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1 Is that what you meant when you typed "fund?"  
2 A Correct. The question came up a lot. You're  
3 really just a fund to funds with a guarantee or it's just one  
4 giant fund. That's a quite, I think, just as an emphasis. I  
5 don't think it's taken from any direct language. But don't  
6 hold yourself out again.  
7 Q Okay, so you were coached. You know, be very clear  
8 that we're not a hedge fund. We're a bank.  
9 A Yes, very.  
10 Q And that was a recurring question you got from  
11 investors?  
12 A Okay.  
13 BY MR. KING:  
14 Q And item 10, the next paragraph says "we can  
15 mention advisor relationships, but generally do not in order  
16 to protect their privacy and avoid clients calling direct to  
17 an advisor." What does that mean?  
18 A The European advisors, there was a time where there  
19 was almost held in the strictest of confidence, but they've  
20 kind of given us an okay. I'll name some of the advisors.  
21 Credit suisse response to the Societe Generale, but this is  
22 at a point we wouldn't want clients circumventing the C&E,  
23 potentially going straight to these advisors.  
24 Q Okay, so not that you ever did this, but it's  
25 possible, I guess, or you could have provided a list of all

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5 becoming the SIO?  
6 A Correct.  
7 Q So when you were in those meetings they didn't  
8 discuss tier II while you were there?  
9 A That's correct.  
10 Q And nor did they discuss tier III?  
11 A Correct.  
12 Q So it's not like they had a tier II meeting with  
13 you, and then they said you need to leave, we're going to  
14 talk about tier III?  
15 A Right. That's correct. And I'll add to that that  
16 typically Jim and Laura did separate meetings as well, which  
17 made me believe that there was overlap with tier III and tier  
18 II. Why there were two different meetings, and you know, I  
19 don't know.  
20 MR. KING: So go back to the original question  
21 which is if a prospective client asked you for the names of  
22 these third party advisors, the names that you could have  
23 been provided, would have only been those for tier II?  
24 THE WITNESS: Yes, that's correct.  
25 BY MR. KELTNER:

1 Q Just to tie out a couple of issues on the fund to  
2 funds question, item 17, a couple pages ahead in Exhibit 10,  
3 says: "Is the portfolio a fund to funds?" And I think you  
4 said this was a common question you got from investors?  
5 A Yes.  
6 Q Okay. Just reading the answer seems to be "It's  
7 nothing like a fund to funds by definition and legal

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1 of the third party advisors to a prospective client. Right?  
2 A I could have. I was trained not to, maybe, say a  
3 few. And I was never pressed for all of them. Again, kind  
4 of like what I've said. You know, there was just the kind of  
5 the obvious ones I would rattle off, and everyone was like,  
6 okay.  
7 MR. KELTNER: Did those tend to be the well-known  
8 names, the Couatts, the HSBC, that kind of thing?  
9 THE WITNESS: Yes.  
10 BY MR. KING:  
11 Q But in theory at least, if you could give them  
12 some, you could have given them all had you been pressed?  
13 A Yes, all the ones I knew of, all dozen or so.  
14 Q And yet here, I think you told me before that you  
15 were clear, the advisors that you would get had asked about  
16 third-party LIBOR would have been advisors to money that was  
17 located in tier II. Correct?  
18 A Correct.  
19 Q And you don't know of any advisors that are  
20 actually managing money in tier III?  
21 A No. I don't know. Actually, I had not seen  
22 statements or been in any meetings, but I know, as I  
23 mentioned, Jim Davis would meet with some of these same banks  
24 on his own.  
25 Q But you don't know what they were talking about?

1 A No.  
2 BY MR. KELTNER:  
3 Q And I think you told me earlier today that those  
4 meetings that you went to with Mr. Davis were prior to you  
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8 structure. SIBL is a bank and offers only banking product.  
9 All banks have investment portfolios. The only difference is  
10 most banks' portfolios are allocated more towards loan  
11 portfolios versus investment portfolios. SIBL does make  
12 loans, but they are cash back and represent less than five  
13 percent of the entire portfolio." So, again, the primary  
14 distinction between Stanford and National Bank and a  
15 commercial bank is how the money's invested?  
16 A Yes.  
17 Q Right. Is there a real distinction between how a  
18 fund to funds invests its money and how Stanford invests its  
19 money?  
20 A Well, a fund to funds is primarily specific to a  
21 strategy. You might have a market neutral fund to funds that  
22 looks for equally long and short positions and they might  
23 have 10 managers to do that; whereas, the bank has equity and  
24 bonds and commodities, kind of the whole gray. But if it's  
25 anything, it's a multi-manager approach.

1 Q Okay, but invested through sub advisors that manage  
2 their own funds?  
3 A Correct. I think a lot of this, maybe it says it  
4 in there too, is clearly a structure of a fund to fund is the  
5 limited partnership or an LLC. It's not liquid. It's locked  
6 up. There's high fees. So it's volatile.  
7 Q Okay, so the primary distinction is not how the  
8 money's invested, as I hear it, because Stanford  
9 International Bank is invested in the portfolio securities  
10 just like a fund to funds would be. Right?  
11 A On a grander scale, yes.  
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12 Q When you get down to the core assets, the fund to
13 funds is going to be invested in securities bonds,
14 alternative investments, and Stanford has invested in those
15 same types of assets. Right?
16 A Yes.
17 Q So the real difference between Stanford and a fund
18 to funds is just in terms of the economics of the transaction
19 between the investor and the firm. In other words, I think
20 what is said later on in this document is fund to funds
21 requires, you know, your pay, your two and 20. Your two
22 percent management fee and your 20 percent fee on top of
23 that, and there's lock-up provisions. And the CD is just a
24 time deposit where you pay the fixed interest rate.
25 A Yes.

