undisclosed third tier of investments (Tier III) that was not "managed" by Holt. Subsequently, in early January 2009, Outside Attorney A was informed that this third tier included real estate investments and private equity. Outside Attorney A, through his prior review of SIBL's disclosures knew and understood that this third tier of investments, including the real estate investments, had not been disclosed to investors. In early January of 2009 Outside Attorney A further learned that this undisclosed third tier of investments constituted approximately 80% of SIBL's investment portfolio or approximately $6 billion.

(z) During the course of the fraud conspiracy, Holt supervised a group of research analysts at SFG's offices in Memphis, Tennessee, who were primarily responsible for researching and trading investments in the Tier II segment of SIBL's portfolio. These research analysts were aware that Tier II represented a small segment of SIBL's entire portfolio and that the vast majority of SIBL's purported assets were in Tier III of SIBL's portfolio. Occasionally, Holt's research analysts would question her regarding Holt's knowledge of SIBL's Tier III assets. Holt would often dismiss such inquiries and would explain that she knew the details of the assets in Tier III and the research analysts "did not need to concern themselves" with Tier III.

(aa) From 2005 through at least February of 2009, Stanford, **DAVIS**, Holt, SIBL Executive A and others would attend investor conferences and other meetings with FAs called "Top Producer Club" or "TPC" meetings where they would falsely tout the assets and earnings of SIBL's investments, falsely tout SIBL's investment

strategy and deceive both the investors and FAs as to the role Holt played in the "management" of SIBL's investment portfolio.

(bb) In December 2008, Holt's research analysts began to make further inquiry of Holt regarding the quantity and the quality of the assets that made up SIBL's Tier III. During that same month, Holt led several meetings with her research analysts wherein she would purport to inform the analysts as to some of the content of SIBL's Tier III. Specifically, Holt explained the evolution of Tier III from a segment of SIBL's portfolio in the 1990s that contained mostly futures, options and currencies, to its current content which was purportedly geared toward larger holdings of real estate and private equity. Holt explained that Tier III was composed of 30-40% private equity and real estate and 10-12% cash. She further explained that SIBL had conducted private equity and real estate deals that had been "very profitable." In fact, she cited one transaction involving "two islands and one club" that Stanford had acquired and "got a very good deal." Because of this, Holt explained, Tier III was "up 7% mid-year." Holt told her research analysts that "we are restructuring Tier III and that will happen as early as January 2009."

(c) In mid-2008, Stanford, **DAVIS** and other conspirators were desperately seeking a fraudulent mechanism whereby they could artificially inflate SIBL's assets and thereby further conceal the fact that, undisclosed to investors, Stanford had made approximately $2 billion in loans to himself; that many if not all of private equity investments in Tier III were either insolvent or losing money badly, and that the touted returns on investment had been fictitious. As such, Stanford, **DAVIS**, Lopez, Kuhrt and other conspirators designed a real estate transaction wherein they would falsely inflate and convert an approximate $65 million dollar real estate transaction in Antigua into a purported $3.2 billion dollar asset of SIBL merely through a series of related party property flips through business entities controlled by Stanford. From approximately May 2008 through November 2008, Stanford, **DAVIS**, Lopez, Kuhrt,SIBL Executive A, SFG Attorney A and other conspirators participated in documenting elements of this bogus real estate in the books and records of SIBL designed to fraudulently add billions of dollars in value to SIBL's financial statements.

(dd) On January 14, 2009, the SEC served, through Outside Attorney A, investigatory subpoenas to **DAVIS** and Holt seeking testimony and documents related to SIBL's investment portfolio. Stanford also was served an SEC subpoena through Outside Attorney A. Outside Attorney A understood that the SEC inquiry would require the subpoenaed individuals to make a complete and transparent presentation to the SEC regarding all of the assets related to SIBL's CD program.

(ee) On January 21, 2009, Outside Attorney A met at the SIBL airplane hangar in Miami, Florida, to discuss the SEC investigation with Stanford, **DAVIS**, Holt, SIBL Executive A, SFG Attorney A and others to discuss who could make the presentation to the SEC. At that meeting, despite the knowledge that Stanford and **DAVIS** were in the best position to disclose the assets in the Tier III portfolio, Stanford, **DAVIS**, Holt, Outside Attorney A, SIBL Executive A and SFG Attorney A all agreed that Outside Attorney A would seek to convince the SEC that Holt and SIBL Executive A were the best individuals to present testimony and evidence to the SEC as to SIBL's entire investment portfolio. The participants also agreed to participate in a series of meetings in Miami, Florida during the week of February 2, 2009, to bring Holt and SIBL Executive A "up to speed on Tier 3" before the SEC presentation.

(ff) On January 22, 2008, Outside Attorney A met in Houston, Texas with several SEC attorneys in Houston, Texas to discuss issues related to the SEC investigation. The SEC attorneys reiterated that their investigation was seeking to determine where and how the entire portfolio of SIBL assets were invested and managed. Outside Attorney A falsely maintained that Stanford and **DAVIS** did not "micro-manage" the portfolio but that Holt and SIBL Executive A were the "better people to explain the details" about SIBL's entire portfolio. As a result of Outside Attorney A's misleading statements, the SEC attorneys agreed to postpone the testimony of Stanford and **DAVIS** and to take the testimony of SIBL Executive A and Holt on February 9-10, 2009, respectively. Outside Attorney A also falsely informed the SEC attorneys at this meeting that SIBL was "not a criminal enterprise."

(gg) In the last week of January 2009, **DAVIS** met with King in Antigua. By that time, SIBL was facing increasing regulatory scrutiny from the SEC, and Stanford, Holt and **DAVIS**, had received subpoenas from the SEC. King appeared very stressed. King related that he had again been contacted by the SEC. King asked **DAVIS** if "we were going to make it?" which meant whether the fraud they had been engaged in was going to be exposed. **DAVIS** informed King that he thought they were going to be ok.

(hh) On January 27, 2009, Outside Attorney A contacted **DAVIS**, Holt and SIBL Executive A and informed them when Holt and SIBL Executive A responded to the SEC inquiry they would be required to present "positive proof" regarding all of the assets of SIBL including the three tiers, that they needed to "rise to the occasion," and that "our livelihood depends on it."

(ii) On February 3, 4, 5 and 6, 2009, **DAVIS** met with Holt, SFG Attorney A, SIBL Executive A, Outside Attorney A, and ultimately, Stanford on February 5,

and others, at SFG' s office in Miami, Florida to discuss the testimony that Holt and SIBL Executive A would provide to the SEC during the week of February 9, 2009. During these meetings Holt disclosed that the value of the assets she actually managed in Tier II totaled approximately $350 million, down from $850 million in June of 2008. At these meetings **DAVIS** further revealed that the purported value of Tier III of SIBL's investment portfolio was made up of: real estate valued at in excess of $3 billion which allegedly had been acquired earlier that year by SIBL for less than $90 million; $1.6 billion in "loans" to Stanford; and various other private equity investments. Several of the Miami meeting participants acknowledged that if this disclosure was accurate, then the bank was insolvent. During the February 5, 2009 session, Stanford falsely informed the participants that despite what they had just been told, SIBL had "at least $850 million more in assets than liabilities."

(jj) Later in the day of February 5, 2009, Stanford, **DAVIS** and Outside Attorney A attended a separate meeting where Stanford acknowledged that SIBL's assets and financial health had been misrepresented to investors, and were overstated in SIBL's financials.

(kk) On the morning of February 10, 2009, prior to Holt's testimony before the SEC in Fort Worth, Texas, in an effort to continue to obstruct the SEC investigation, **DAVIS** spoke with Holt by telephone and told her to only disclose to SEC investigators her knowledge of Tier II investments.

(ll) During her testimony to the SEC on February 10, 2009, in addition to failing to disclose the Miami meetings and participants which had occurred the prior week, Holt falsely stated in her SEC testimony that she was unaware of the assets and allocations of assets in Tier III of SIBL's portfolio.

