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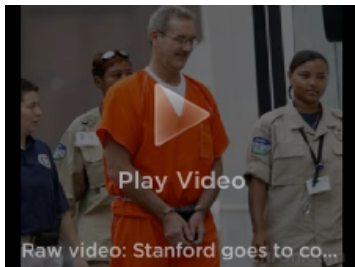
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Many employees at Stanford are left in limbo

By PURVA PATEL Copyright 2009 Houston Chronicle
Feb. 28, 2009, 12:37AM

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Allen Stanford, the Texas financier accused of fraud, was led into Houston's federal court in handcuffs in June. Video by Jason Witmer. June 25, 2009.

Stanford employees have been left in limbo, unsure if they're still on the payroll or will receive pending paychecks.

Federal regulators sent Stanford Financial Group employees home last week after seizing the company and freezing its assets. At the Houston offices, regulators told workers they were still employed and would continue to receive paychecks. Some were even called back in to work.

But no one was paid Friday, the company's payday.

"That leaves me staying here and not going to Florida for two weeks to take care of my mom, who has cancer," said Lynette Burns, who worked for three years in the company's marketing department in Houston. Friday's check would have been two weeks worth of wages. "It's left a lot of my colleagues unable to pay their mortgage, and unfortunately with the economy the way it's been, a lot of people are living paycheck to paycheck."

A written statement posted on the receiver's web site credits "extraordinary financial circumstances" for the failure to meet payroll and promise more information next week.

"The receiver acknowledges that all employees have a claim for salary or wages accrued during the two-week period ending Friday, February 27, 2009," the statement reads.

The statement also notes the receiver intends to pay employees who have been working since the company was seized but leaves uncertain the fate of those not called back into work.

Many are looking for new jobs, rushing to make medical appointments and looking into government benefits in anticipation of being uninsured and unemployed.

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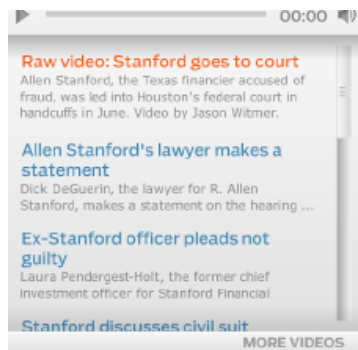
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A Dallas federal district judge appointed Ralph Janvey, a securities lawyer, as receiver last week after the U.S. Securities and Exchange Commission made civil charges against company founder R. Allen Stanford and three of his firms. The Securities and Exchange Commission has accused Antigua-based Stanford International Bank of pitching high-yield certificates of deposit but deceiving buyers about where the funds were invested.

Stanford's chief investment officer, Laura Penbergest-Holt, was arrested Thursday over allegations of obstructing an investigation. No one else has been charged with a crime.

Similar to a bankruptcy, in a receivership claims are prioritized. Wages are considered unsecured claims, meaning they're lower on the priority list.

"What if the receiver does not have the money to pay the employees? They have a claim. But that's all it is, a claim," said David Fanning, a Michigan attorney who specializes in running receiverships.

Stepped-up security

An employee, who asked not be named because he is still working at Stanford's Houston offices, said security has been stepped up at the building, perhaps in anticipation of upset workers showing up at the offices looking for paychecks.

Employee elevator cars have been deactivated so everyone must go the 12th-floor reception desk first, where a police officer has been stationed, he said.

Workers who weren't called back but were left on the company payroll are uncertain about their status at the company and of their bank accounts.

Shawn McPermott, who worked as a contractor managing the company's phone systems, says he's still owed a month's pay of \$15,000 and may soon run out of savings.

"I don't want to pull from my 401(k), which is also in the crapper," he said. "I'll have like a dollar left after taxes. Even if you have savings, they're crap."

He was paid weekly and says his employment contract allows for thousands more in pay for being let go early. McPermott's also filing for unemployment, but it's unclear if he'll qualify.

Technically the workers haven't been laid off, so they may not yet qualify for unemployment benefits.

"That might be tricky," said Don Baylor, senior policy analyst at the Center for Public Policy Priorities think tank in Austin. "Not having a date of termination and not having their recent pay period completed leaves it in limbo."

Besmirched reputation

Many employees have been actively seeking new jobs since the company was seized. They face not only a tightening market but questions about Stanford's besmirched reputation.

For financial advisers, it's especially difficult. They can't just pick up and move over to another firm, because the receivership still has control of the licenses they need to practice as certified financial advisers.

"They seem to have the full authority to keep me out of work right now," said Ryan Wroblese, a financial adviser who took part in a meeting with investors in Houston Thursday night. But even if they can get their licenses released, starting over with a new firm won't be easy.

"Trust is a one-time deal," he said.

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Chronicle reporter Tom Fowler contributed to this story.

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chron999x wrote:

"I'm finding it hard to sympathize. Maybe I could if I made \$15k/month " For people who find that absurd, ask someone who does telecom work. Each router/PBX box can easily cost 10k. so after costs, there is not much left to pay yourself and other workers. Been there done that. NO more.

3/1/2009 3:40:40 PM

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svef wrote:

HOW DO YOU KNOW YOUR financial GROUP is CROOKED? When the employees "are living paycheck to paycheck." usually not a good sign to fork over to them your hard earned savings.

2/28/2009 10:30:26 PM

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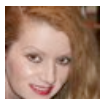
mikeysmommy wrote:

I have been reading the comments and have debated whether or not to add my two cents. I am compelled to do so because I am former Stanford employee. I left 2 years ago but I know many of the people that still work there and they are wonderful people who do not deserve to be ridiculed. They are victims just like investors; their salaries and health insurance have been cut off. They put their blood, sweat and tears into that firm and Sir Allen duped them just like he did everyone else. The majority of the employees are not financial advisors they work in IT, human resources, marketing and other support roles. Not every employee earned a 6 figure salary. They received very normal compensation. The vast majority of employees never met Sir Allen. He spent most of his time in St. Croix and rarely came to Houston. The majority of employees had no reason to believe that there was anything illegal going on. It is not like people sat around the lunch table discussing the Tier 3 investments. So before throwing stones, ask yourself this, how would you know you were being duped by your employer?

2/28/2009 1:40:39 PM

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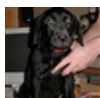
ellenorwhitty wrote:

Oh Brother, and to think, I used to be really mad at Jeff Skilling for ruining so many lives.... Sir Allen takes the cake here! I now have a new cause for NEMESIS!

2/28/2009 9:17:03 AM

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hotpuppy wrote:

You know... But for the Grace of God there go I. There are a lot of people who aren't advisors, highly paid staff, etc that work there and didn't get a paycheck. I heard that their health insurance got froze too. Talk about a nightmare! They can't collect unemployment, don't get paid, have no health insurance, and don't know what's going on. That's just plain wrong. And all some of you can do is make snide comments and be bitter. I hope for your sake that you never find yourself in a situation like that.

2/28/2009 8:31:35 AM

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