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12 A That is correct.
13 Q What does he do for Stanford Financial Group?
14 A He's the chief financial officer.
15 Q What does the chief financial officer do?
16 A He oversees the investments, investment committee
17 -- or the investment area of research, accounting, treasury,
18 risk. I believe that's all.
19 Q Okay. The first thing you said there was he
20 oversees the investment portfolio?
21 A No. I'm sorry. The investment and research
22 division. That's my division. Currently known as global
23 research division.
24 Q Okay. I think you said he oversees treasury,
25 right?

1 A That's correct.
2 Q What is -- What is treasury for Stanford Financial
3 Group?
4 A It's other treasury functions.
5 Q It's not the same treasury function for Stanford
6 International Bank, though, correct?
7 A I do not know. I believe -- I know -- I don't
8 know. I'd be speculating.
9 Q Does he oversee treasury for Stanford International
10 Bank?
11 A I don't know. I'm sorry. I do want to clarify
12 treasury. Houston has access to tier -- or have some
13 interaction with tier one. As to whether or not that is the
14 only treasury of Stanford International Bank, I do not know.

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19 A I'm sorry. Could not even begin to name what all
20 our insurance policies are.
21 Q Okay. How does Mr. Davis oversee the investment
22 and research function of Stanford Financial Group?
23 A If I understand your question, I do report to him.
24 I give to him our research. I present to him all of our
25 reports. If I need permission to bring somebody on, of

1 course, would run that hiring process through him.
2 Any salary increases that would be overseen by my
3 group or would be given to my group, I would request those to
4 be approved by him. Expenses are approved through him. But
5 in terms of, like, day-to-day research calls, he doesn't go
6 that far into the micromanagement.
7 Q Okay. Let's talk about who you supervise. I don't
8 want to talk about names. I want --
9 A Okay.
10 Q -- to talk about just general positions at this
11 point.
12 A Okay.
13 Q Who do you supervise?
14 A I oversee a team of research analysts. They
15 research global economies, global markets, noncorrelated
16 products and global asset allocation.
17 Q Okay. Do you supervise anyone other than the
18 analysts?
19 A I do. Francesca McClain and Nil Willard. Both of
20 those, we hope in the future that they will oversee product.
21 Currently, neither has been assigned or put to market.

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15 Q And how do you know that treasury would have -- the
16 treasury group in Houston would have some interaction with
17 the bank?
18 A I have requested wire transfer instructions from
19 them in the past.
20 BY MR. KELTNER:
21 Q Is that Patricia Maldonado?
22 A Yes.
23 Q The person you interacted with?
24 BY MR. KING:
25 Q What were those wire transfers?

1 A Recently when we were redeeming or liquidating
2 portions of second tier, I would send the cash to tier one
3 and I would request the wiring instructions from Patricia.
4 Q Okay. So if you -- When your oversight function
5 for tier two had liquidated a position and you needed to send
6 cash to someone, you're sending it to the treasury -- your
7 group in Houston?
8 A No. I'm actually sending that to the correspondent
9 bank, but I would receive the wire transfer instructions from
10 the treasury group.
11 Q Okay. Does anybody else at Stanford Financial
12 Group supervise you?
13 A No.
14 Q You said that Mr. Davis was responsible for the
15 risk function. What does that mean?
16 A That's our insurance area, various insurance
17 policies.
18 Q And what policies are those?
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22 MR. SJOBLOM: Can you say those again?
23 THE WITNESS: Sure. Francesca McClain and Nil
24 Willard. And Francesca is a water analyst. Nil Willard is a
25 fixed income analyst.

1 BY MR. KING:
2 Q Anybody else besides the analysts, Ms. McClain and
3 Mr. Willard?
4 A That I directly supervise?
5 Q (Nodding.)
6 A No.
7 Q Has Stanford International Bank -- Does Stanford
8 International Bank have a senior investment officer?
9 A No.
10 Q Does Stanford Financial Group have a senior
11 investment officer?
12 A No.
13 Q Has Stanford International Bank ever had a senior
14 investment officer?
15 A Yes.
16 Q Tell me about that.
17 A Michael Zarich was Stanford's -- Stanford
18 International Bank's senior investment officer, I believe,
19 starting in 2005, maybe. Possibly 2004. I know 2005
20 through, I believe, 2007.
21 Q Okay. So let me make sure I got the list right and
22 then I want to drill down on some of these.
23 A Okay.
24 Q Basically, you supervise the analysts and then Ms.
25 McClain and Mr. Willard, but you don't supervise the senior
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1 investment officer?
2 A I did not supervise the senior investment officer,
3 no.
4 Q You didn't supervise Mr. Zarich?
5 A No.
6 Q Just generally, as the analyst roles and
7 responsibilities -- what do the analysts do?
8 A As I've already mentioned, they research the
9 various areas I mentioned; global economies, markets, asset
10 allocation, technical analysis, fundamental analysis. So
11 that's their general research functions. Again, very general.
12 Q Where do the analysts office?
13 A They have offices -- Some are officed in Memphis,
14 some in Tupelo, the remainder in St. Croix.
15 Q Okay. I believe you said earlier that the bank
16 makes investments, offers CDs, does a few loans that are
17 backed by the CDs, correct?
18 MR. SJOBLUM: No. She didn't say that.
19 BY MR. KING:
20 Q Makes loans backed by the CDs, correct?
21 A Yes.
22 Q Okay. How does -- Let's talk about the --
23 A And I said that was to my knowledge what they did?
24 It certainly -- not necessarily all inclusive of what they
25 do.