Breach of Plea Agreement

18. If the defendant fails in any way to fulfill completely all of his obligations under this Agreement, the United States will be released from its obligations hereunder, and the defendant's plea and sentence will stand. If at any time the defendant retains, conceals, or disposes of assets in violation of this Agreement, or if the defendant knowingly withholds evidence or is otherwise not completely truthful

with the United States, then the United States may ask the Court to set aside his guilty plea and reinstate prosecution. Any information and documents that have been disclosed by the defendant, whether prior to or subsequent to execution of this Agreement, and all leads derived therefrom, will be used against the defendant in any prosecution.

Forfeiture

19. Defendant agrees to forfeit all property which constitutes or is derived from proceeds traceable to the violations charged in Counts One and Two of the information. Defendant stipulates and agrees that the factual basis for his guilty plea supports the forfeiture of at least $1,000,000,000 (one billion dollars). Defendant agrees to a personal money judgment for $1,000,000,000 (one billion dollars) against him and in favor of the United States of America. Defendant represents that he will make a full and complete disclosure of all assets over which he exercises direct or indirect control, or in which he has any financial interest. Defendant stipulates and admits that one or more of the conditions set forth in 21 U.S.C. § 853(p) exists. Defendant agrees to forfeit any of Defendant's property, or Defendant's interest in any property, up to the value of any unpaid portion of the money judgment, until the money judgment is fully satisfied. Defendant agrees to take all steps necessary to pass clear title to forfeitable and substitute assets to the United States, including but not limited to surrendering title, signing a consent decree, stipulating facts regarding the

transfer of title and basis for the forfeiture, and signing any other documents necessary to effectuate such transfer.

20. Defendant agrees to the entry of a preliminary order of forfeiture and consents to the preliminary order of forfeiture becoming final as to the Defendant immediately following this guilty plea pursuant to Fed.R.Crim.P. 32.2(b)(3). Defendant waives the right to challenge the forfeiture of property in any manner, including by direct appeal or in a collateral proceeding.

Complete Agreement

21. This Agreement, consisting of 23 pages, together with the attached letter agreement dated April 21, 2009, constitutes the complete plea agreement between the United States, the defendant, and his counsel. No promises or representations have been made by the United States except as set forth in writing in this Agreement. The defendant acknowledges that no threats have been made against him and that he is pleading guilty freely and voluntarily because he is guilty.

22. Any modification of this Agreement must be in writing and signed by all parties.

Filed at Houston, Texas, on August 27, 2009.

James M. Davis
Defendant

Subscribed and sworn to before me on August 27, 2009.

By: _____
Deputy United States District Clerk

APPROVED:

Tim Johnson
United States Attorney

By: _____
Gregg Costa
Assistant U.S. Attorney

_____
David Finn
Attorney for Defendant

Steven A. Tyrrell
Chief
Fraud Section, Criminal Division
Department of Justice

BY: _____
Paul E. Pelletier
Principal Deputy Chief
Jack B. Patrick
Senior Litigation Counsel
Matthew Klecka
Trial Attorney

U.S. Department of Justice

1400 New York Avenue
Washington, D.C. 20530
(202) 353-7693

April 21, 2009

VIA FEDEX and EMAIL
David Finn, Esq.
Milner & Finn
2828 North Harwood Street
Suite 1950, Lock Box 9
Dallas, TX 75201

Re: Davis Plea Agreement

Dear Mr. Finn:

This letter sets forth the terms of the plea agreement between your client, James Davis, and the United States, by and through the Fraud Section of the Criminal Division of the Department of Justice and the United States Attorney's Office for the Southern District of Texas (hereinafter referred to as the "United States"), regarding your client's involvement with Stanford Group, Inc., Stanford International Bank, Ltd., and related entities including the predecessor bank, Guardian Trust, from at least 1989 through the present. The terms of this "Agreement" are as follows:

1. Davis agrees to waive prosecution by indictment and to plead guilty to three counts of a Criminal Information, charging Davis: in Count 1 with conspiracy to violate the following laws: Securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff(a), and Title 17, Code of Federal Regulations, Section 240.10b-5; wire fraud, in violation of Title 18, United States Code, Section 1343; mail fraud, in violation of Title 18, United States Code, Section 1341; and obstruction of a proceeding before the Securities and Exchange Commission, in violation of Title 18, United States Code, Section 1505; all in violation of Title 18, United States Code, Section 371; in Count 2 with mail fraud, in violation of Title 18, United States Code, Sections 1341 and 2; and in Count 3 with obstruction of a proceeding before the Securities and Exchange Commission, in violation of Title 18, United States Code, Sections 1505 and 2. The Criminal Information also includes a forfeiture allegation, as further discussed herein.

2. Davis is aware that his sentence will be imposed by the Court. Davis understands and agrees that federal sentencing law requires the Court to impose a sentence that is reasonable and that the Court must consider the United States Sentencing Guidelines and Policy Statements (hereinafter "Sentencing Guidelines") in effect at the time of the sentencing in determining that reasonable sentence. Davis acknowledges and understands that the Court will compute an advisory sentence under the United States Sentencing Guidelines and that the applicable

guidelines will be determined by the Court relying in part on the results of a Pre-Sentence Investigation by the Court's Probation Department, which investigation will commence after the guilty plea has been entered. Davis is also aware that, under certain circumstances, the Court may depart from the advisory sentencing guideline range that it has computed, and may raise or lower that advisory sentence under the Sentencing Guidelines. Davis is further aware and understands that while the Court is required to consider the advisory guideline range determined under the Sentencing Guidelines, it is not bound to impose a sentence within that range. Davis understands that the facts that determine the offense level will be found by the Court at the time of sentencing and that in making those determinations the Court may consider any reliable evidence, including hearsay, as well as the provisions or stipulations in this Agreement. The United States and Davis agree to recommend that the Sentencing Guidelines should apply and that pursuant to United States v. Booker, the Guidelines provide a fair and just resolution based on the facts of this case, and that no downward departures or variances are appropriate other than the reduction for acceptance of responsibility noted in paragraph 12 and the potential for a reduction under the terms set forth in paragraph 9. The Court is permitted to tailor the ultimate sentence in light of other statutory concerns, and such sentence may be either more severe or less severe than the Sentencing Guidelines' advisory sentence. Knowing these facts, Davis understands and acknowledges that the Court has the authority to impose any sentence within and up to the statutory maximum authorized by law for the offenses identified in paragraph 1 and that Davis may not withdraw the plea solely as a result of the sentence imposed.

3. Davis also understands and acknowledges that as to Count 1, the Court may impose a statutory maximum term of imprisonment of up to five (5) years. Davis understands and acknowledges that as to Count 2, the Court may impose a statutory maximum term of imprisonment of up to twenty (20) years. Davis understands and acknowledges that as to Count 3, the Court may impose a statutory maximum term of imprisonment of up to five (5) years. In addition to any period of imprisonment as reflected above, the Court may also impose a period of supervised release of up to three (3) years to commence at the conclusion of the period of imprisonment. In addition to a term of imprisonment and supervised release, the Court may impose a fine of up to the greater of $250,000, or twice the gross pecuniary gain or loss pursuant to 18 U.S.C. § 3571(d).

4. Davis further understands and acknowledges that, in addition to any sentence imposed under paragraph 3 of this Agreement, a special assessment in the total amount of $300 will be imposed on Davis. Davis agrees that any special assessment imposed shall be paid immediately after sentencing.

5. Davis further understands and acknowledges that he (a) shall truthfully and completely disclose all information with respect to the activities of himself and others concerning all matters about which the United States inquires of him, which information can be used for any purpose; (b) shall cooperate fully with the United States and any other law enforcement agency designated by the United States; (c) shall attend all meetings at which the United States requests his presence; (d) shall provide to the United States, upon request, any document, record, or other

tangible evidence relating to matters about which the United States or any designated law enforcement agency inquires of him; (e) shall truthfully testify before the grand jury and at any trial and other court proceeding with respect to any matters about which the United States may request his testimony; (f) shall bring to the attention of the United States all crimes which he has committed, and all administrative, civil, or criminal proceedings, investigations, or prosecutions in which he has been or is a subject, target, party, or witness; and, (g) shall commit no further crimes whatsoever. Moreover, any assistance Davis may provide to federal criminal investigators shall be pursuant to the specific instructions and control of the United States and designated investigators. In carrying out his obligations under this paragraph, Davis shall neither minimize his own involvement nor fabricate, minimize or exaggerate the involvement of others.

