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

SECURITIES AND EXCHANGE COMMISSION Plaintiff, v. STANFORD INTERNATIONAL BANK, LTD., et al., Defendants.	§	CIVIL # 3:09-CV-0298-N
IN THE MATTER OF THE TAX LIABILITIES OF: JOHN DOES, United States clients of Stanford Group Company or Stanford Trust Company, Ltd., who, at any time during the years ended December 31, 2002 through December 31, 2008, directly or indirectly had an interest in or signature or other authority over any financial account maintained at, monitored by or managed through Stanford International Bank, Ltd., or directly or indirectly held a beneficial ownership interest in a corporation, trust, foundation, or other entity formed by or managed through Stanford Trust Company, Ltd.	§	CIVIL # 3-09CV2290-N

DECLARATION OF DANIEL REEVES

I, Daniel Reeves, pursuant to 28 U.S.C. Section 1746, declare and state:

1. I am a duly commissioned Internal Revenue Agent and Offshore Compliance Technical Advisor employed in the Small Business/Self Employed Division of the Internal Revenue Service. I am assigned to the Internal Revenue Service's Offshore Compliance Initiative. The Offshore Compliance Initiative develops projects, methodologies, and techniques for identifying U.S. taxpayers who are involved in abusive offshore transactions and financial arrangements for tax avoidance purposes. I have been an Internal Revenue Agent since 1977, and have specialized in offshore investigations since 2000. As a Revenue Agent, I have received

training in tax law and audit techniques, and have received specialized training in abusive offshore tax issues. I also have extensive experience in investigating offshore tax matters.

2. Since 2003, I have been the lead investigator for the Internal Revenue Service's Offshore Credit Card Project and other offshore compliance initiatives. I developed many of the investigative techniques and procedures being used to identify United States taxpayers with offshore bank accounts. I am also one of the developers of the Internal Revenue Service's offshore training programs for investigators and have participated as an instructor and expert at numerous presentations and training sessions on identifying offshore accounts.

3. The Internal Revenue Service is now investigating United States taxpayers who, as clients of Stanford Group Company, a U.S. registered broker dealer, or Stanford Trust Company, Ltd., an affiliated trust company based in Antigua, directly or indirectly held interests in or had signature or other authority over financial accounts at Stanford Group Company's affiliate offshore bank, Stanford International Bank, Ltd., or directly or indirectly held a beneficial ownership interest in a corporation, trust, foundation, or other entity formed by or managed through Stanford Trust Company, Ltd., and who are likely not complying with U.S. internal revenue laws requiring the reporting of income earned on the foreign financial accounts. To facilitate this investigation, the Internal Revenue Service, once authorized by the Court, will issue under the authority of Section 7602 of the Internal Revenue Code (26 U.S.C.), a John Doe summons to Ralph S. Janvey, Receiver of the assets and records of Stanford Group Company, Stanford Trust Company, Ltd., Stanford Fiduciary Investor Services, Inc., and related entities. A copy of this summons is attached as Exhibit A.

4. Stanford Group Company is a securities broker dealer incorporated in Texas. It is part of the Stanford Financial Group, a privately held global network of independent, affiliated financial services companies lead by Chairman and sole owner Robert Allen Stanford. One service the Stanford Group Company offered its U.S. clients was the placement of funds in accounts at Stanford International Bank, Ltd. another member of the Stanford Financial Group doing business as an offshore private bank in Antigua. Stanford Trust Company, Ltd., is a company formed under the laws of Antigua. Stanford Trust Company, Ltd., formed and managed entities such as trusts, foundations, and international business corporations (IBCs) for individual clients and maintained sales offices in Miami, Houston, and San Antonio under the name Stanford Fiduciary Investor Services, Inc. The records sought by the summons will reveal the identities of and disclose transactions by U.S. taxpayers with undisclosed foreign financial accounts and undisclosed beneficial ownership of foreign entities who may be liable for federal taxes and will enable the Internal Revenue Service to investigate whether those persons have complied with the internal revenue laws.

5. On February 16, 2009, the SEC secured the appointment of a receiver for the Stanford Group Company and all Stanford affiliated entities. According to the order, Ralph S. Janvey, of Dallas, Texas, was appointed receiver of all the assets of the Stanford entities, including specifically their books and records. Mr. Janvey maintains his offices in Dallas in the Northern District of Texas. Because of the receivership, the proposed summons will be issued to Ralph S. Janvey, Receiver of the assets and records of Stanford Group Company, Stanford Trust Company, Ltd., Stanford Fiduciary Investor Services, Inc., and related entities.

6. Based on information received by the Internal Revenue Service, it is likely that the persons in the John Doe class may have been under-reporting income, evading income taxes, or otherwise violating the internal revenue laws of the United States.

7. The John Doe summons to Ralph S. Janvey, Receiver of the assets and records of Stanford Group Company, Stanford Trust Company, Ltd., Stanford Fiduciary Investor Services, Inc., and related entities is related to the investigations of an ascertainable group or class of persons. There is a reasonable basis for believing that this group or class of persons has failed or may have failed to comply with provisions of the internal revenue laws. The information and documents sought to be obtained from the examination of the records or testimony (and the identity of the persons with respect to whose tax liabilities the summons will be issued) are not readily available from sources other than Ralph S. Janvey, Receiver of the assets and records of Stanford Group Company, Stanford Trust Company, Ltd., Stanford Fiduciary Investor Services, Inc., and related entities.

I. THE SUMMONS DESCRIBES AN ASCERTAINABLE CLASS OF PERSONS

8. The proposed John Doe summons seeks information regarding United States clients of Stanford Group Company (SGC) or Stanford Trust Company, Ltd., (Stanford Trust (Antigua)) who, at any time during the years ended December 31, 2002 through December 31, 2008, had an interest in or signature or other authority over any financial account maintained at, monitored by or managed through Stanford International Bank, Ltd., or directly or indirectly held a beneficial ownership interest in a corporation, trust, foundation, or other entity formed by or managed through Stanford Trust (Antigua).

9. This class of persons is easily ascertainable by Ralph S. Janvey, Receiver of the assets and records of SGC, Stanford Trust (Antigua), Stanford Fiduciary Investor Services, Inc., and related entities. As explained below, SGC received from Stanford International Bank, Ltd., its affiliate bank in Antigua, regular transmissions of data regarding the accounts maintained by Stanford International Bank on behalf of SGC's United States clients, which SGC then processed, included in its own periodic account statements to clients, and maintained in its historical files. Such files are maintained in an electronic system of records that is easily searchable by SGC to extract data pertaining to the Stanford International Bank accounts and account holders. In addition, the sales offices of Stanford Trust (Antigua) in Miami, Houston, and San Antonio should have records of clients for whom Stanford Trust (Antigua) provided entity formation and management services.