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5 A That's correct.
6 Q -- correct? And the analysts all office in
7 Memphis, correct?
8 A No. That is not correct. They are in Memphis, St.
9 Croix and Tupelo. Not in all three. Some are in Tupelo.
10 Some are in Memphis. Some are in St. Croix.
11 Q Okay. How many analysts are in Memphis?
12 A Approximately 12.
13 Q How many analysts are in Tupelo?
14 A Five.
15 Q How many analysts are in St. Croix?
16 A Three. I hope that comes up to number. It's
17 thereabout. It's approximate.
18 Q Are there any analysts in Antigua?
19 A No, not that I directly supervise.
20 BY MR. KELTNER:
21 Q How long have the analysts been in St. Croix?
22 A Going on two years, I believe. Over a year.
23 Q So the analysts -- A large percentage of the
24 analysts are in Memphis, correct?
25 A That's correct. Yes.

1 Q And you, as the chief investment officer, are in
2 Tupelo?
3 A That's correct.
4 Q And Mr. Davis, the chief financial officer, a
5 member of the investment committee, is in Memphis, correct?
6 A Mr. Davis in Memphis and in Tupelo.
7 Q So is it fair to say then that the portfolio

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1 Q Just generally, how does it sell the CDs in the
2 United States?
3 A They are a BDIA.
4 Q Stanford Group Company?
5 A Yes.
6 Q And how many offices does Stanford Group Company
7 have in the United States?
8 A Oh, dear God. I don't know the exact number. And I
9 could start naming cities, if you would like.
10 Q Okay. More than a dozen?
11 A Yes. Absolutely.
12 Q And --
13 MR. SJOBLUM: More than a dozen cities or more than
14 a dozen entities?
15 THE WITNESS: Both.
16 BY MR. KELTNER:
17 Q Stanford Group Company?
18 A Yes. I believe it's more than a dozen. Let's see.
19 What it is? Bigger than a breadbox, smaller than a cart.
20 Somewhere in that vicinity.
21 BY MR. KING:
22 Q Okay. Your office is in Tupelo?
23 A That's correct.
24 Q Was formerly in Memphis?
25 A Yes. That is correct.

1 Q Mr. Davis' office is where?
2 A He has offices in both Tupelo and Memphis.
3 Q And he's the chief financial officer of Stanford
4 Financial Group --
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8 management of Stanford International Bank, at least to the
9 extent that you know about it, happens in Memphis?
10 A No. That is not correct.
11 Q I'm going to show you --
12 MR. SJOBLUM: Can you please repeat that last
13 question?
14 (The reporter read back the record.)
15 BY MR. KING:
16 Q And your answer was no, correct?
17 A That is correct.
18 Q Where is the portfolio management function of the
19 bank performed?
20 A To my knowledge, it's performed where the portfolio
21 advisor is. So some of our portfolios would be advised or
22 managed out of Switzerland. Some would be managed out of
23 Toronto. Some would be managed out of London. Some would be
24 managed in Memphis by SSM. It's going to be dependent upon
25 where the portfolio advisor is.

1 BY MR. KELTNER:
2 Q Who oversees the management from the Stanford
3 Financial Group?
4 A The board of directors officially oversees them.
5 As I stated earlier --
6 MR. SJOBLUM: That's it.
7 THE WITNESS: Okay.
8 BY MR. KING:
9 Q All right. Now, I want to show you what's been
10 marked previously as Exhibit 13. I'll represent to you that
11 it's a presentation by Stanford International Bank.

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12 A Okay.

13 Q Have you ever -- Take a look at the front page

14 there, if you want to. I just handed you a page that's not

15 numbered.

16 Have you ever seen that before -- ever seen Exhibit

17 13 before?

18 A The entire presentation at one time, no. I have

19 seen bits and pieces of it on separate occasions.

20 Q When was that?

21 A Gosh, over the years. It could have been in FA

22 presentations or trips to Antigua.

23 BY MR. KELTNER:

24 Q When you say "FA presentations," do you mean

25 training meetings for --

1 A Yes.

2 Q -- financial advisors --

3 A Yes.

4 Q Not just financial advisors but broker dealers?

5 A Yes.

6 THE REPORTER: Can I get you to keep your voice up?

7 BY MR. KELTNER:

8 Q Training presentations to employees of the broker

9 dealer who sell the CDs?

10 A Correct.

11 BY MR. KING:

12 Q Okay. If you'll turn to page that --

13 A Yeah.

14 Q Oh, before we do that. Have you seen a

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19 A I do not know.

20 Q You don't know whether exhibit -- You don't know

21 where tier one and tier three are managed?

22 A No.

23 Q You have any reason to believe that Exhibit 13 is

24 inaccurate?

25 A As much as it pertains to my group, it is

1 inaccurate.

2 Q As to the bank's portfolio --

3 A I cannot speak to the bank's portfolio in its

4 entirety.

5 Q I think you -- when we were talking earlier today

6 and you made your presentation, I think you said that you'd

7 just gotten back from Antigua, correct?

8 A That is correct.

9 Q Who did you meet with in Antigua?

10 A I was actually there with my team -- or with

11 specific members of my team.

12 Q Which ones?

13 A Fred Palmlden, Ken Weeden, Tao Yu -- T-a-o. Her

14 last name is Y-u -- David Bishop and Wade McGee, M-c-G-e-e,

15 and myself. I believe that's it.

16 Q Okay. Who did -- who did you and your team meet

17 with from the bank?

18 A We were actually there for our own purpose, not for

19 other meetings.

20 Q Did you meet with any bank employees during your

21 trip?

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15 presentation like this used with investors in the CD?

16 A This exact one, I cannot recall. Have I seen

17 similar presentations? Yes.

18 Q Okay. Let's look at the slide there that says

19 "management support" at the top. Do you see that?