6. Davis shall provide, when requested, the Probation Department and counsel for the United States with a full, complete and accurate personal financial statement listing all assets under his direct or indirect control, including any assets he may have transferred or placed in the control of others within the 10 year period prior to execution of this Agreement. If Davis provides incomplete or untruthful statements in his personal financial statement, his action shall be deemed a material breach of this Agreement and the United States shall be free to pursue all appropriate charges against him notwithstanding any agreements to forbear from bringing additional charges otherwise set forth in this Agreement.

7. Provided that Davis commits no new criminal offenses and provided he continues to demonstrate an affirmative recognition and affirmative acceptance of personal responsibility for his criminal conduct, the United States agrees that it will recommend at sentencing that Davis receive a three-level reduction for acceptance of responsibility pursuant to Section 3E1.1 of the Sentencing Guidelines, based upon Davis' recognition and affirmative and timely acceptance of personal responsibility. The United States, however, will not be required to make this sentencing recommendation if Davis: (1) fails or refuses to timely enter his guilty plea and to make a full, accurate and complete disclosure to the United States and the Probation Department of the circumstances surrounding the relevant offense conduct and his present financial condition; (2) is found to have misrepresented facts to the United States prior to entering this Agreement; or (3) commits any misconduct after entering into this Agreement, including but not limited to committing a state or federal offense, violating any term of release, or making false statements or misrepresentations to any governmental entity or official.

8. The United States reserves the right to inform the Court and the Probation Department of all facts pertinent to the sentencing process, including all relevant information concerning the offenses committed, whether charged or not, as well as concerning Davis and Davis' background. Subject only to the express terms of any agreed-upon sentencing recommendations contained in this Agreement, the United States further reserves the right to make any recommendation as to the quality and quantity of punishment.

9. The United States reserves the right to evaluate the nature and extent of Davis' cooperation and to make Davis' cooperation, or lack thereof, known to the Court at the time of

sentencing. If, in the sole and unreviewable judgment of the United States, Davis' cooperation is of such quality and significance to the investigation or prosecution of other criminal matters as to warrant the Court's downward departure from the sentence required by the Sentencing Guidelines, the United States may, at or before sentencing make, a motion pursuant to Title18, United States Code, Section 3553(e), Section 5K1.1 of the Sentencing Guidelines, or subsequent to sentencing by motion pursuant to Rule 35 of the Federal Rules of Criminal Procedure, reflecting that Davis has provided substantial assistance and recommending a sentence reduction. Davis acknowledges and agrees, however, that nothing in this Agreement may be construed to require the United States to file such a motion and that the United States' assessment of the nature, value, truthfulness, completeness, and accuracy of Davis' cooperation shall be binding on Davis.

10. Davis understands and acknowledges that the Court is under no obligation to grant a motion by the United States pursuant to Title 18, United States Code, Section 3553(e), 5K1.1 of the Sentencing Guidelines or Rule 35 of the Federal Rules of Criminal Procedure, as referred to in paragraph 9 of this Agreement, should the United States exercise its discretion to file such a motion.

11. Davis admits and acknowledges that the following facts are true and that the United States could prove them at trial beyond a reasonable doubt:

a. That Davis' participation in the conspiracy and scheme and artifice resulted in a loss of more than $400,000,000;
b. That Davis' offense involved more than two-hundred fifty (250) victims;
c. That a substantial part of Davis' fraudulent scheme was committed from outside the United States and otherwise involved sophisticated means;
d. That Davis' offense affected the safety and soundness of a financial institution and endangered the solvency or financial security of 100 or more victims; and
e. That Davis abused a position of trust as Chief Financial Officer of Stanford Group, Inc., and Stanford International Bank, Ltd.

12. Based on the foregoing, the United States and Davis agree that although not binding on the Probation Department or the Court, the applicable Sentencing Guidelines adjusted offense level is as follows:

a.	Section 2B1.1(a) - Base offense level for wire fraud offense	7
b.	Section 2B1.1(b)(1)(K) - Loss of more than $400,000,000	30
c.	Section 2B1.1(b)(2)(B) - More than 250 victims	6
d.	Section 2B1.1(b)(9)(C) & (D)- Substantial part of scheme committed outside the United States and otherwise used sophisticated means	2
e.	Section 2B1.1(b)(14)(B) - Affecting safety and soundness	

	of a financial institution and endangering the solvency or financial security of 100 or more victims	4
f.	Section 3B1.3 - Abuse of position of trust	2
g.	Section 2B1.1(b)(14)(C) - Combination of enhancement for more than 250 victims (+6) and enhancement for safety and soundness of a financial institution and endangering the solvency or financial security of 100 or more victims (+4) equals 10, therefore reduced to 8	-2
h.	Sections 3E1.1(a) and 3E1.1(b) Acceptance of Responsibility (if applicable)	-3
	TOTAL OFFENSE LEVEL - ADJUSTED	46

13. Davis agrees to forfeiture of all property, real or personal, which constitutes or is derived from proceeds traceable to the violations of 18 U.S.C. § 371 (conspiracy to commit wire and mail fraud) and 18 U.S.C. § 1343 (wire fraud). Davis agrees that all such property is subject to criminal forfeiture pursuant to 28 U.S.C. § 2461(c) (incorporating 18 U.S.C. § 981(a)(1)(C)), as property constituting, or derived from, proceeds obtained, directly or indirectly, as the result of the conspiracy (Count 1) and mail fraud scheme (Count 2). In order to effectuate the forfeiture, Davis agrees to the entry of a Consent Order of Forfeiture, in the form of a money judgment, of $1,000,000,000.00 (one billion dollars). Davis acknowledges that the money judgment is subject to forfeiture as proceeds of illegal conduct or substitute assets for property otherwise subject to forfeiture.

14. Davis also agrees that he shall assist the United States in all proceedings, whether administrative or judicial, involving the forfeiture to the United States of all rights, title, and interest, regardless of their nature or form, in the assets which Davis has agreed to forfeit, and any other assets, including real and personal property, cash and other monetary instruments, wherever located, which Davis or others to his knowledge have accumulated as a result of illegal activities. Such assistance shall include Davis' consent to the entry of any order deemed by the United States as necessary to effectuate said forfeitures. In addition, Davis agrees to identify as being subject to forfeiture and/or restitution all such assets, and to assist in the transfer of such property to the United States by delivering to the United States upon the United States' request, all necessary and appropriate documentation with respect to said assets, including consents to forfeiture, quit claim deeds and any and all other documents necessary to deliver good and marketable title to said property. To the extent the assets are no longer within the possession and control or name of Davis, Davis agrees that the United States may seek substitute assets within the meaning of 21 U.S.C. § 853. Davis further agrees to assist the United States in recovering all victim assets, wherever located, including but not limited to, executing requests for repatriation of said assets, wherever located, and facilitating the entry of court orders or treaty requests regarding said assets, wherever located. Davis further agrees not to alienate, transfer or encumber any asset over which he has direct or indirect control unless otherwise agreed to by the United

States or permitted by order of the Court. Failure to comply with the terms of this paragraph will constitute a material breach of this agreement.

15. Davis knowingly and voluntarily agrees to waive any claim or defenses he may have under the Eighth Amendment to the United States Constitution, including any claim of excessive fine or penalty with respect to the forfeited assets or victim restitution. Davis further knowingly and voluntarily waives his right to a jury trial on the forfeiture of said assets, waives any statute of limitations with respect to the forfeiture of said assets, and waives any notice of forfeiture proceedings, whether administrative or judicial, against the forfeited assets. Davis waives the requirements of Federal Rules of Criminal Procedure 32.2 and 43(a) regarding notice of the forfeiture in the charging instrument, announcement of the forfeiture at sentencing, and incorporation of the forfeiture in the judgment. Davis acknowledges that he understands that the forfeiture of assets is part of the sentence that may be imposed in this case and waives any failure by the court to advise him of this, pursuant to Rule 11(b)(1)(J), at the time his guilty plea is accepted.