1 Q So when you say that's different from a fund to
2 fund, you're talking about that distinction, not necessarily
3 distinctions to how the money is invested?
4 A The structure is a big distinction. Correct.
5 Q Okay. One of the things you talked about was the
6 money being locked up. The CDs were typically for a time
7 period, right?
8 A Yes.
9 Q They're typically what: one year, two-year, or
10 five-year?
11 A Up to five.
12 Q Okay, so that five-year money is locked up for five
13 years in theory, right?
14 A It's actually liquid. It's like a minor penalty if
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19 (The witness examined the document.)
20 BY MR. KELTNER:
21 Q Just at a high level, what is this document and
22 what do you connect it to? What was going on?
23 A This was part of my training. It was well, in the
24 fall of 2005, there was a week or two where the Memphis
25 analysts actually sat in as clients. I don't think they were
1 given specific questions to ask, but I guess more of a live
2 baptism by fire. I think I was given like an hour with each
3 of them, sometimes in groups, and they were basically lobbing
4 questions at me and I would answer them as I would in front
5 of a client.
6 Q Okay. So was this towards the end of a process?
7 A Probably. Yeah, definitely through some of the
8 initial training.
9 Q Did Laura participate in the questioning?
10 A No. I don't think so.
11 Q So she sat in the room during the Q and A session?
12 A Yes.
13 Q Okay. Just so I understand. Analysts sitting
14 across from you pretending to be a prospective CD purchaser?
15 A Yes.
16 Q Okay. And so the analysts are peppering you with
17 questions and you're answering?
18 A Yes.
19 Q Okay. Did Laura help you with the answers? In
20 other words, if she thought you needed to modify answer, did
21 she give you some guidance?
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15 you get out. The client could get out at any time.
16 Q Can you do that with respect, because you talked
17 about the liquidity of the fund investments that Stanford
18 could liquidate everything within 90 days?
19 A Yes.
20 Q Right. So you can get out of those funds as well,
21 can't you? You have just have to pay an early redemption
22 fee?
23 A Specifically, I mean yes, depending on that
24 particular investment and, you know, the parameters of it,
25 the agreement.

1 Q Okay. But your understanding was that Stanford
2 could get out of all its investments essentially within 90
3 days?
4 A Yes.
5 MR. KELTNER: Let's go off the record. Take a
6 break.
7 (Whereupon, a luncheon recess was taken.)
8 A F T E R N O O N S E S S I O N
9 MR. KELTNER: We'll go back on the record at 12:50.
10 So we've been going through a number of Q and A documents. I
11 think we're done with the one we were just looking at.
12 (SEC Exhibit No. 11 was marked for
13 identification.)
14 MR. KELTNER: I'm going to hand you a document that
15 I'm marking as Exhibit 11, and it's entitled "Questions from
16 Role play," and came from the documents that you produced to
17 us on CD. And I think this one's the one: "Questions from
18 Role Play II," I think is what it's called on the file.
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22 A I think this is digging deep into memory. I think
23 afterwards. I want to say the session went on and then it
24 was the meeting afterwards. We did get here, maybe this
25 here. This here, and I'd have to look at, well, obviously
1 these notes would have been done afterwards as well, because
2 I would have been busy answering questions.
3 Q Sure. So who's taking down the questions? I mean
4 did you do that during?
5 A I believe as I mentioned this third party, mystery
6 lady Tamara. She took them down.
7 Q Okay. This mystery lady, was she a long-term
8 Stanford client, or was she brought in just to prep you?
9 A She was an external consultant and I want to say
10 her area was people, personnels and cultures. No, she stayed
11 on retainer. I think she worked with other areas within the
12 Stanford organization.
13 Q Okay, and did she give you her background or tell
14 you hi, I'm so and so. This is what I do. That sort of
15 thing?
16 A She did. I don't remember. She showed up to one
17 of our investment committee meetings. When I say investment
18 committee, back to the Stanford Group days, presented
19 something.
20 Q So she and Laura and you are the ones that are in
21 the room the entire day and then analysts are rotating
22 through and asking you questions?
23 A Yes, not the entire day, but we did one group a day
24 or something, I guess.
25 Q A group, how many analysts is that?
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1 A I think only two in each of these meetings.  
 2 Q Okay. Who were the folks that were asking you  
 3 questions?  
 4 A I think it was the whole team.  
 5 Q Okay.  
 6 A Do you want me to name them?  
 7 Q If you think it was the whole team, were there any  
 8 folks that stand out? I mean people who you talked to for  
 9 longer periods of time? Who were some of the more senior  
 10 people? Anything like that?  
 11 A No. I will laugh, because I know the first  
 12 question came from Zack Davis and it was what do you do. And  
 13 I remember being completely caught off-guard, because I don't  
 14 know, so I think this is a more polished answer here.  
 15 Q So you're asked all these questions. You give your  
 16 answers at the time and then afterwards you consult with  
 17 Laura Pendergest and the consultant?  
 18 A Yes.  
 19 Q And they give you some suggestions on how you  
 20 should answer the questions?  
 21 A The consultant, she was more of a facilitator, a  
 22 note taker. She would help me presentation techniques and  
 23 stuff. She had no part of the nuts and bolts of the  
 24 training.  
 25 Q So all the substantive issues, the feedback was

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5 oversee the bank's investment portfolio.  
 6 A Hm-hmm.  
 7 Q And that's not in practice what you ended up doing.  
 8 Right?  
 9 A That's right.  
 10 Q And the note in here about you reporting the Juan  
 11 Rodriguez?  
 12 A Yes.  
 13 Q Was he who you actually reported to? Was he your  
 14 direct supervisor?  
 15 A Yes.  
 16 BY MR. KING:  
 17 Q What was Juan Rodriguez's role in managing the  
 18 portfolio of assets?  
 19 A He would work with investment committee, but I do  
 20 not know to the extent of how much information he was privy  
 21 to. I know that he has made at least one trip, maybe  
 22 multiple trips to Europe.  
 23 Q How do you know he works for the investment  
 24 committee?  
 25 A The quarterly FSRC report and annual report is

1 done, and my understanding from his office, so he would have  
 2 to get the pieces of investments to bundle it into the entire  
 3 report that would go on to the FSRC.  
 4 Q Did you know what information he was provided with  
 5 so that he could pass it along to the FSRC?  
 6 A I would guess he was provided with the allocations,  
 7 the breakdowns of assets. I don't know, again, how granular