20 A Uh-huh.

21 Q And you see there at the bottom is says "portfolio

22 management" --

23 A Uh-huh.

24 Q -- CFO's office in Memphis, Tennessee?

25 A I do see that.

1 THE REPORTER: I'm sorry. I need you to let him

2 finish his question.

3 THE WITNESS: I'm sorry. I do see it.

4 BY MR. KING:

5 Q Did you -- Have you ever seen this slide before?

6 A To the best of my recollection, no.

7 Q Is there anything inaccurate about that slide --

8 A Yes.

9 Q -- Exhibit 13?

10 A Absolutely. We oversee the portfolio. We do not

11 manage the portfolio.

12 Q When you say "we," who are you referring to?

13 A My team. So as much as it is up to my knowledge

14 and my group, we oversee portions of the portfolio.

15 "Portion" being tier two.

16 Q But you don't know that the management support

17 slide in Exhibit 13 is inaccurate as to tiers one or three,

18 do you?

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22 A I did. I met with Juan Rodriguez.

23 Q What did you and Juan Rodriguez discuss?

24 A We actually discussed global economies.

25 Q Anything else?

1 A That I met with Mr. Rodriguez about or meetings in

2 general? I'm sorry.

3 Q Anything else you discussed with Mr. Rodriguez?

4 MR. SJOBLUM: Was there a lawyer present?

5 THE WITNESS: No.

6 BY MR. KOROTASH:

7 Q Doctor?

8 A No.

9 (The witness conferred with counsel.)

10 BY MR. KING:

11 Q So the only thing you discussed with Mr. Rodriguez

12 was global economies?

13 A Yes and no. When I actually met with him, yes.

14 There were other meetings. There was a teleconference that I

15 was part of.

16 Q Let's talk first just about Mr. Rodriguez.

17 A Okay. He was on the teleconference. So --

18 Q Oh. And was there -- was there any lawyers on this

19 teleconference?

20 A I don't know.

21 Q Who was on the teleconference?

22 A I don't know everybody who was on the

23 teleconference. I'm sorry.

24 Q Who do you know was on the teleconference?

25 A I know it was Mr. Rodriguez, Mr. Davis and myself

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1 because we were in a room together. I do not recall who was
 2 on the other end.
 3 Q What was the purpose -- purpose --
 4 MR. SJOBLUM: Can we get a when, when this
 5 happened, a date?
 6 THE WITNESS: Trying to think when I was in
 7 Antigua. Second, third week of January, I suppose.
 8 BY MR. KING:
 9 Q What was the purpose of the teleconference?
 10 A It was a teleconference with one of our financial
 11 advisors.
 12 Q Which one?
 13 A Tom Espy.
 14 Q Who does he work for?
 15 A Stanford Group Company.
 16 Q What was on the agenda on the teleconference?
 17 A It was for a client.
 18 Q What does that mean?
 19 A It was a teleconference for a client -- or a client
 20 who had a CD. I came in to get the global economic piece.
 21 Q A potential client?
 22 A Existing client.
 23 Q Okay. Who's the existing client?
 24 MR. SJOBLUM: If you know.
 25 THE WITNESS: I do. Gary Magness.

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5 banking information, you may have a privacy issue. So you
 6 can treat it the way you want to treat it.
 7 BY MR. KING:
 8 Q I'll just ask it this way: Why did this customer
 9 request a call with you, Mr. Davis and --
 10 MR. SJOBLUM: I don't think she said that.
 11 THE WITNESS: They didn't request a call with me
 12 and Mr. Davis.
 13 BY MR. KING:
 14 Q How did the call come to being?
 15 A The financial advisor, Tom Espy, had said that the
 16 client would like to have a conference call with the bank. I
 17 was there as was Mr. Davis, but the client did not request to
 18 speak -- to my knowledge, the client had not requested to
 19 speak to me personally.
 20 Q Okay. What was the issue that was -- Just list for
 21 me all the issues that were discussed during this call.
 22 MR. SJOBLUM: Well, I'm going to object. I mean,
 23 obviously, you have a person here that is an officer or
 24 director of an affiliated entity of a bank and you're talking
 25 about bank information. We need to be careful about the

1 privacy act issue. I can't expose a bank officer to that
2 type information.

3 BY MR. KOROTASH:
 4 Q Let me try it this way. Did Mr. Davis --
 5 A He spoke, but it wasn't a presentation.
 6 THE REPORTER: I can't hear you?
 7 THE WITNESS: I said, he spoke, but it wasn't a

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1 BY MR. KING:
 2 Q How do you spell his last name?
 3 A I have no idea. I'm sorry. I'm assuming like it
 4 sounds.
 5 MR. SJOBLUM: Can we go off the record a minute?
 6 MR. KING: Sure. Let's go off the record.
 7 (A discussion was held off the record.)
 8 MR. KING: Let's go back on the record.
 9 BY MR. KING:
 10 Q Ms. Holt, I think we were talking about a
 11 teleconference with a --
 12 A Yes.
 13 Q -- with an existing city client, correct?
 14 A Yes.
 15 Q What was the purpose of the teleconference?
 16 A I was brought in to discuss global economies. The
 17 FA had requested a meeting for a client and --
 18 Q Which FA?
 19 A Tom Espy.
 20 Q Oh, I'm sorry. Were you on the entire call or just
 21 a portion of the call?
 22 A I was on the entire call.
 23 Q What I'm trying to get out here, is was there a
 24 particular issue --
 25 A Oh.