16. Davis acknowledges that because the offenses of conviction occurred after April 24, 1996, restitution is mandatory without regard to the Davis' ability to pay and that the Court must order Davis to pay restitution for the full loss caused by his criminal conduct pursuant to Title 18, United States Code, Section 3663A, provided, however, that the United States agrees that the value of any property returned to victims through the forfeiture and remission process shall be credited against any order of restitution due to victims.

17. Davis is aware that the sentence has not yet been determined by the Court. Davis is also aware that any estimate of the probable sentencing range or sentence that Davis may receive, whether that estimate comes from Davis' attorney, the United States, or the Probation Department, is a prediction, not a promise, and is not binding on the United States, the Probation Department or the Court. Davis further understands that any recommendation that the United States makes to the Court as to sentencing, whether pursuant to this Agreement or otherwise, is not binding on the Court and the Court may disregard the recommendation in its entirety. Davis understands and acknowledges, as previously acknowledged in paragraph 2 above, that Davis may not withdraw his plea based upon the Court's decision not to accept a sentencing recommendation made by Davis, the United States, or a recommendation made jointly by both Davis and the United States.

18. Davis is aware that Title 18, United States Code, Section 3742 affords Davis the right to appeal the sentence imposed in this case. Acknowledging this, in exchange for the undertakings made by the United States in this Agreement, Davis hereby waives all rights conferred by Section 3742 to appeal any sentence imposed, including any forfeiture or restitution ordered, or to appeal the manner in which the sentence was imposed, unless the sentence exceeds the maximum permitted by statute. Davis further understands that nothing in this Agreement shall affect the right of the United States and/or its duty to appeal as set forth in Title 18, United States Code, Section 3742(b). If the United States appeals Davis' sentence pursuant to Section

3742(b), however, Davis shall be released from this waiver of appellate rights. By executing this Agreement, Davis acknowledges that he has discussed the appeal waiver set forth in this Agreement with his attorney. Davis further agrees, together with the United States, to request that the district Court enter a specific finding that the Davis' waiver of his right to appeal the sentence to be imposed in this case was knowing and voluntary.

19. Davis acknowledges that he has accepted this Agreement and decided to plead guilty because he is in fact guilty. By entering this plea of guilty, the defendant waives any and all right to withdraw his plea or to attack his conviction, either on direct appeal or collaterally, on the ground that the Government has failed to produce any discovery material, *Jencks* Act material, exculpatory material pursuant to *Brady v. Maryland*, 373 U.S. 83 (1963), other than information establishing the factual innocence of the defendant, and impeachment material pursuant to *Giglio v. United States*, 405 U.S. 150 (1972), that has not already been produced as of the date of the signing of this Agreement.

20. For purposes of criminal prosecution, this Agreement shall be binding and enforceable upon the Fraud Section of the Criminal Division of the United States Department of Justice and the United States Attorney's Office for the Southern District of Texas. The United States does not release Davis from any claims under Title 26, United States Code. Further, this Agreement in no way limits, binds, or otherwise affects the rights, powers or duties of any state or local law enforcement agency or any administrative or regulatory authority.

21. In the event that Davis does not plead guilty or if Davis breaches this Agreement by failing to comply with any terms hereto, Davis agrees and understands that he thereby waives any protection afforded by Section 1B1.8(a) of the Sentencing Guidelines and Rule 11(f) of the Federal Rules of Criminal Procedure, and that any statements made by him as part of his cooperation with the United States, or otherwise, both prior or subsequent to signing this Agreement, will be admissible against him without any limitation in any civil or criminal proceeding and Davis shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. By entering into this Agreement, Davis intends to waive all rights in the foregoing respects.

22. This Agreement is the entire agreement and understanding between the United States and Davis. There are no other agreements, promises, representations or understandings.

Respectfully submitted,

STEVEN A. TYRRELL, CHIEF
U.S. DEPARTMENT OF JUSTICE
CRIMINAL DIVISION, FRAUD SECTION

By:_____
PAUL E. PELLETIER, Principal Deputy Chief
U.S. DEPARTMENT OF JUSTICE
CRIMINAL DIVISION, FRAUD SECTION

TIMOTHY JOHNSON
ACTING UNITED STATES ATTORNEY

By:_____
GREGG COSTA
ASSISTANT UNITED STATES ATTORNEY

_____
JAMES DAVIS
DEFENDANT
Date:_____

_____
DAVID FINN
COUNSEL FOR JAMES DAVIS
Date:_____

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA	§	
	§	
v.	§	**Criminal No. H-09-335**
	§	
JAMES M. DAVIS	§	
	§	

AGREED PRELIMINARY ORDER OF FORFEITURE

The defendant, James M. Davis, pleaded guilty to Counts One, Two and Three of the information. Count One charges the defendant with conspiracy to commit wire, mail and securities fraud, in violation of Title 18, United States Code, Section 371. Count Two charges the defendant with mail fraud, in violation of Title 18, United States Code, Section 1341. Count Three charges the defendant with conspiracy to obstruct an SEC proceeding, in violation of Title 18, United States Code, Section 371.

The United States provided notice to the defendant in the information that pursuant to Title 18, United States Code, Section 981(a)(1)(C), in the event of his conviction of Counts One and Two, it would seek a money judgment in the amount of up to $1 billion and would seek to forfeit all property constituting or derived from proceeds traceable to the violations charged in Counts One and Two of the information.

Based on the written plea agreement, and pursuant to Rule 32.2(b)(1) of the Federal Rules of Criminal Procedure, the Court has determined that the defendant should be ordered to forfeit $1,000,000,000 (one billion dollars) to the United States.

It is ORDERED that:

1. The defendant, James M. Davis, shall forfeit $1,000,000,000 (one billion dollars) to the United States. A personal money judgment is hereby awarded in that amount in favor of the United States and against the defendant.

2. The United States of America may, at any time, move to amend this Order to substitute property, in whole or in part, up to one satisfaction of $1,000,000,000 (one billion dollars), pursuant to 21 U.S.C. § 853(p) and Rule 32.2(e) of the Federal Rules of Criminal Procedure.

3. The Court retains jurisdiction to enforce this Order. Pursuant to Rule 32.2(b)(3) of the Federal Rules of Criminal Procedure, this Order shall become final as to the defendant at the time of sentencing, and shall be made part of the sentence and included in the judgment.

Signed in Houston, Texas, on August 27, 2009.

UNITED STATES DISTRICT JUDGE

SENTENCE DATA SHEET

CRIMINAL NO.: H-09-335

DEFENDANT: James M. Davis

DEFENDANT'S IMMIGRATION STATUS: US Citizen

GUILTY PLEA: Counts One, Two and Three of the Information

SUBSTANCE OF PLEA AGREEMENT:

1. Defendant agrees to plead guilty to Counts One, Two and Three of the Information; to cooperate with the government; that the applicable Guidelines calculation results in a total offense level of 46; to waive his right to appeal the sentence and to file a motion for postconviction relief; and to enter into an agreed forfeiture judgment in the amount of $1 billion.

2. The United States agrees to not oppose a two-point reduction for acceptance of responsibility and to file a motion for an additional one-point reduction based on the timeliness of the defendant's plea; that the applicable Guidelines calculation results in a total offense level of 46 and the government has the discretion to file a motion for downward departure if the defendant's cooperation substantially assists law enforcement.

COUNT ONE: 18 U.S.C. § 371 - Conspiracy to commit mail, wire and securities fraud

ELEMENTS:

1. That the defendant and at least one other person made an agreement to engage in mail, wire and securities fraud;

2. That the defendant knew the unlawful purpose of the agreement and joined in it willfully, that is, with the intent to further the unlawful purpose; and

3. That one of the conspirators during the existence of the conspiracy knowingly committed at least one of the overt acts described in the indictment, in order to accomplish some object or purpose of the conspiracy.

