

Stanford scandal shakes up nonprofits

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It was sometime during the first term of George W. Bush that word of a new source of money had entered the Memphis market.

Like the just-departed president, the company came from Texas - Houston to be precise - but before it began to inject literally millions of dollars into Memphis, Stanford Financial was virtually unknown here.

"When they came to town," says Henry Brenner, who has run and owned brokerages in town for nearly four decades, "nobody knew who they were. All of a sudden they were buying a presence, putting down their footprint. And that footprint is called money."

M-O-N-E-Y, as the song goes, but now, just one month into a new president's term, the vast wealth claimed by the company owned by Texas billionaire R. Allen Stanford is being called into question by the Securities and Exchange Commission.

On Tuesday, the SEC charged Stanford with "massive fraud" involving international bank certificates of deposit possibly totaling \$8 billion. Federal regulators raided Stanford's offices around the country, including its Crescent Center office in East Memphis, froze the company's assets and also included Memphis-based chief financial officer James Davis in the civil charges.

For those with money invested in Stanford, it was troubling news.

But the news also struck hard at the companies, organizations and charities around Memphis who had forged relationships with Stanford. The huge commitments the company made to Memphis included a sponsorship of the 51-year-old PGA Tour event that has long been one of the city's most cherished institutions and a decision to base Stanford's charitable arm, the Stanford Foundation, in Memphis.

The list of connections is long and impressive, ranging from the Memphis Symphony and Brooks Museum of Art to the National Civil Rights Museum and the Blues Ball.

Le Bonheur Children's Medical Center's campaign for a new \$327 million hospital received as one of its earliest pledges a \$2.5 million promise from Stanford. Kavanaugh Casey, director of the Le Bonheur Foundation, is relieved to report that "they have paid a substantial amount of that pledge."

Whatever Stanford's motivations for establishing a big Memphis presence, local organizations welcomed the new source of philanthropy and civic support.

"As a nonprofit group, you keep your eye on the corporate citizens and they were definitely coming on the radar screen," says Susan Schadt, president and chief executive officer of ArtsMemphis.

Adds Michael Fryt, president of the Brooks Museum board of trustees: "Certainly, anytime you have an organization like ours that relies on public goodwill and you have a new donor appearing on the scene, it is welcome."

By most accounts, Stanford proved itself, with money and with enthusiastic involvement.

"They were one of the Blues Ball sponsors, and I cannot say enough nice things about them from that respect," says Pat Kerr Tigrett, the fashion designer and founder and chairwoman of the Blues Ball. "They were incredibly generous. ... They were nice corporate people, and I never thought anything of it. I liked them. I thought they were delightful people. And they have an awful lot of good people that worked for them."

"I have nothing bad to say about them. I'm very sad this occurred."

The question now: What happens next?

That looms largest for the golf tournament, which became known as the Stanford St. Jude Championship the last two years after a two-decade run with FedEx as the title sponsor. The PGA Tour and FedEx have indicated they are committed to stepping in to help the tournament, which over the years has raised more than \$21 million for St. Jude Children's Research Hospital, including more than \$3 million with Stanford as lead sponsor.

"We're having meetings, and we're not talking about Stanford," says Brenner, the former brokerage owner who is also on the board of the tournament. "We're talking about moving forward."

Suzanne Hamm, one of Stanford's chief marketing officers and a member of the tournament board, was unable to be reached for comment.

Some of Stanford's partners, despite the drama and civil charges of scandal, say they will wait before presuming Stanford guilty of wrongdoing.

"As of right now, they are our partners," says Robb Meyer, general manager at the Spring Creek Ranch golf course development near Collierville. "We are unaffected, we are up and running. They are 50 percent of the golf course, 50 percent of the project. ... I've got to find out what's going on. I assume they are innocent until proven guilty."

Schadt, of ArtsMemphis, says she also was hitting pause rather than jumping to conclusions.

"We have some concern, of course," Schadt says. "But we have only the information that's coming through the media and we can't speculate. They have certainly been wonderful partners and followed through on every commitment thus far."

But ArtsMemphis, like the golf tournament and other groups, faces the unwelcome prospect of associating with a corporate sponsor that carries with it the taint of financial scandal.

One of Stanford's initiatives, called the "Stanford Financial Excellence in Arts Award," for now carries with it an unfortunate irony - it awarded grants ranging from \$15,000 to \$35,000 to "arts organizations that demonstrate exemplary fiscal management and financial oversight."

But Fryt, of Brooks Museum, points out the difficulty that groups face when it comes to vetting donors. Stanford had provided \$120,000 in 2007 and in 2008 for the Brooks's spring gala, and has committed \$140,000 for 2009.

"We are not the SEC and not out investigating every donation and donor," says Fryt, who works in finance for FedEx. "We never had any idea."

Since the charges came to light Tuesday, some in the investment business around town have said they were long wary of the returns Stanford was promising.

Lane Carrick, chairman and chief executive officer of Sovereign Wealth Management, has been among the most outspoken.

"We couldn't understand how they could pay out rates that were twice or more what bank CDs were paying," he told The Commercial Appeal on Tuesday.

Now it is up to the SEC - and possibly the FBI - to figure out how and whether Stanford was generating the returns it claimed. ABC News has been reporting that the civil financial case may have compromised an investigation by drug enforcement officials focused on whether Stanford was involved in laundering drug money.

Investors will be following closely. So, too, will the companies and organizations that had become accustomed to Stanford's generosity and involvement in the community.

"Now it's up to the judges and the courts and individuals involved," says Brenner, the former brokerage owner and director of corporate and community relations for Christian Brothers University. "Where did the money come from to give to the nonprofits? Did it come from the assets, the bank? I don't know. Nobody knows this."

"I am sure whoever is assigned to represent the government will get to the bottom of it."

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Stanford's troubles

On Tuesday, the Securities and Exchange Commission charged Stanford Financial with massive fraud, perhaps involving as much as \$8 billion in high-yielding certificates of deposit held in the company's bank in Antigua.

According to ABC News, authorities have also been investigating whether the company might have been involved in laundering drug money for a Mexican drug cartel.

The New York Times has reported that the company in recent years was hit with numerous SEC fines, some of which former regulators said should have served as red flags.

Allen Stanford's lifestyle has become media fodder. Details have included his status as a "knight" in Antigua, and that one of his

residences was the Wackenhut Castle outside Miami, an 18,000-square foot, 57-room structure that also had a tower and moat. He also reportedly owned a "fleet" of aircraft worth \$100 million.

- **Caption:** PhotoR. Allen Stanford

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