

State aided suspect in huge swindle

■ Florida regulators – over objections by the state’s top banking lawyer – gave sweeping powers to banker Allen Stanford, accused of swindling investors of \$7 billion.

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Years before his banking empire was shut down in a massive fraud case, Allen Stanford swept into Florida with a bold plan: entice Latin Americans to pour millions into his ventures — in secrecy.

From a bayfront office in Miami in 1998, he planned to sell investments to customers and send their money to Antigua.

But to pull it off, he needed unprecedented help from an unlikely ally: The state of Florida would have to grant him the right to move vast

amounts of money offshore — without reporting a penny to regulators.

He got it.

Over objections by the state’s chief banking lawyer — including concerns that Stanford was laundering money — regulators granted sweeping powers never given to a private company.

The new company was also allowed to sell hundreds of millions in bank notes without allowing regulators to check for fraud.

Over the next decade, the Miami office was among Stanford’s busiest in the sale of

• TURN TO REGULATION, 2A



AWAITING TRIAL: Allen Stanford is accused of diverting nearly \$7 billion from customers who bought his certificates of deposit.

PAT SULLIVAN/AP

MIAMI HERALD WATCHDOG | ALLEN STANFORD CASE

State aided suspect in huge swindle

*REGULATION, FROM 1A

controversial investments now at the heart of the federal government's sweeping fraud case against Stanford and his lieutenants.

"There was no lawful way that office should have been opened," said Richard Donelan, the state's chief banking counsel who opposed the deal.

Donelan said he argued that the Stanford plan violated state law, and that there were concerns about money laundering in the Caribbean and "whether Stanford's bank was in conformance with the law."

TAKING ADVANTAGE

Represented by a powerful Florida law firm, Stanford got approval to create the first company of its kind: a foreign trust office that could bypass regulators, according to records obtained by The Miami Herald.

The Florida banking director who signed the agreement, Art Simon, now admits he made a mistake.

"Upon reflection, would I have liked to have done it differently? Would I have liked to stop them from doing what they currently did? Yes, of course."

The state's decision allowed Stanford to expand his banking network by offering his prize investments — certificates of deposit — without reporting the purchases, according to state and court records.

In the first six years, the office — known as Stanford Fiduciary Investor Services — took in \$600 million from customers, state records show.

Now, with Stanford indicted on sweeping fraud charges last month, the Miami office poses serious challenges for federal agents trying to find assets from the demise of his vast banking fortune, legal experts say.

In all, prosecutors say Stanford diverted nearly \$7 billion from customers who purchased his CDs, long touted for their high returns.

Some of the millions went to support Stanford's lavish lifestyle, including private jets, expensive cars and mansions, including a \$10.5 million home in Gables Estates that he has since torn down, records show.

Investors who flocked to the luxury offices on the 21st floor of the Miami Center to buy the CDs are clamoring for their money, saying they were fleeced of millions.

"It's not fair that so much money has gone down the drain," said Margie Morinaga, whose 84-year-old father lost \$400,000.



ALAN DIAZ/AP



MIAMI HERALD FILE, 1997

REMNANTS: Stanford sold his CDs from his luxury offices located on the 21st floor of downtown Miami's Miami Center, at left. At far left are pieces of art and gilded furnishings now awaiting sale.

Former customers are sending letters to the court receiver, pleading for help; others are angrily organizing to press for the recovery of their money.

At least 2,100 customer accounts were set up at the Miami office in the first six years, state records show.

Unlike other Stanford companies around the country, the Miami office was exempt from reporting the amounts of money sent overseas — bypassing anti-laundering laws.

In fact, employees shredded records of the trust agreements and CD purchases once the original documents were sent to Antigua, state records show.

FEW PROTECTIONS

For years, the high-rise offices — adorned with marble floors, Oriental rugs and expensive artwork — provided privacy for investors, but few protections.

Because trust officers weren't required to keep records, investigators will have to rely on investors and the Antigua bank to trace the money that moved through the office, say lawyers for customers.

Officials for the Florida Office of Financial Regulation are now reviewing the decision made a decade ago, but they refuse to comment.

"All I can tell you is that there was no one that specifically regulated the office," said Linda Charity, director of the state's Division of Financial Institutions.

Simon, the Florida banking director who approved the agreement, says he should have banned the office from handling money.

"It raised serious questions in my mind after the fact as to whether we should have had tighter provisions,"

said Simon, a former state representative who helped draft much of Florida's modern banking legislation.

