

How Houston realised Sir Allen Stanford had a problem

When Sir Allen Stanford hitched his dollar-laden wagon to English cricket last May he suggested that a fringe benefit of the \$100 million deal might be the elevation of the game's profile in the United States.

By Paul Kelso, Chief Sports Reporter in Houston

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Bizarrely that may be the one part of the sorry bargain between the Texan financier and England and Wales Cricket Board chairman Giles Clarke on which both sides can have claimed to delivered, though no one in St John's Wood should take any comfort from that.

Ever since Stanford was charged with an \$8 billion investment swindle English cricket has enjoyed blanket exposure from coast-to-coast here. A game as unfamiliar in Texas as rodeo in Surrey has, for all the wrong reasons, reached a huge new audience. Every time the story features on news channels and network bulletins it is accompanied by footage of the Stanford helicopter descending on Lord's.

Other sports have been dragged into the scandal – golfers and baseball players are emerging as potential victims of the alleged fraud – but only one game has had its leadership portrayed as credulous, grasping and naive on a rolling 24-hour loop.

The empire of the man CNN were still describing yesterday as "the cricket banker" has its roots in Houston, a city that has recent experience of catastrophic corporate fraud. The city was the home of Enron, architects of the most spectacular investment swindle in American history.

The two towers that were the company's headquarters still stand as monument to a fraud based on false promises, and last week they found spiritual twins in the headquarters of Stanford Financial Group, two buildings either side of Westheimer Avenue in the city's most moneyed quarter.

SFG's doors were locked last week, but behind the smoked glass and signs referring out-of-pocket investors to the official receiver, the artifice on which Stanford built his fortune was still visible. The floors are black marble, the leather armchairs luxurious and the walls lined with vintage books. It is a stage set, an approximation of old-money opulence intended to suggest stability and propriety to clients who were aggressively sold the questionable certificates of deposit at the heart of the fraud inquiry.



Family fortunes: Sir Allen Stanford has his roots in small town of Mexia Photo: GETTY IMAGES

At Sugar Land airfield, where Stanford's \$100 million fleet of private jets is grounded awaiting disposal by the receiver, the artifice is equally apparent. There are six hangars, each a uniform-corrugated steel shed with the exception of the 'headquarters' of Stanford Aviation, where an ostentatious portico supported by columns and landscaped by palm trees has been added on.

The ECB were not the only ones fooled by this show, though of course no one from cricket's governing body thought to travel this far and see for themselves what exactly Stanford's empire looked like.

Chief executive David Collier's assertion that the ECB are not required to operate to the same standards as a plc may, for all his protestations yesterday, prove his epitaph. Had he and Clarke made inquiries in Houston, however, they would have found people willing to warn them that the Stanford proposition was too good to be true.

One such is L Burke Files, president of Financial Examinations and Investigations Inc, a firm of investigators and due-diligence experts specialising in offshore entities.

He has been warning investors away from the Stanford empire for two years but the ECB's Twenty20 for \$20 million match raised fresh concerns. "There were plenty of red flags on Stanford, objective and subjective, but one of them was that he is a 'jock-sniffer'," Files said. "That's to say he is one of these rich men who start throwing money around as soon as they get within a few yards of professional athletes.

"With the cricket deal you had to ask questions. If he is willing to throw \$20 million of investors' money at such a short-term deal you have to wonder if he's being fast and loose elsewhere. The cricket authorities may have looked and said, 'OK, this guy is licensed and audited', but the red flags were there to be seen.

"He was promising consistent returns way above the average, but not apparently from the inefficient, unsophisticated markets where you would expect to find them. Then there was the concentration of power and decision making at the top of the business, the involvement with airlines in a particularly cut-throat Caribbean market, and the heavy involvement in politics in Antigua. My advice to clients was to run away, run a long, long way away."

Running a long way from his roots appears to have been Stanford's primary motivation for setting out on a path that eventually led him to disgrace.

Until last year you were more likely to find a vegetarian than a cricket devotee in Mexia, the small country town in Texas where he was born and raised.

Here a good shot usually spells bad news for a white-tail deer, and local sporting loyalties are reserved for the Mexia Blackcats, the High School gridiron team. That changed when news of the \$20 million challenge match sponsored by a former resident reached the local paper, but Mexia remains more concerned with drought and the march of America's recession than the concerns of desperate investors and sporting administrators.

Last week it was home to the only branch of Stanford Financial open for business as usual. Halfway up Milam Street, beyond a branch of Taco Bell and in the shadow of one of the town's four Baptist churches, a neat whitewashed single-storey clapperboard office provides the sole evidence of Stanford's roots in the town.

Inside his father James, 81 and listed as a director of Stanford International Bank, maintained his daily routine surrounded by trophies of his son's career. Alongside prints of English hunting scenes hangs a picture of the original Stanford Financial Group board. Tellingly, the photo was taken not at the firm's then-modest Houston offices but in the splendid neo-Georgian lobby of the Lancaster Hotel, the city's grandest venue and a favourite society haunt for Texan 'old' money. From the outset Stanford knew the value of artifice.

Walking with the aid of a frame and now too infirm to drive or take the annual flight in one of his son's private jets to Antigua to attend board meetings, James Stanford offered a resolute defence of his son and an insight into the character that so

duped Clarke and Collier.

"The investments were always smart, there's nothing particularly wild about any of them, though they might be a little different to what you might expect to do if you stayed here in a little old Texas country town," he said.

Staying was never an option for Sir Allen, who served only briefly with the insurance firm established in the wake of the Depression by grandfather Lodis.

"I always thought he would follow his own lead," James Stanford said. "He was entrepreneurial from the start, what we would call a 'Boss Hog', he always looks to be in charge and in control. He was always going to do it his way, and his business has grown in a seat-of-the-pants kind of way.

"Allen is well-meant and he has a little charisma, and he's never been afraid to do things differently. Certainly when he landed that helicopter on the so-called holy turf at that place, Lord's is it you call it? Well, they hadn't seen anything like that before."

Sadly for English cricket it is an image that will accompany this story to its end, shaming the game and its administrators for months, perhaps years, to come.

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