10. The very nature of private banking suggests that SGC and Stanford Trust (Antigua) will be conversant with virtually all of their largest clients' significant financial affairs, including the formation or use of controlled foreign entities and the opening of foreign accounts. Private banking requires that the primary client advisor be familiar with all of the financial affairs of the client in order to advise the client on a comprehensive financial plan. For these reasons, Mr. Janvey, as Receiver of the assets and records of SGC, Stanford Trust (Antigua), Stanford Fiduciary Investor Services, Inc., and related entities, will be able to readily ascertain the identity of the proposed John Doe class.

II. REASONABLE BASIS FOR BELIEF THAT THE JOHN DOE CLASS HAS FAILED TO COMPLY WITH INTERNAL REVENUE LAWS

A. A United States Taxpayer Who Fails to Disclose Taxable Payments Has Failed to Comply with the Internal Revenue Laws

11. United States taxpayers are required to file annual income tax returns reporting to the Internal Revenue Service their income from all sources worldwide. Taxpayers who fail to include taxable payments on their income tax returns have failed to comply with the internal revenue laws.

12. As will be described in further detail below, the John Doe class is limited to United States clients of SGC or Stanford Trust (Antigua) who, at any time during the years ended December 31, 2002 through December 31, 2008, directly or indirectly had an interest in or signature or other authority over any financial account maintained at, monitored by or managed through Stanford International Bank, Ltd., which is located in Antigua, or directly or indirectly held a beneficial ownership interest in a corporation, trust, foundation, or other entity formed by or managed through Stanford Trust (Antigua), which is also based in Antigua but has three sales offices in the United States. As will also be described below, SGC did not include the Stanford International Bank account income on the Forms 1099 it issued to clients to prepare their income tax returns or on the corresponding information returns SGC filed with the Internal Revenue Service reporting the interest and dividend income it paid to its clients. (As a non-U.S. bank that has not agreed with the IRS to be a "qualified intermediary," Stanford International Bank had no obligation to and did not issue forms 1099 or file corresponding information returns with the IRS.) Further, IRS experience with offshore investigations has been that foreign trusts, foundations, and corporations, and structures of such entities, are commonly used by some U.S.

taxpayers to conceal income producing assets. As a general proposition, the Internal Revenue Service's experience has shown a direct correlation between unreported income and the lack of visibility of that income to the Internal Revenue Service. That is, income not subject to third party reporting (such as on Forms 1099) is far more likely to go unreported than income that is subject to such reporting. In short, the Internal Revenue Service's experience provides a reasonable basis to believe United States taxpayers with undisclosed offshore accounts with Stanford International Bank are not in compliance with internal revenue laws with respect to such accounts. In addition, information provided by two former SGC employees, described later in this Declaration, bears this out. Because it does not know the identities of those in the John Doe class, the Internal Revenue Service cannot yet audit these United States taxpayers' income tax returns to determine whether they reported such payments.

B. The Practice of Using Foreign Accounts and Entities to Shield Income from Tax

13. The Internal Revenue Service has long been concerned with the growing problem of United States taxpayers, involved in both lawful and unlawful activities, evading the reporting or payment of United States taxes by concealing assets in, and directing unreported income to, accounts in offshore jurisdictions. I summarize below several studies that describe the use of offshore jurisdictions and provide a background of the offshore private banking system. While the following reports may not reflect the current state of affairs in any particular country or the current use of any particular scheme or type of transaction, the purpose of this section is to show that the use of offshore accounts and entities for the purposes of tax evasion is a longstanding and pervasive problem.

a. The Crime and Secrecy Report

14. On August 28, 1985, the Permanent Subcommittee on Investigations of the United States Senate Governmental Affairs Committee issued a report entitled "Crime and Secrecy: The Use of Offshore Banks and Companies." The Crime and Secrecy Report summarized the offshore problem as follows:

> The subcommittee found that the criminal exploitation of offshore havens is flourishing because of haven secrecy and foreign government intransigence in the face of overwhelming evidence of dirty money in their banking systems. The effect has been to systematically obstruct U.S. law enforcement investigations, erode the public's confidence in our criminal justice system, and thwart the collection of massive amounts of tax revenues.

15. The report includes a quote from Senator William V. Roth, Chairman of the subcommittee regarding the committee's findings on the use of offshore jurisdictions by American citizens:

> But equally shocking is the fact that we have also found that offshore havens are no longer used exclusively by criminals. Instead, they are increasingly being used by otherwise law abiding Americans to avoid paying taxes and to shield assets from creditors.

16. The Crime and Secrecy Report estimated that the "underground economy" at that time (1985) was hiding between $150 billion and $600 billion of apparently unreported income from both legal and illegal business from the Internal Revenue Service. Furthermore, it stated that the underground economy was unquestionably linked to the use of offshore facilities.

b. The United Nations Report

17. On May 29, 1998, the United Nations' Office for Drug Control and Crime Prevention, Global Programme Against Money Laundering, released a report entitled "Financial Havens, Banking Secrecy and Money Laundering." The United Nations Report (at

http://www.imolin.org/imolin/finhaeng.html) states that offshore financial centers, tax havens and bank secrecy jurisdictions --

> attract funds partly because they promise both anonymity and the possibility of tax avoidance or evasion. A high level of bank secrecy is almost invariably used as a selling point by offshore financial centers. Many Internet advertisements for banks emphasize the strictness of the jurisdiction's secrecy and assure the prospective customers that neither the bank nor the government will ever give bank data to another government. When the advertising is for private banks, it also stresses the protection from tax collectors.

United Nations Report, Part II, "The Global Financial System."

c. Offshore Accounts and Assets held Through Entities

18. The concealment of foreign income is often facilitated through the use of foreign entities to hold offshore accounts and assets on behalf of the underlying beneficial owners, thus enhancing the secrecy inherent in foreign account ownership by interposing an entity, often with nominee directors, officers, or trustees, between the U.S. beneficial owner and the offshore account or asset.

19. In 1999, the Senate Permanent Subcommittee on Investigations issued a report on private banking concluding that:

> Most private banks offer a number of products and services that shield a client's ownership of funds. They include offshore trusts and shell corporations, special name accounts, and codes used to refer to clients or fund transfers.
>
> All of the private banks interviewed by the Subcommittee staff made routine use of shell corporations for their clients. These shell corporations are often referred to as "private investment corporations" or PICs. They are usually incorporated in [tax haven or financial privacy] jurisdictions . . . which restrict disclosure of a PIC's beneficial owner. Private banks then open accounts in the name of the PIC, allowing the PIC's owner to avoid identification as the account holder.

Minority Staff Report for Permanent Subcommittee on Investigations Hearing on Private Banking and Money Laundering: A Case Study of Opportunities and Vulnerabilities, November 9, 1999, pp. 881-882.