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1 from Laura Pendergest?  
 2 A Yes.  
 3 Q Okay. Was there anyone else involved in the  
 4 feedback process?  
 5 A No.  
 6 Q Okay. So, this Q and A document were questions  
 7 from Role Play document Exhibit 11? Is this something you  
 8 would have then gone back and talked to Laura about to see if  
 9 the answers made sense?  
 10 A Yes.  
 11 Q Okay. So you compiled your own answers after  
 12 you've had all this interaction?  
 13 A No, I think these are more polished. I mean, if I  
 14 could read through a couple?  
 15 Q Yeah.  
 16 A Because the role Play would have been very raw.  
 17 Q Oh, sure. And these polished answers, are these  
 18 your answers after the fact that Laura reviewed, or are they  
 19 Laura's answers that you took down?  
 20 A It would be a combination. Now, whether she wrote  
 21 the answers down, it was probably me writing the answer down.  
 22 You know, formalizing them and then giving them to her for  
 23 editing and proofing to polish them up.  
 24 (The witness examined the document.)  
 25 BY MR. KELTNER:

1 Q Okay. Are you ready?  
 2 A I apologize. I reviewed.  
 3 Q So in the first response to the question, "what do  
 4 you do," again the message seems to be that your role is to  
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8 he saw things.  
 9 Q So you don't know if he saw individual positions?  
 10 A I don't know.  
 11 Q Now, you worked for him, right?  
 12 A Yes.  
 13 Q Did you discuss with him whether he was aware of  
 14 individual positions, for example, in tier III?  
 15 A Never.  
 16 BY MR. KELTNER:  
 17 Q Did you ever talk to him about the investment  
 18 portfolio?  
 19 A No, other than in front of clients. I mean, not  
 20 together really, were presenting to clients.  
 21 Q So your senior investment officer. He's your  
 22 direct supervisor but you never had interaction regarding the  
 23 investment portfolio?  
 24 A Correct. It was the proverbial, definite dotted  
 25 line to the investment committee and Laura in Memphis.

1 Q For you?  
 2 A Yes, that's where I got all my information. That's  
 3 where all my interaction was. He made sure I was on island.  
 4 He's still my boss, approved bonuses and travel and day to  
 5 day supervision.  
 6 BY MR. KING:  
 7 Q Other than day to day supervision and compiling the  
 8 FSRC report and transmitting it to them, what other  
 9 responsibilities did Juan Rodriguez have?  
 10 A Certainly to present the clients that came to the  
 11 bank and then just to run the day-to-day operations at the  
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12 bank to oversee operations and compliance and client
13 services. You know, keep it running efficiently and sound.
14 Q Okay. And when Juan Rodriguez was presenting to a
15 potential client, were you typically present during those
16 meetings?
17 A Yes. I was always.
18 Q And I know we've asked this as to you. We've asked
19 this as to the analyst, but I'm going to ask you as to him
20 now, which is "Did you ever hear Juan Rodriguez differentiate
21 between the various cheers at the bank and his conversations
22 with respective clients?"
23 A No. He did not talk about the tiers in front of
24 clients that I heard.
25 BY MR. KELTNER:

1 Q How many of these client meetings did you and Mr.
2 Rodriguez do, ballpark?
3 A About average. A couple a week for about a year
4 and a half.
5 Q Okay. So 25 or 75 times? 100, 150, somewhere in
6 there?
7 A Yes. You know, some weeks none; some weeks 10.
8 Q Sure, and these are all five million plus
9 prospective investors?
10 A Some. I mean different groups sometimes recruit
11 financial advisors that were being recruited to work at the
12 company. They might bring them down to the bank, they being
13 Stanford Group Company, to educate them on the bank. Yes,
14 certainly, the bulk of them were prospective clients,

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19 A I heard Juan mention 99 percent, almost all.
20 Q So virtually every customer that came down and met
21 at the bank ended up buying CDs?
22 A Yes.
23 MR. KING: was your compensation tied to that
24 percentage?
25 THE WITNESS: Now, my bonus was tied to growth at

1 the bank. Base salary was just base salary. I think we
2 talked about that on the phone a couple of weeks back, but it
3 tiered. I don't remember the numbers, but if the bank
4 brought in 50 million net new and a quarter 'x' amount, I
5 think the max was like if over 200 million came in, you might
6 get like two months salary on that quarterly bonus.
7 BY MR. KELTNER:
8 Q So like in '06, which you were there for the whole
9 '06 calendar year?
10 A Yes.
11 Q What ballpark of how many months of bonus did you
12 get for '06?
13 A Six months.
14 Q Okay.
15 A I mean, as you all know, the growth has been pretty
16 extraordinary, so all the 200 million thresholds were met
17 each quarter. So that came out to an extra six months salary
18 for that entire year.
19 Q Just to clarify for the record, when you say net
20 new money, you mean new CD sales, less money that came out of
21 the bank?