1 Q -- with this --
 2 MR. SJOBLUM: Well, okay. I'm just going to state
 3 the objection, then you can do what you feel appropriate. To
 4 the extent you start inquiring into the customers personal
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8 presentation.
 9 BY MR. KOROTASH:
 10 Q Okay. And what did he speak about? He talked
 11 about the assets of bank, did he not?
 12 A I'm thinking. Trying to recall how the
 13 conversation went.
 14 MR. SJOBLUM: If you know. If you can recall.
 15 THE WITNESS: I'm sorry. I cannot recall exactly
 16 what Mr. Davis spoke about.
 17 BY MR. KOROTASH:
 18 Q Okay.
 19 A Sorry.
 20 BY MR. KING:
 21 Q What did Mr. Rodriguez speak about on the call?
 22 A He spoke about CD redemptions. He spoke about the
 23 bank, and that was about it.
 24 Q At any time in this teleconference, did anyone
 25 express concerns about the bank's portfolio?

1 A There were questions raised about the bank's
 2 portfolio, yes.
 3 Q What questions?
 4 A What the numbers were for year end, what the
 5 returns were for year end for the investment portfolio. I'm
 6 sure there were other questions about the bank portfolio.
 7 Q All right. We talked about your conversation with
 8 Mr. Rodriguez about the global economies. One question I
 9 didn't ask you about that, how long did the conversation
 10 about global economies last?
 11 A Ten, 15 minutes. It was a short meeting.
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12 Q And how long did the teleconference last?

13 A Well less than an hour.

14 Q Did you have any other meetings with Mr. Rodriguez

15 during your visit to Antigua?

16 A No, I did not.

17 Q During your tenure as chief investment officer,

18 have you ever discussed with Mr. Rodriguez the bank's

19 portfolio?

20 A I have discussed with him tier two, yes.

21 Q Have you ever discussed with him anything other

22 than tier two?

23 A No. In specifics, no.

24 Q How about generally?

25 A We have discussed the overall investment

1 philosophies, but that's about it.

2 Q Does Mr. Rodriguez know what assets are held in

3 tier three?

4 MR. SJOBLUM: If you know.

5 THE WITNESS: I do not know.

6 BY MR. KING:

7 Q Okay. From now on every question I ask you is if

8 you know. Okay?

9 A Right.

10 Q If you don't know, just tell me you don't know.

11 A Okay.

12 Q So I want to make sure we're clear on that. Does

13 Mr. Rodriguez know what assets are held in tier three?

14 A I do not know.

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19 MR. SJOBLUM: Yes, I do.

20 MR. KELTNER: Okay.

21 MR. SJOBLUM: Affiliated company, therefore, I

22 represent the bank.

23 MR. KING: Okay.

24 BY MR. KOROTASH:

25 Q I want to get back to the conversation just for a

1 second. Did that conversation happen recently?

2 A I'm sorry. What conversation?

3 Q The conversation -- I'm sorry. The conversation we

4 were just talking about. The one with --

5 MR. SJOBLUM: The one which I was present?

6 MR. KOROTASH: Yeah.

7 BY MR. KOROTASH:

8 Q Mr. Sjoblom was there and --

9 A Yes.

10 THE REPORTER: I can't hear. You guys are making

11 side comments and I can't --

12 (Speaking simultaneously.)

13 BY MR. KOROTASH:

14 Q So we had a conversation with the president of the

15 bank where, apparently, tier three assets were discussed, but

16 Mr. Sjoblom was there?

17 A That is correct.

18 Q And when did that conversation take place?

19 A Last week.

20 Q Okay. Now, did -- I trust that -- I want to ask

21 you one simple question. When you heard what Mr. Rodriguez

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15 Q You have never discussed tier three with Mr.

16 Rodriguez?

17 A Only in presence of counsel.

18 Q Mr. Sjoblom?

19 A Uh-huh.

20 MR. KING: I know you're going to make your

21 objection, but I'm going to ask her what she said and tell

22 him who you represent.

23 BY MR. KING:

24 Q So what was talked about in your meeting with Mr.

25 Rodriguez and Mr. Sjoblom?

1 MR. SJOBLUM: Okay. Objection. Actually, I will

2 clarify, because you asked me something earlier on who I

3 represent. I went back and called my secretary to go back

4 and pull the engagement letter to be clear who I represent.

5 I'm engaged by Stanford Financial Group and all of

6 its affiliated companies. So any conversation that regards

7 any bank officer of any Stanford affiliated entity, which I

8 am present, I'm going to view as attorney/client privilege.

9 I will instruct the witness not to answer.

10 MR. KELTNER: And that includes Stanford

11 International Bank?

12 MR. SJOBLUM: That's specifically why I said that,

13 because Mr. King asked me with capacity. I called back to

14 clarify. What the engagement letter says is Stanford

15 Financial Group and all affiliated companies, plural.

16 MR. KELTNER: So do you interpret that to mean --

17 MR. SJOBLUM: Yes, I do.

18 MR. KELTNER: -- Stanford International Bank?

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22 had to say, were you surprised?

23 MR. SJOBLUM: First of all, she never said Mr.

24 Rodriguez said anything. You asked her, was there a

25 conversation which I was present regarding tier three to

1 which she said it was last week.

2 There's been no establishment that Mr. Rodriguez

3 said anything.

4 MR. KOROTASH: Great, great point. Let me --

5 You're really good at this foundation stuff. Let me try it

6 again.

7 BY MR. KOROTASH:

8 Q When you -- when this conversation took place, did

9 Mr. Rodriguez make any remarks?

10 A Does that fall under --

11 MR. SJOBLUM: Yeah. Did he make a remark? Yes or

12 no?

13 THE WITNESS: Yes.

14 BY MR. KOROTASH:

15 Q Huh?

16 A Yes.

17 Q Okay. When you heard what he had to say, were you

18 surprised?

