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Industry, athletes feel pain of Stanford case

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Enlarge By Jewel Samad, AFP/Getty Images

Allen Stanford celebrates with the Stanford Superstars, a West Indian cricket squad that beat an English team in November.

By Michael McCarthy, USA TODAY

With his penchant for rubbing elbows with sports stars and sponsoring big-bucks sporting events, Texas billionaire Allen Stanford could have been another Donald Trump.

Instead, the chairman of Stanford Financial Group (SFG) could become the Bernie Madoff of sports: a disgraced tycoon whose alleged scam cut deepest among the rich and famous.

The U.S. Securities and Exchange Commission alleges that Stanford and three of his companies, including an Antigua-based bank, perpetrated an \$8 billion investment fraud scheme.

Sports fraud cases typically are limited to one sport: think former NBA referee Tim Donaghy betting on NBA games. The scariest thing about the Stanford case, experts say, is that it entangles directly, or indirectly, sports stars ranging from golfer Tiger Woods to English soccer star Michael Owen, as well as teams, leagues and events across the USA, the Caribbean and Europe.

"This certainly shakes up every athlete out there," warns Robert Boland, a sports business professor at New York University. "They're all thinking: Who's guarding my money?"

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Frozen funds

Baseball players such as the New York Yankees' Johnny Damon and the Philadelphia Phillies' Scott Eyre have had money with SFG frozen by federal regulators.

Damon, who is building a house in Orlando, says he's hoping his money is still there when the dust settles. "I know my career earning power is just about over," the 35-year-old outfielder says. "I'm just trying to figure out where to put my money now. Maybe bigger isn't safer. I can't just keep it at home. Maybe I should go out and spend it."

SPORTS WORLD FLUSH WITH TYCOON'S MONEY

Texas tycoon Allen Stanford's financial tentacles reach across pro baseball, basketball, golf, tennis, sailing and cricket, as well as polo. His empire was the entry point to investments for pro athletes while sponsoring pro leagues and events in the USA, Caribbean and Europe. A look at some of his company's wide-ranging ties:

• **Pro athletes** -- Had financial dealings with and/or for Major League Baseball players, including New York Yankees outfielders Johnny Damon and Xavier Nady; Tampa Bay Rays first baseman Carlos Pena; Philadelphia Phillies pitcher Scott Eyre; New York Mets pitcher Mike Pelfrey; and Boston Red Sox outfielder Jacoby Ellsbury.

Sponsors PGA Tour players Vijay Singh, Henrik Stenson, David Toms and Camilo Villegas; LPGA player Morgan Pressel; and English soccer star Michael Owen of Newcastle United.

A platinum (second-level) sponsor of the Tiger Woods Foundation.

• **PGA, LPGA** -- A founding partner of Woods' AT&T National PGA Tour event in the Washington, D.C., area; title sponsor of the PGA Tour's Stanford St. Jude Championship in Memphis; and title sponsor of the LPGA's Stanford Financial Tour Championship in Houston.

• **Tennis** -- Had been the official "investment adviser" for the men's ATP World Tour, which cut ties with Stanford last week. Among the sponsors of the Sony Ericsson Open, a joint men's and women's tournament in Key Biscayne, Fla. Former sponsor of the Stanford

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ATP Doubles Race, which paid a \$100,000 bonus for the doubles team that finished No. 1.

- **NBA** -- Naming rights sponsor of the Miami Heat's AmericanAirlines Arena and the Houston Rockets' Toyota Center.

- **Sailing** -- Title sponsor of Stanford Antigua Sailing Week, an international regatta based on the Caribbean island of Antigua.

- **Cricket** -- Sponsored winner-take-all match featuring a team from England against a team of West Indian players called the Stanford Superstars. Players from the winning West Indian team got \$1 million apiece.

- **Polo** -- Sponsored the International Polo Club in Palm Beach, Fla.; sponsors various events across the USA, including the U.S. Polo Association's U.S. Open Polo Championship.

By Michael McCarthy and Gary Mihoces

Eyre says he can't even pay his cellphone bill. He has asked the Phillies for a salary advance. Meanwhile, he and his wife are living off \$3,000 they had in a bank account and a week of meal money. "I can't take any money out of the ATM. There's a hold on my account. I don't have any money to pay anything," he says.

Agent Scott Boras confirms that funds belonging to clients such as Damon, the Yankees' Xavier Nady, the Boston Red Sox's Jacoby Ellsbury and the Tampa Bay Rays' Carlos Pena have been frozen. But, Boras says, "Their money is not" at risk.

"The government is examining all broker agents involved, and once the SEC regulators examine the dealers, the freeze goes away," Boras says.

The various leagues and events that signed sponsorship deals with SFG are reading the fine print on their contracts and trying to decide what to do next. The ATP World Tour has ended the company's consulting role and is reviewing its sponsorship as the "official" investment adviser through 2011, spokesman Kris Dent says.

Others are taking a wait-and-see approach. While playing Thursday in the WGC-Accenture Match Play Championship, golfer and SFG endorser Vijay Singh wore the company name and logo on his shirt and visor. Organizers of the PGA Tour's Stanford St. Jude Championship are studying their options, tournament director Phil Cannon says. Whatever happens, there will be a tournament in Memphis this year, the PGA's Ty Votaw says.

Research required

Stanford, who uses the title "Sir Allen" after being knighted by the Antiguan government, is known for lavishing money on sports. His seemingly deep pockets made Stanford a highly sought sponsor, says John Arrix, managing partner of the Arrix Sports consultancy.

But this shows how the troubles of one sponsor can affect athletes, leagues and events worldwide. "I don't think people realized how many events he was tied up with," Arrix says.

Tough luck, says David Marchant, publisher of *OffshoreAlert*, a newsletter specializing in offshore financial affairs. He says Stanford sought access and acceptance among officials and high net-worth investors through his spending on sports. But athletes, teams and leagues might have seen SFG was "an accident waiting to happen" if they'd done their due diligence, he says.

Due diligence expert L. Burke Files says he became wary of SFG when a client asked him to look at a possible investment in Stanford International Bank. "I came back to my client and said (Stanford's) model of business was incongruous with regulations and reality," says Files, who adds he viewed Stanford's involvement with sports and his desire to be prominent as red flags.

But Files also said there is "night-and-day difference in the standard of care" a sports figure or entity should use when considering a potential sponsorship from a company as opposed to an investment in the company.

"The sports world would come to a halt if they had to scrutinize every nickel of sponsorship and prize money," he says.

Contributing: Mel Antonen in Clearwater, Fla., Steve DiMiglio in Marana, Ariz., Paul White in Tampa, Bob Nightengale, Douglas Robson, Steve Berkowitz

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