August 14, 2009

To the Honorable Senate Banking Committee:

My name is Craig Nelson and until February 17, 2009, I considered myself someone who was lucky enough to have achieved the American dream. But on that day, my life turned in to a nightmare as I have discovered firsthand what it feels like to be the victim of a crime.

I am just a working-class American. I am 55-years old and a long-time resident of the state of Alabama. The crime committed against me has shaken me to my core. I am a victim of the Stanford Financial Group of Companies alleged $7.2 billion fraud and have lost my life's savings along with 4,500 other Americans.

In 1976, I became the first person in my Dad's family to graduate from college. I had to make a lot of sacrifices to achieve my accounting degree from the University of South Alabama, and then I made a lot more sacrifices for my family over the years so I could save for my retirement. We didn't live beyond our means and we were able to save enough so that we could put our two children through college. My son is an Auburn University graduate, and my daughter graduated from the University of Alabama. My wife of 31 years, Cynthia, and I have had the honor of seeing both of our children get married in the past year.

I have worked for 33 years in accounting and finance – 24 of those with Morrison Restaurants and Ruby Tuesday Restaurants. I have always been a financially responsible person. In 2006, while I was employed by Inchcape Shipping, the company was sold. I owned a small equity position in the company and received my share of the sales proceeds which amounted to $1 million. Prior to this, we had saved and invested wisely, but were not in a position of financial security. That changed when I received the Inchcape Shipping proceeds. At that point, we felt we were in position to support ourselves in retirement. Or so we thought.

In the spring of 2006, I had become increasingly concerned about the volatility of the stock market. Because of this concern I took all of my money out of the market in the middle of 2006. Subsequent to this, I began an evaluation of what types of investments provided the most safety and liquidity. I evaluated a number of investment alternatives and determined a Certificate of Deposit was the most appropriate option for me.

Around this time, a coworker of my son introduced me to Norman Blake, a third-generation financial advisor. Mr. Blake had spent 25 years with Merrill Lynch and was a senior vice president when he left Merrill Lynch to join Stanford Group Company in February 2006. His bio indicated he was a member of the Merrill Lynch Chairman's Club, Winn Smith Fellows and Circle of Excellence. He was an arbitrator for the New York Stock Exchange and holds Series 3,7,63 and 65 financial advisor licenses. He had completed business training at the Wharton School of Business. He was on a number of boards, including the company where my son worked and the Memphis Area Special Olympics. When he left Merrill Lynch, his team came with him. Mr. Blake was knowledgeable and articulate about his profession, Stanford Group Company and the Stanford International Bank Certificates of Deposit. He seemed to be very well qualified and had more credentials than any other financial advisor I know of.

Mr. Blake and I spent over six months in a dialogue discussing the merits of the Stanford CD product and the Stanford Group Company itself. He told me told the Stanford Group was a member of NASD/FINRA and SIPC. He shared with me that the Stanford Group Company was a registered US broker dealer under the regulatory oversight of the Securities and Exchange Commission and FINRA. The documents I reviewed supported this and these assurances were very important to me as I could not risk this investment that was supposed to fund my family's future.

During our many discussions Mr. Blake repeatedly shared that the SIB CDs were exceptionally safe and that my funds could be accessed any time I needed them with three days notice. He discussed the Tier I, Tier II and Tier III investments that made up the bank's portfolio and their composition, which further supported the CD product as a safe investment. I had comfort in knowing all of the marketing materials I was presented with had been reviewed by FINRA.

The financial returns, relative to other options, made sense. There were no "double digit" returns as the media have reported. The return was only slightly higher than a US bank CD and I was told the insurance on the CDs, which included SIPC and several other policies, would cover much more than an FDIC-insured CD in a US bank. To justify the slightly higher interest rate, I was told there was a relatively small "brick and mortar" presence for Stanford International Bank as compared to other, larger banks so the operating expenses were significantly reduced. Based on the Stanford Group presentations and marketing materials, I viewed this bank as a boutique bank, catering to a specific clientele through its broker dealer headquarters in the United States with over 30 offices, principally in the gulf coast states. Mr. Blake shared that it was a US bank which just happened to be incorporated in Antigua for income tax purposes.