PENALTY: Penalty for violation of this statute includes imprisonment for a term not to exceed five years, a fine of up to $250,000, and restitution of up to $7 billion

COUNT TWO: 18 U.S.C. § 1341 - Mail Fraud

ELEMENTS:

1. That the defendant knowingly engaged in a scheme to defraud investors who purchased CDs from Stanford International Bank Ltd.;

2. That the defendant acted with a specific intent to defraud;

3. That the defendant caused something to be mailed through the Postal Service or a private interstate carrier for the purpose of carrying out the scheme; and

4. That the scheme to defraud employed false material representations.

PENALTY: Penalty for violation of this statute includes imprisonment for a term not to exceed twenty years, a fine of up to $250,000, and restitution of up to $7 billion

COUNT THREE: 18 U.S.C. § 371 - Conspiracy to obstruct an SEC proceeding

ELEMENTS:

1. That the defendant and at least one other person made an agreement to obstruct a pending SEC proceeding;

2. That the defendant knew the unlawful purpose of the agreement and joined in it willfully, that is, with the intent to further the unlawful purpose; and

3. That one of the conspirators during the existence of the conspiracy knowingly committed at least one of the overt acts described in the indictment, in order to accomplish some object or purpose of the conspiracy.

PENALTY: Penalty for violation of this statute includes imprisonment for a term not to exceed five years and a fine of up to $250,000

SUPERVISED RELEASE: Up to maximum of three (3) years (18 U.S.C. §3583 (b)(2)); if the defendant violates the conditions of any period of supervised release, then the defendant may be imprisoned for up to two (2) years without credit for time already served on the term of supervised release (18 U.S.C. § 3583(e)(3)).

SPECIAL ASSESSMENT: $100 per count of conviction (18 U.S.C. § 3013)

ALTERNATIVE FINE BASED ON GAIN OR LOSS: Applicable

SENTENCING GUIDELINES: Advisory

UNITED STATES DISTRICT COURT **SOUTHERN DISTRICT OF TEXAS**

UNITED STATES OF AMERICA §
§
versus §
§
James M. Davis §
§

CRIMINAL H- 09-335 - 01

ORDER FOR PRESENTENCE INVESTIGATION AND DISCLOSURE & SENTENCING DATES

The defendant has been found guilty on counts 1, 2 and 3. A presentence report shall be prepared.

1. By October 16, 2009, the initial presentence report shall be disclosed to counsel (*approximately 35 days after determination of guilt*).
2. By October 30, 2009, (*14 days after disclosure*) counsel shall file either:
   A. Objections in writing to the facts of the offense and application of the sentencing guidelines; or
   B. A statement that there is no objection.
3. By November 12, 2009, (*14 days after objections*) the probation officer shall submit to the judge the final presentence report with an addendum addressing contested issues.
4. Sentencing is set for November 20, 2009, at 10:00 a.m. (*no sooner than 35 days from initial disclosure*).
5. For counsel to attend interviews with the defendant, counsel must tell the United States Probation Officer immediately; within 5 days, counsel must supplement that oral request with a written notice to the probation officer.
6. The defendant must comply with the instructions on the back of this order.

Signed August 27, 2009.

United States District Judge

Copies: United States Probation
AUSA Gregg Costa
Defense Counsel David Finn (R)
Defendant is ☒ on bond ☐ in custody.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA . 4:09-CR-00335-1
. HOUSTON, TEXAS
VERSUS . AUGUST 27, 2009
. 9:00 A.M.
JAMES M. DAVIS .
. . . . . .

TRANSCRIPT OF REARRAIGNMENT
BEFORE THE HONORABLE DAVID HITTNER
UNITED STATES DISTRICT JUDGE

APPEARANCES:

FOR THE GOVERNMENT:

Gregg Jeffrey Costa
Assistant United States Attorney
Post Office Box 61129
Houston, Texas 77208-1129

ALSO FOR THE GOVERNMENT:

Paul E. Pelletier
Jack B. Patrick
Matthew A. Klecka
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FOR THE DEFENDANT:

David Michael Finn
MILNER & FINN
International Center - IV
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Dallas, Texas 75201

APPEARANCES - CONTINUED

OFFICIAL COURT REPORTER:

Mayra Malone, CSR, RMR, CRR
U.S. Courthouse
515 Rusk, Room 8016
Houston, Texas 77002
713-250-5787

Proceedings recorded by mechanical stenography. Transcript produced by computer-aided transcription.

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09:01 P R O C E E D I N G S

THE COURT: Court calls the case, Criminal Matter 09-335-01, United States versus James M. Davis.

Who represents the government?

09:05 MR. COSTA: Gregg Costa for the United States, and I'm joined by Paul Pelletier, Jack Patrick and Matthew Klecka from the Department of Justice.

THE COURT: Who represents the defense?

MR. FINN: I do, Your Honor. David Finn, F-I-N-N.

09:06 THE COURT: Do you want to bring your client up, please?

MR. FINN: Yes, sir.

(Compliance)

THE COURT: I understand you want to enter a plea of

09:06 guilty in this matter; is that correct, sir?

THE DEFENDANT: Yes, Your Honor.

THE COURT: Raise your right hand and take the oath.

(Defendant sworn)

THE COURT: All right. Do you understand you are now

09:06 under oath and if you answer any of my questions falsely, those answers may later be used against you in another prosecution for perjury, that is for making a false statement?

THE DEFENDANT: Yes, sir, Your Honor.

THE COURT: You can step back. Why don't you step a

09:06 little bit to the side. It should pick up. Okay?

09:06 THE DEFENDANT: Yes, sir.
THE COURT: Please state your full name.
THE DEFENDANT: James Milton Davis.
THE COURT: Your age?
09:06 THE DEFENDANT: Sixty.
THE COURT: And your education?
THE DEFENDANT: Through college. Sixteen years.
THE COURT: Okay. Where did you go and what degrees?
THE DEFENDANT: Baylor University, and I received a
09:07 BBA degree.
THE COURT: Okay. Have you ever been treated for any mental illness or addiction to narcotic drugs?
THE DEFENDANT: No, sir, Your Honor.
THE COURT: Are you presently under the influence of
09:07 any drug, medication or alcoholic beverage of any kind?
THE DEFENDANT: No, sir.
THE COURT: Have you had sufficient time to consult with your attorney?
THE DEFENDANT: Yes, sir.
09:07 THE COURT: Are you satisfied with your attorney?
THE DEFENDANT: Yes, sir.
THE COURT: Counsel, have you had sufficient time to investigate the law and the facts of your client's case now before the Court?
09:07 MR. FINN: Yes, Your Honor.

09:07 THE COURT: Does he understand the nature of the charges pending against him?

MR. FINN: He does.

THE COURT: Has he been able to cooperate with you in every respect?

09:07 MR. FINN: Yes, sir.

THE COURT: In your opinion, is he now mentally competent?

MR. FINN: He is, Your Honor.

09:07 THE COURT: Have you and your attorney received a copy of the information pending against you, that is the written charges in this case?

THE DEFENDANT: Yes, sir, Your Honor.

THE COURT: All right. Has any waiver been done yet

09:07 of indictment in this case?

MR. COSTA: Yes. It was done in front of Judge Botley, Your Honor, at the initial --

THE COURT: Do we have a copy of that here? If not, it was done and it was signed by Judge Botley?

09:08 MR. COSTA: Yes, Your Honor.

THE COURT: Let me briefly mention to you: You know you have an absolute right to be indicted by a grand jury for any of the charges filed against you? Do you understand that?

THE DEFENDANT: Yes, sir, Your Honor.

09:08 THE COURT: All right. And by waiving the right to

indictment, in effect, you are pleading to charges drawn up by the government, known as an information. It is not an indictment, and you are hereby waiving your right to be indicted by a grand jury and, in effect, proceed to trial and/or this plea based upon the charges filed by the government that have not been, in effect, screened by a grand jury?

