

Ponzi Schemer Stanford's Campaign Dollars Not Returned By Obama, Other Politicians



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(Repeats with no changes to text)

* Stanford receiver seeks return of campaign donations

* Obama campaign donated Stanford's \$4,600 to charity

* Campaign committees appealing judge's ruling

By Murray Waas

Feb 13 (Reuters) - National fundraising committees for the Democratic and Republican parties, President Barack Obama, and other major politicians have declined to return campaign donations totaling \$1.8 million from Houston financier R. Allen Stanford, now on trial for allegedly masterminding a \$7 billion Ponzi scheme.

The court-appointed receiver charged with returning money to Stanford investors obtained a federal court order last June against five Democratic and Republican campaigns. But they haven't returned the money. The Democratic Senatorial Campaign Committee received \$950,500; the National Republican Congressional Committee (NRCC), \$238,500; the Democratic Congressional Campaign Committee, \$200,000; the Republican National Committee \$128,500, and the National Republican Senatorial Committee (NRSC) \$83,345.

The contributions to the campaign committees and candidates were given by Stanford himself, Stanford executives, and a political action committee associated with the financier.

The receiver, Ralph Janvey, is also trying to claw back money Stanford donated to individual politicians. The list of his recipients reads like a who's who of Washington, including President Obama - who received \$4,600 from Stanford in his 2008 election campaign - Rep. Pete Sessions (R-Texas), the chairman of the NRCC, and Sen. John Cornyn (R-Texas), the chairman of the National Republican Senatorial Campaign Committee. Janvey is seeking these funds informally, and has not filed lawsuits.

Money has already been returned by House Speaker John Boehner, Senate Majority Leader Harry Reid and Sen. John McCain, among others. But the roughly \$154,000 recovered from elected officials is a fraction of the \$1.8 million still outstanding.

The \$4,600 Janvey is seeking from the Obama campaign reflects only direct contributions from Allen Stanford himself. The total may be as high \$31,000 when Stanford's contributions to Obama's other campaign committees are included, along with money from senior Stanford executives, and the Stanford Financial Group's now defunct PAC, according to campaign finance records and an analysis by the Center for Responsive Politics.

"ROBS THE STORE"

The Obama campaign donated the \$4,600 contribution to charity on February 18, 2009, just days after Stanford's alleged fraud came to light. The Obama campaign officially has no comment on the matter, but a source familiar with the campaign's thinking told Reuters that it does not intend to return the money to the receiver or Stanford investors.

Kevin Sadler, lead counsel for the Stanford receivership, condemned the failure by the Obama campaign to turn over the contributions to the receiver. He said "the money was never theirs to begin with," so they have no more right to the money than an ordinary person who was given it from "a guy who goes into a Seven Eleven and robs the store."

Stanford is on trial for allegedly bilking \$7 billion from investors, the second-largest Ponzi scheme in the nation's history. He has denied any wrongdoing or taking money from investors.

In his opening statement, assistant U.S. attorney Greg Costa, alleged: "Some people trusted Mr. Stanford with their entire life savings... He stole from them so he could live the lavish lifestyle of a billionaire."

Stanford's attorney Robert Scardino, in his opening, acknowledged that billions of dollars from Stanford's bank had gone missing, but said that Stanford knew nothing about it, and the money had been taken by a Stanford deputy.

The receiver first wrote to the Obama campaign five days after it gave the money to charity in 2009, asking that it instead be returned to investors.

"If you have already donated such amounts to charity, we request you consider donating an equal amount to the Receivership," Janvey wrote back on February 23, 2009. "By returning such amounts to the Receivership Estate, you will help reduce the losses suffered by victims of the alleged fraud."

The national campaign committees are working though the court system. They have appealed a federal judge's order to return the money to a higher court, which has not yet decided whether to consider the matter.

There is scant legal precedent when it comes to clawing back such campaign contributions. That's because it is often difficult to prove in court that a campaign committee took money that was clearly illicit and therefore must return it to the victims of an alleged fraud, according to Meredith McGehee, the policy director for the non-profit Campaign Legal Center.

"If there is a clear trail, they can be forced to give the money back," she said, noting that in cases like Stanford -- where yachts, homes and other assets have been successfully claimed by the receiver - donations could be fair game as well. That contrasts with a case like the 2002 telecom accounting scandal at WorldCom, where there was fraud but also legitimate business that can cloud the source of campaign donations.

Aside from the courts, McGehee said, another check on the system is that candidates have to face "the court of public opinion if they are given and then keep stolen money."