The office was only supposed to provide information for people interested in the offshore trust's services — not offer CDs and accept money, he said.

But in clear language, the agreement reached between Stanford and state regulators allows money to flow to and from the center.

Simon, 63, now retired from state government, said he didn't recall the language until he was e-mailed a copy by The Miami Herald.

But several lawyers who reviewed the documents for The Herald said much of the responsibility rests with Simon. "In this case, he was responsible for having an effective system of enforcement," said Jeffrey Sonn, a Fort Lauderdale securities attorney. "The state didn't do the kind of reviews it needed to do."

Miami banking lawyer Jose Sirven said the state may have been able to approve the office, but questioned the state's decision to let employees transfer money.

Donelan, the state's chief banking counsel, said he did not believe Stanford had the right to open the satellite office in the first place.

"It was not an American financial institution. I had expressed that opinion. There was no regulation. It was as if they had an office that could be selling shoes or ice cream."

CONCERNS RAISED

Now an attorney with Florida's Department of Financial Services, Donelan, 58, said he had other worries. "There were regulatory issues about the role that Mr. Stanford was playing as far as the circulation of money in the Caribbean."

Seven years earlier, Stanford had run into problems while owning a bank on the Island of Montserrat, voluntarily giving up his license during a British money laundering investigation.

But during negotiations with the state, lawyers for Stanford argued there was nothing in Florida law that banned the kind of company Stanford wanted to create.

They also said the new company would abide by an agreement with the state, including the right to transfer money for clients, but not operate as a bank.

The agreement also barred employees from giving financial advice to customers.

Carlos Loumiet, a former Greenberg Traurig lawyer who helped draft the deal, declined to comment, citing ethical concerns.

In the end, the Miami company was allowed to open under a unique category: a foreign trust representative office — the only one in Florida.

While the state allows out-of-state trust companies to set up satellite offices in Florida — catering to snow birds loyal to their hometown banks — there are no provisions in Florida law for similar foreign offices.

The Stanford file

Name: Robert Allen Stanford

Net worth: \$2.2 billion in 2008, 205th richest person in the world, according to Forbes Magazine.

Companies: Stanford International Bank, Stanford Trust Company, Stanford Group Company

Holdings: \$8.7 billion in 30,000 accounts

Education: Bachelor of Arts and Sciences from Baylor University, 1974

Birthplace: Mexia, Texas

Citizenship: United States and Antigua

Sporting sponsorships: Stanford 20/20 cricket competition, whose \$20 million purse is the largest prize in the sport's history; golf pro Vijay Singh, PGA Tour's St. Jude Championship in Memphis, Tennessee.

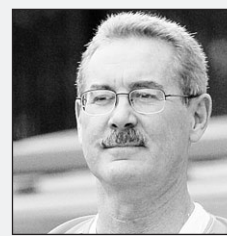
Children: At least six with four women.

MIAMI HERALD STAFF

Madoff vs. Stanford



BERNIE MADOFF, 70



ALLEN STANFORD, 59

Base of operations	NYC; Montauk, N.Y.	Houston, Miami, Antigua
Accused of stealing	\$50 billion	\$7 billion
Homes	NYC, Palm Beach	Houston, Antigua, \$10.5 million Gables mansion (teardown)
Financial instrument of choice	Stocks, mutual funds, hedge funds	Certificates of deposit
Formal charges	Securities fraud, money laundering	Securities fraud, money laundering
Resolution of charges	150-year sentence	Awaiting trial

Stanford's negotiation with the state wasn't the first time the flamboyant tycoon tried to open a local office to serve his offshore venture.

Earlier, he went to Miami attorney Bowman Brown, who said he declined to represent Stanford. A longtime banking lawyer, Brown said there were several elements that didn't seem right about Stanford's plan.

"He wanted to set up an office in Miami to serve a business operation in the Caribbean," said Brown. "The idea was to attract a Latin American clientele as a platform to sell securities."

But Brown said Stanford "was not interested in undergoing any substantive banking regulations or submitting to government examiners."

At the time, the Caribbean basin had a "bad reputation as a pirate banking jurisdiction, and I just wasn't interested in taking part in this," Brown said.

THE BUSINESS GROWS

By the time the state approved the trust office in December 1998, Stanford was already hawking his top product: certificates of deposit.

One of the attractions of the CDs were the competitively higher yields than other banks — often by two points.