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15 sometimes existing clients that might be on island
16 vacationing that just kind of come in. But, yes, it's
17 typically a high-end client prospect that would come to the
18 bank.
19 Q I think you told us that your interaction with the
20 client was at the very end of the process and that they had
21 already talked to the advisor? They were, I guess, doing
22 their diligence. Is that fair?
23 A Yes. The stop at the bank would, you know,
24 presumably be the last step to fly there, see it and meet the
25 people, see the organization and all the pieces in place. I
1 think, hence, the reason, you know, the genesis for this SIO
2 position is to have that last piece in place so that you see
3 your operations in compliance and investments. And they're
4 all right there at the bank. And the close rates were very
5 high at the bank by that point. But, you're right. Advisors
6 have been working potentially years or months with these
7 prospects.
8 Q Okay. And you kind of jumped to the question I was
9 going to ask next, which was given how far down the road you
10 were in the process, did you pretty much close the deal a
11 very high percentage of the time? In other words, after they
12 came in and met with you and the bank president, typically
13 was the sale then consummated?
14 A Yes.
15 Q Was it the exception where somebody came in and met
16 with you all and decided not to invest?
17 A Yes.
18 Q Okay. could you ballpark it for me?
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22 A Correct.
23 Q Did I say that right?
24 A Yes, I mean, not just new. You could have 500
25 million new, and 700 million. It had to be net new.
1 Q The bank had to be growing?
2 A Yes, assets minus.
3 Q Redemption.
4 A Contributions plus redemptions.
5 MR. KELTNER: That's clear. Thank you.
6 BY MR. KING:
7 Q Did you ever have conversations with Juan Rodriguez
8 about the FSRC examinations?
9 A Not that I recollect. Like I mentioned there were
10 two here at the end of the meeting. The questionnaire, the
11 annual one, a questionnaire would come in like around the end
12 of the year and then it would go to the various departments.
13 And then the investment piece would go to Laura and Jim to
14 fill out. And there's pieces on the client information would
15 go to the different departments and he was ultimately
16 responsible for, I guess, the role up and submitting it to
17 the FSRC. The same with the quarterly ones.
18 BY MR. KELTNER:
19 Q I just want to hit one more point on this Role
20 Play. Most of it I think is repetitive, but item 3 where it
21 said "The Memphis Group manages the portfolio." It says "SFG
22 Memphis does not manage the portfolio, but rather assists me
23 in the day-to-day monitoring of the portfolio."
24 A Yes.
25 Q Is it more accurate to say they assisted Laura
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1 Pendergest in managing the portfolio?  
2 A Yes.  
3 Q Okay. And that wasn't your role?  
4 A Yes. I think, and that would go with your first  
5 question today, what position was presented. And it wasn't  
6 necessarily going to be at day one, but that I would evolve  
7 as SOI and to seeing more of it, doing more of it. That  
8 never happened.  
9 Q Okay. And did this oversee the bank?  
10 A And I see how it's misleading, but it's really  
11 meant to be monitoring, not controlling the assets. So I  
12 want to just make that point.  
13 Q Now, and you know, that's kind of a recurring theme  
14 throughout the documents where he talks about you doing  
15 things that actually it looks like to us Laura did?  
16 A Yes.  
17 Q And I guess, you know, you can't leave the question  
18 unasked. I mean was the point of all this to give the  
19 impression that a person who was managing the money was in  
20 Antigua?  
21 A No. I mean not all the clients. It was just to  
22 have a spokesperson there that could talk about it credibly  
23 and, you know, in front of clients. I mean I was always the  
24 one who would be clear. From day one, I do think, you know,  
25 that I thought I would have monitored more of it including

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5 the portfolio, talk about how it's allocated, the process of  
6 that. The process of staying within line of the investment  
7 policy statement that the board of directors puts out, the  
8 targeted returns on an annual basis, that the investment site  
9 is compliant with quarterly audits and the annual review.  
10 And then it's thoroughly allocated to portfolio  
11 diversification from a risk standpoint.  
12 Q Just walking through the bullet points on the first  
13 page of page 12, it says: "Insure investment portfolio within  
14 parameters of the investment policy statement." Is that  
15 something you did?  
16 A No. I did not do it per se to move assets, but to  
17 talk about how it's done from an asset allocation standpoint;  
18 and, as it says on slide 3, how much in equity, how much  
19 interest income.  
20 Q Okay. And again the next bullet point saying that  
21 targeted returns are achieved. It was not your role to  
22 achieve the goals, correct?  
23 A Correct.  
24 Q It was your role to present, you know, how it was  
25 managed but not to actually do bullet two?

1 A Correct.  
2 Q Okay. And also strategically positioning the  
3 portfolio to mitigate risk, that would have been the Memphis  
4 team who actually did that? Or the investment committee.  
5 A Okay.  
6 Q And so again, we kind of have to ask the question.  
7 I mean, the title of the slide is "Senior Investment

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1 tier III. But maybe I was naive. Maybe I thought that was a  
2 trust issue after months, or you know a year at the job.  
3 More of it would have been opened up to me to truly be  
4 monitoring it as some of the training material dictated.  
5 MR. KELTNER: Okay. I'm going to mark a document  
6 as Exhibit 12.  
7 (SEC Exhibit No. 12 was marked for  
8 identification.)  
9 MR. KELTNER: It appears to be a PowerPoint  
10 presentation with a title at the top of the page, "Senior  
11 Investment Officer." And in the lower left corner, "Stanford  
12 International Bank Limited." And then a picture. I assume  
13 that's the bank that shows up in all the literature?  
14 THE WITNESS: Yes.  
15 BY MR. KELTNER:  
16 Q Feel free to take your time and just kind of thumb  
17 through this PowerPoint slide. And, again, I'll represent to  
18 you we got this from your production off of your CD. Where  
19 did Exhibit 12 come from?  
20 A This was a portion of the presentation that was  
21 conducted to visiting prospects of clients at the bank,  
22 particularly my piece of presentation.  
23 Q Okay. So this would be the piece that you would  
24 present to the client, the prospective client?  
25 A Yes.

1 Q Okay. So consistent with this Exhibit 12, you  
2 know, how did you explain to the client again what your role  
3 was?  
4 A To work with the investment committee, to represent  
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8 Advisor." And so the face value, if you look at it, it looks  
9 like this is for training and these are the things the senior  
10 investment officer does. And so that's the question, you  
11 know.  
12 A My thought is the senior investment officer is a  
13 spokesperson for the investment committee, how the portfolio  
14 is allocated, why it's allocated, how it's managed, how it's  
15 monitored, that I was there as senior investment officer to  
16 speak on the behalf of Allen Stanford, Jim Davis, Laura  
17 Pendergest.  
18 Q And, again, this Exhibit 12 was part of the larger  
19 presentation that was used every time clients came in?  
20 A Yes.  
21 Q How would you present that? Would it be up on a  
22 projector, or would you sit down with them at a computer?  
23 A Projector, conference room.  
24 Q I know there's a theater set up in Houston. This  
25 was just a typical conference room?