20. Similarly, the Federal Reserve Bank of New York concluded, after a study of forty institutions engaged in private banking, that:

> Most banking institutions maintain and manage accounts for PICs in their U.S. offices; in fact, frequently PICs are established for the client -- the beneficial owner of the PIC - by one of the institution's affiliated trust companies in an offshore secrecy jurisdiction. The majority of these institutions employ the sound practice of applying the same general KYC ["Know Your Customer"] standards to PICs as they do to personal private banking accounts -- they identify and profile the beneficial owners. Most institutions had KYC documentation on the beneficial owners of the PICs in their U.S. files.

Federal Reserve Bank of New York, Guidance on Sound Risk Management Practices Governing Private Banking Activities, July 1997.

21. More recently, the Senate Permanent Subcommittee on Investigations issued a report describing this "sophisticated offshore industry," noting that:

> A sophisticated offshore industry, composed of a cadre of international professionals including tax attorneys, accountants, bankers, brokers, corporate service providers, and trust administrators, aggressively promotes offshore jurisdictions to U.S. citizens as a means to avoid taxes and creditors in their home jurisdictions. These professionals, many of whom are located or do business in the United States, advise and assist U.S. citizens on opening offshore accounts, establishing sham trusts and shell corporations, hiding assets offshore, and making secret use of their offshore assets here at home. Experts estimate that Americans now have more than $1 trillion in assets offshore and illegally evade between $40 and $70 billion in U.S. taxes each year through the use of offshore tax schemes . . . . Utilizing tax haven secrecy laws and practices that limit corporate, bank, and financial disclosures, financial professionals often use offshore tax haven jurisdictions as a "black box" to hide assets and transactions from the Internal Revenue Service ("IRS"), other U.S. regulators, and law enforcement.

Minority & Majority Staff Report for Permanent Subcommittee on Investigations Hearing on Tax Haven Abuses: The Enablers, The Tools and Secrecy, August 1, 2006, p. 1.

22. Thus, although a United States taxpayer may directly open a private account in an offshore bank, it is often the case that the taxpayer will employ a foreign shell entity in a third jurisdiction to act as the nominal owner of the assets. Keeping the account in the name of a foreign entity provides additional assurances to the United States client (the true owner of the account) that the account relationship will not be discoverable by the Internal Revenue Service. The banks remove all visible connections between United States taxpayers and the offshore accounts by structuring the arrangement to appear as though foreign entities are the actual and sole beneficial owners.

23. Stanford Financial even discusses and promotes such specific nominee structures itself through its Antiguan based affiliate Stanford Trust Company Limited. In discussing the use of nominee structures in its 2007 annual report "The Stanford Eagle," Stanford states:

> High-net-worth people typically employ many strategies to protect and enhance their financial security. Although trusts are more widely used today than in previous generations, many people are unaware of just how valuable the formation and administration of an international trust, an International Business Company (IBC) or a private interest foundation (Stiftung) can be. ...
>
> STCL [Stanford Trust Company, Ltd.] offers a full range of trust and corporate services including formation of companies in a variety of jurisdictions to meet specific needs. ...
>
> Well-established in many jurisdictions, international trusts are created under the laws of a low-tax or no-tax international jurisdiction, which typically has no capital gains taxes, death duties, inheritance taxes or exchange controls for beneficiaries who reside outside the jurisdiction. Such trusts are managed by a foreign trustee, usually a corporation that specializes in trust administration with an established, staffed office in the jurisdiction.

Exhibit B. In discussing the "Clear Financial Advantages of International Trusts," the report concludes, among other things:

> ANONYMITY/PRIVACY
> The trust deed is a confidential document. No information on its contents is available to any external party except through legal process.

C. Stanford Group Company and Stanford International Bank, Ltd.

24. Stanford Group Company ("SGC") and Stanford International Bank, Ltd. ("Stanford Bank"), are two members of the Stanford Financial Group of Companies ("Stanford Financial"). Stanford Financial, which sometimes did business as Stanford Private Wealth Management, was "a privately held global network of independent, affiliated financial services companies led by Chairman Sir Allen Stanford," according to its website http://www.stanfordfinancial.com/business_overview. SGC was a domestic securities broker dealer with headquarters at 5050 Westheimer, Houston, Texas 77056. Stanford Bank was Stanford Financial's offshore bank, licensed and doing business out of Antigua, British West Indies.

25. On January 14, 2009, I interviewed two former employees of SGC, who will be identified herein as confidential sources CS1 and CS2, who told me that they left the brokerage firm over concerns about improprieties at the firm and its affiliates, including the failure to report foreign accounts (at Stanford Bank) over which Stanford domestic companies had signature authority and exercised control. CS1 and CS2 told me that they are engaged in litigation with SGC over matters related to the termination of their employment and acknowledged that their financial interests are now adverse to the Stanford companies. However, as discussed in detail below, I have examined various documents that corroborate many of the statements they made to me and therefore believe them to be a credible source of information. Except where otherwise noted, the information in the following paragraphs is based on my interview and subsequent conversations with them.

26. Allen Stanford was the sole shareholder and owner of Stanford Financial and all its affiliated companies including SGC, Stanford International Bank, and Stanford Trust Company, during the relevant periods.

27. Stanford Financial began in the late 1980s or early 1990s when Allen Stanford started an offshore bank in Montserrat called Guardian Bank. The bank later moved to Antigua and was renamed Stanford International Bank Limited allegedly because of regulatory actions that were beginning to take place in Montserrat.

28. In the early days of the bank, Allen Stanford moved money received from clients in various countries to his offshore bank and invested it in real estate. Money from these investments would then be used to pay bank depositors a substantial rate of return. Over time, the business of the bank expanded to include providing offshore financial services.

29. The early focus of Stanford International Bank was to provide offshore banking services to non-U.S. international clients (primarily those from Mexico and South America). However, as Stanford International Bank grew in size and stature it began to shift its focus from servicing international clients to aggressively targeting high-wealth U.S. investor clients.

30. According to CS1 and CS2, Allen Stanford created an intentionally confusing corporate structure. Allen Stanford established numerous foreign subsidiaries and affiliates in international financial centers and high-wealth areas around the world in order to create the appearance that Stanford Financial was a major international banking and brokerage firm when the reality was that virtually all of its assets and client accounts were maintained at Stanford International Bank in Antigua.