The Miami office was a big draw for foreigners jetting to Miami, said Charles Hazlett, a stockbroker who worked for another Stanford firm — a brokerage — on the same floor.

"The trust office was one of the busiest in the Stanford operation," said Hazlett. "Compared to us, they were a big office, 30 to 40 people, everyone selling CDs."

Hazlett said the Stanford stockbrokers were also pushed to sell the company's signature product.

Rosa Mejia says word of the Miami office spread throughout the hemisphere. She recalls escorting her father to the Miami office four years ago.

Their trust representative, Saraminta Perez, offered a five-year, \$300,000 CD at higher returns than most banks, said Mejia.

Her father, 69, a retired banker from the Dominican Republic, signed a trust agreement and a check. The money was to go to Stanford's bank in Antigua, which issued the CDs.

"We thought the money would be safe," Mejia said.

Perez referred questions to her lawyer, saying her career was cut short by Stanford's collapse.

Miami attorney Jeffrey Tew said trust officers didn't know money for the CDs was allegedly being stolen by Stanford and others. "There were people [in the Miami trust office] managing \$100-million-dollar portfolios," he said. "They thought they were helping their clients."

However, Hazlett says he raised concerns in 2002 about the legitimacy of the CDs with the Miami office's executive director, Nelson Ramirez.

"I remember very clearly

saying the math didn't add up, that I needed more information on the background of these CDs," said Hazlett, who pressed the issue with Stanford supervisors during a compensation suit in 2004.

Ramirez, who left Stanford three years later, did not return phone messages.

Ultimately, Hazlett said he was given information about the Antigua bank's investments — the foundation of the CDs — but the data was so minimal "it made me even more suspicious," he said.

Federal agents now say the bank's investments were vastly overvalued and, in many cases, fabricated.

After the Miami trust office was created, Stanford lawyers approached Texas to open a similar office there. In 2001, the state agreed, but with a key difference: The Texas office wasn't permitted to handle money.

"Basically, all they could do was market," said Deborah Loomis, assistant general counsel for the Texas Department of Banking.

But the Miami office was busy taking in money from customers — and growing, from 18 employees in 2001 to 46 by 2005.

'HUGE RED FLAGS'

While the state agreement barred the office from giving financial advice to clients, several experts said the state should have been monitoring the sale of Stanford's CDs.

"I can tell you that CDs are securities and are supposed to be regulated," said Sonn, a securities attorney.

Sonn also cautioned the high yields offered by Stanford's CDs were "huge red flags" that should have prompted state investigators to challenge claims the products were rooted in legitimate investments.

Andrew Stoltmann, an adjunct professor of securities at Northwestern University, said the state failed by not performing routine examinations.

"You have to put yourself in a position to at least try to catch people committing fraud," said Stoltmann, who practices securities law in Chicago.

Records show that state examiners visited the office three times over the past 10 years, but only to ensure that the 1998 agreement was kept.

During one of those visits in 2001, state agents noted that office employees routinely would send purchase records to Antigua and then destroy the local documents.

It wasn't until February that the office was finally shut down — along with Stanford's bank network — when the U.S. Securities and Exchange Commission filed fraud charges against Stanford and his top officers.

The office furnishings, including cherry-wood desks and company credenza, are now for sale.

Rosa Mejia, whose father lost \$400,000 in worthless CDs from the Miami office, said investors were impressed by the staff and offices on the 21st floor. "Everything was first class," she said. "We thought our money was safe."

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Stanford case puts lawyers in spotlight

■ With Allen Stanford accused of a massive fraud, the actions of a Miami law firm are coming under review by a receiver representing victims, raising the question: Did their legal advice aid his empire?

**BY MICHAEL SALLAH
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St. JOHN'S, Antigua — With federal agents threatening to put his bank out of business, Allen Stanford turned to the powerhouse Miami law firm of Greenberg Traurig.

Stanford International Bank and other banks in Antigua were suspected of laundering money and were close to being cut off from the global banking community.

Not only did the firm save his bank, it helped Stanford eliminate his competition and become a top Antiguan regulator — just years before prosecutors say he began stealing millions in one of the largest frauds in U.S. history.

Now a decade later, with Stanford charged in the massive criminal case, the law firm is being pulled into a widening inquiry of the \$7 billion Ponzi scheme that wiped out thousands of investors.