1 A Yes, more round table like this with a screen that  
2 drops down.  
3 MR. KELTNER: Okay. Since we're there, I'm going  
4 to hand you another document that I'm marking as Exhibit 13.  
5 (SEC Exhibit No. 13 was marked for  
6 identification.)  
7 BY MR. KELTNER:  
8 Q Again, it's another document that we received in  
9 your production. Can you tell me what Exhibit 13 is?  
10 A This looks to be the entire presentation we were  
11 speaking of that was presented in Antigua to visiting clients  
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12 prospects.

13 Q Okay. So who gives the bulk of this presentation?

14 Is that the president of the bank?

15 A Yes, Juan Rodriguez.

16 Q So Juan gives the general presentation and then you

17 would take over and do kind of your section on the role on

18 the investment piece?

19 A Yes.

20 MR. KING: Was this presentation also given to

21 prospective financial advisors?

22 THE WITNESS: Yes.

23 MR. KELTNER: Just one thing I wanted to point out

24 real quick. There's a page entitled management team at SIBL

25 headquarters, St. John's, Antigua?

1 THE WITNESS: Hm-hmm.

2 BY MR. KELTNER:

3 Q And it's got you listed there? I apologize the

4 page numbers didn't print on this; maybe that page. It's the

5 management team at SIBL headquarters, and you see your name

6 in the middle of the page?

7 A And it looks to be a typo, "CIO?"

8 Q I assume CIO is chief investment officer?

9 A Yes.

10 Q Okay. And do you think that was a typo?

11 A Yes. It's probably an old version.

12 Q Okay, and it looks like the last four slides on the

13 page per your presentation. Correct, where it says

14 investment portfolio and strategy?

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19 spoke at length on some of the checks and balances at the

20 bank. You know, to even open an account there, multiple

21 forms of I.D., bank reference letters, and it's another

22 concern of clients, you know, who else is invested here at

23 this bank. So to just really hammer home the point, just how

24 astringent it is in Antigua.

25 Q So other than multiple forms of I.D. and letters of

1 reference from the bank or another bank, were there any other

2 checks and balances relating to the money order?

3 A Yeah, they did. I guess I'm out of turn talking

4 about it, but I know they used various external sources to

5 verify people.

6 Q Do you know who they were?

7 A I don't. I know Alan Burr is one. I don't think

8 that was a regular firm. They might be one they call under

9 extraordinary circumstances if somebody's suspicious.

10 Q During their time in Antigua, did you ever

11 encounter any money laundering concerns?

12 A No.

13 Q Did you discuss with Juan Rodriguez any money

14 laundering concerns?

15 A No. I mean he would mention anecdotally that

16 people have been turned down by the bank and then he's maybe

17 they've issued like a handful of SAR reports annually, every

18 year, but.

19 Q Do you know if anyone was turned down during your

20 time in Antigua?

21 A I think so.

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15 A Yes.

16 Q And there's essentially the same pages from Exhibit

17 12?

18 A Yes, it just looks like a different format, rough,

19 but yes.

20 Q There's a page in there entitled management support

21 and it references portfolio management out of Memphis,

22 Tennessee. What was the explanation that was given to

23 investors and how was that explained? You know, where the

24 money is managed, who does it.

25 A I recollect that's where I was introduced on the

1 management side, portfolio management side, and Memphis was

2 introduced as the support to help monitor the portfolio and

3 oversee the process. And then, of course, Jim Davis and his

4 group and Laura Pendergest were on the investment committee

5 of the board.

6 MR. KELTNER: Anything else?

7 BY MR. KING:

8 Q Look at the slide. I apologize again there's no

9 page numbers. Entitled, "Anti-money laundering."

10 A Towards the back?

11 Q Yes.

12 A I got it.

13 Q Tell me about that.

14 A Juan used to talk about some of the anti-money

15 laundering laws of Antigua. His prevention act was in 1996

16 how Antigua was ahead of the curve. They actually have a

17 much more stringent anti-money policies than even the U.S.

18 I guess it goes through these amendments, and then kind of

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22 Q And how do you know that?

23 A Just probably in these presentations and client

24 meetings, them talking about it.

25 Q Who's in charge of money laundering program at the

1 bank?

2 A The chief compliance officer was Pedro Gonzalez, I

3 want to say. I'm sorry I can't remember his last name. So

4 there was a compliance team in place. Ultimately Juan is

5 accountable and responsible as the president.

6 Q How many people were on the money laundering team?

7 A There was just a handful. I mean it was just all

8 the compliance team.

9 Q How many compliance people are in Antigua?

10 A There was three in the bank.

11 Q Do you know who the three people are?

12 A Yeah. I know Pedro. I'm saying it was either

13 Rodriguez or Gonzalez. I should know. I played golf with

14 the guy all the time, and then Sean Smith. And then they had

15 I think an assistant. And that's just to comply. I mean

16 they're still screening, I know, at account services when the

17 accounts come in.

18 So, again, I can't speak specifically to the process,

19 but a new account comes in, it's reviewed by the account

20 service person. Then it kind of goes up to the clients and

21 they review it, everyone making sure all documents are in

22 place.

23 Q The potential investors that made the trip to

24 Antigua, were they all U.S. residents?

25 A No. No, they were from all over the world.

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1 Q Was the presentation any different for U.S.  
2 residents as opposed to foreign nationals?  
3 A Juan did it in Spanish frequently. I always did  
4 mine in English. A few times he translated for me when the  
5 English was just that poor. But, you know, they were from  
6 everywhere.  
7 Q In meeting any of these investors did you ever have  
8 any money laundering concerns?  
9 A No.  
10 Q You never had anybody come in 19 years old and was  
11 looking to invest \$20 million or something?  
12 A No.  
13 Q You mean just kind of the obvious kind?  
14 A Yeah, just kind of.  
15 BY MR. KELTNER:  
16 Q How big was the biggest CD sale that you all were  
17 involved with?  
18 A I don't know. Oh, like just during this?  
19 Q Yeah, just the name of the potential investor. I  
20 assume the biggest ones would stand out in your mind.  
21 A Well, you know, actually not. There were so many,  
22 and I didn't really follow-up. It wasn't like, you know,  
23 ringing a bell. Hey, we closed this one. You know, 10, 20  
24 million I had to guess.  
25 Q Were those individuals, or were they through

