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Stanford Alleges Baker Botts Conflict in SEC Case (Update2)

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By Andrew M. Harris



June 16 (Bloomberg) -- **Baker Botts LLP**, the law firm of former U.S. Secretary of State **James A. Baker**, should be disqualified from representing the receiver appointed to run the businesses of **R. Allen Stanford** because, according to the financier's lawyers, the firm helped set up a Stanford bank.

"Baker Botts represented defendant R. Allen Stanford in the formation of defendant Stanford International Bank," attorneys for the Texas financier told U.S. District Judge **David Godbey** in a filing today. Godbey is presiding over a lawsuit filed in Dallas against Stanford and the bank by the U.S. Securities and

Exchange Commission.

The SEC accused Stanford and two business associates of running an \$8 billion fraud scheme through the Antigua-based Stanford International Bank Ltd. and two other businesses.

The Baker Botts law firm is counsel to **Ralph Janvey**, the Dallas lawyer whom Godbey named as receiver when the suit was filed in February. Janvey controls Stanford's personal and business assets.

Stanford has denied any civil or criminal wrongdoing. He hasn't been charged with any crime.

Baker Botts represented Allen Stanford and his father, James, from 1985 to 1987, as they organized what was then known as Guardian Bank and prepared its bylaws, according to today's filing.

'No Record'

"We have no record of ever having represented Allen Stanford, Guardian International Bank or Stanford International Bank," Michael Cinelli, a spokesman for the Houston-based law firm, said in a phone interview. "We did not represent anyone in the formation of Stanford International Bank."

Cinelli said the firm represented a related party from October 1985 to February 1986 regarding the subject of doing business in the Caribbean generally. "That work involved two meetings and a total of 5 1/2 hours of time" for which the firm billed \$850, he said.

Both the associate and partner who did that work left the firm "many years ago," Cinelli said. He declined to identify the related party.

"The prior work bears no relationship to the work we are doing for the receiver," he said. "We do not have a conflict of interest."

Bank's Origins

The bank was established to sell certificates of deposit and invest the proceeds derived from those sales in real estate, bonds and CDs issued by U.S. banks, Stanford's lawyers said.

According to the SEC's complaint, Stanford and the other defendants misled investors about the nature

of those investments and their regulatory oversight.

A former client has the right to seek disqualification of his former lawyers when they represent an adversary in a matter “substantially related” to the prior engagement, said Ruth Brewer Schuster, a Stanford attorney, in the filing.

Janvey didn’t respond to an e-mailed request for comment after regular business hours. He is a partner in the firm Krage & Janvey LLP.

Janvey, in a May 15 court filing, asked Godbey to approve payment for almost \$20 million in expenses accrued during his first two months as receiver.

Included in that application was a Baker Botts invoice for the payment of \$5.8 million in fees and expenses incurred while working for the receiver on matters pending in Houston, Antigua, London and elsewhere.

Those fees had been discounted by 20 percent, Janvey’s lawyers said then.

Attorneys for the financier opposed the receiver’s fee request, calling it “unmitigated and unbridled.”

The case is U.S. Securities and Exchange Commission v. Stanford International Bank Ltd., 09cv298, U.S. District Court, Northern District of Texas (Dallas).

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