

Memphians lost big in Stanford -- IRS first in line for \$226M in back taxes

Commercial Appeal, The (Memphis, TN) - March 17, 2009

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- Edition: Final
- Section: Business
- Page: C1

As local investors who were lured by the Memphis operation of Stanford Financial Group take stock of their personal financial wreckage, financial advisers in town are balancing the temptation to say "I told you so" with a larger desire to help people reassemble their financial lives.

The cumulative damage done to Memphis wealth by the unfolding scandal - the Securities and Exchange Commission has charged R. Allen Stanford and two Memphis-based lieutenants with massive fraud - will be measured in the millions of dollars.

Lane Carrick, chairman and chief executive officer of Sovereign Wealth Management, professes himself "shocked" at the magnitude of the \$8 billion Ponzi scheme alleged by the government, but says those long established in the Memphis financial scene were not surprised.

"With Stanford specifically it was just a lot of red flags," Carrick said. "There was a community of people in Memphis not only not surprised but it sort of reaffirmed concerns people had all along. There were just some core common sense issues."

For some Stanford investors, Monday brought the release of some broker-dealer accounts not connected to the Antigua-based certificates of deposit at the core of the government's inquiry. But the weekend brought yet more bad news for those CD investors hoping some substantial portion of the money might be recovered.

A federal judge in Dallas is allowing the government to go after at least \$226.6 million in back taxes, penalties and interest it says are owed by Allen Stanford, the Texas billionaire who has been accused of conducting the fraud through a bank in Antigua.

Meaning that the Internal Revenue Service will be in line for a significant amount of whatever assets are recovered. No criminal charges have been filed against Allen Stanford, nor against his Memphis-based chief financial officer, James Davis, but both are facing a long list of detailed civil charges and have asserted their Fifth Amendment rights against self-incrimination. Laura Pendergest-Holt, the Memphis-based chief investment officer, also faces the civil charges and has been charged by the FBI with obstruction of justice.

While investors have pleaded that they were dazzled by Stanford's impressive offices and showy philanthropy, some also have admitted they were warned.

David McAdams of McAdams Tax Advisory Group estimates that some 20 of the clients he advises had money invested in Stanford's Antigua-based CDs. He said he told all of them they should get their money out of them years before the scandal hit.

"What was disturbing was people would come into us and ask us what CDs were paying and then say, 'Well, I am getting 8 1/2 percent with Stanford,'" McAdams said. "We would tell them our concerns, but not one person I know of went back and took money out of the CD. And it's only one reason why: greed."

Carrick said it was no secret around town that Stanford had contacted more than a few groups of investment professionals to inquire if they would be interested in setting up a Memphis office.

"Stanford or representatives of Stanford contacted a number of wealth managers about buying the firm or making us a part of the firm," Carrick said.

So Carrick asked them questions, especially about the Antigua-based CDs.

"The answers I got were not satisfactory," Carrick said.

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- Caption: PhotoLane Carrick

- *Index terms: company finance memphis tax fraud reaction*
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