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5 you guys in Antigua. What's the benefit or anything like  
6 that?  
7 A You know, in the sense from the low tax  
8 jurisdiction is beneficial to the point still that Allen was,  
9 you know. He's been down there almost his whole life, you  
10 know, in the Caribbean.  
11 Q Okay. Did you ever hear anything about any  
12 regulatory problems in Montserrat or Stanford?  
13 A No, I did not.  
14 MR. KING: I heard the opposite, and I heard the  
15 regulatory was too lax there.  
16 MR. KELTNER: Did you ever hear anything like the  
17 banks in Montserrat were being told to close down?  
18 THE WITNESS: I have not heard that.  
19 BY MR. KING:  
20 Q Your presentation to your prospective clients where  
21 you were asked to put out SEC regulation of a bank or other  
22 U.S. regulators?  
23 A It came up in the sense that how the CD was  
24 distributed in the U.S. I guess it's a private placement, a  
25 Reg D, so it was under the SEC's jurisdiction on the sales  
  
1 side of the CD in the U.S. But any questions about those  
2 agencies having oversight over the bank was more or less  
3 deferred to the FSRC or any of the Caribbean oversight  
4 authorities had jurisdiction over the bank.  
5 Q What specifically was said about SEC or U.S.  
6 regulators jurisdiction with regard to Stanford Company's  
7 sale of the CD?

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1 entities?  
2 A Almost always individuals.  
3 Q One of the questions that was in Exhibit 11 was why  
4 Antigua. It's question 63. What was the explanation for why  
5 the bank is in Antigua?  
6 A You know, I heard. I think we talked about this a  
7 little this morning that Allen Stanford had been doing some  
8 real estate, kind of retyped fund structures in the '70s,  
9 '80s, doing a lot of development of land in the Caribbean  
10 basin, that he did a lot originally in the Danish Islands,  
11 Aruba.  
12 And he made some substantial money on these clients  
13 and the clients were like, you know, what can we do next. So  
14 he wanted to create a vehicle for them and invest money  
15 further into other products, so he started this bank in  
16 Montserrat. And as far as I know, it was the same model from  
17 day one.  
18 Q What's the story with why the bank in Montserrat  
19 moved to Antigua?  
20 A I know, but I can't remember. I know there was a  
21 volcano. You know, I think some banks started to blow up in  
22 Montserrat, which is never good for anyone from a headline  
23 kind of standpoint, so I think they wanted to go to a more  
24 sound government structure. Because you could be doing the  
25 right thing all day long, but if you're neighbors, harboring  
  
1 illicit funds and what not, it makes everyone look bad. So  
2 poor oversight.  
3 Q I know this is on the list from the Role Play. Did  
4 you ever get that question from investors, you know, why are  
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8 A If memory serves me, it will come up in the  
9 question of what U.S. agencies have anything to do with this  
10 or do they. I think that would put at least a U.S. investor  
11 at ease. It's kind of the same. Well, it's sold in the  
12 U.S., so it's how it's sold, like I just said. The clients  
13 responsible for income, so the IRS, they certainly have to  
14 report their income earned to the IRS.  
15 BY MR. KELTNER:  
16 Q So was it that the SEC might not have oversight of  
17 the bank and its products, but it did have oversight of the  
18 sales process?  
19 A Yes.  
20 Q That was the message?  
21 A That's what I would have said.  
22 MR. KING: Was that intended to provide prospective  
23 investors with an additional level of security?  
24 THE WITNESS: As I said earlier, I'd want to steer  
25 away from any feeling of this thing is insured, protected,  
  
1 because it's not.  
2 BY MR. KELTNER:  
3 Q Just the idea that there was some oversight around  
4 the sale, I mean, was that to make U.S. customers more  
5 comfortable?  
6 A I can't say. I mean, I would think just to answer  
7 the question, but to the client, I would just answer the  
8 question if they asked it.  
9 Q Who told you that there was SEC oversight on the  
10 sales side?  
11 A I think I just knew it, even well before I got  
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12 there, of the CD program. And it was first rolled out when I  
13 was in Denver, you know. What's this company? Because no  
14 one even knew about it, and Jane Bates and maybe someone  
15 else, Juan, maybe. Yeah, Juan did. He came up in like '99  
16 to Denver to sell, promote it to the FAs up there.

17 Q And that's the context in which you learned about  
18 there being a Regulation D private placement?

19 A Yes.

20 BY MR. EDMUNDSON:

21 Q Do you recall any discussions as to whether or not  
22 a bank had to register as an investment company to sell  
23 products in the United States?

24 A I do not. You know, I don't know how long it was  
25 sold in the U.S. I know around this time it was more or less

1 being actively promoted. And maybe that's when the filings  
2 all came about.

3 Q I want to make sure I understand your previous  
4 answer. With respect to the Reg D clients, you understood  
5 that the bank CDs were not registered with in the United  
6 States, but the sales process was subject to oversight and  
7 regulation by the Securities and Exchange Commission. Is  
8 that fair?

9 A Yes.

10 Q Do you recall giving that explanation to investors  
11 if you were asked?

12 A Yes, I mean, that's what I would have answered.

13 Q I want to be a little bit more specific. It's what  
14 you would have answered. My question is were you asked that

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19 Q Let me back up. A minute ago you told us that  
20 generally your answer to that question, which you're fairly  
21 certain you would have been asked would have been that there  
22 is SEC oversight over the Reg D private placement of the CDs.  
23 Is that fair?

24 A Yes.

25 Q Okay. And so you certainly wouldn't have given the

1 client inaccurate information about that. Right?

2 A Only if I did. I said, was it inaccurate, and I  
3 didn't know it.

4 Q So did anyone from Stanford ever tell you that the  
5 SEC did not have jurisdiction over the sale of the CDs?

6 A No. And I want to also clarify, I just was not a  
7 part of the operational side. That question just didn't  
8 really come up.