Though not under criminal investigation, Greenberg Traurig is facing a legal review of its actions on this tiny island that was the center of his banking kingdom.

Stanford fraud case puts lawyers in spotlight

•RECORDS, FROM 1A

The court-appointed receiver trying to recover money for victims is demanding records of the legal work provided to the disgraced banker — including that of Greenberg. The effort is the latest by the receiver to untangle the complex deals spun by Stanford as well as the conduct of his lawyers.

The demand for the records has put a rare spotlight on Greenberg Traurig and another firm, Hunton & Williams, which now holds the records.

“I’m sure one of the things they will look at is what did Greenberg Traurig know, and when did they know it, and did they have any liability?” said Ross Gaffney, a former FBI agent who investigated Stanford.

Greenberg Traurig’s effort to help Stanford in 1998 was one in a string of instances in which the Florida law firm propelled Stanford’s business interests and helped rescue him from crisis.

The Miami Herald sought interviews with five lawyers who represented Stanford while working for the law firm, but only two responded.

Those lawyers, citing confidentiality concerns, declined comment, saying they were simply giving legal support and were unaware of any illegal schemes by Stanford.

Cesar Alvarez, the firm’s chief executive officer, also declined to be interviewed.

THE MONEY PIPELINE

The request for the legal files represents one of the most aggressive moves waged by the receiver to search for assets from Stanford’s far-flung banking network.

While he presses for the files, The Miami Herald found that at least two of the deals — one in Miami and the other in Antigua — provided cover for Stanford from regulators while he reaped millions from investors.

With the help of Greenberg lawyers, Stanford created a money pipeline between Miami and Antigua in 1998 that became a cornerstone of the banking empire.

With lawyer Carlos Loumiet negotiating with Florida regulators, Stanford set up a special trust office in downtown Miami that could move millions overseas without reporting anything to the government.

The unusual arrangement — created over the objections of Florida’s chief banking lawyer — let Stanford open the office without submitting to fraud checks or money-laundering requirements.

Over the next decade, the Miami center sold millions in Stanford’s key investments — certificates of deposit — the checks stuffed in pouches and sent in jets to Antigua.

The Miami office became “the locomotive that pulled the train,” said Steven Riger, a vice president at Stanford’s Miami brokerage.

While the Miami office was the generator, Antigua was the recipient.

But as the Miami office was being created, a series of scandals on the island forced Stanford to call on his lawyers to help change the island’s banking

system — and keep the pipeline alive.

The U.S. Treasury was considering blacklisting all offshore institutions in Antigua — cutting off access to U.S. currency — because of money laundering and fraud.

With his fortune at risk, Stanford waged an expensive effort to fight back. The banker met with Prime Minister Lester Bird and agreed to personally pay for a task force to rewrite the banking laws.

The task force, which included Loumiet, met in Miami and Antigua’s capital to look for ways to avert a shutdown of the banks.

Also on the panel: Greenberg lawyer Patrick O’Brien, a former Miami U.S. Customs chief who had led major drug crackdowns; and Lloyd Harrell, a former FBI agent from Texas. Another lawyer, Yolanda Suarez, had left Greenberg Traurig to become Stanford’s legal counsel.

“The intention was to make the regulator independent of the government,” said Lebrecht Hesse, an Antiguan official who helped draft the laws.

But the 1998 legislation ushered in a new regulatory agency — with Stanford on the board — in a move that gave Stanford sweeping protection from regulators for the next 10 years.

“Stanford effectively became the man who controlled the regulator,” said Rodney Gallagher, a former member of the British High Commission in Barbados who investigated Stanford for money laundering.

One incident highlighted the power Stanford gained in Antigua owning the largest bank.

The new agency demanded all the island’s secret offshore banking records, including those belonging to Stanford’s competitors. But head regulator Althea Crick refused to turn them over.

What followed was an event that shook the island’s politics and infuriated U.S. agents.

Harrell, O’Brien and others pulled up to the two-story government building that held the records and seized the filing cabinets after Crick left for the day, hauling them to another building, Harrell said.

Harrell, 70, said the takeover in February 1999 was approved by the new regulatory board, including Errol Cort, an advisor to Prime Minister Bird.

“It was of no benefit to Stanford,” he said. “It was not done under the cover of darkness. We needed those files on a daily basis.”

However, records show Cort was a director of Stanford Trust Company and one of Stanford’s Antiguan lawyers. He did not respond to repeated interview requests. O’Brien, also a board member of the new agency, declined to be interviewed.

