

# Stanford executive pleads guilty to charges associated with alleged fraud

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JAMES DAVIS, the second-highest ranking executive at the Stanford Financial Group, yesterday pleaded guilty to charges connected with alleged \$7 billion (€4.9 billion) fraud at the group.

Mr Davis (60), who made the plea in a co-operation agreement with authorities, was subdued as he pleaded “guilty, your honour” to three felony counts, including fraud and obstruction. He agreed to forfeit \$1 billion. The charges against him carry a maximum prison term of 30 years.

A criminal indictment unsealed in June alleged Sir Allen Stanford, head of the group, and co-defendants sold \$7 billion worth of certificates of deposit through Stanford International Bank, pledging high rates of return. They then allegedly misappropriated most of the funds.

Sir Allen, who had been due to appear in court on a separate matter, was hospitalised early yesterday with an irregular heart beat and an extremely high pulse, David Hittner, the presiding judge, told the courtroom.

He was taken by ambulance to the Conroe Regional Hospital Centre, and placed under observation, a spokesman for the US Marshalls said.

Mr Davis, the former chief financial officer at the group he helped build, befriended Sir Allen during the 1970s when they were students and room-mates at Baylor University. US regulators alleged in February the men had sole control of the “tier-three” assets that accounted for four-fifths of the purported billions held by the Antigua-domiciled Stanford International Bank. If the authorities are able to use Mr Davis’s testimony against Sir Allen or other top executives, they will recommend a lighter prison term. But there are no guarantees, as Judge Hittner is known for his tough sentencing.

Philip Hilder, who represented Enron whistleblower Sherron Watkins, said the authorities were “hanging a carrot” over Mr Davis, implying “the more he co-operates, the more time he will get off”. Mr Davis will not be sentenced until the case against Sir Allen has been tried, according to Mr Hilder, so the authorities can judge how well he co-operated.

Sir Allen has pleaded not guilty to all the allegations against him but his attempts to mount a defence have been complicated by his difficulties retaining legal counsel. The businessman’s assets, estimated at more than \$2 billion, have been frozen since February and he has not been able to pay his legal team. – Copyright The Financial Times Limited 2009

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