9 Q Aside from the client?

10 A Well, at the bank it might have come up, you know,  
11 with Juan in the room or with an advisor, but most of them  
12 were already educated somewhere along the line.

13 MR. KELTNER: Sure. Okay. We may play a little  
14 bit of the game of what is this just on some documents. Can  
15 you identify them for the record?

16 THE WITNESS: Oh, okay.

17 MR. KELTNER: I'm going to hand you a document  
18 that's marked as Exhibit 13. This one doesn't have a title,  
19 but it starts with a question number 67 that says, "Do you  
20 have a feel for the overall position in each sector?" This  
21 is a continuation of one of the previous exhibits of the Role

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15 question and did you give substance to that answer?

16 A I don't remember specifically. I'm sure I was  
17 asked a question.

18 MR. KELTNER: And that's how you would have  
19 answered it?

20 THE WITNESS: Yeah, it's a private placement, Reg  
21 D. Credited investor, you know.

22 BY MR. EDMUNDSON:

23 Q Do you feel fairly confident that you were asked  
24 that question?

25 A Yes.

1 Q Were you asked that or a similar question by the  
2 financial advisors when they came down in connection with  
3 their due diligence or learning about the bank?

4 A No.

5 Q Do you recall any internal discussions with any  
6 bank employees about the sales process under the Reg D  
7 filing?

8 A I don't recollect.

9 BY MR. KELTNER:

10 Q Do you believe the SEC has jurisdiction over the  
11 sales process for the sale of CDs pursuant to the Reg D  
12 product?

13 A Yes. Am I wrong? That's what I thought. That's  
14 what I was told.

15 Q Okay. And you were never told otherwise? You  
16 weren't told that the SEC has no jurisdiction over the CD  
17 sales?

18 A No.

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22 Play Q and A. Let's find out which one. Whichever one ends  
23 on question 66. I think you noticed that earlier.

24 MR. KING: It's Exhibit 11.

25 MR. KELTNER: Yeah, it's the questions from Role

1 Play. So, 14. okay.

(SEC Exhibit No. 14 was marked for  
identification.)

4 BY MR. KELTNER:

5 Q Okay. So you think Exhibit 14 is a continuation of  
6 Role Play document Exhibit 11? The numbers line up. It's 66  
7 and 67.

8 A Oh, yes.

9 Q So your answers with regard to how that document  
10 was prepared and the circumstances around it would be the  
11 same?

12 A Yes.

13 Q I think most of these are repetitive of prior  
14 questions that we talked about in different Q and A  
15 documents. There's was a question 85 that says "Are most of  
16 the investments in stocks and bonds?" "Yes." And that's  
17 consistent with your understanding when you were at Stanford?

18 A Yes.

19 Q Okay. Consistent with what investors would have  
20 been told?

21 A Of the asset side? Yes.

22 Q Okay. There's question 101. I don't think we've  
23 gone through this in explicit detail, but says, "Is SIBL very  
24 different from a commercial bank?" Yes. Again, we've talked  
25 about loans, generally, but loans made up a very small piece

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1 of Stanford's product mix or asset side of the balance sheet.  
2 Is that correct?  
3 A Yes.  
4 Q And as I understand it, the majority of all the  
5 loans that were made were secured by CDs?  
6 A Yes, that was my understanding as well.  
7 Q Okay. So you couldn't just walk in off the street  
8 and get a loan unless you were a CD client?  
9 A Yes.  
10 Q Okay. And I think even then, the loans were  
11 limited to some percentage of your CD balance?  
12 A I think it was 80 or is 80 percent.  
13 Q Okay. What about other conventional bank  
14 activities? When I think of a bank, you know. I assume, you  
15 couldn't get a car loan from Stanford?  
16 A No car loans.  
17 Q Okay. What about credit cards? Maybe, maybe not?  
18 A I don't know if they had a credit card. They might  
19 have had a credit card for some kind of sweep accounts or  
20 something, but no car loans, mortgages.  
21 Q Okay. ATM accounts?  
22 A No ATM.  
23 BY MR. EDMUNDSON:  
24 Q Did the bank even have a walk-up facility?  
25 A No.

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5 Q Did he work in Memphis at the time? Or do you  
6 think he may have worked in Tupelo at the time?  
7 A That's current. He worked at Memphis while I was  
8 there.  
9 Q At the time you were employed there, he worked in  
10 Memphis?  
11 A Yes.  
12 Q And Laura reported to him. Is that fair?  
13 A Yes.  
14 BY MR. KING:  
15 Q What do people do where the tier III assets are  
16 invested?  
17 A I mean I know Jim and Allen, and that's all I know.  
18 Q How do you know that?  
19 A I don't. I don't.  
20 BY MR. KELTNER:  
21 Q And why do you leave Laura off that list?  
22 A I'm not sure she was privy to it. And I could be  
23 wrong. She might be. We just never talked tier III.  
24 Q Is that based on conversations you had with Laura?  
25 A Yes, from the training.

BY MR. EDMUNDSON:

2 Q Mr. Zarich, with respect to tier III bulk of the  
3 assets at the bank, you don't know who knows where those  
4 assets were?  
5 A Correct.  
6 Q And in any client presentation that you ever  
7 participated in, did you tell respective clients that you as

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BY MR. KELTNER:  
2 Q I guess a prospective customer, could they even  
3 show up at the bank unannounced?  
4 A Only, I mean, it's happened with maybe someone on  
5 vacation, stopping by, but I don't believe it's ever  
6 happened.  
7 Q Okay. So a true private bank so to speak?  
8 A Yes.  
9 BY MR. EDMUNDSON:  
10 Q But the bank's assets in your view managed from  
11 Memphis?  
12 A I'm sorry. Managed banks assets--?  
13 Q Managed the bank's assets from Memphis?  
14 A The direction of the asset management is wherever  
15 Jim and Allen are. And just for semantics, managed, they're  
16 not Jim and Allen, as far as I know, aren't buying and  
17 selling securities all day long. They're directing where the  
18 money goes.  
19 Q Where does Him Davis work?  
20 A He used to work in Memphis. I think now, maybe,  
21 he's in Tupelo.  
22 BY MR. KELTNER:  
23 Q Mississippi?  
24 A Yes.  
25 BY MR. EDMUNDSON:

1 Q While you were the senior investment officer, in  
2 your view, did Jim Davis call the shots with respect to the  
3 assets of the bank?