19 A Was I personally surprised?

20 Q Yes.

21 A No.

22 Q Okay.

23 BY MR. KING:

24 Q Okay. Before we move onto new issues --

25 A Okay.

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1 Q -- you and your team went to Antigua the second or
2 three week in January, right?
3 A That's correct.
4 Q The people you identified earlier?
5 A Yes.
6 Q And we've gone through a couple of meetings with
7 Mr. Rodriguez, one brief conversation --
8 A Uh-huh.
9 Q -- about global economics, the teleconference --
10 A Yes.
11 Q -- and then also a meeting with counsel, correct?
12 A No, I did not have any meeting --
13 Q Okay.
14 A -- with counsel at Antigua.
15 Q Okay. Did you and your team meet with anyone else
16 from the bank during your trip to Antigua?
17 MR. SJOBLUM: Say it again, Mr. King.
18 THE WITNESS: I'm sorry. I --
19 BY MR. KING:
20 Q Did you or anybody else on your team meet
21 substantively -- about any substantive issue with anyone else
22 from the bank besides Mr. Rodriguez?
23 A On the bank, no.
24 Q I'm sorry. What was your answer?
25 A I said, on Stanford International Bank did I have

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5 A No, I do not need to.
6 Q You have no need to know what the person your
7 providing research to, what their investment philosophy is?
8 MR. SJOBLUM: I think she testified no.
9 THE WITNESS: No.
10 BY MR. KING:
11 Q Okay. Why not?
12 A Because --
13 MR. SJOBLUM: Calls for speculation. If she says
14 she doesn't have any reason to know anything, why would --
15 BY MR. KING:
16 Q why not?
17 MR. SJOBLUM: Calls for speculation.
18 BY MR. KING:
19 Q why not?
20 A why not what? why does it not impact my research.
21 Q Yeah. I'm just interested to know. You're in the
22 business of providing research to various Stanford affiliated
23 companies, correct?
24 A I'm providing them parameters that are wholly
25 independent from anything that they may need. So I'm looking

1 at global economics, global markets, global products, and
2 based on research, providing an analysis of investment.
3 It is up to each company, whether it be Stanford
4 International Bank or anybody else, to see how that coincides
5 with their investment philosophy. They don't have to take it
6 as written.
7 It is -- as I stated when I first presented it,

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1 any further meetings, no.
2 Q Do you know if anyone from your team had any
3 meetings with anyone from the bank?
4 A To my knowledge, no.
5 Q okay. So as far as your trip to Antigua goes, it
6 was -- you and your team didn't need any guidance from anyone
7 at the bank for what to do, right?
8 A That's correct.
9 Q Okay. What were -- And what were you and your team
10 doing in Antigua again?
11 A We were reconciling year end statements and year
12 end balances for second tier of the portfolio and classifying
13 those holdings.
14 Q okay. So just to be clear. As to tier two, you
15 did not need to meet with Mr. Rodriguez?
16 A No. I just needed the statements.
17 Q I think during your presentation this morning you
18 said that your research function that -- for the SIM piece of
19 this, right? What does SIM stand for?
20 A Stanford investment model.
21 Q okay. So Stanford investment model, you do
22 research and then you provide that research to Stanford
23 affiliated companies, correct?
24 A That's correct.
25 Q Does that include Stanford International Bank?

1 A Yes, it does.
2 Q So in providing research to Stanford International
3 Bank, do you need to have at least a general understanding of
4 what the bank's investment philosophy is?
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8 it's up to them to execute. So my research is unbiased by
9 what an affiliate may or may not have need of.
10 Q Do you know whether it's important to the bank --
11 Well, let's go back.
12 Do you review any of the banks -- You said you went
13 to Antigua with your team to review year end statements?
14 A Uh-huh. That's correct.
15 Q Did you review any of the -- of the bank documents,
16 the annual report -- Did you get an annual report from the
17 bank?
18 A I receive it. Do I read it from cover to cover?
19 No.
20 Q Do you review it before it's published?
21 A I have in the past, yes.
22 Q All right. And why do you review it?
23 A Really, just to edit, just to spell check, if you
24 will, review, look through it.
25 Q what about other documents put out by the bank,

1 it's monthly reports and quarterly reports, do you review
2 those?
3 A Yes.
4 Q You review those in advance of them being
5 published?
6 A Yes.
7 Q And why do you do that?
8 A My team is actually given the information and then
9 my team writes around the information given. So in that
10 capacity, I am editing it. It is then sent to Ron Rodriguez
11 for final review before it is sent out.
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12 Q So your team actually does the drafts of the
13 monthly and quarterly reports put out by the bank?
14 A The research reports put out by the bank, not the
15 financials that are put out by the bank.
16 Q What information do the reports that you review
17 include?
18 A They're going to include just a quick global
19 economic snapshot. There's, I believe, a section called --
20 or in the past there has been a section called portfolio
21 adjustments, which would have discussed why certain
22 allocation shifts were made.
23 There is a table in there that discuss certain
24 numbers of the bank, which I've already stated are provided
25 by the bank.