This is not the first Obama campaign contribution to have recently come into question. Last Monday, Obama's reelection campaign returned more than \$200,000 in campaign contributions it had received from the American brothers of a Mexican casino magnate who has been in trouble with the law. Juan Jose Rojas Cardona jumped bail in the U.S. in 1994 after being charged with drug trafficking and fraud, according to the New York Times. The campaign said it did not know the background of the Cardona brothers when it accepted the contribution. Court order requiring the political committees pay: <http://link.reuters.com/cux56s>

Money owed from congressional candidates and political committees: <http://link.reuters.com/dux56s>

Related Reuters article on Stanford: <http://link.reuters.com/muk56s>

Top Stanford witness says he tried to conceal fraud: <http://link.reuters.com/gux56s>

Stanford spent considerable sums on lobbying and on donating to members of Congress. According to former U.S. State Department and federal law enforcement officials, the goal was to prevent passage of legislation and enactment of regulations that would have strengthened money laundering laws relating to offshore banking, which would have hampered his ability to conduct his own allegedly illicit offshore business haven on the Caribbean island of Antigua, where the Stanford International Bank was headquartered.

As a U.S. Senator from Illinois, Obama was one of three senators who in Feb. 2007, along with Sen. Carl Levin (D-Mich.) and then Sen. Norm Coleman (R-Minn.), sponsored their own version of offshore banking legislation.

A senior official of the NRSC, which raised funds for Republican house members and candidates, said that the committee had attempted to settle the receiver's demands but its offer was rejected.

According to this person, who declined to be identified, the NRSC offered to return the entire \$83,345 Stanford donated and about seventy percent of the receiver's legal fees. However, the receiver was adamant that the reimbursement should include 100 percent of his legal fees.

After that demand, the NRSC appealed the lower court's decision. Repeated calls and emails to the other committees were not returned.

The receiver hasn't sued individual politicians for reimbursement, but has been trying to persuade them to refund donations voluntarily, with mixed success.

Sessions received \$10,000 in campaign contributions from Stanford, the largest amount among members of Congress who have yet to

refund contributions to the Stanford receiver. Sessions received an additional \$31,000 from other Stanford executives and the Stanford Financial Group's Political Action Committee, according to the Center for Responsive Politics.

Torrie Miller, a spokesperson for Sessions, said in an email that Sessions would not give \$10,000 to the Stanford receiver, because Sessions had already "donated to charity" the dollar amount of all contributions from individuals charged in the case.

Stanford gave widely to members of Congress from Texas, his home state and the location of many of his brokerage offices. According to the receiver's report, Cornyn, who is chairman of the NRSC, received \$6,000 from Stanford - money that Cornyn has not yet returned to the receiver.

TRIP TO ANTIGUA

In late 2004, Stanford paid for a three-day "financial services industry fact-finding" trip for Cornyn and his wife to Antigua and Barbuda, according to congressional financial disclosure statements.

A spokesman for Cornyn, Mark Gosnell, said in a statement: "Sen. Cornyn donated \$4,000 received from Allen Stanford to Big Brothers Big Sisters of America," a 100 year-old national children's charity.

A number of the individual campaign committees of current and former members of Congress received about \$154,000 in contributions from Stanford that have yet to be returned, based on the receiver's last accounting in January, information provided to Reuters by the receiver and from interviews with members of congress and their staffs.

Among those who have turned over money to the receiver are Boehner, who received \$5,000 from Stanford; Reid, who received \$8,000; and McCain's presidential campaign committee, which was given \$2,300.

Of those who have paid the receiver, former Democratic Senator Chris Dodd's presidential campaign and senatorial campaign received and returned the highest amount of funds-- \$27,500. Sen. Richard Shelby (R-Alabama), gave back the second largest amount, \$14,000. Calls to Boehner, Reid, Dodd, McCain and Shelby were not returned.

Federal District Court Judge David Godbey, who ruled in favor of the receiver in June, said the campaign committees "will endure no greater hardship than that suffered by other innocent victims of the Stanford Defendants' Ponzi scheme who must do the same." He added that while they may be innocent beneficiaries of Stanford's largesse, "they are not entitled to special treatment."

Many of Stanford's alleged American victims were middle class-retirees, like Stan Kaufman, a retired Philadelphia school teacher, and his wife, Linda, who lost their entire half million dollar retirement fund. Stan Kaufman recalled in an interview that he was lured to invest by a salesman who assured him that Stanford's bank was heavily regulated and all of his deposits assured.

"They stole everything," said Kaufman. "We worked hard our whole lives. Even while teaching a full day, I always worked a second job. We now have to watch every penny. We have taken thriftiness to a new level."

It is unclear that there is much money left over for the allegedly bilked investors. Last Monday, prosecutors introduced evidence that Stanford in late 2008 assured his most successful brokers that they had nothing to worry about because the Stanford International Bank "was sitting on \$5.1 billion." A top aide, however, emailed him around the same time to say that they only had about \$173 million on hand.

Davis, Stanford's former deputy and the bank's former chief financial officer, has testified that by December 2008, the bank's reserves were a mere \$88 million. (Reporting By Murray Waas; Editing by Edward Tobin, Martin Howell)

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