Do you understand that?

THE DEFENDANT: Yes, sir, Your Honor.

THE COURT: All right. Have you discussed this with your counsel?

THE DEFENDANT: Yes, sir, Your Honor.

THE COURT: All right. And I understand that you have waived and already signed a waiver of your right to proceed to a grand jury? Is that correct?

THE DEFENDANT: Yes, sir, Your Honor.

THE COURT: Mr. Finn, let me just ask you, you are counsel on this. I gather it is your understanding that he has full knowledge of his waiver. Is that correct?

MR. FINN: Absolutely, Your Honor.

THE COURT: Okay. You are pleading today to Counts One, Two and Three of the information. Count One is a violation of 18 United States Code, Section 371, conspiracy to commit mail, wire and securities fraud. The basic elements are the defendant and at least one other person made an agreement to engage in mail, wire and securities fraud.

09:09 The defendant knew the unlawful purpose of the agreement and joined in it willfully, that is, with the intent to further the unlawful purpose and that one of the conspirators during the existence of the conspiracy knowingly 09:09 committed at least one of the overt acts described in the indictment in order to accomplish some object or purpose of the conspiracy.

Penalty is, for this statute, imprisonment for a term not to exceed five years, a fine of up to $250,000 and 09:10 restitution of up to $7 billion.

Count Two, a violation of 18 United States Code, Section 1341, mail fraud. The basic elements are the defendant knowingly engaged in a scheme to defraud investors who purchased CDs from Stanford International Bank Limited. That 09:10 the defendant acted with a specific intent to defraud; that the defendant caused something to be mailed through the postal service or a private interstate carrier for the purpose of carrying out the scheme, and that the scheme to defraud employed false, material representations.

09:10 Penalty for violation of this statute includes imprisonment for a term not to exceed 20 years, a fine of up $250,000 and restitution again of up to $7 billion.

Count Three is a violation of 18 United States Code, Section 371, conspiracy to obstruct an SEC proceeding. 09:11 SEC, of course, Securities and Exchange Commission.

09:11 The basic elements are that the defendant and at least one other person made an agreement to obstruct a pending SEC proceeding; that the defendant knew the unlawful purpose of the agreement and joined in it willfully, that is, with intent 09:11 to further the unlawful purpose. And that one of the conspirators during the existence of the conspiracy knowingly committed at least one of the overt acts described in the indictment in order to accomplish some object or purpose of the conspiracy.

09:11 Penalty on this count is imprisonment for a term not to exceed five years and a fine of up to $250,000.

You are also advised that upon any finding of guilty, there will also be supervised release of up to a maximum of three years, and you are further informed -- that 09:12 means after any imprisonment. And if the defendant violates the conditions of any period of supervised release, then you are subject to an additional two years incarceration without any time or credit being given for any successful time served on supervised release prior to any violation.

09:12 There is also a special statutory assessment of $100 per count of conviction.

MR. COSTA: Your Honor, I just wanted to add one thing to the penalties. On the fine, the alternative fine provision may also apply, in which case the defendant would face a fine 09:12 of twice the amount of gain or loss arising from the offense.

09:12 THE COURT: Is that on each count?
MR. COSTA: Certainly on Counts One and Two.
THE COURT: All right. With that addition, do you understand this to be the nature of the charges and the
09:13 possible penalties pending against you?
THE DEFENDANT: I do, Your Honor.
THE COURT: Do you understand you have a right to continue to plead not guilty if you want to to any offense charged against you and to persist in that plea?
09:13 THE DEFENDANT: I understand, Your Honor.
THE COURT: If you had continued to plead not guilty, you would have had the right to a trial by jury or before the Court during which you would also have the right to the assistance of counsel for your defense, the right to see and
09:13 hear all the witnesses and have them cross-examined in your defense, the right on your own part to decline to testify, unless you voluntarily elected to do so in your own defense, the right to the issuance of subpoenas or compulsory process to compel the attendance of witnesses to testify in your defense.
09:13 At trial, the government would have to prove each element of the offense of which you were charged beyond a reasonable doubt.
Do you further understand that by entering a plea of guilty, if that plea is accepted by the Court, there will be
09:13 no trial and you will have waived or given up your right to a

trial as well as those other rights associated with the trial as I just described them?

And do you also understand if I accept your plea of guilty, you will be waiving any non-jurisdictional defects, if any, in this prosecution, such as, for example, any illegal search and seizure, a violation of your right to a speedy trial and an inadmissible statement, if you have made one? In other words, if I accept your plea of guilty, you will not be able to raise these defenses at a later time?

Do you understand by pleading guilty, you have waived all the rights I just described?

THE DEFENDANT: Yes, Your Honor.

THE COURT: Just for the record, I need to ask, are you a citizen of the United States?

THE DEFENDANT: Yes, Your Honor.

THE COURT: As such, do you understand that the offenses to which you are pleading guilty are felony offenses, and if your plea is accepted, you will be adjudged guilty of that offense? And that such adjudication may deprive you of such rights as the right to vote, the right to hold public office, the right to serve on a jury and the right to possess any kind of a firearm? Do you understand these possible consequences of your plea?

THE DEFENDANT: Yes, sir, Your Honor.

THE COURT: Has any plea agreement been entered into

between the parties?

MR. COSTA: Yes, Your Honor.

THE COURT: Initially, what does it state relative to rights of appeal?

MR. COSTA: That the defendant waives his right to appeal the sentence, except for a sentence above the statutory maximum, and the defendant waives his right to file any motion for post conviction relief.

The government reserves its right to appeal the sentence. And in the event the government appeals the sentence, then the defendant is no longer bound by his waiver.

THE COURT: All right. Under what section are we proceeding? What rule of Federal Rules of Criminal Procedure? 11(c)(1) what?

MR. COSTA: B, Your Honor.

THE COURT: B. Okay. Guidelines have been set for judges to consider in determining the sentence in a criminal case.

Have you and your attorney talked about how these guidelines might apply to your case?

THE DEFENDANT: Yes, sir, Your Honor.

THE COURT: Do you understand I will not be able to determine the guideline sentence for your case until after a presentence report has been completed and you and the government have had an opportunity to challenge the facts

09:16 reported by the probation officer?

THE DEFENDANT: I understand, Your Honor.

THE COURT: Do you also understand after it has been determined what guideline applies to a case, the judge has the 09:16 authority due to a recent -- well, relatively recent Supreme Court opinion to impose a sentence that is more severe or less severe than the sentence called for by the guidelines?

THE DEFENDANT: Yes, sir, I understand.

THE COURT: Do you also understand that under some 09:16 circumstances you or the government may have the right to appeal any sentence that a court imposes except to the extent that you have waived that right in your plea agreement? And my understanding is you have waived all of those rights retaining just those few, those one or two items that were just 09:16 mentioned. Do you understand that?

THE DEFENDANT: Yes, sir, Your Honor.

THE COURT: Do you also understand here in the federal system, as compared to the state system, here in the federal system, parole has been abolished, and if you are sentenced to 09:17 the penitentiary, you would not be released on parole?

THE DEFENDANT: Yes, sir, Your Honor.

THE COURT: All right. If you would, please state for the record any additional terms of the plea agreement.

MR. COSTA: Your Honor, the defendant agrees to plead 09:17 guilty to Counts One, Two and Three. He agrees to cooperate

09:17 with the government. The defendant agrees that the total adjusted --

THE COURT: When you say "agreement," does that include testifying at any trials?

09:17 MR. COSTA: Yes, Your Honor.

THE COURT: All right. Go on.

MR. COSTA: The defendant agrees that the total adjusted offense level under the guidelines is 46.

THE COURT: Now, does he understand that that's 09:17 subject to the probation officer totaling it up? And then I mentioned the judge's discretion.

MR. COSTA: Yes. And the agreement says that that's the party's recommendation, but that it is up to the Court, and the probation office may make different recommendations.