1 BY MR. KELTNER:
2 Q What's in the table, profit, loss, assets?
3 MR. SJOBLUM: If you recall.
4 THE WITNESS: I don't recall. If you have one, I
5 could confirm it, but --
6 BY MR. KELTNER:
7 Q When you say the information comes from the bank,
8 who do you get it from, information that goes into those
9 reports we've been discussing.
10 MR. SJOBLUM: And you're talking about the
11 quarterly reports now?
12 BY MR. KELTNER:
13 Q And monthly.
14 A It has come from various people. It's come from
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19 Q -- if you would.
20 A May I ask what I'm looking at?
21 Q Well, I'll ask you. Just take a look at it first.
22 A (Examining)
23 MR. SJOBLUM: Do you have a copy --
24 MR. KING: I do.
25 BY MR. KING:

1 Q You recognize Exhibit 26?
2 A Yes, I do.
3 Q What is it?
4 A I don't know exactly what it is, but I recognize
5 it. I'm assuming -- well, I would be assuming.
6 Q Does this appear to be an internal or an external
7 document?
8 A It appears to be internal. You mean produced
9 internally?
10 Q No. I mean -- I mean --
11 A I'm sorry.
12 Q -- can you tell how this document is used? Is it
13 used with potential CD purchasers or is it used to -- is it
14 used internally among the stanford affiliated companies?
15 A By the looks of it, I would assume external.
16 Q Did you say external?
17 A Yes. From the disclaimer, I would say external.
18 Q Okay. Let's flip over to page four. I believe
19 that's your picture there on page four, correct?
20 A Uh-huh. That's --
21 Q So you've seen this picture before?
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15 Mr. Rodriguez. It's come from the board of directors.
16 Sometimes I've received information from the accounting
17 managers. So it's just really the printed --
18 Q What about Mr. Davis?
19 A As a board member, yes, in the past I've received
20 information from him.
21 Q So when you say the board member, the board -- you
22 get information from the board. Who do you mean?
23 A Well, it's varied in the past. Sometimes various
24 board members, but, certainly, in the past it has also
25 referred to Mr. Davis directly.

1 BY MR. KING:
2 Q Okay. Is liquidity important to the bank's
3 investment strategy?
4 A Yes.
5 Q How do you know that?
6 A From a past -- and I -- I don't know if it's still
7 current or not, but from a past investment philosophy of the
8 bank it states that they're -- they try to maintain at least
9 10 percent in cash and maintain liquid investments.
10 Q Okay. Why do they do that?
11 A I don't know. That's a bank directive.
12 (SEC Exhibit No. 26 was marked for
13 identification.)
14 BY MR. KING:
15 Q Let me show you what's been marked as Exhibit 26.
16 A Okay.
17 Q Take a look at that for me --
18 A Thank you.
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22 A I have seen this picture before.
23 Q Routinely used in Stanford marketing materials?
24 A Not routinely, no.
25 Q Okay. And this -- On the front cover it says
1 "stanford International private banking," correct?
2 A Yes. That's correct.
3 Q All right. And then if you flip to the previous
4 page, page three --
5 A Yes.
6 Q -- you see where it says liquidity?
7 A Uh-huh.
8 Q It says, We focus on maintaining a highest degree
9 of liquidity as a protective factor for our depositors?
10 A Yes.
11 Q Have you ever heard -- You ever heard that before?
12 A I have seen it written in the past, yes.
13 Q Is that consistent with your understanding of the
14 bank's investment philosophy?
15 A Yes.
16 Q Second sentence says, The bank's assets are
17 invested in a well diversified portfolio of highly marketable
18 securities issued by stable governments, strong
19 multi-national companies and major international banks.
20 Do you see where it says that?
21 A Yes, I do.
22 Q Is that also consistent with your understanding of
23 the bank's investment philosophy?
24 A Yes.
25 Q Have you seen that statement before?
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1 A Yes.
2 Q What does highly marketable securities mean?
3 A It means they have a market.
4 Q Give me an example of some highly marketable
5 securities.
6 A It can certainly include fixed income, equity. It
7 can include shorter redemption notice alternatives and it can
8 really include any product in which there is a strong
9 secondary market.
10 Q What is a shorter redemption alternative?
11 A It would mean any alternative that you can put in a
12 redemption request within a quarter.
13 Q Whether or not that redemption request will be
14 granted?
15 A Well, you're assuming that if that is the contract,
16 that it will, in fact, be granted.
17 BY MR. KELTNER:
18 Q Just for clarity, when you say "alternative," what
19 do you mean?
20 A Alternative there I'm referring to any
21 noncorrelated asset.
22 Q Noncorrelated to what?
23 A To the markets. To an equity market in particular.
24 Q When you say "equity" -- when you said "equity" in
25 the list of things earlier --

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5 THE WITNESS: I met with him on the second tier of
6 the portfolio and went through tier two, the list of the
7 portfolio advisors. Actually, a very similar type training,
8 but in much more detail than I went through with y'all this
9 morning.
10 He sat and met with, at the time, each of my
11 research analysts, who's on the team, went through with them
12 the specific portfolio that they analyzed. I did discuss with
13 him -- and that's when I said I had in the past seen a copy
14 of Stanford International Bank's investment philosophy.
15 I did -- We read through that together, and he went
16 on a trip to meet a number of our second tier portfolio
17 advisors. We discussed various presentations, various
18 presentation questions.
19 BY MR. KOROTASH:
20 Q What do you mean by that, various presentation
21 questions?
22 A For instance, if I ever presented about the second
23 tier of the portfolio, how are those presentations generally
24 conducted in order to maintain the right of privacy or the
25 regulatory framework of the domicile while at the same time
1 being able to give general information about the portfolio.
2 Q What was his -- what was his job?
3 A He was senior investment officer really --
4 Q Of the bank or --
5 A Of Stanford International Bank.
6 Q He was in charge of the investments for them?
7 A I don't know exactly what his job description was.