I was presented with every possible logical – and convincing – reason to back up the claim that the Stanford International Bank CDs were a safe, highly liquid investment product. What I wasn't presented with was the fact there had been a <u>DECADE</u> of regulatory issues with Allen Stanford, the Stanford Group and Stanford International Bank.

I mistakenly trusted that the SEC and FINRA would not let a bank operate in the US that was not legitimate. To say I was shocked when Stanford was accused of running a Ponzi scheme would be an understatement.

But what has shocked me the most is the fact that the SEC and FINRA had been investigating Stanford Group Company for over 10 years and investors were never warned. None of the utterly inconceivable information these regulators, as well as the US Treasury, the Department of Justice and the State Department, had access to was disclosed to investors. During this period, there were 29 complaints to FINRA and at least four whistleblowers who came forward specifying a Ponzi scheme starting in 2003. FINRA had fined Stanford Group Company for misleading investors about the safety of the CD investments in 2007, but investors were not alerted. The SEC had opened an investigation in to Stanford Group Company in 2005. No investors were alerted or warned. In April 2008, the SEC has said it was ready to file a civil complaint against Stanford and was asked by the Department of Justice to halt its investigation, sacrificing hundreds – possibly thousands – more victims because no warnings were made to protect investors.

The SEC has claimed "jurisdictional hurdles" as they were not able to verify where the SIB CD funds were going once they left Stanford Group Company and went to Stanford International Bank in Antigua. But the reality is the funds never really even left Stanford Group and stayed right here in the US in an SIB account at TrustMark National Bank, which is regulated by the US Treasury's Office of the Comptroller of the Currency. This is an unbelievable piece of the puzzle that was revealed in a recent court filing. The funds it took the SEC four years to determine were part of a Ponzi scheme were right here in a US bank being funneled to Stanford's numerous different entities, including the broker dealer Stanford Group, but also a whole slew of other companies I did not voluntarily choose to invest in. Billions of dollars were literally being moved around from account to account in the name of an offshore bank in Antigua at a national bank in the US and no one even questioned that or filed a suspicious activity report? The funds sometimes came in from an international wire from Toronto Dominion Bank in Canada, but they always came back to the United States. The SEC has even said in a recent court filing that when checks were received in Antigua, they were sent back to TrustMark in Houston, Texas, for deposit in the SIB account there. It appears even Allen Stanford didn't want his money in Antigua.

How can one part of our financial regulatory structure not communicate with another part of the same government to get to the bottom of such a devastating and massive scheme? For at least 10 years, the funds for the CDs were not kept in an offshore bank as we assumed, but they were being stolen directly from investors and used to fund questionable companies that were all created to deceive and defraud even more investors to bring more money to Stanford International Bank. The "massive Ponzi scheme" the SEC has alleged seems to be in addition to "massive bank fraud" as well as "massive financial regulatory failure."

I am devastated beyond words that the very government I have supported and naively relied upon my entire life did not watch out for me when I needed it the most. I needed – and deserved – protection from the very facts the US government knew about Stanford before I ever made the decision to consider the company and my investment in the CDs.

Did Allen Stanford steal from me? Absolutely! Did the United States and state government regulatory agencies allow this to happen? Absolutely!

These agencies, along with Stanford, have robbed me of my American dream – get an education, work hard, do the right things and you will be rewarded.

Due to the gross lack of oversight by multiple US regulatory agencies, I feel the United States government is responsible for my loss and is legally, ethically and morally obligated to provide full restitution to me and all the Stanford investors who have fallen victims of a system that is so horribly flawed. Stanford clients did not simply make bad investments and this was not a crime carried out by a small group of criminals. This was a multi-national, multi-billion dollar scam that was enabled by multi-government agency failure. The United States surely has more accountability to its taxpayers than to say, "We tried – sorry." My belief is that until this horribly disconnected regulatory structure is repaired, and until a plan is in place to restitute victims when the system fails because of gross incompetency, our financial markets – and our economy – will continue to be in peril.

Sincerely,

Craig Nelson
Magnolia Springs, Alabama