09:17 He also agrees to the waivers of appeal we have already discussed. He agrees to enter into an agreed forfeiture judgment in the amount of $1 billion.

Those are the general terms. There are others detailed in the agreement.

09:18 In exchange, the United States agrees that he should get three points off for acceptance of responsibility, if he persists in his plea agreement and in his cooperation through the time of sentencing. And the government agrees that the guideline level would result in an offense level of 46, and 09:18 the government reserves the option, at its sole discretion, to

file a downward departure motion, if the defendant's cooperation rises to the level of substantial assistance.

THE COURT: Mr. Davis, are those the terms of the plea agreement with the government, as you understand them?

THE DEFENDANT: I do, Your Honor.

THE COURT: Has anyone made any other different promise to you of any kind, such as possible leniency or an offer of probation in order to induce you or to get you to enter a plea of guilty in this case?

THE DEFENDANT: No, sir.

THE COURT: Has anyone attempted in any way to threaten, force or coerce you into pleading guilty?

THE DEFENDANT: No, sir.

THE COURT: The Court has considered your plea of guilty under Federal Rule of Criminal Procedure 11(c)(1)(B).

Do you understand I may accept or reject the plea agreement as proposed to the Court?

THE DEFENDANT: Yes, sir, Your Honor.

THE COURT: Do you also understand if I accept your plea of guilty today but reject the plea agreement that the parties have brought before the Court, you will nonetheless not be permitted to withdraw your plea of guilty at a later date?

Also, do you understand that the government's recommendation or your request for a particular sentence is not binding on me and I'm free to assess any punishment within the

limits prescribed by law as I described earlier?

THE DEFENDANT: I do, Your Honor.

THE COURT: Are you now ready to enter a plea to the three counts pending against you?

THE DEFENDANT: Yes, sir.

THE COURT: Counsel, do you know of any reason why your client should not plead guilty?

MR. FINN: No, sir.

THE COURT: Do you know of any meritorious defenses that he would have to the three counts to which he intends to plead?

MR. FINN: No, Your Honor.

THE COURT: Before I can accept your plea of guilty, I need to make a determination there's a factual basis for your plea, that you are, in effect, guilty as charged. If you would listen to the Assistant U.S. Attorney now as he gives me a brief summary of what his file shows, in effect the facts that would be shown if this case had gone to trial.

MR. PELLETIER: Yes, Your Honor. Your Honor, as the Court will soon be aware, in the plea agreement, there is a more exhaustive factual statement, but I will give the Court a brief summary of the facts that we would show if this case had gone to trial.

Essentially, Your Honor, the government would be able to prove at trial that from at least 1999 through February

of 2009, this defendant, along with several other named defendants --

THE COURT: That is 10 years, a 10-year span?

MR. PELLETIER: That is correct, Your Honor.

For 10 years, this defendant, along with Mr. Robert Allen Stanford, Ms. Laura Pendergest-Holt, LeRoy King, Mark Kuhrt, Gilberto Lopez and other individuals who are identified but not named in the information and in the factual statement, which is attached to the plea, and others, orchestrated a scheme whereby essentially investors were duped into investing more than $5 billion into their CD program at a bank called Stanford International Bank, which was located in Antigua, and these CD investments were advertised, Your Honor, as safe and secure investments. In actuality, the evidence will show that rather than being safe and secure, these investors were encouraged to invest in what was really a massive Ponzi scheme ab initio.

As early as 1990, Mr. Davis, first as controller and then ultimately as CFO of Stanford International Bank, at the request of Allen Stanford, began entering false -- making false entries into the books and records of SIBL -- SIBL I will refer to as Stanford International Bank -- reflecting false revenues. These false revenues would then be booked in the books of SIBL, and they would show false earnings and assets, which would then be disclosed both on SIBL's annual reports and

09:22 in filings with the bank regulator in Antigua.

SIBL's base of operations, Your Honor, in the United States was, in effect, in Houston, and it was a company that was called -- it was sort of the parent company. It was 09:22 called Stanford Financial Group with offices here in Houston. And it is from that office that these disclosures would be -- these false disclosures would be manufactured, mailed to investors. And sometimes investors would, in fact, mail information, money and documents, either through mail or wire, 09:22 back to Stanford Financial Group or banks in and around Houston.

In addition to these false disclosures to investors, Your Honor, what also the investors were never told was that there was billions of dollars, more than $2 billion in 09:23 loans actually made to Robert Allen Stanford that were not disclosed to these investors.

They were also not disclosed that in the assets of SIBL, there were a billion dollars -- allegedly billions of dollars in real estate, which were actually billions of dollars 09:23 of just artificially inflated value to real estate which was worth less than $100 million.

What the investors also weren't told, Your Honor, is that Robert Allen Stanford was directly paying the Antiguan regulators, specifically LeRoy King, hundreds of thousands of 09:23 dollars in bribes so that they would not examine the books and

records of SIBL in Antigua.

What the investors were also not told and what Mr. Davis directly participated in was --

THE COURT: Slow down a little bit. The court reporter needs to take it down. We have got plenty of time.

Go on.

MR. PELLETIER: Thank you, Your Honor. Was that rather than having an independent outside auditor actually audit the books and records, as they told the investors they would, what they did was they had a captive auditing company in Antigua, which was not independent at all. As a matter of fact, they too were being paid hundreds of thousands of dollars in bribes from a secret Swiss bank account, the number being 108731 at SocGen, in Switzerland, in which Mr. Davis had personal signatory authority over and directed some of these bribe payments both to LeRoy King, the regulator, and to the auditors, who were allegedly doing an independent audit of the bank.

Your Honor, these CDs were, in fact, securities as defined by the Securities and Exchange Commission and the Securities Exchange Act of 1934.

So in addition to this massive scheme whereby investors were duped into investing with false disclosures, over $5 billion which resulted in $7.2 billion in liabilities at the end of the scheme of SIBL to investors, Mr. Davis, along

09:25 with his co-conspirators, embarked upon a scheme beginning in at least 2005 to obstruct an SEC proceeding and investigation of SIBL and the CD program. And they did that in a number of ways. One way they did it, Your Honor, is that when the SEC 09:25 would send confidential investigatory letters to the bank regulator in Antigua, that bank regulator specifically being LeRoy King, he would share these confidential letters with Mr. Stanford, with other co-conspirators at SIBL, including Mr. Davis. And they would all get together. Sometimes 09:26 Mr. Davis would be a part of this group; sometimes he wouldn't. But they would all get together and create fabricated or false letters attesting to the bona fides and the financial bona fides of SIBL. And, in fact, those statements were false to the FSRC -- excuse me -- to the SEC. The FSRC being the 09:26 bank regulator in Antigua that would eventually send these letters that were fabricated with the assistance of Mr. Davis and Mr. Stanford and the rest of the co-conspirators. They would send them back to the SEC in Dallas. Sometimes Mr. King would fax these letters to Houston, and they would be discussed 09:26 there. And the fabricated or misleading or false responses would be put together, both in Houston and Antigua.

Ultimately, Your Honor, after a series of these fabricated responses were sent to the SEC from Antigua and Houston in 2005 and 2006 --

09:26 THE COURT: Slow down a little bit. You are speeding

09:27 up a little bit.

MR. PELLETIER: I'm sorry. In 2005 and 2006, what eventually happened was that in 2009, the SEC actually began taking the testimony of several of the individuals at Stanford 09:27 International Bank and at Stanford Financial Group.

Originally they subpoenaed Mr. Stanford and Mr. Davis to be testifying, along with Laura Pendergest-Holt, before the SEC proceeding in Dallas and Fort Worth. But what Mr. Davis and what Mr. Stanford and Ms. Pendergest-Holt and 09:27 other people identified in the factual statement, what they did is they falsely convinced the SEC that Mr. Davis and Mr. Stanford didn't know about the entire asset portfolio of SIBL and that Ms. Laura Pendergest-Holt and the SIBL present were the people who were in the best position to inform the SEC 09:28 as to the breadth and scope and details of the entire asset picture of SIBL.