31. According to CS1 and CS2, Stanford International Bank was the "Crown Jewel" and the "Golden Goose" of Stanford Financial - that it was the primary funding source for all the related entities. Allen Stanford made statements to the effect that the bank's "spread on deposits" (net monies earned by the bank on deposits) was six percent, which was a much better margin than was generally earned by domestic banks on the financial services they provided. Bank financials showed total deposits on June 30, 2008 of $8 billion, which would translate into net revenues for Allen Stanford of approximately $480 million based on the six percent margin figure. It was this net revenue stream from Stanford International Bank that funded all of Allen Stanford's other enterprises and ventures. None of the other entities in Stanford Financial's structure of affiliates made any significant money - profits primarily came from the offshore bank, and these were shared with the domestic entities through referral fees.

32. In 1995, Stanford formed SGC, a U.S. broker-dealer, in order to increase U.S. investments in Stanford International Bank. In addition to Houston, SGC also opened branch offices around the United States in high-wealth areas (e.g., Boca Raton, Florida) sometimes by acquiring entire offices away from its competitors. This was done so as to "diversify locations and revenue streams" and bring in new U.S. business through investing in securities and new U.S. monies that could be deposited into Stanford International Bank. The clients of SGC were predominantly United States citizens and residents, although CS1 and CS2 knew of a few non-resident clients.

33. Stanford also formed the Stanford Trust Company ("Stanford Trust"), a U.S.-based trust company, in Baton Rouge, Louisiana to offer trust formation and management services to its U.S. clients involving financial products at Stanford International Bank in

Antigua. The primary business of Stanford Trust was to serve as custodian of Individual Retirement Accounts formed for SGC clients, which would be invested exclusively in Certificates of Deposit offered by Stanford International Bank.

34. CS2 and CS1 were both hired by SGC from other firms in 2004 and 2005, respectively. Both said they were motivated to make the move by the expectation that they would be better able to provide a higher quality of personalized services to their clients than would be possible at larger firms where the pressure was to promote in-house proprietary funds and products. A large portion of their former clients followed them to SGC.

35. When CS1 and CS2 first began at SGC, it was a relatively small, boutique style operation that was staffed by approximately 30 financial advisors, where the focus was on providing personalized client services and offering the best financial products available. The two principal products promoted by Stanford were a domestic mutual fund strategy called "Stanford Allocation Strategies" (SAS), formerly known as Mutual Fund Partners, and offshore Certificates of Deposit at Stanford International Bank, its affiliated bank in Antigua.

36. After CS1 and CS2 joined the firm, SGC began a period of rapid growth during which time it increased its staffing of financial advisors from approximately 30 to more than 200, often by recruiting entire offices away from its competitors. An office would literally close one day as a UBS office and would reopen the next day as a SGC office with all financial advisors and clients intact. This was done so that the new financial advisors would also bring with them their existing clients which would then result in significant new monies being available for investment in Stanford International Bank in Antigua.

37. Stanford International Bank offered two primary offshore financial products, both of which required a minimum investment of U.S. $50,000 by U.S. persons (minimums were lower for non-U.S. persons):

(1) Offshore bank accounts (interest bearing checking accounts with debit/credit cards), and

(2) Certificates of Deposit ("CDs") that reportedly earned the investor a 3-4% higher rate of return than CDs earned in the U.S. Monies deposited in Stanford International Bank CDs were allegedly invested by the bank much like a hedge fund to fund the interest obligations and its return on equity.

38. Stanford International Bank offshore CDs were marketed to U.S. clients in two forms:

(1) Individual Retirement Accounts (IRA) CDs that were internally known as "non-taxable CDs" because the funds were held as IRA accounts. SGC sold Stanford International Bank CDs to 3,000 - 3,500 IRA holders which were administered in the U.S. through Stanford Trust in Baton Rouge, LA. Ralph Janvey, the U.S. receiver, reported recently that there may have been 1,480 IRA holders. The U.S. Stanford Trust's main purpose was to hold these IRA CDs and 90% of its revenues were derived from custody fees and referral fees from CD sales to the IRA holders.

(2) Non-IRA CDs that were internally known as "taxable CDs" because the funds were direct investments by U.S. taxpayers.

39. CS1 and CS2 do not know the volume of non-IRA CDs sold directly by SGC but know that non-IRA CDs sold far exceeded IRA CDs sold. The basis for this knowledge is the

fact that there are statutory limits on how much can be invested in an IRA each year and their experience that "truly wealthy" individuals want to invest far more than those limits allow. They estimated that the IRA CDs likely accounted for less than 20 percent of the entire CD holder population of Stanford International Bank.

40. To increase deposits at Stanford International Bank even further, SGC set up a competitive compensation structure among its financial advisors whereby new investments in Stanford International Bank CDs could earn the advisor up to 4 times more than could be earned by selling similar U.S. based investments. This competition resulted in U.S. customer deposits at Stanford International Bank increasing at a rate of $100 million to $200 million per quarter.

(1) An internal report for the contest titled "Scorecard" (dated August 31, 2007) shows the amount of new Stanford International Bank CD business brought in by 114 of its participating U.S. based SGC financial advisors alone was $406.8 million as of the end of the 3rd quarter (9 months). Exhibit C at 3. These monies came exclusively from the sales of SGC so almost all of the clients included in these figures were U.S. clients.

(2) The same report shows a total of $854.4 million of new monies being brought in for the same period by its 217 worldwide Stanford financial advisors combined, indicating that almost half of worldwide new money was from U.S. clients. Exhibit C at 4.

41. Referral fees paid by Stanford International Bank on these CDs accounted for over 50 percent of SGC's entire revenue stream. They accounted for so much revenue and SGC was so dependent on them that financial advisors jokingly referred to their share of the fees as

"bank crack." This rapid growth of Stanford International Bank's deposit base is recorded in an internal email sent to all employees dated October 27, 2006, where an announcement was made that Stanford International Bank had reached U.S. $5 billion in total assets as of the close of business on October 26, 2006. Exhibit D at 2. The email goes on to note other previous milestones as:

$1 billion	July 2001	
$2 billion	July 2003	24 months later
$3 billion	Dec. 2004	17 months later
$4 billion	Dec. 2005	12 months later
$5 billion	Oct. 26, 2006	Less than 10 months later

In other words, in the 16-year period between when the bank was created in 1985 and 2001, assets invested in Stanford International Bank gradually increased to $1 billion. In the 5 years after 2001, assets invested in the offshore bank reportedly increased by a five-fold amount.

42. According to a Stanford International Bank report sent to account holders in December 2008, Stanford International Bank had over 30,000 clients from 131 countries representing $8.5 billion in total assets at that time. Exhibit E at 1. In the pending receivership proceeding for Stanford Financial, the SEC questions the accuracy of this total asset figure.