U.S. agents condemned the seizure, saying Stanford orchestrated the event for himself.

“It was outrageous,” said Jonathan Winer, former deputy assistant Secretary of State for International Narcotics and Law Enforcement Affairs.

Winer said he had warned members of the task force, including O’Brien and Cort, that the U.S. State Department considered Stanford to be playing a dangerous role.

“I said it was unacceptable what they were doing,” he said.

“That was no clean-up of the laws, not when you have a private-sector person paying for it. I didn’t care about the details; it was all dirty.”

In addition, Stanford — who surrendered his banking license in Montserrat years earlier during a crackdown on money laundering — had been the focus of recent investigations by British and FBI agents.

U.S. authorities struck back, condemning the records seizure and saying key provisions in the legislation weakened efforts to fight money laundering.

In April 1999, the U.S. Treasury fired off a rare warning to American banks, blasting Stanford’s new role in the island’s banking system.

“The Authority’s board of directors includes representatives of the very institutions the Authority is supposed to regulate, thus raising serious concerns that those representatives are in fact in control,” said William Baity, director of the U.S. Treasury’s Financial Crimes Enforcement Network.

Baity also said the new legislation banned whistleblowers from going outside the regulatory system, a blow to law enforcement agents. British authorities followed suit with a similar warning days later.

As a compromise, Stanford stepped down from his position, and Antigua officials agreed to change the laws crafted by the task force. A year later, the island’s banks were taken off the U.S. Treasury’s trouble list.

But the momentum was in motion to help Stanford’s bank for years to follow.

With the new regulatory agency enforcing new banking rules, most of the 56 offshore banks on the island were eliminated, swatting away much of his competition.

Harrell, the supervisor of banking, said the effort successfully ejected crooked Russian banks that were giving the offshore sector a bad name. He also credited O’Brien for drawing on law enforcement experience in investigating the problem banks.

“Nobody gives [Stanford] credit for what was trying to be done at the time,” said Harrell. “What we were trying to do was create an offshore sector that was a regulated sector.”

However, court records show Stanford’s own bank was fabricating financial reports the same time he was taking over the regulatory agency.

Chief financial officer James Davis told prosecutors in August he and Stanford began doctoring bank reports in 1999 to show phony returns.

COVER ON THE INSIDE

With millions pouring into his Antiguan bank, Stanford switched to a new law firm, Hunton & Williams, after Loumiet joined the firm in 2001. By then, the foundation of Stanford’s bank network — including the lucrative Miami-Antigua connection — was already laid.

Regulator Crick, who opposed the seizure of the offshore banking records, was ousted, replaced by Stanford’s ally Leroy King in 2002.

King forged a close relationship with Stanford, providing cover to the banker — and taking thousands of dollars in bribes, say U.S. prosecutors.

Stanford’s big coup

How Allen Stanford became Antigua’s biggest banker, and a regulator of banks

1. With the U.S. Treasury threatening to blacklist all the banks in Antigua, Allen Stanford spends more than \$1 million rewriting Antigua’s banking laws, with his law firm, Greenberg Traurig — doing much of the work. Stanford — owner of the island’s largest bank — is named to the board of the new regulatory agency.)

2. Stanford’s top banking lawyer, Carlos Loumiet of Greenberg Traurig, negotiates a controversial deal in 1998 with Florida regulators to set up an unregulated Miami trust office that can move millions to Stanford’s Antiguan bank — without any fraud checks or money laundering requirements.

3. In order to complete the take over of Antigua’s regulatory system, Greenberg lawyer Pat O’Brien and investigator Lloyd Harrell demand records of the island’s offshore banks in February 1999, but the head Antiguan regulator, Alethea Crick, refuses. After a standoff, the lawyer and investigator seize the records.

4. U.S. Under Secretary of State James Johnson writes a scathing letter to Antiguan Prime Minister Lester Bird, condemning the taking of the records and Stanford’s new role on the island’s regulatory board while he owned one of the largest banks on the island. U.S. says the new laws are inadequate to fight money laundering.

5. U.S. Treasury issues an alert in April 1999 advising all U.S. banks to give “enhanced scrutiny” to all financial transactions in Antigua. The warning says the new Antiguan regulatory agency “is neither independent nor otherwise able to conduct an effective regulatory program in accordance with international standards.”