Mr. Davis knew that wasn't true. Mr. Stanford knew that wasn't true. The people who organized this for SIBL all knew it wasn't true. And so what they did was they put up 09:28 Ms. Pendergest-Holt to testify before the SEC on February 10th.

And at that proceeding on February 10th in Fort Worth, Ms. Pendergest-Holt falsely informed the SEC that she didn't know about the asset allocations in Tier III, which was essentially the bulk of the assets in SIBL. And the reason why 09:28 she said that is because she didn't want to reveal the truth,

09:28 which was that the portfolio in Tier III was essentially a house of cards. And that there was essentially nothing behind the purported $8.5 billion in assets that the SIBL was telling people in 2009 that it had as assets.

09:29 So the be all, end all of that, Your Honor, is that in February of 2009, the whole Ponzi scheme collapsed, and the investors learned at that point in time that their investment had been essentially in a house of cards. And at that point in time, Your Honor, the SEC brought a civil action.

09:29 And then I would suggest, Your Honor, the rest is history. The conspiracy essentially ended at that point in time.

That is a broadbrush of what the government would prove, Your Honor, if it went to trial in this matter.

THE COURT: Thank you.

09:29 Mr. Davis, are these facts as recited by the Assistant U.S. Attorney true?

THE DEFENDANT: Yes, Your Honor.

THE COURT: Did you intend to commit the acts as he just described?

09:29 THE DEFENDANT: Yes, Your Honor.

THE COURT: Did you know what you were doing at the time?

THE DEFENDANT: Yes, Your Honor.

THE COURT: All right. You may now arraign the

09:30 defendant as to the counts involved in the plea agreement,

09:30 unless you want to voluntarily waive reading of the indictment.
MR. FINN: Your Honor, we will waive the reading of the information.
THE COURT: Very well, sir. As to the three counts to
09:30 which you are pleading today, how do you plead? Guilty or not guilty?
THE DEFENDANT: Guilty, Your Honor.
THE COURT: Have you read and do you understand the plea of guilty agreement?
09:30 THE DEFENDANT: Yes, Your Honor.
THE COURT: Then you may go ahead and sign it at this time.
(Compliance)
THE COURT: Let me ask the defendant as to the form --
09:31 very often locally we have a couple more sheets attached to it.
Is that sufficient as far as you are concerned?
MR. COSTA: You mean the data sheet, Your Honor?
THE COURT: No. I'm talking about the signature sheet.
09:31 MR. COSTA: Oh, yes. Because that has been incorporated.
THE COURT: It's been incorporated.
MR. COSTA: And there is also -- we would also submit with that -- and it is incorporated in the plea agreement
09:31 filing -- there is a letter plea agreement, dated April 21st,

09:31 2009. And the plea agreement we just signed incorporates most of that, but we just also want to file this as an attachment.

THE COURT: You want it attached to the plea agreement?

09:31 MR. COSTA: Yes, Your Honor. The plea agreement references that letter agreement.

THE COURT: All right then. I am talking to my staff. It is now one document.

These are the Court's findings: I find the

09:32 defendant mentally competent at the present time. I find there is a factual basis for the plea of guilty and that the defendant intended to do the acts he committed. I find the defendant's plea of guilty is voluntarily and knowingly made and that the defendant understands the nature of these

09:32 proceedings and understands the consequences of his plea of guilty.

Upon your plea of guilty, I find you guilty as charged in Counts One, Two and Three, and I will consider the party's plea agreement before the imposition of sentence.

09:32 A written presentence report will be prepared by the probation office to assist me in sentencing and a written -- you will be required to give information for the report and your attorney may be present if you wish.

The Court will permit you and your attorney to

09:32 read the presentence report before the sentencing hearing, and

09:32 at the sentencing hearing, you and your counsel will be given the opportunity to speak on your behalf at that time.

The sentencing date, the defendant is ordered to be back before this Court for sentencing on November 20, 2009, 09:33 at 10:00 a.m.

I imagine this date is subject to being set off. It depends upon how this case proceeds. Is that correct?

MR. COSTA: Yes, Your Honor, and the plea agreement says the defendant agrees to continue sentencing as long as his 09:33 cooperation is on-going.

THE COURT: All right. What is the bond status on Mr. Davis?

MR. PELLETIER: The current bond status is that Mr. Davis is presently on bond.

09:33 THE COURT: How much is the bond, please?

MR. PELLETIER: Half a million. And I think there are co-signers, as well.

MR. FINN: Yes, Your Honor. And I believe we also put up, was it, 10,000, 5,000 cash? 5,000 cash and half a million 09:33 in sureties.

THE COURT: All right. What is the government's position on him remaining free on bond pending sentencing in this case?

MR. PELLETIER: Your Honor, the defendant at this 09:33 point in time has met all the conditions of bond. He has

traveled to this district to assist in the securing and location of assets.

THE COURT: Where is he residing at the present time?

MR. PELLETIER: He is presently residing in Michigan. And whenever we have called him to either participate in a debriefing or to help us find and secure assets, he has attended. I believe, Your Honor, that the current bond status is sufficient for the United States, and we would be happy to agree to continue the current bond status at this time.

THE COURT: Mr. Finn, your position?

MR. FINN: I will join Mr. Pelletier, Your Honor. He will show up. He has shown up for everything. He has been extremely accessible to the government, and I might add, I think they also have his passport.

MR. PELLETIER: We do, Your Honor. Pretrial Services does.

THE COURT: Very well then. I will continue him on the same elements of pretrial release. Then, Counsel, you need to stop past the probation department on the way out to start some processing, and you will get part of the paperwork today.

MR. FINN: Thank you, Your Honor.

THE COURT: Is there anything further from the government?

MR. COSTA: Two issues, Your Honor. One, we would like to submit an agreed preliminary order of forfeiture for a

money judgment of a billion dollars that Mr. Davis has agreed to in the plea agreement.

THE COURT: Any objection, Counsel?

MR. FINN: No, Your Honor. No objection.

THE COURT: Very well.

MR. COSTA: And the second issue --

THE COURT: Hang on. Let me just sign it and get it off my desk.

Yes, sir?

MR. COSTA: The second issue is just for the record. I wanted to point out that the government submitted a number of letters from victims who wanted to comment on Mr. Davis's case. Those are submitted to the Court, and I assume the Court has seen those. And it's my understanding that the Court has decided that it will consider at sentencing the procedures for some victims to speak in court but that that is not necessary here.

THE COURT: Thank you for reminding me. I have -- you know, I have read the statements that were sent in. Some were sent, in fact, directly to my chambers, and I elect not to have a hearing at this time but certainly at the time of sentencing, there will be some provisions for folks that have a desire to speak, at least for some of them to speak at that time. Thank you for reminding me on that.

Anything further from the government in this

matter?

MR. COSTA: No, Your Honor.

THE COURT: Anything further from the defense in this matter?

MR. FINN: No, sir.

THE COURT: I have got a couple things I need to read before you leave, so if you want to just have a seat and Mr. Davis can be seated where he was. This shouldn't take too much time.

I have a couple other matters that were set today. I'm going to get to one matter that has not -- that is not set today that at least I want to mention.

I will consider the matter of the nonpayment of attorneys' fees by insurance carriers once all briefing by counsel for all interested parties is submitted. There has been a request for other parties to submit some writings on that, and I want to consider that before I decide what, if anything, to do.

Additionally, at 5:30 a.m. this morning, Mr. Stanford was found to have an irregular electrocardiogram and extremely high pulse readings. He was taken by ambulance to the Conroe Regional Medical Facility. So, therefore, the hearing regarding his attorney representation will have to be reset, and I will reset that as soon as possible, and that's all I have to visit with you today, and we stand adjourned.

09:37 MR. COSTA: Thank you, Your Honor.

(Proceedings concluded at 9:37 a.m.)

* * * *

I certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled cause.

Date: August 31, 2009

/s/ Mayra Malone
Mayra Malone, CSR, RMR, CRR
Official Court Reporter