4 A Yes. Page 114

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8 a senior investment officer didn't know where a vast majority  
9 of the assets were located?  
10 A I did not tell the client that.  
11 Q Did you inform the clients that you didn't even  
12 know what the vast majority of the assets were?  
13 A No.  
14 Q Did you inform the financial advisors that you as  
15 the senior investment officer did not know how the vast  
16 majority of the bank's assets were invested?  
17 A I did not. Again, I only presented the big  
18 picture.  
19 Q Okay. And in those presentations you did not  
20 distinguish between the tiers that you testified previously  
21 about?  
22 A Correct.  
23 BY MR. KELTNER:  
24 Q Just to close that loop out, with respect to each  
25 of the disclosures that Mr. Edmundson just referenced, did

1 the bank president make any of those disclosures?

2 A No.  
3 Q And it was you and he were the primary presenters  
4 in the presentations in Antigua?

5 A Yes.  
6 Q And typically you two were the last people the  
7 investors talked to before they made their investment  
8 decision?

9 A No, they did a tour of the bank. They did usually  
10 activities during the day, but they were mostly accompanied  
11 by their financial advisor.

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12 Q Was the visit to Antigua typically the last step in
13 the purchase process?
14 A Yes.
15 BY MR. EDMUNDSON:
16 Q How often did Allen Stanford visit the bank in
17 Antigua?
18 A Rarely.
19 Q In the year and a half that you were there, how
20 often do you think you saw him?
21 A Inside the building? I mean he was on the island a
22 lot, but in the building.
23 Q In the year and a half you were there, how often do
24 you believe you saw Mr. Stanford on-site conducting business?
25 A In the bank, five, six times.

1 Q A handful?
2 A Yeah, a handful.
3 Q How often did you see Jim Davis physically at the
4 bank?
5 A A little more frequently, probably about once or
6 twice a quarter.
7 Q Did you ever have any discussions with Mr. Stanford
8 about the bank's assets?
9 A No.
10 BY MR. KELTNER:
11 Q Would your answer be the same for Mr. Davis?
12 A Yes.
13 Q Okay. So no detailed conversations with Mr. Davis
14 about the bank's assets?

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19 Q What is the basis of your understanding?
20 A That's what I was told.
21 Q By whom?
22 A Laura.
23 BY MR. KELTNER:
24 Q And so Laura in the course of these hours of
25 preparation that you did, the training that you did before

1 you went to Antigua, she never volunteered. Did she know
2 where the tier III money was?
3 A Correct, yes. She never volunteered. I don't know
4 if she knows.
5 BY MR. KING:
6 Q Were investors told that Robert Allen Stanford and
7 Jim Davis were the only people who knew where the tier III
8 assets we were investing?
9 A Not that I know of.
10 BY MR. EDMUNDSON:
11 Q Did you have reason to tell prospective clients
12 that Mr. Stanford was the sole shareholder of the bank?
13 A I'm sorry. I did, yes.
14 Q You did?
15 A Yes.
16 Q Did you mention to them that Mr. Stanford did not
17 routinely take profits out of the bank?
18 A Yes.
19 Q That was part of the presentation?
20 A I guess that sound byte, I obviously don't know for
21 a fact but that's what I've been told, yes.

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15 A Correct.
16 Q Okay. Certainly no discussions about tier III?
17 A Correct.
18 BY MR. EDMUNDSON:
19 Q Let me make sure I understand. You took trips with
20 Mr. Davis and Mr. Pendergest to Europe. Did you not?
21 A Yes.
22 Q And in those discussions you had some conversation
23 about bank assets. Did you not?
24 A Yes. Jim is not. I mean he's a very conceptual,
25 philosophical, so he would talk about the history of Stanford

1 and how this works and the nuts and bolts of the manager or a
2 hedge fund.
3 Q So the details how the assets were actually
4 invested. Those types of discussions you didn't have with
5 Mr. Davis?
6 A No.
7 BY MR. KELTNER:
8 Q And, in fact, when he talked to the financial
9 advisors, you were asked to the leave the room, about the
10 details of the investment?
11 A Yes.
12 BY MR. KING:
13 Q I just have one last thing on this. While you were
14 in Antigua as a senior investment officer, what was your
15 understanding of who you knew were the tier III assets were
16 invested?
17 A Jim and Allen.
18 BY MR. EDMUNDSON:
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22 (SEC Exhibit No. 15 was marked for
23 identification.)
24 MR. KELTNER: Just kind of closing out the loop on
25 some of the Antigua documents, I'm going to hand you a

1 document that I've marked as Exhibit 15. It's entitled,
2 "Stanford International Bank, Limited." The first sentence
3 talks about a visit to SIBL and STCL, the client.
4 (The witness examined the document.)
5 BY MR. KELTNER:
6 Q And the second page is entitled, "Visit request,
7 SIBL guidelines, October 2004."
8 A Yes.
9 Q Can you tell me what Exhibit 15 is?
10 A This looks to be the protocol for requesting trips
11 to the bank to financial advisors for bringing client
12 prospects to the bank.
13 Q Okay. So would this be a document that would be
14 given to the financial advisors so they know what the rules
15 of radar, what kind of a protocol?
16 A Yes.
17 Q Is the primary qualification for a visit to the
18 bank \$5 million?
19 A Yes.
20 Q So either a current client with \$5 million in CDs
21 or a prospective client looking to invest \$5 million?
22 A Yes.
23 Q So those are one of two ways to get your free trip
24 to Antigua?
25 A Yes, I believe it was paid for by Stanford.
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