43. When CS1 was hired in 2005, he was told that non-U.S. clients represented approximately 85% of the assets on deposit at Stanford International Bank. The express purpose of the rapid expansion of SGC offices and financial advisors in the U.S. was to increase the percentage of U.S. assets on deposit at Stanford International Bank. By the time CS1 left in 2007, he estimates the percentage of U.S. assets on deposit had grown from 15% to

approximately 35-40%. At that rate of growth, he estimated that U.S. assets on deposit probably amounted to 40- 45% of the reported $8.5 billion on deposit, with most of it being invested in non-IRA (i.e., taxable) CDs.

44. While the primary goal at SGC was to move U.S. investment funds to Stanford International Bank, SGC also developed a domestically-managed mutual fund product called Stanford Allocation Strategies ("SAS") that allowed its financial advisors to offer more than just Stanford International Bank CDs for client portfolios. However, Stanford International Bank CDs remained its preferred product, as well as offering traditional direct securities investments.

45. As noted above, a portion of the Stanford International Bank CDs sold by SGC were held in Individual Retirement Arrangements ("IRAs") in the custody of Stanford Trust in Baton Rouge, LA. Because these CDs had a minimum deposit requirement of $50,000, they all required the filing of Forms TD F 90-22.1, "Report of Foreign Bank and Financial Accounts" ("FBAR") by anyone who had an ownership interest in or "signature or other authority" over the account.

46. Stanford Trust, as custodian of the IRAs, exercised control over the foreign CDs, including the right to withdraw and transfer funds. A Stanford Trust officer would establish the offshore Stanford International Bank account, sign the signature card and wire transfer the client's funds to the offshore account. By retaining such control over the accounts, Stanford Trust made itself liable for filing FBARs on all such accounts. Notwithstanding this obligation, the only FBARs my research has found with respect to Stanford Trust Company for the period covered by the proposed summons are

- a single FBAR filed for 2005 by Stanford Trust as an agent identifying 3 accounts at Stanford International Bank owned by 3 different persons
- a single FBAR filed for 2006 by Stanford Trust identifying 5 accounts it owned itself at Stanford International Bank, and
- 4 other FBARs filed for 2005 by trusts, using Stanford Trust's address, identifying Stanford Trust as the owner of the accounts.

47. In addition to not filing the FBARs themselves, Stanford Trust also failed to notify its U.S. clients that they, the U.S. clients, were required by virtue of their ownership interests to file FBARs reporting the accounts and disclosing ownership of the accounts on Schedule B of their annual federal income tax returns.

48. When CS2 discovered the FBARs had not been filed, he contacted SGC management. In particular, CS2 had numerous conversations with Jason Green (President of Stanford's Private Clients Division) and Jay Comeaux (Director of SGC Houston Branch) about the need for the Trust company, as custodian of the foreign CD accounts, to file FBARs. Each time, they downplayed the issue, saying that they had received advice from SGC's legal department that, as a custodian, rather than a trustee, the Trust Company took the position it was not responsible for filing FBARs.

49. Initially, there was a general policy at SGC not to inform clients about the need to file FBARs and disclose the ownership of the offshore accounts on the tax returns because doing so constituted "providing tax advice" which Stanford management said it could not do. When a number of financial advisors began to express concerns that their clients could unintentionally get in trouble with the IRS for not filing the forms, they were told again that SGC employees

were not "tax advisors" and could not give tax advice. Financial advisors were told they could only recommend to their clients that they consult with their own accountants or tax advisors regarding the accounts.

50. With respect to his own clients, CS2 was initially told he could write his clients to remind them to consult with their own tax advisors about whether there was a need to file. However, after an SEC investigation began into the Stanford CD program, CS2 and all other financial advisors were told not to mention the bank in any writings. CS2 was permitted only to discuss FBAR filing with his clients on the telephone, but not in writing.

51. CS2 continued to raise concerns with SGC and Stanford Trust management about the lack of FBAR filings and the need to communicate to their clients the need for them also to file. He exchanged numerous emails with J.D. Perry (Stanford Trust's President until mid-2006) in which Perry acknowledged that Stanford Trust was not filing FBARs but questioned the need, or wisdom, in doing so. In an email dated June 13, 2005, CS2 specifically raised the issue of non-filing of FBARs and non-notification of clients of FBAR filing requirements with Perry:

> ... this is not a tax issue it is a disclosure issue according to the international CPA I asked this past Friday. No matter what we do I think we have a liability. ... It would be one thing if we were telling [our clients] to fill them out and mail it, but we haven't told them it exists!!!

Perry replied on June 14, 2005:

> I realize these are not tax forms but I thought you would connect the dots. ... The Treasury form is disclosure but it is disclosure with privacy issues and tax implications and ramifications as to the capacity that we have as custodian.

Exhibit F. Others copied on some of the emails included Jason Green, Jay Comeaux and Mauricio Alvarado (General Counsel for Stanford).

52. Perry left Stanford Trust in September 2006 and was replaced on an interim basis by Zack Parrish. Following Perry's departure, a "work out" team was established to fix the problems at Stanford Trust related to the IRA CDs. The team determined that Stanford Trust should have been filing FBARs because Stanford Trust officers held signature authority over the accounts and could direct the movement of funds in the accounts. CS1 and CS2 were told by someone who was on the team that they recommended Stanford Trust voluntarily disclose its error to the U.S. Treasury Department and attempt to "settle" but the Stanford legal team "overruled" the recommendation following discussions between senior management and the Board of Directors about the firm's potential liability and the likelihood of getting caught.

53. In September 2006, SGC management determined that the Stanford International Bank IRA CDs needed to be "re-papered" because, among other things, Stanford Trust employees had "whited out" client signatures on the original signature cards for the offshore accounts and replaced them with Stanford Trust personnel signatures. This "repapering" was done because Stanford management was concerned that having explicit signature authority over the offshore accounts clearly evidenced their legal obligation to file the FBARs. CS1 and CS2 were told by former Stanford Trust employees that "no one will ever see the original 'whited out' client signature cards."

54. The "re-papering" of accounts began in September of 2006 and continued through March of 2007. CS1 and CS2 provided the following timeline of events documented with emails and internal memoranda. Exhibit G.

