



A Long Way Down for R. Allen Stanford, the Charlatan Knight of Antigua

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This is part four of a four-part series on the crimes of global financier Allen Stanford. For part one of the series, [click here](#).

It can be hard work to maintain a Ponzi scheme in the best of times. During a global financial crisis, it's downright impossible.

Texas native Allen Stanford found out just that when his \$7 billion fraud came crashing down on his head in 2009. And for Stanford, it was a long, rocky slide from billionaire financier Sir Allen Stanford, to just Allen Stanford, and, finally, to inmate No. 35017-183.

Hard times

There were signs early in Stanford's life of what was to come. For his first business venture, he bought a gym -- Mr. and Mrs. Health in Waco, Texas -- renamed it Total Fitness Center, and sold memberships for up to \$1,000 per year. He expanded rapidly, bought a Jaguar and a helicopter, and then made a huge, ill-timed bet on a massive location in Houston. Total Fitness went into Chapter 11 in 1982, and Stanford declared personal bankruptcy shortly thereafter with debts of \$13.6 million on around \$200,000 in assets. He followed up by opening a burger joint, which also shut down.

From that low point, it was a rocket-shot trajectory for the hard-driving Texan. He opened his first bank in the mid-1980s on the small island of Montserrat and was a private-jet-riding billionaire two decades later. If only the success had been legitimate.

The plummet back to Earth has been swift and painful. Law enforcement froze his accounts after he was arrested, leaving the former billionaire essentially penniless. Dick DeGuerin, Stanford's lawyer who quit because he didn't get paid, quipped, "They took everything, and I mean down to his socks and underwear."

With DeGuerin out, the banking magnate was assigned a public defender before high-profile

lawyer Kent Schaffer took the case at a steep discount, claiming it'd be "intellectually stimulating." But not long after, Stanford ditched Schaffer in favor of attorneys Michael Essmyer and Robert Bennett. Essmyer quickly withdrew, citing head-butting with Bennett. A few months later, Stanford lost his bid to have his company's directors and officers insurance help pay for his defense and it was suddenly clear that Bennett wouldn't be paid his \$1,000-per-hour fees. Stanford -- no longer Sir Allen after being stripped of his knighthood for "embarrassing the nation" -- was declared indigent by the court and Bennett bowed out.

By the time the trial finally rolled around, Stanford was in the hands of court-appointed lawyers Robert Scardino and Ali Fazel, who were paid \$125 per hour by taxpayers. But even they wanted out. Just 12 days before the trial was set to begin, Fazel and Scardino petitioned to step down, claiming that court budgetary constraints prevented the legal team from providing Stanford with "constitutionally adequate representation." The team had dealt with researchers and expert witnesses quitting after months of nonpayment, and two days prior to the removal request, the judge had cut off funding for a jury consultant.

The court denied the lawyers' request.

"Despair, hopelessness and helplessness"

Meanwhile, the road to trial from behind bars was a far cry from Stanford's plush surroundings in the Caribbean. Locked up in **GEO Group's** privately operated jail, the Joe Corley Detention Facility, Stanford pleaded with the court for a transfer in July of 2009, citing "oppressive jail conditions." He lamented that he was in a cell with eight to 10 other men with no windows or air conditioning while the Texas heat blazed at 100 degrees. He also claimed that the cell, for a time, was without any power at all and inmates were left in complete darkness.

A few months later, still at Joe Corley, the 6-foot, 4-inch banker was ruthlessly beaten by a fellow inmate, leaving him with fractures to his eye socket and cheek bones, a broken nose, bruises all over his body, and unaware for a time of his own identity. Brain damage was even suspected. The beating left Stanford with post-traumatic stress disorder and depression. A forensic psychologist reported that Stanford "described himself as a breathing corpse with increased episodes of despair, hopelessness and helplessness."

Stanford was put on antidepressants and large doses of clonazepam -- a drug often prescribed for anxiety and panic disorders and a front-line treatment of acute psychosis. Addiction to the drugs left him listless and fuzzy, unable to participate in his own defense preparation. That led to a delay in the trial and an eight-month detox stay at, strangely enough, the jail hospital at the same North Carolina detention center that Bernie Madoff will call home for the rest of his life.

In late 2011, Stanford was eventually deemed competent to stand trial. Roughly six months later, the 62-year-old had been convicted on 13 of 14 accounts of conspiracy, wire fraud, mail fraud, obstruction of justice, and money laundering; sentenced to 110 years in prison; and hit with a (mostly symbolic) \$5.9 billion forfeiture order.

Defiant to the end

We'll likely never get answers for some of the most interesting questions in this global con job. Where exactly did all of the money go? Was it all just a matter of greed? And if so, was it worth it? Does tasting the spoils of a billionaire lifestyle make public excoriation, prison beatings, and a broke, penniless life behind bars bearable?

Unlike Madoff, who fessed up to his Ponzi scheme -- and seemed relieved to do so -- Stanford maintained that he did nothing illegal and was wrongly targeted by law enforcement. At his sentencing hearing, Stanford launched into a 40-minute monologue, asserting "I did not run a Ponzi scheme" and decrying the government's "gestapo tactics." He concluded, "I am and will always be at peace with the way I conducted myself in business."

Despite all that's happened, recent pictures still show the fraudster sporting a curious grin. Is it the remnants of his audacious, Texas-sized ego? Or the lingering effects of clonazepam addiction and blunt-force trauma to the head?

Buyer beware

It'd be great at the end of this to say that we're now smarter, wiser, or better regulated to head off the next Allen Stanford. But we're not. From Charles Ponzi himself to Bernie Madoff and Stanford, history has proven over and over again that slippery conmen will find ways to get their greedy hands on other people's money.

Regulators clearly failed spectacularly here. They can, should, and need to be better and we need to encourage that by shining light on botched cases like this one. Unfortunately, though, there will always be those scammers who manage to slip through and so it will always be imperative that investors temper their faith in regulators with healthy doses of incredulity and *caveat emptor*.

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