

Misplaced trust leads to regrets -- Three Stanford investors share stories of lost savings

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Other than their status as retirees, Dr. Shibendra Das, Norma Davis and Dave Ellis have little in common except for one unfortunate bond - they were investors with the Memphis operation of Stanford Financial Group.

Lured by their trust of accomplished local financial advisers, by the huge spending that former Texas billionaire R. Allen Stanford's company made in Memphis and by impressive market-beating returns, they are now left wondering what has happened to significant chunks of their life savings.

The Securities and Exchange Commission has brought civil charges of fraud against Stanford and two other company executives: Chief Financial Officer James Davis and Chief Investment Officer Laura Pendergest-Holt, both of whom had been based out of Memphis. The SEC alleges a massive fraudulent Ponzi scheme engineered by Stanford and Davis and aided by Pendergest-Holt, who also faces criminal charges of obstruction of justice.

No one else with the company has been implicated.

The investors agreed to share their stories with The Commercial Appeal to give readers an insight into how Memphians got caught in what the SEC charges was a fraud involving uninsured certificates of deposit - and to show the impact it is having.

'Completely wiped out'

It was Feb. 17 and Dr. Shibendra Das was at the Crescent Center in East Memphis on another matter when word spread that there was a commotion on the third floor. Das, 74, knew that floor well - it was the physically symbolic home of the wealth he had built since coming to the U.S. from India more than 40 years ago.

"I went down and I see the FBI and police and everything and I am not able to get in the office," Das recalled. "I just got completely shocked. I am an old man and I got completely wiped out and I'm not sure how I will survive."

Now, Das understands that he should be OK, eventually. True, the account statement from the end of 2008 shows that \$625,000 was in the CDs (from an original \$500,000 investment) that Stanford kept in a bank in Antigua, but that accounted for about one-third of his savings.

But all of his assets managed by Stanford, even those held in a U.S.-based brokerage account, have been frozen for almost a month now. Though many more accounts will be unfrozen this week, those who had any investments in the CDs will stay locked.

His regular income stream from Stanford halted indefinitely, Das took out a home-equity loan and went to Dr. Kays Nawaf, head of an anesthesiology group at Saint Francis Hospital, for more shifts beyond his previous part-time contributions.

"I just called him and said 'The situation is very grave and I think I need your help,'" said Das, who retired in 2000.

Das worries about the tuition bills coming due for his grandsons, one in college and another in high school. His wife suffers from various ailments and he also helps with the medical care of his daughter, a dentist in Arizona who has been diagnosed with breast cancer.

Das said he moved his money to Stanford in 2004 when Jon Barrack, his broker of many years, left UBS with several others to help Stanford begin expanding its footprint in the Southeast.

"I trusted him and I still have nothing much against him," Das said. "My wife, she has the mixed feelings. Whenever you see you are losing everything, it is hard to keep the trust."

Like many other investors who have spoken to The CA, Das said Stanford's Memphis operation was very aggressive in pushing the Antigua CDs. Like other investors, Das said that when he called in recent months to ask about taking his money out of the CDs, his broker provided strong assurances that they were very safe investments, based on information brokers were receiving from the company.

Stanford brokers contacted by The CA have declined comment, citing legal concerns. SEC court documents claim Stanford brokers received enormous bonuses for selling the CDs and keeping their clients in them; the SEC has not alleged anything improper on behalf of brokers.

"I said, 'I am not happy with what is going on in the market and I would like to cash out,'" Das said. "He said, 'Don't worry about it.'"

Das said his upbringing in India allows him to face the situation without bitterness . Most of his non-CD money should return, but the court-appointed receiver has indicated the financial forensics will require patience .

"Many things are not in our hands or in our control, so we try to find peace on the inside," Das said. "I have done everything possible and always took good care of everything."

'I trusted them'

When Norma Davis' husband , Robert, died in 1998, she felt the money they had invested would stay secure with Jon Barrack and Jon Santi, the brokers who had won Robert's trust and done so well with their investments.

When Barrack and Santi left UBS for Stanford five years ago, Davis, now 77, stayed with them and was quite happy for many years with the market-beating returns on the Antigua CDs, in which she had invested \$250,000.

But when she got a call from Barrack in the second week of February warning her about what he said were rumors about Stanford, the retired Internal Revenue Service worker began to feel uncomfortable.

Before she could do anything about it, the SEC had shut down Stanford and frozen her account.

"I don't hoard money. I don't worship money," said Davis, who said she grew up poor in Fayette County. "I felt like I had enough to take care of myself the rest of my life. Now I don't feel that way. It's just knocked me for a loop."

Like Das, Davis said she will not be left destitute, but she also is hampered by lack of access to even her non-CD assets that Stanford managed. She estimates she has lost half her income.

"I've just taken to bed," Davis said. "I mean, I'm a worrier anyway. I don't know how I could have done something so stupid. I trusted them. They were very impressive people. Now I see they weren't what they claimed to be."

Davis said she had once met with James Davis, the Stanford CFO who had been based out of the Memphis office. He had helped dispel any worries she might have had when she heard Santi left Stanford.

"He was very nice and we discussed how we had the same last name," she said. "Jon Barrack told me how he held a prayer meeting every morning with employees before they went to work. I guess he was selling a religious thing, but I don't know how he could be a Christian and do what he's done."

'Very secure'

For Dave Ellis, Stanford's demise means about 10 percent of his net worth will disappear.

The \$189,000 in CDs he assumes is mostly gone, but the retired 69-year-old salesman is thankful that he pulled the rest of his portfolio out of Stanford three years ago.

He said his primary financial adviser, David McAdams, had also warned him several times to get out of the CDs, but those returns were consistent and his Stanford broker, Chuck Hughes, always assuaged his concerns.

Most recently, he said, he called Hughes on Nov. 11 on the advice of McAdams and still has those notes.

"I said, 'Is my principal 100 percent guaranteed?' And he verbally said it was," Ellis said. "I don't have anything in writing, but I have my notes."

He said he doesn't blame Hughes, who declined to comment .

He calls him a "great guy" and believes the brokers are victims, too, of the scam he thinks was the mastermind of those Baylor University roommates, James Davis and Allen Stanford.

Ellis said his last direct contact with Stanford came in December, at a lavish cocktail party held on the top floor of the Crescent Center. The CDs and the bank in Antigua came up, he said: "There was nothing adverse about it, everything was doing great."

Three months later, Ellis and others found out what McAdams, his adviser, had long suspected.

"For me, what it means is I've got to be a little more careful," Ellis said. "I'm not going to be able to give a college gift. The grandkids are still young. But it's a jolt."

DEVELOPMENTS LAST WEEK

A federal judge in Dallas granted the court-appointed receiver's motion to free up all Stanford broker-dealer accounts that are free of fraudulent certificates of deposit.

Instructions for transferring broker-dealer accounts was made available at the receivership Web site, stanfordfinancialreceivership.com .

Lawyers for Laura Pendergest-Holt filed a motion objecting to receivership agents entering her home in Baldwin, Miss., to seize assets. Lawyers claimed agents rummaged through her undergarment drawers and took her husband's tax returns and her vehicle.

More SEC documents were released that showed behind-the-scenes drama involving Stanford lawyers becoming distressed at revelations by top executives regarding company assets.

The receiver has asked for broader powers in managing the assets, including the ability to declare bankruptcy.

• **Caption:** Photos Laura Pendergest-Holt James Davis

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