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1 A Uh-huh.
2 Q -- that doesn't include private equity?
3 A I said in other markets that could have a strong
4 secondary market, and in that case it could absolutely
5 correspond to private equity as we've already discussed
6 earlier.
7 Q How much luck did you have liquidating the private
8 equity in tier two?
9 A Actually, I had luck in liquidating the private
10 equity. Well, I have not liquidated SSM yet. Mainly I have
11 not had to go to that level.
12 THE REPORTER: I'm sorry. Can you start over?
13 BY MR. KELTNER:
14 Q The 400,000,000 that's left, how much of that is
15 private equity?
16 A Minimal. Less than 5 percent.
17 BY MR. KOROTASH:
18 Q How much private equity before the liquidation?
19 A It was less than 5 percent in tier two.
20 BY MR. KING:
21 Q Now, one of the people we talked about earlier
22 that, I think, you said you did not supervise was the senior
23 investment officer, correct?
24 A That's correct.
25 Q But did you have occasion to train a former senior

1 investment officer by the name of Michael Zarich?
2 A I did.
3 MR. SJOBLUM: Tell you about how she trained him?
4 MR. KELTNER: Uh-huh.
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8 Q Well, I'm sorry. How can you train someone if you
9 don't know what they're supposed to do?
10 A I'm training him on the second tier of the
11 portfolio.
12 Q Okay. That was your understanding?
13 BY MR. KELTNER:
14 Q And that's all you trained him on was the tier two?
15 A That's all I have knowledge of is tier two.
16 Q The question you -- or the statement you made a
17 minute ago, I'm trying to clarify that.
18 A Okay.
19 Q Was the question more specifically: How do you
20 answer when people ask you how the money is invested? How do
21 you answer a client?
22 A No. If there is a question about, tell me what --
23 say, tell me what portfolio advisors in the list of all
24 holdings that you have at Stanford International Bank.
25 Like I clearly discussed here, I can't do that.
1 Neither could anybody else in that position.
2 Q So what did you teach or how -- what did you tell
3 Mr. Zurich --
4 A I said --
5 Q -- to tell --
6 A -- diversified portfolio.
7 Q And what about --
8 A The portfolio advisors located predominantly in
9 Europe and in North America.
10 BY MR. KING:
11 Q Now, just let's start over.
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12 A Okay.
 13 Q Because I need to make sure I'm clear in my own
 14 mind.
 15 A Okay.
 16 Q Senior investment officer does what?
 17 A I do not know. I do not know in totality what his
 18 job description was --
 19 Q Now, what --
 20 A I did not write it.
 21 Q You had a professional relationship with Mr.
 22 Zarich, correct?
 23 A Yes, I did.
 24 Q You also had a personal relationship with --
 25 A Yes, I did.

1 Q -- Mr. Zurich, correct? And you never discussed
 2 what he was doing as senior investment officer?
 3 A We did not have a personal relationship when he was
 4 at SIBL.
 5 Q Okay. Since he's been at SIBL, you've never had
 6 occasion to discuss with him what he did for the bank?
 7 A I know that he made presentations to financial
 8 advisors -- or I don't know. I was told. I know he sat in
 9 on client meetings.
 10 Q By "clients," what do you mean?
 11 A By clients of Stanford International Bank.
 12 Q Do you know if they were potential clients or
 13 current clients?
 14 A I do not know.

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19 Q Who?
 20 A Juan Rodriguez as well as the board of directors.
 21 Q Who on the board of the directors did you speak to
 22 about Mr. Zarich?
 23 A Mr. Stanford, Mr. Davis. Among two.
 24 Q Anybody else?
 25 A That I recall, no.

1 Q During your training sessions, was it multiple
 2 training sessions with Mr. Zarich or just one?
 3 A Multiple.
 4 Q How many?
 5 A With me personally, probably five to six, and they
 6 would have been long training sessions.
 7 Q Okay. Did you take notes at the training sessions?
 8 A I did not, no.
 9 Q Did he take notes at the training session?
 10 A Yes, he did.
 11 Q How did he take notes?
 12 A Gosh.
 13 Q Did he do it on a --
 14 MR. SJOBLUM: You mean by --
 15 BY MR. KING:
 16 Q -- computer -- Did he do it on a computer or did he
 17 do it with a pen?
 18 A I believe with a pen.
 19 Q Okay. Now, during the training sessions, did you
 20 discuss with Mr. Zarich the liquidity of the bank's
 21 portfolio?

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15 Q Did you and Mr. Zarich discuss the liquidity of the
 16 bank's portfolio?
 17 A During training, it is possible that it could have
 18 come up.
 19 Q Did you ever tell Mr. Zarich that 50 percent of the
 20 bank's portfolio could be liquidated in two days?
 21 A It is possible, yes.
 22 Q Did you ever tell Mr. Zarich that 75 percent of the
 23 bank's portfolio could be liquidated in five days?
 24 A I do not recall saying five days, no. It's
 25 possible.