6. Stanford agrees to step down from the board and the new laws are changed.

7. The lone banking regulator challenging Stanford, Althea Crick, is forced out in 2002, and replaced by Stanford ally Leroy King. (Photo: Leroy King).

8. In 2003, Stanford begins to pay bribes to King to keep quiet about Stanford’s questionable bank assets and to ward off any outside investigations, say U.S. prosecutors. They two engage in a bizarre blood oath to make sure they keep their pledges. Over the next six years, Stanford pays King more than \$200,000 — including two tickets to the 2004 Super Bowl in Houston worth \$8,000 for King and his girlfriend, according to the indictments.

9. The Miami-Antigua connection — largely negotiated by Greenberg lawyers — proves lucrative for Stanford, with more than \$800 million transferred from the Miami office to Antigua — the money sent in pouches on courier jets between 1999 and 2008.



LOUMIET



O'BRIEN



BIRD



KING

Over the next six years, King took more than \$200,000 from Stanford to run interference and make sure no one got too close to the banker’s investment portfolio, the indictment states.

To complete their bond, Stanford and King struck a blood oath, cutting their fingers and pressing the flesh together in a pledge to never reveal their secret, said Davis, the Stanford financial officer.

Now indicted in the case, King refused to discuss the charges when a Miami Herald reporter went to his home in Antigua two weeks ago. A dual U.S. and Antigua citizen, King is fighting extradition to the United States.

Prosecutors want to talk to King about the alleged bribes and the inner workings of Stanford’s bank, which remained secret from U.S. regulators.

One of the big challenges for federal agents has been tracing the millions that flowed from the U.S. to Antigua over the years, especially from the Miami office. More than \$800 million was generated in Miami through 2007 — with estimates reaching \$1 billion by the time the operation was shut down by federal agents in February.

Ralph Janvey, the court receiver, has been working with federal agents but is now pushing for more information directly from Stanford lawyers.

Loumiet and his firm have agreed to hand over records of

legal work for Stanford’s U.S. companies, but are fighting to keep details of Stanford’s ventures in Antigua and other foreign countries confidential.

“There are legal issues regarding jurisdiction and client privilege that must be resolved before we proceed further,” said Eleanor Kerlow, a spokeswoman for Hunton & Williams.

Judge David Godbey in Houston is expected to decide whether the firm must meet the receiver’s demands.

Kristie Blumenschein, an attorney with the receiver’s firm, said they are prepared to fight for the records.

Beyond searching for assets, Blumenschein said the receiver will be reviewing the actions of the lawyers dating to the 1990s. She would not elaborate, but experts said they expect Janvey to aggressively investigate any damage by lawyers in Antigua.

Thomas Tew, a Miami attorney and receiver in major fraud cases, said Janvey can also demand the lawyers be forced to testify about what they knew.

He said any conversations they had with Stanford about his ongoing crises are open to review, and not protected by attorney-client privilege.

“Those are what we call the keys to the kingdom, because so often they are the most candid conversations,” Tew said. “You want to understand and see what happened . . . that’s why this is such a hot-button issue.”

Feds eye Stanford's many ties to Congress

■ The ties between indicted banker Allen Stanford and members of Congress — including millions in contributions and weekends in five-star Caribbean resorts — are now the subject of a sweeping federal investigation.

BY MICHAEL SALLAH
AND ROB BARRY

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Just hours after federal agents charged banker Allen Stanford with fleecing investors of \$7 billion, the disgraced financier received a message from one of Congress' most powerful members, Pete Sessions.

"I love you and believe in you," said the e-mail sent on Feb. 17. "If you want my ear/voice — e-mail," it said, signed "Pete."

The message from the chair of the Republican National Congressional Committee represents one of the many ties between members of Congress and the indicted banker that have caught the attention of federal agents.

The Justice Department is investigating millions of dollars Stanford and his staff contributed to lawmakers over the past decade to determine if the banker received special favors from politicians while building his spectacular offshore bank in Antigua, The Miami Herald has learned.

Agents are examining campaign dol-

PONZI INVESTIGATION

Feds probe Stanford's ties to Congress

• PROBE, FROM 1A

lars, as well as lavish Caribbean trips funded by Stanford for politicians and their spouses, feting them with lobster dinners and caviar.

The money Stanford gave Sessions and other lawmakers was stolen from his clients while he carried out what prosecutors now say was one of the nation's largest Ponzi schemes.

Sessions, 54, a longtime House member from Dallas who met with Stanford during two trips to the Caribbean, did not respond to interview requests.