06/14 - 06/15/05	Multiple emails wherein Stanford Trust's requirement to file FBARs is discussed. Exhibits H, I.
08/10 - 08/12/05	Multiple emails regarding time delays between when SGC sends funds to Stanford Trust for purchase of a Stanford International Bank IRA CD and

	when the funds are actually credited to the US client's account at the bank and the CD is actually purchased. Exhibits J, K.
09/07/06	J.D. Perry resigns from Stanford Trust and is replaced on an interim basis by Zack Parrish. Joe Klingen is assigned to manage the Stanford Trust Baton Rouge office. Exhibit L.
11/17/06	Sales of Stanford International Bank IRA CDs are suspended. Exhibit M.
12/13/06	Joe Klingen sends an email to all employees advising that "Required Minimum Distributions" from Stanford International Bank IRA CD accounts will only be honored if a "Letter of Authorization" is signed by the client. Exhibit N.
03/01/07	Jay Comeaux announces "re-opening" of Stanford International Bank IRA CD sales. Exhibit O.
03/02/07	Email sent to all employees announcing schedule of upcoming training sessions on new procedures for sale of Stanford International Bank IRA CDs.
03/05/07	New Stanford International Bank IRA CD packets sent to all Stanford financial advisors.
04/10/07	Rhonda Lear (Director of Compliance) sends all financial advisors a copy of a letter that will be sent to all Stanford Trust clients with their next Stanford International Bank statements. The letter will be included in a package that will include: 1. Stanford International Bank Statement 2. Client Letter 3. New signature card 4. Sample signature card 5. Confirmation address form 6. Self-addressed stamped envelope. Exhibit P.
06/20/07	Internal memorandum notifying all employees that "Letters of Authorization" signed by the client will now be required any time a client makes a request for action on a new or existing account. Exhibit Q.
08/01/07	Rhonda Lear sends an internal "Compliance Alert" to all financial advisors advising that "SIB will not honor any client request if there is not an **original** signature card on file." [Emphasis in original]. Exhibit R.
09/20/07	Stanford Trust sends an email to all financial advisors regarding new account documentation rules regarding Stanford International Bank accounts. Exhibit S.

55. According to CS1 and CS2, this entire process was intended to cover up the fact that Stanford Trust had explicit signature authority and control over the funds maintained in accounts at Stanford International Bank in Antigua, and to destroy any evidence that would show that Stanford Trust had a legal obligation to file FBARs on those accounts.

56. There were also other legal issues related to the IRA CDs, unrelated to the FBARs, that could affect their taxability to the US clients. These included:

a. Cash-in and cash-out violation of IRA rules. In some cases, clients were allowed to use Stanford Trust IRA accounts as personal checking accounts.

b. IRA funds may have been invested in non-qualifying investments.

57. Stanford International Bank mailed periodic account statements to U.S. CD holders, both IRA and non-IRA, advising them of the amount of interest income being paid on the CDs, but it did not provide any information as to taxability. SGC's policy also was not to notify US clients, or even discuss with them, that the earnings in their non-IRA offshore accounts were taxable.

58. CS1 and CS2 were told at about the time they resigned that Stanford's U.S. clients held more than 3,000 IRA CD accounts at Stanford International Bank. Stanford's policy of not notifying its U.S. clients regarding the duty to disclose ownership of the accounts on U.S. tax returns and to file FBARs, caused CS1 and CS2 to suspect there was a high level of non-compliance by Stanford's U.S. clients in disclosing ownership of the accounts, filing FBARs, and reporting interest income on any IRAs that may not have qualified as exempt.

59. Since most of the monies placed in Stanford International Bank CD accounts were placed in regular CD accounts, not in IRA accounts, the likelihood is that these U.S. clients also failed to disclose ownership of the offshore accounts on their U.S. tax returns and report taxable income earned with respect to the offshore accounts, as well as failed to file FBARs.

60. I interviewed a third confidential source (CS3) who was a client of Stanford Financial who invested in Stanford International Bank CDs. CS3 provided me with copies of

his December 2007 consolidated account statement from SGC. An excerpt of pertinent portions from that statement is contained in the attached Exhibit U. That statement includes information about the balance of the CD he held at Stanford International Bank, but does not reflect interest earned on the CD. The consolidated statement also contains a disclaimer stating: "The information contained in this consolidated statement is being provided for information purposes only. We do not recommend this information be used for tax purposes. It does not replace or supercede the account statements issued by the issuing financial institution." CS3 also told me that he received no Form 1099 from Stanford International Bank and that no income earned with respect to the Stanford International Bank CDs was included on the Forms 1099 he received from SGC. Accordingly, his accountant had to piece together the information on the CDs from monthly statements in order to file correct income tax returns. He only knew to do this because his financial advisor, CS1, pointed out to him that the income was not included in the SGC Forms 1099.

61. CS1 and CS2 believe the level of non-compliance is high because U.S. clients see their investments in Stanford International Bank as funds invested through a U.S. brokerage firm. Although clients know they were investing in foreign accounts, they did not receive annual reminders bringing their attention to the fact that they owned foreign financial accounts through SGC or that the interest on those accounts was not included in the Forms 1099 they received from SGC.

62. I asked CS1 what he knew about guidance, if any, the SGC financial advisors would give to clients about filing FBARs on the offshore CDs, checking the box on Schedule B

of the tax return (required of taxpayers who are also subject to filing the FBAR), and reporting the offshore income. CS1 told me that the answer varied from advisor to advisor.

a. CS1 and CS2 always told their clients about the need to file FBARs, check the box on Schedule B, and report the earnings. CS1 is aware of one SGC financial advisor who was a CPA who prepared tax returns and also prepared and filed the FBARs on behalf of his own clients. It is CS1's belief from conversations with other advisors that many never discussed the matter with their clients at all.

b. In the case of IRA CDs, CS1 believes that only a small portion of account holders filed FBARs and disclosed the offshore accounts on their returns. Although Stanford Trust practices with respect to client control of and access to the IRA investments raise taxability issues, CS1 believes that none of the clients would have reported the income because they viewed the accounts as non-taxable IRA accounts.

c. In the case of non-IRA accounts, CS1 estimates approximately 25% filed FBARs, disclosed ownership of the accounts on tax returns and reported the income earned.

d. CS1 emphasized to me that these were estimates based on his sense of what was occurring from discussions around the SGC office. He described a conversation with a SGC financial advisor who told him that only 1 in 7 of his U.S. clients was fully compliant with respect to the Schedule B, FBAR and income reporting requirements for Stanford International Bank accounts.

63. At my direction, an analysis was conducted of the database of FBARs filed by U.S. taxpayers to disclose ownership and/or control over bank accounts at Stanford International

Bank in Antigua that are maintained by the Financial Crimes Enforcement Network ("FinCEN") at IRS's Detroit Computing Center. According to that analysis, U.S. taxpayers disclosed ownership of accounts at Stanford International Bank totaling 765 in 2006, 1,182 in 2007 and 1,707 in 2008. This contrasts with CS1's and CS2's estimates that IRA CDs owned by U.S. persons alone amounted to approximately 3,000 to 3,500 accounts and that this number represented less than twenty percent of the total of Stanford International Bank CDs owned by U.S. persons.

64. Based on CS1 and CS2's estimates, I calculate that approximately 15,000 to 17,500 FBARs should have been filed by the U.S. owners of the offshore CDs per year and another 3,000 to 3,500 FBARs should have been filed by Stanford Trust per year on the IRA CDs over which it exercised control. Despite this, less than 1,000 FBARs were filed in 2006, and less than 2,000 FBARs were filed in 2007 and 2008 respectively, indicating a high level of non-compliance by U.S. owners of offshore accounts at Stanford International Bank in Antigua.