1 MR. SJOBLUM: Can we have some -- When are we
 2 talking about here? Are you talking about 2005 or are you
 3 talking about now? I mean, there's a lot of difference here
 4 of what could be done in 2004, 2005, 2006.
 5 BY MR. KING:
 6 Q In training --
 7 MR. SJOBLUM: -- as opposed to right now.
 8 BY MR. KING:
 9 Q When did you train Mr. Zarich to be senior --
 10 A 2004.
 11 Q Let's do this again. Because we need to do
 12 question and answer.
 13 A I'm sorry.
 14 Q When did you train Mr. Zurich to be senior
 15 investment officer?
 16 A 2004 or early, early 2005.
 17 Q Who asked you to train him?
 18 A The bank asked me to train him.
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22 A Yes, I did.
 23 Q During the training sessions, did you tell Mr.
 24 Zarich that 50 percent of the bank's portfolio could be
 25 liquidated in T plus two?
 1 A Yes, it is possible that I did.
 2 Q During the training sessions, did you tell Mr.
 3 Zarich that the bank's portfolio was extremely liquid?
 4 A I do not recall using the words "extremely liquid,"
 5 no.
 6 Q Did you tell Mr. Zurich during these training
 7 sessions that 75 percent of the bank's portfolio could be
 8 liquidated in five days?
 9 A I do not recall saying in five days. It's possible
 10 that I did. I just don't recall the exact days.
 11 Q Did you tell Mr. Zarich that 100 percent of the
 12 portfolio could be liquidated in 60 to 90 days?
 13 A It is possible.
 14 Q Do you remember telling him that?
 15 A I do not recall my exact words --
 16 MR. SJOBLUM: Again, we are talking 2004, Mr. King?
 17 Statements made in 2004 --
 18 THE WITNESS: I'm sorry. It's been a while. I
 19 don't recall my exact --
 20 BY MR. KING:
 21 Q When did you train Mr. Zarich?
 22 A 2004, 2005. Either the end of the 2004 or the
 23 beginning of 2005.
 24 Q Could it have been October 2005?
 25 BY MR. KELTNER:
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1 Q Are you certain about that date, because we think
2 he went to Antigua in early 2006?
3 A I --
4 MR. SJOBLUM: Training versus when he went there --
5 THE WITNESS: Yeah.
6 MR. SJOBLUM: -- we're talking about two different
7 things.
8 THE WITNESS: I did not train Mr. Zarich in Antigua
9 at all.
10 BY MR. KELTNER:
11 Q Now, did you train him for his move to Antigua?
12 A I trained him before he left for Antigua, yes.
13 MR. SJOBLUM: Listen to the question. He said
14 "for." Did you train him for Antigua. You answered you
15 trained him before he went to Antigua.
16 THE WITNESS: No. I did not train him --
17 BY MR. KELTNER:
18 Q Immediately before his move to Antigua, did you
19 have these training sessions?
20 A How immediate before it was before he left --
21 Q Was it a couple of months?
22 A -- I do not recall. It could have been as early as
23 May. I don't recall. I'm sorry.
24 MR. SJOBLUM: Well, here's the problem. Her's the
25 problem. As to when these statements were made in 2004, they

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5 testified to. There's been no statement by the witness that
6 the bank's portfolio --
7 MR. KING: That's what she was asked, but we'll
8 clarify. We'll clarify.
9 MR. SJOBLUM: -- in T plus two.
10 MR. KING: We'll give her a chance.
11 MR. SJOBLUM: You've already gone through 50, 75
12 and 100.
13 MR. KING: Okay. Well, let's make it clear. If
14 you didn't hear it, that's --
15 MR. SJOBLUM: I did hear it, but you're
16 mischaracterizing what the witness said.
17 MR. KING: Let's clarify it.
18 MR. SJOBLUM: For the third time?
19 MR. KING: Yeah. For the third time, you're the
20 only one that didn't hear it the way I heard it.
21 MR. SJOBLUM: Ask her if she said whether or not
22 the entire bank portfolio could be liquidated in T plus two.
23 Did you ever say such a thing?
24 THE WITNESS: No, absolutely not.
25 BY MR. KING:

1 Q Okay. And why -- why do you say that?
2 A Because --
3 MR. SJOBLUM: why do you say what? why --
4 BY MR. KING:
5 Q why did you say that the bank's portfolio couldn't
6 be liquidated in two days?
7 A It would be impossible if the entire portfolio were

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1 mean one kind of thing. If it's 2005, it means something
2 else. If you're talking about today, they mean something
3 else. I just want the record clear that this was training of
4 Mr. Zarich at some point in time before he went to Antigua
5 possibly in 2004. Is that --
6 THE WITNESS: Yes.
7 BY MR. KELTNER:
8 Q And if you told us it was late 2005, do you know if
9 that's inaccurate?
10 A I mean, without looking at my calendar, I couldn't
11 tell you for a fact whether or not it's inaccurate. I
12 believe it was earlier than that.
13 BY MR. KING:
14 Q Okay. I think you said that it was possible that
15 you told Mr. Zarich that the bank's portfolio could be
16 liquidated in T plus two, correct?
17 MR. SJOBLUM: What could be liquidated in T plus
18 two?
19 THE WITNESS: How much? I'm sorry.
20 BY MR. KING:
21 Q The bank's portfolio could be liquidated in T plus
22 two?
23 A No --
24 MR. SJOBLUM: The entirety?
25 THE WITNESS: - not the entire portfolio. I

1 believe --
2 MR. SJOBLUM: That's not --
3 THE REPORTER: I'm sorry.
4 MR. SJOBLUM: That's not what the witness has
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8 in nothing but equities and straight equities to liquidate a
9 portfolio in two days.
10 Q Okay.
11 A It's just not possible.
12 Q So when you were talking -- when you were giving me
13 the percentages earlier, you were speaking only as to tier
14 two?
15 A I did not give you the percentages earlier.
16 Q Okay. When I said 50 percent, 75 percent, 100
17 percent, you were talking about tier two?
18 A If I were speaking of my own knowledge, it would
19 have been tier two only.
20 Q What were you speaking about?
21 A I'm trying to recall the exact text. I mean, you
22 can take anything out of text. And even in the bible it says
23 they were naked and a few chapters later it was good. If you
24 put them together, it's out of text, though. So if you can
25 please tell me the exact text, I'd gladly tell you.

1 MR. SJOBLUM: Mr. King, can we take a break?
2 MR. KING: Sure. Let's go off the record.
3 (A brief recess was taken.)
4 (Mr. Edmundson and Mr. Korotash not present.)
5 MR. KING: Back on the record at 3:12.
6 THE WITNESS: This is Exhibit 26.
7 MR. KING: Okay. Tom was good enough to find for
8 us a document while we were off the record.
9 MR. SJOBLUM: You talking about Tom --
10 MR. KING: Tom Keltner. Correct.
11 BY MR. KING:

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