Supporters say the lawmaker, who received \$44,375 from Stanford and his staff, was not assigned to any of the committees with oversight over Stanford's bank and brokerages.

His press secretary, Emily Davis, said she was unable to comment on the e-mail sent at 11:31 a.m. on the day Stanford was charged by the U.S. Securities and Exchange Commission. "I haven't seen it, so I can't verify its authenticity at this time," she said.

But the message found on Stanford's computer servers and the contributions he made to Sessions and other lawmakers — totaling \$2.3 million — are now part of the government's inquiry.

Records show Stanford also doled out \$5 million on lobbying since 2001, setting up his own Washington firm last year with expensive furnishings and artwork — the money plundered from his customers' accounts.

D.C. CONNECTIONS

Over the years, he took on battles to protect his banking network while fending off regulators.

In 2001, he pressed successfully to kill a bill that would have exposed the flow of millions into his secretive offshore bank in Antigua.

The next year, he helped block legislation that would have drawn more government scrutiny to his bank.

While he was fighting reforms to financial secrecy and offshore banking laws, Stanford was hobnobbing with dozens of lawmakers.

Stanford hosted New York Congressman John Sweeney's wedding dinner at his five-star restaurant in Antigua in 2004 — toasting the couple for photographers — and staged a cocktail fundraiser for now-disgraced Ohio congressman Bob Ney at his bayfront Miami office.

"He legitimized himself by having himself vetted by powerful members of Congress," said Steven Riger, a former vice president at Stanford's Miami brokerage. "It was all

about the public's perception."

Kent Schaffer, Stanford's court-appointed attorney, said his client never asked for special favors. "Stanford gave contributions to politicians, but there was nothing criminal behind it," he said.

The federal investigation comes after months of criticism from victims' groups complaining that elected leaders failed to vet Stanford before accepting money from him the past 10 years. If they had, they would have discovered that the U.S. State Department in 1999 concluded that Stanford helped create a haven for money-laundering in Antigua.

Most members of Congress contacted by The Herald declined to discuss their ties to the banker, other than to say they have since returned the contributions.

FIGHTING REFORMS

Stanford's foray into the Washington power game began in 2001, shortly after he was allowed to open a controversial trust office in Miami.

The special office was a boon to Stanford's bank, generating millions in the sale of certificates of deposit — the money stuffed in pouches and sent on jets to his banking headquarters in Antigua.

But when a bill was created to compel offshore bankers to reveal the sources of money flowing into their banks, Stanford jumped into the fight to kill it.

The measure would have forced Stanford — who was moving millions illegally through his Miami trust office — to open his books to federal regulators.

"He wanted the complete freedom to move money offshore without any threat," said Jack Blum, a lawyer who testified before Congress supporting the legislation. "He was cheerleading for the offshore tax havens."

To combat the bill, Stanford launched a strategy he would use for the next eight years: He gave money to the party in power, including \$40,000 to the Senate Republican Campaign Committee and \$100,000 to the inaugural committee of George W. Bush, records show.

By summer of 2001, the bill was dead.

In the ensuing years, Stanford's banking empire flourished, with the Miami office generating hundreds of millions of dollars, records show.

In late 2001, Stanford confronted another threat: A bill allowing state and federal regulators to share details about fraud cases — which would have brought Stanford's brokerages under closer scrutiny

— landed in the Senate Banking Committee.

Though the Senate was now controlled by Democrats, Stanford was prepared: He had given \$500,000 to the Democratic Senatorial Campaign Committee in 2002 — his largest-ever contribution.

"I told him that the Democrats were going to take over, and he needed to make friends with them," recalled his lobbyist Ben Barnes, once Texas' lieutenant governor.

Stanford also doled out \$100,000 to a national lobbying group to fight the measure.

The bill, which sparked sweeping opposition from brokerages and insurers, never made it to a vote.

ACTION IN ANTIGUA

While he was scoring points in Washington, Stanford was squaring off for a crisis at his banking headquarters in Antigua.

In 2003, investors began questioning the legitimacy of his certificates of deposit, which generated higher returns than major U.S. banks, and articles began appearing in news magazines about money-laundering in Antigua.

In addition, Stanford was drawing the scrutiny of the SEC, which was demanding to know where his bank was investing customers' money.

In the ensuing years, Stanford would play a dual role of staving off regulators — paying \$200,000 in bribes to Antiguan banking chief Leroy King — while forging ties with members of Congress, court records show.