65. According to CS1 and CS2, Stanford International Bank account records for client offshore accounts are readily available to SGC and Stanford Trust employees within the U.S. and, in some cases, are actually maintained within the United States.

a. Documents related to opening accounts at Stanford International Bank for U.S. clients are prepared and signed at the local SGC office and are then "pouched" to Antigua, where they are logged in. According to the Stanford International Bank reference manual provided to all SGC financial advisors (dated October 4, 2007), when preparing account opening forms:

> ... only the name of the Stanford associate handling the account may be indicated in the section provided for authorized persons to maintain copies of all pertinent account information.

Exhibit T at 20.

b. After the account is opened, SGC financial advisors in the U.S. could use an Internet based computer program called "SIB Direct" to directly access their clients' accounts at Stanford International Bank using an online gateway called "FA Access." As stated in the Stanford International Bank reference manual:

> Stanford International Bank (SIBL) enters into agreements with [referring entities] which ... recommend, market, sell or distribute SIBL products. In connection with such activities and pre-existing client authorizations, SIBL may provide ... client information to employees of the referring entities to facilitate their activities.

Exhibit T at 51.

c. Financial advisors were required to sign a confidentiality agreement and were assigned a passcode that allows them to access client account information including names, addresses, account numbers, balances, deposits, withdrawals, interest earnings, etc.

d. Financial advisors were also notified of subsequent deposit/withdrawal activity. For example, with respect to wire transfer deposits, the reference manual states:

> Upon receipt of the wire, the Bank will notify the Financial Advisor of the amount received, the account number credited, and the value date.

Exhibit T at 28. With respect to withdrawals, the reference manual states:

> The financial advisor will forward withdrawal instructions to the Bank by:
>
> FAX (for withdrawals from EXPRESS ACCOUNTS -ONLY-)

POUCH (for withdrawals from all other accounts)

Exhibit T at 31.

e. While Stanford International Bank account statements were prepared in Antigua and mailed directly to the customer, much of the same information existed on "consolidated account statements" that were prepared at SGC Headquarters in Houston, Texas and mailed to clients via the U.S. Postal Service. These consolidated account statements combined activity from all of a client's Stanford investments, including the offshore bank, into a single report. See Exhibit U, provided by CS3.

f. SGC also maintained comprehensive client files at every financial advisor's office, including files on the Stanford International Bank CDs that may duplicate records maintained in Houston. Records related to the IRA CDs were also maintained at Stanford Trust in Baton Rouge, Louisiana.

g. Lists of maturing CDs were periodically generated and used in the U.S. to manage the client's accounts.

h. SGC had a large information technology group in Houston, located in a building directly adjacent to its headquarters office, that managed all its data processing records and systems. Nothing was outsourced to third parties.

i. Records of all U.S. sales of CDs at Stanford International Bank, for both IRA CDs and non-IRA CDs, were maintained at SGC Headquarters in Houston. Records of IRA CDs were also maintained at Stanford Trust in Baton Rouge. However, some information was purged from the files after the SEC commenced an investigation in 2005.

j. Most of the time, the cash used to purchase Stanford International Bank CDs came from the client's SGC brokerage account. Consequently, there should also be a record with SGC of the wire transfer of funds from the SGC account to Stanford International Bank in Antigua.

k. Another source of records in the U.S. would be files SGC kept on the Regulation D private placement. SGC lawyers were concerned that the CDs being widely promoted to SGC's clients could be classified as securities. If that happened, SGC would be liable for penalties for not registering the securities. To protect against this eventuality, SGC decided to register the CD product with the SEC as a private placement under Regulation D. This required that SGC track all clients who purchased the CDs, as well as all clients who were offered the product, in a set of records dedicated to this purpose within the U.S., so that SGC could verify that the CDs were offered only to qualified prospects if the SEC ever decided to audit the private placement. These records would identify holders of the Stanford International Bank CDs.

l. Evidence of SGC's ready access to detailed underlying account information from Stanford International Bank in Antigua when needed is evidenced by an email sent by CS2 to Jason Green and Jay Comeaux on August 10, 2005 that was forwarded to J.D. Perry, and the resulting exchange of emails on August 12, 2005 related to the late deposit of funds in connection with one of CS2's clients. Exhibit I. In the email, CS2 stated:

> The delay in getting money to the bank via STC [Stanford Trust] seems to be getting longer and longer. We wired money $350,000 to STC August 3 and as of today it is still not at the bank. That is five business days of lost interest!!

In response, Bonita Carlile, an employee of Stanford Trust, sent an email to Amanda St. Agathe, an employee of Stanford International Bank in Antigua, on August 12, 2005 at 3:00 p.m. asking:

> J D would like to know the following as soon as possible:
>
> When did the bank receive the wire for $350,000 ...
> When did the bank receive the documents for this account ...
> When was the account set up ...
> What is the account number ...

Amanda St. Agathe replied at 4:07 p.m. (1 hour and 7 minutes later):

> Hello: wire recvd 05 aug 2005 for 350K
> docs recvd @ sibl on 10 aug 2005
> acct established 11 aug 2005
> acct number 135450 cd number. 134505 ea [express account] number

66. Information released publicly in connection with the SEC suit and the Receivership, with the exception of certain dollar amounts, is consistent in every substantial respect with the information provided to me by CS1 and CS2.

D. Stanford Trust Company, Ltd.

67. According to the report of the Receiver filed April 23, 2009, Stanford Trust Company, Ltd., (Stanford Trust (Antigua)) is a trust company chartered under the laws of Antigua as an International Business Corporation (IBC), specializing in the administration of trusts established under the laws of the British Virgin Islands (BVI). An IBC is subject to the laws of the chartering jurisdiction but may not do business in that jurisdiction or with citizens of that jurisdiction.

68. According to an archived version of its website from 2005, Stanford Trust (Antigua), formed and managed entities such as trusts, foundations, and international business

corporations (IBCs) for individual clients and maintained sales offices in Miami and Houston under the name Stanford Fiduciary Investor Services, Inc.

http://web.archive.org/web/20060901003159/http://www.stanfordtrustcoltd.com/

According to a May 19, 2009, letter to investors from the Receiver-Managers appointed by the Antigua Financial Services Regulatory Commission, Stanford Trust (Antigua) had a third sales office in the United States, in San Antonio.

http://www.vantisplc.com/NR/rdonlyres/BE9F6698-D284-4118-8D18-047F534644FB/0/STCINVESTORLETTER.pdf. According to the May 19, 2009, letter to investors, the U.S. Receiver took control of all the records and employee records of the Stanford Trust (Antigua) sales offices in Miami, Houston, and San Antonio.

