



The Massive Fraud Everyone Forgot About

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If ever there was a public service announcement against financial fraud, it's the picture of former Antiguan financier and playboy R. Allen Stanford, all 6 feet 4 inches of him, face battered and bloody, shackled to a hospital bed, hunched over and hacking up blood into a plastic tub following a jailhouse beating.

Though "Sir" Allen presided over a multibillion-dollar Ponzi scheme that is one of the largest financial frauds in U.S. history, the whole affair could be labeled "The forgotten fraud."

Major news sources have reported on developments in the case -- the most recent of which was the 110-year sentence that a judge slapped on the disgraced financier. But whereas it was difficult to open a paper or pull up a news website for a while without Bernie Madoff coverage in your face, the curious have had to search out updates on the Stanford case. It's not that the media aren't meeting readers' demand; it's that few seem to care.

A fellow writer described it as "Madoff fatigue." Maybe that's it. Or maybe it's a Madoff overshadowing. Or perhaps it's that many of Stanford's victims were outside of the U.S.

In any case, it's a shame, because in a great many ways, the Stanford saga is far more interesting and eye-opening than Madoff's.

Stanford rising

To say that Allen Stanford's meteoric rise was a rags-to-riches story is an exaggeration, but not by much.

Stanford's father, James, ran an insurance brokerage that was founded in 1932 by his father, Lodis Stanford. But far from the financial capital of New York or the palm-treed banking havens in the Caribbean, Allen Stanford was raised in Mexia (pronounced Muh-HAY-uh), a small Texas town that had just over 6,500 residents as of 2008.

Roughly 90 miles south of Dallas, Mexia had a recent median income of \$35,503, well short of the Texaswide \$48,259. Nearly 28% of Mexia residents are counted as living in poverty. The

town made national headlines during a 1981 controversy over the drowning death of three young black men who had been taken into police custody during the city's Juneteenth celebration. It was also known as the one-time home of model Anna Nicole Smith, who had worked at Jim's Krispy Fried Chicken in Mexia. Of the Stanford family, one Mexia resident said, "These are churchgoing, small-town people."

But Mexia was no stranger to fast talkers looking for a quick buck. An oil boom in the early 1920s bloated the city's population and attracted a cast of colorful characters. A paper in 1922 proclaimed "last call" to invest in the Mexia Subbie oil well and touted "we have ... a plan and purpose that brought riches to thousands who did just this -- GET A WELL -- SELL IT QUICKLY -- PAY ONE VAST DIVIDEND." In 1930, Texas National Guard Brig. Gen. Jacob Wolters wrote of Mexia: "Murder, highway robbery, gambling, bootlegging, prostitution and every conceivable crime became the order of the day and night."

It was out of this unlikely beginning that Robert Allen Stanford rose to be one of the Forbes 400 richest Americans.

The wild life of R. Allen Stanford

In April, fellow Fool Brian Stoffel [took a closer look](#) at the Madoff case and highlighted the fact that Madoff's riches were the product of his legitimate market-making business, *not* his fraudulent hedge fund. Madoff, wealthy on the back of a real business, was apparently driven by pride and hubris to steal, rather than simple greed.

For Stanford, greed, opulence, ego, and the glorification of his own name were front and center in his fraudulent global empire.

Much of the Stanford story swirls around the small island nation of Antigua and Barbuda, a twin-island nation in the Caribbean that had a 2011 population of just under 82,000. Stanford lived like royalty in Antigua. With a one-time net worth of \$2.2 billion, the man towered over an island that has an annual GDP of \$1.2 billion. In 2006, the royal image was set in stone when Queen Elizabeth II named Stanford a Knight Commander of the Order of the Nation of Antigua and Barbuda during the Silver Jubilee Celebration. Allen Stanford of Mexia, Texas, thus became Sir Allen of Antigua and Barbuda.

The small-town Texan reveled in the upper-crust view of himself. At one point he had the mansion of Stanford University founder Leland Stanford restored "to help preserve an important piece of Stanford family history." When questions arose over the veracity of the familial ties between Allen and Leland, Allen hired researchers who connected the two as sixth cousins, twice removed. That's a lot of money to spend to graft your branch of the family tree onto one in an entirely different forest.

Stanford owned a 112-foot Hakvoort yacht dubbed "Sea Eagle." He purchased the boat for \$3.9 million and then had it upgraded through a \$16 million retrofitting that ripped out teak in favor of mahogany, extended the length, and plunked in new engines and generators. The empire also included two airlines, a \$100 million fleet of jets, one of Antigua's two major newspapers, restaurants, and multiple sprawling multimillion-dollar homes in the U.S. and the Caribbean, including the \$10 million, 18,000-square-foot Wackenhut Estate, a Coral Gables, Fla., castle that Stanford had demolished in 2008. He also owned a private Caribbean island (yes, the whole thing).

Children from an ex-girlfriend flew in private jets and were chauffeured by insured drivers. They attended a \$50,000-per-year private school and had \$1 million trust accounts. A man who apparently liked to spread his seed as much as he liked to spread his financial firm's logo, Stanford reportedly had at least five children by three women other than his wife.

And while the financier stamped his company's emblem all over the globe through sponsored golf tournaments and other sporting events, many outside the U.S. know him best through his love of cricket. Not far from the Antigua airport lies the Stanford Cricket Ground, named for Sir Allen after he rebuilt the stadium in 2004.

In 2008, the brazen billionaire made an indelible impression on the cricket world with his helicopter entrance to a press conference announcing the five-year, \$100 million Stanford Super Series, a series of \$20 million, Twenty20-style, winner-take-all championships between England and -- I'm not making this up -- the Stanford Superstars. He made the announcement from behind a Plexiglas crate of U.S. \$50 bills wrapped in \$10,000 bundles.

If you could say nothing else of Allen Stanford, it's that he made the most of his enormous wealth.

But it was all a farce. Stanford's life in the lap of luxury was afforded by bilking investors out of billions via a surprisingly simple scam. To continue with part two of the story, [click here](#).

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[Previous Page](#)