Those connections deepened when Stanford started hosting a series of congressional visits to Antigua.

It began in 2003, when lawmakers including Sessions, Ney, Sweeney, Gregory Meeks, Donald Payne, Max Sandlin and Phil Crane arrived in Antigua on a mission to "promote relations" with the Caribbean nation.

The cost of the January trip — including nights in luxury hotels and two Stanford jets for travel — came to \$39,500, records show.

For four days, they gathered for talks on business in the Caribbean, trading jokes with Prime Minister Lester Bird and touring the island.

In time, the group of lawmakers, which became known as the "Caribbean Caucus," would take 11 more trips — the costs picked up by the Inter-American Economic Council, a nonprofit funded by Stanford.

A total of \$311,307 was spent on the trips to places like Montego Bay, St. Croix and Key Biscayne. "We were rolling out food, caviar, wine, lobster,"

Stanford's friends in high places

Allen Stanford showered money on lawmakers in both major parties — reaping access and friendship.

Rep. John Sweeney of New York

Stanford hosted, toasted Rep. Sweeney and the lawmaker's new bride, Gaia.

Ex-Rep. Bob Ney of Ohio

Stanford staged Miami fundraiser for Ohio lawmaker the year before his conviction for taking bribes from clients of lobbyist Jack Abramoff.

George W. Bush

Stanford gave \$100,000 to his inauguration committee

Democratic Senatorial Campaign Committee

Stanford gave \$500,000 to Dems Senatorial campaign committee in 2002 — his largest ever contribution

'Caribbean Caucus'

Reps. Donald Payne (New Jersey), Max Sandlin (Texas), Phil Crane (Illinois) enjoyed luxury trips to Antigua and other islands, paid for by a nonprofit heavily funded by Stanford

Pete Sessions (Texas)

On day of Stanford's arrest in \$7 billion Ponzi scheme, Sessions messaged him: "I love you and believe in you. If you want my ear/voice — email." It was signed "Pete".



CRANE



NEY



PAYNE



SANDLIN



SESSIONS



SWEENEY

splashed in company publications and press releases. "You looked and you saw all these important people," Riger said. "That legitimacy allowed him to go out and collect a lot of money."

Stanford was not only funding the trips — the money looted from his customers — but also staging fundraisers.

He held an event at his office on the 21st floor of the Miami Center for Ohio house member Ney, who was later convicted of taking bribes from clients of lobbyist Jack Abramoff.

He rallied his brokers when Sessions was in a tight race with Democrat Martin Frost in Texas in 2004.

"He got on the speakerphone and told everyone to give to Pete Sessions," said Riger. "He said Sessions was good for our company and we needed to give to him." Stanford raised \$38,875 in the final weeks of the campaign for Sessions, who defeated Frost.

THE INVESTIGATIONS

While he was forging ties in Washington, he was getting into deeper trouble with the SEC. By 2006, the agency had sent two confidential letters to the Antiguan government demanding information about the solvency of Stanford's bank, records show.

Both times, Stanford was aided by lead regulator King, who managed to keep the bank's finances secret while accepting thousands in bribes from Stanford — their pledge sealed in a blood oath in Stanford's airplane hangar in Antigua, according to court records and inter-

recalled Stanford's personal chef, Jonas Hagg.

During a 2004 Antiguan trip, Sweeney and his 34-year-old girlfriend were married, with Stanford hosting the ceremony and reception for the New York Republican at the famed Pavilion Restaurant.

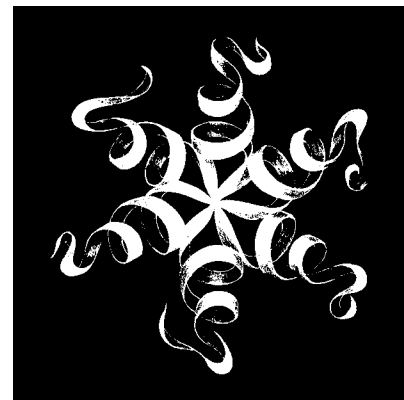
"If it wasn't for Allen, I certainly would not be

here today," Sweeney told Stanford's newspaper, The Antigua Sun. "He has done a tremendous job of promoting and raising the awareness of Antigua in the United States, and people take notice of a man of his standing and stature in the halls of Washington."

Photos of Stanford and caucus members were

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