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Stanford Financial's 'Family' Tie Fails to Impress University

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By Michael Forsythe and Alison Fitzgerald

May 17 (Bloomberg) -- R. Allen Stanford, chairman of Stanford Financial Group, has donated \$2.5 million to restore the home of Stanford University's founder, whom he describes in the company magazine as a relative.

If there is a blood connection, though, the California university doesn't know it. "We are familiar with Stanford Financial but are not aware of any genealogical relationship between Allen Stanford and Leland Stanford," says Susan Weinstein, director of business development and guardian of the use of the university's name.

The claimed ties are only one way the Houston-based company, which says it helps manage and advise on \$30 billion in investments, has burnished its image among investors and in Washington.

Among other things, the firm has contributed millions of dollars to politicians of both parties and allowed them use of its jets at cut-rate fares. It acquired a Washington research group employing a former Federal Reserve governor, and high-yielding certificates of deposit issued by its Antigua bank have attracted increasing numbers of affluent U.S. buyers.

Such steps have helped the firm prosper in the wake of a run-in with U.S. government officials, who complained that the firm has exerted too much control over Antigua regulators.

"When you're an offshore banker, you want to make sure that you're not perceived as a villain," said Jack Blum, a lawyer at Lobel, Novins & Lamont in Washington who specializes in overseas financial transactions. Allen Stanford "has been very aggressive, not only in the political arena but also in hiring people to tell everybody what a good guy he is."

Texas Roots

Stanford, 56, traces his company's roots to his grandfather's insurance company, founded in the central Texas town of Mexia in the 1930s. U.S. court records show that his core business -- the offshore bank -- was formed in 1985 on the Caribbean island of Montserrat and moved to Antigua in 1990.

That's where he ran into problems with U.S. investigators. In 1999, Stanford Financial tried to take over Antigua International Business Corp., which regulated offshore companies on the island, said Jonathan Winer, who was then a deputy assistant secretary of State. State Department cables sent from the U.S. Embassy described a "power grab" and criticized the company's hiring of U.S. consultants to revise Antigua's offshore-banking rules.

"The high-powered legal and investigative hired guns from the U.S. are likely being tasked with cleansing the files to make sure there is nothing in them that could damage or implicate the American offshore banker," one cable read.

Warning Lifted

The U.S. advised financial institutions to be suspicious of transactions with Antigua banks, a warning that was lifted in August 2001 after Antigua took steps to fight money laundering. The warning didn't specifically mention Stanford Financial's bank.

Stanford Financial says Allen Stanford "was asked to serve in an advisory capacity to the government of Antigua and Barbuda" and hired a "top-notch team of former U.S. legal and regulatory professionals" that helped that country adopt anti-money-laundering rules.

That team included several lawyers from the Miami offices of Greenberg Traurig LLP, which represented Stanford Financial at the time.

Since then, Stanford Financial's U.S. business has surged, helped by a team in Baton Rouge, Louisiana, that sells the Antigua CDs to affluent Americans such as

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doctors. The company says the team added about \$17 million in new deposits in 2003, \$150 million in 2004 and had a goal of \$250 million for last year, according to a 2004 company video.

Additional Cachet

In Washington, meanwhile, the company gained additional cachet last year by acquiring Charles Schwab & Co.'s Washington research team, now called Stanford Washington Research Group. The group employs former Federal Reserve Governor Lyle Gramley as senior economic adviser.

In the past six years, Stanford Financial and its employees have made more than \$2 million in donations to U.S. political candidates and parties, according to the Federal Election Commission and congressional and Internal Revenue Service records.

Stanford gives to both Democrats and Republicans. Among its top beneficiaries have been former Senator Robert Torricelli, a New Jersey Democrat who left office in 2003 amid ethics allegations, and Republican Representatives Tom DeLay of Texas, who is resigning from Congress next month after having been indicted in a Texas election-fundraising case, and Bob Ney of Ohio, who's under investigation in the scandal involving lobbyist Jack Abramoff. Stanford Financial or its employees have contributed to the legal defense funds of the three lawmakers.

Company Jets

DeLay's committees paid for flights on Stanford's jets at least 16 times since 2003, including on Oct. 20, the day the former House majority leader was booked in a Houston courthouse on money-laundering charges. Shannon Flaherty, a spokeswoman for DeLay, didn't respond to a request for comment.

Members of the House Caribbean Caucus take annual trips to the region on Stanford's jets. Lawmakers are required to reimburse companies at a first-class commercial rate, which is often a fraction of the actual cost.

"Our relationship with political leaders is and always will be proper, bipartisan and fully disclosed," Stanford Financial said in a written response to questions.

The company's in-house magazine, the Stanford Eagle, raises a different sort of relationship with another political leader: Leland Stanford, the 19th century California governor and U.S. senator who, with his wife, founded the university in memory of their only child, Leland Jr., who died at the age of 15 in 1884.

Family Ties

The company's magazine, published in 2001, quoted Allen Stanford as saying that his great-great-great-grandfather was "closely related to" Josiah Stanford, Leland's father, who was born in 1795 and lived near Albany, New York. The magazine's cover featured a photo of Allen Stanford, his father, James, and former California Governor Gray Davis standing on the steps of the Stanford Mansion, Leland Stanford's Sacramento home, now part of a state park used for official functions.

On a promotional video distributed in 2004 as a sales and information tool for its advisers, Allen Stanford says, "I am proud to say that we have been a major financial supporter for the restoration of the Leland Stanford Mansion in Sacramento, helping to preserve an important piece of California, and Stanford family, history."

The company, in a written response to questions, said, "It is clear that Stanford Financial Group has not tried to use a family link to Leland Stanford to promote the image of the company." It added, "Our clients are sophisticated, affluent investors who make their investment decisions based on our company's current performance, not because of the kinship between Mr. R. Allen Stanford's great-great-great grandfather and Leland Stanford's father."

'Of Swiss Descent'

In its statement, the company cited a book called "The History of Stewart County Georgia -- Volume II" by Sara Robertson Dixon to establish the family link. In the book, available at the Library of Congress, Dixon, who died in 1967, described R. Allen Stanford's great-great-great grandfather Thomas as being "closely related" to Josiah Stanford, though without saying how. The book said the family "is said to be of Swiss descent" and was named St. Anford, moving to the U.S. before the American Revolution.

Stanford University archivist Margaret Kimball said Leland Stanford's family traces its origins to New York and Massachusetts, where family members settled after migrating from England, not Switzerland.

"I would probably argue that if the Stanfords, to whom R. Allen Stanford lays his heritage, are indeed descended as outlined, then there is probably little connection to our Stanford and those who hail from Massachusetts and New York," Kimball said.

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