69. The Stanford Trust (Antigua) website contained the disclaimer that "Our service is not available to U.S. residents." However, three of the four sales offices were located in the United States.

70. The Stanford Trust (Antigua) website described an international trust as "established under the laws of an international jurisdiction and managed by a foreign trustee (such as Stanford Trust Company Limited). Typically, such jurisdictions are low-tax or tax-free, without capital gains taxes, death taxes, death duties, inheritance tax, or exchange controls for trusts whose beneficiaries reside outside the jurisdiction. A trust can also allow you to maintain control of how your assets will be managed and distributed." The first benefit listed for a "well managed trust structure" is that it may protect your assets against "[a]ppropriation and confiscatory tax policies." The website also stated that "the burden of ownership of the trust assets falls on the trustee, while the benefits of the property or assets go to your chosen

beneficiaries and, in appropriate circumstances, yourself," adding that "The Settlor himself may be a beneficiary." The website also stated that "[p]rivacy is the centrepoint of the exclusive agreement between you and Stanford Trust Company Limited. Moreover, once you establish a trust, you enjoy an added level of security, since the identity of each individual beneficiary is fully protected as permitted by law."

71. The Stanford Trust (Antigua) website also described the benefits of a structure of entities, in which the client's assets are held by an IBC which is in turn owned by an international trust: "Owning property through an international business company may provide fiscal advantages. As part of an overall trust structure, IBC's may offer enhanced confidentiality, as well as reduce individual tax liability and exposure to currency and exchange controls." The website glossary added that "[c]ommon to all IBC's are its dedication to business use outside the incorporating jurisdiction, rapid formation, secrecy, broad powers, low cost, low to zero taxation, and minimal filing requirements. An increasing number of offshore jurisdictions are permitting the use of bearer shares, nominee shareholders, directors and officers." The glossary defined a nominee as a "[c]ompany or private individual used to act as owner or director of a company on behalf of another party. This is who you say owns or runs the company."

72. In the experience of the IRS, the structures of offshore entities described in the Stanford Trust (Antigua) website, particularly when held and controlled through nominees and bearer shares, are the hallmarks of abusive tax avoidance by U.S. taxpayers.

73. Based on the above information, I have a reasonable basis to believe that United States taxpayers in the John Doe class are likely failing to comply with the Internal Revenue Code provisions governing a United States taxpayer's obligations to report and pay tax on

world-wide income. Given my general knowledge and experience concerning taxpayers who use banking and other services in offshore jurisdictions, as well as CS1's and CS2's statements, it is reasonable to believe that the unidentified United States taxpayers described as the John Doe class, above, may have failed to comply with provisions of the internal revenue law of the United States and that records identifying members of the class and documenting income earned on the offshore deposits exist in the records of SGC or are readily accessible to SGC from within the United States.

III. THE REQUESTED MATERIALS ARE NOT READILY AVAILABLE FROM OTHER SOURCES

74. The only available repositories of the information in the United States sought by the proposed summons are SGC, which receives and processes in the United States the data from Stanford International Bank about the accounts it maintains on behalf of the United States customers of SGC, and Stanford Trust (Antigua) and its sales representative Stanford Fiduciary Investor Services, Inc., whose records are now in possession of Ralph S. Janvey, Receiver.

75. As described in the Declaration of Paul J. Rolli, the United States potentially has two means of obtaining Antiguan banking records other than through the U.S. Receiver's compliance with the proposed John Doe summons. First, the United States Competent Authority may make an official request to the Antiguan government pursuant to the Tax Information Exchange Agreement between the United States and Antigua (the Antigua TIEA). Second, the United States has a Mutual Legal Assistance Treaty (MLAT) with Antigua which contains a mechanism for the exchange of information in certain circumstances. The MLAT, however, authorizes the exchange of information only in connection with a United States criminal investigation of specific charges. Here, the Internal Revenue Service is not currently conducting

a criminal investigation of the John Doe class. By its terms, therefore, the MLAT is not available to obtain information for this civil investigation.

76. As Mr. Rolli states in his declaration, the Antigua TIEA requires that a request for records identify the particular taxpayer whose records are sought. We cannot presently identify the specific members of the John Doe class. Therefore, we cannot submit an acceptable request under the Antigua TIEA.

77. In light of the above, the records sought by the John Doe summons are not otherwise reasonably and timely available to the Internal Revenue Service and the identities of only a small percentage of the CD holders are disclosed in the incomplete FBAR records described in paragraphs 63 and 64 above.

IV. THE JOHN DOE SUMMONS IS NEEDED NOTWITHSTANDING THAT SOME MEMBERS OF THE JOHN DOE CLASS MAY BE ENTITLED TO TAX LOSSES ON THEIR INVESTMENTS.

78. As noted above, on February 16, 2009, the SEC secured the appointment of a Receiver for SGC and all Stanford affiliated entities in the Northern District of Texas. The public records related to the receivership and describing the preceding SEC investigation suggest that Stanford International Bank may have been involved in a "Ponzi" scheme in which money invested by new investors was used to pay, or at least to augment, the returns on investments of existing investors. To the extent that is true, some of the U.S. clients of SGC holding Stanford International Bank CDs may be entitled to tax deductions for losses incurred. It is impossible at present to predict the number of taxpayers who lost money on such investments or the extent of the losses until the records are examined. However, some investors may have received income that was unreported and untaxed, while others may have invested in CDs or opened offshore

accounts using funds that were not previously taxed, which could invalidate any loss claims associated with the accounts for tax purposes. The records sought by the proposed summons will enable the IRS to determine the extent to which members of the John Doe class underreported their correct liabilities and will also be useful in evaluating and more quickly allowing claims by other members of the John Doe class who may have lost money on the Stanford International Bank investments, consistent with the principles recently issued by the Treasury Department in Revenue Ruling 2009-9 and Revenue Procedure 2009-20 on March 17, 2009.

V. CONCLUSION

79. Based upon the foregoing, I have concluded that there is a reasonable basis for believing that the information sought in the John Doe summons issued to Ralph S. Janvey, Receiver of the assets and records of Stanford Group Company, Stanford Trust Company, Ltd., Stanford Fiduciary Investor Services, Inc., and related entities, will identify United States taxpayers who may have failed to comply with their obligation to report and pay U.S. tax on income earned with respect to financial accounts at Stanford International Bank, Ltd., and with respect to assets held through entities formed or managed by Stanford Trust (Antigua) during the years ended December 31, 2002 through December 31, 2008.

I declare under penalty of perjury, pursuant to 28 U.S.C. Section 1746, that the foregoing is true and correct.

Executed this 15th day of June 2009.

DANIEL REEVES
Revenue Agent
Internal Revenue Service