

**SIGN UP NOW**  
Registration is now open!  
[GET STARTED](#)

# THE ADVOCATE

**BATON ROUGE, LA**  
Latest news  
Full forecast

- Home
- NEWS
- SPORTS
- FEATURES
- ENTERTAINMENT
- PHOTOS
- BLOGS
- HELP
- OBITS
- EXTRA

Today's Features | People | Behind the Party Scene | Faith | Food | Recipes | Food Reviews | Teen & Kids | Style File | Real Estate | Weddings  
Horoscopes

## Investors may join lawsuit \*\*\* Plaintiffs claim regulators ignored warnings of fraud

By **Bill Lodge**  
Advocate staff writer

Monday, January 24, 2011  
Edition: Main, Section: B, Page 01

Some of the investors alleged to have been defrauded by Texas promoter Robert Allen Stanford say they will use a Massachusetts lawyer to sue the federal government for alleged failure to take timely regulatory action against him.

"I believe we're going to join this lawsuit," said Baton Rouge real estate investor Jason S. Graham, 39.

Graham is one of more than 1,000 residents of the Baton Rouge, Lafayette and Covington areas who lost an estimated combined total of more than \$1 billion to Stanford's operations. Those estimates are by state Rep. Bodi White, R-Central, and Baton Rouge attorney Phillip W. Preis.

"We've waited for the last two years for our Congress people and senators to help us," said Graham. "It's an absolute joke."

Graham already is a plaintiff in a civil lawsuit against the people who marketed Stanford's worthless certificates of deposit and other investment vehicles in Louisiana.

That lawsuit and similar actions across the country, however, were suspended more than a year ago on orders from a Dallas federal judge.

U.S. District Judge David Godbey ruled that those lawsuits would interfere with a court-appointed receiver's efforts to track down the remnants of Stanford's assets.

But attorney Gaytri Kachroo, of Cambridge, Mass., filed a class-action suit against the federal government in November for alleged failure by the Securities and Exchange Commission to protect people's savings from New Yorker Bernard Madoff's admitted Ponzi scheme.

A Ponzi is an illegal investment scheme that involves few, if any, actual investments. Early investors are paid dividends described by Ponzi operators as profits. The money actually comes from later investors. The scheme collapses when promoters can no longer coax money from newly targeted victims.

Madoff is serving a 150-year term in federal prison for bilking billions of dollars from pension funds, mutual funds and individual investors.

Kachroo said she now is filing administrative law claims with the SEC in the Stanford case in order to preserve the rights of people in Louisiana and other states to file a class-action suit against the commission after the Feb. 16 filing deadline. That date will mark the second anniversary of the SEC's action to shut down Stanford's worldwide operations.

In such cases, plaintiffs cannot sue the federal government until after a federal agency has denied investors' claims, Kachroo said.

Kachroo said last week that she has filed with the SEC claims by 30 Stanford investors. Another 270 claims were being processed by her staff, she said.

SEC lawyers in Dallas and federal prosecutors in Houston allege in court filings that Stanford operated a Ponzi scheme that harvested at least \$7.2 billion from more than 25,000 people from Baton Rouge to Bogota, from Venezuela to Europe.

Stanford, 60, remains in federal custody in Houston, where he faces federal fraud charges.

James M. Davis, a Baldwin, Miss., resident who served as Stanford's chief financial officer, has pleaded guilty to felony charges and admitted that Stanford's operations were a huge Ponzi from the beginning.

Whistleblowers ignored?

For nearly nine years before Madoff admitted that his investment empire was a giant Ponzi, financial analyst and certified fraud examiner Harry Markopolos had warned the SEC that the man was a criminal.

Kachroo represented Markopolos when he testified Feb. 4, 2009, before the U.S. House of Representatives' Committee on Financial Services.

"Every tool, every resource, and every person (in the SEC) has to be brought to bear in the fight against white-collar crime," Markopolos testified. "Government has coddled, accepted and ignored white-collar crime for too long."

Markopolos added: "It is time the nation woke up and recognized that it's not the armed robbers or drug dealers who cause us the most economic harm.

"It's the white-collar criminals living in the most expensive homes and who have the most impressive resumes who harm us the most," Markopolos told members of Congress. "They steal our pensions, bankrupt our companies and destroy thousands of jobs, ruining countless lives."

Last year, SEC Inspector General David Kotz reported that commission officials repeatedly failed to pursue whistleblower allegations between 1997 and 2005 that Stanford was defrauding his investors. During that same time, Kotz reported, examiners in the SEC's Fort Worth office called for investigation of Stanford at least three times.

In Baton Rouge, Preis continues to pursue a civil lawsuit on behalf of Stanford investors against the state Office of Financial Institutions. That suit alleges that OFI officials failed investors by ignoring warning signs that Stanford's operations were fraudulent.

Preis said last week he believes that suit has a chance of success, but he asserted that Kachroo has picked too big a rival in the Stanford and Madoff litigation.

"We don't think the idea of pursuing a suit against the SEC has much merit to it," Preis said. "The chances of ever collecting from the United States government are slim to none."

Kachroo said she believes ordinary people can fight City Hall and even collect damages from the federal government in the Stanford and Madoff tragedies.

“We believe we have a fairly good chance in both cases,” Kachroo said.

The SEC won’t talk about Kachroo’s efforts in either case.

“Decline comment on both,” e-mailed SEC spokesman John J. Nester.

Stanford was scheduled for trial on his criminal charges this month. But a federal judge in Houston postponed that trial indefinitely after being informed that Stanford has become addicted to painkillers while in federal custody.

---

[Contact Us](#)

[jobs](#) [homes](#) [wheels](#) [shop](#) [classifieds](#)

---

Copyright © 2011, Capital City Press LLC • 7290 Bluebonnet Blvd., Baton Rouge, LA 70810 • All Rights Reserved

[Terms of Use](#) | [Privacy Policies](#) | [Supported browsers](#) | [Newspaper Archives](#)