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12 Q Let's go back and clean this -- One of the issues  
 13 we talked about earlier was your group's draft and review or  
 14 edit of the monthly reports, correct?  
 15 A Well, they're quarterly reports, but, yes.  
 16 Q Now, are those monthly reports for the bank?  
 17 A Yes. Stanford International Bank client.  
 18 (SEC Exhibit No. 27 was marked for  
 19 identification.  
 20 BY MR. KING:  
 21 Q Okay. And take a look at Exhibit 27. Is that an  
 22 example of a monthly report from the bank?  
 23 A This one is -- My team did not do this one.  
 24 MR. SJOBLUM: What was the question you asked her?  
 25 MR. KING: I just asked her if it was a an example

1 of what we've just been talking about, a monthly report from  
2 the bank.

3 (Mr. Edmundson and Mr. Korotash entered the room.)

4 BY MR. KING:

5 -Q Why do you say your team didn't do that one?

6 A Because my team did not write this one.

7 Q Okay.

8 A It says, welcome to the first edition. That was  
9 different.

10 (Speaking simultaneously.)

11 BY MR. KELTNER:

12 Q Report?

13 A Yes.

14 Q Before they were quarterly and now they're monthly

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19 BY MR. KELTNER:  
 20 Q Is it fairly obvious?  
 21 A Yeah.  
 22 Q Fairly obvious?  
 23 MR. KELTNER: She said yes.  
 24 MR. SJOBLUM: What's fairly obvious?  
 25 THE WITNESS: I wouldn't say it's fairly obvious.

1 I would say, like you, I would assume it was referring to  
2 Madoff investments.

3 BY MR. KING:

4 Q Now, you managed tier two for the bank, correct?

5 A That is correct. I oversee tier two --

6 Q Oversee tier two?

7 A -- do not manage. Oversee. Do not manage.

8 MR. KING: Sorry about that. That was  
9 unintentional.

10 BY MR. KING:

11 Q The -- In overseeing tier two of the bank, you  
12 review the compiled report from Mr. Palmiden, correct?

13 A That is correct.

14 Q Okay. And is there any direct or indirect exposure  
15 to Madoff investments in tier two of the bank's portfolio?

16 A To my knowledge, there is no direct exposure. As of  
17 when this report went out, we believed there was no indirect  
18 exposure. We did find out after this report was written,  
19 there was, like, less than two million dollars, I believe,  
20 indirect -- No. Yeah -- would have been less than actually  
21 one million of indirect exposure to Madoff. To my knowledge,

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15 reports?  
 16 A That's correct.  
 17 BY MR. KING:  
 18 Q Okay. Who wrote it?  
 19 A I don't know.  
 20 BY MR. KELTNER:  
 21 Q Did you receive a copy before today? Have you seen  
 22 Exhibit 27 before today?  
 23 A Have I read it? No. Is there possibly a copy on  
 24 my e-mail or otherwise? Yes, it's possible.  
 25 BY MR. KING:

1 Q All right. Let's take a look at Exhibit 27 a

2 little --

3 A Okay.

4 Q -- closer. Second paragraph there says, We want  
5 our depositors to know that SIBL has no direct or indirect  
6 exposure to any of Madoff's investors.

7 Do you see where it says that?

8 A I do see where it says that.

9 Q Now, the Madoff investments, I take it that's a  
10 referral -- I take it that refers to the fraud by Mr. Bernard  
11 Madoff that's been in the news?

12 A Okay.

13 Q Is that correct? Is that your understanding? Is  
14 that your reading of the document? Is that your reading of  
15 Exhibit 27?

16 A I don't know what I'm reading.

17 MR. SJOBLUM: Do you know to what that refers?

18 THE WITNESS: I would assume, like you do --

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22 that would have been the only exposure.  
 23 Q What is the source of that?  
 24 A Probably less than 500,000 indirect exposure.  
 25 Q What is -- In direct exposure?

1 A Indirect. No. No direct exposure. Indirect only.

2 Q And what is the source of this indirect exposure?

3 A It was through Meridian. Meridian is a fund of  
4 funds. Within their fund of funds, one of their fund  
5 managers held -- I believe the name of that fund was Tremont,  
6 which had invested in Madoff. So it was a very indirect, but  
7 we found that out after this report had been published.

8 Actually, it still has not been confirmed. We  
9 believe there could potentially had been a very small amount  
10 of indirect exposure.

11 Q To your knowledge, has Stanford International Bank  
12 taken any steps to correct the indirect exposure statement in  
13 Exhibit 27?

14 A We're still trying -- we're confirming it in  
15 process. So --

16 Q How do you go about confirming it?

17 A We're checking with the manager of Meridian to see  
18 how much exposure, if any, was in our class of that  
19 alternative.

20 MR. KELTNER:

21 Q When did this indirect exposure first come to your  
22 attention?

23 A Probably the end of January.

24 Q Okay. So before year end 2008?

25 A No. The end of January --

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1 MR. SJOBLUM: 2009.  
 2 THE WITNESS: -- 2009. I didn't know --  
 3 BY MR. KELTNER:  
 4 Q That's the first --  
 5 MR. SJOBLUM: Let's be very clear. She's talking  
 6 end of January 2009. That report was issued in December  
 7 2008.  
 8 BY MR. KELTNER:  
 9 Q And I want to be very clear on that point.  
 10 A Yes.  
 11 Q You first learned about Madoff's exposure at the  
 12 end of January 2009?  
 13 A Middle to end of January.  
 14 Q Okay. You had no knowledge of Madoff's exposure  
 15 prior to January 2009?  
 16 A That's correct.  
 17 BY MR. KOROTASH:  
 18 Q How did you learn of it?  
 19 A Actually, somebody who had introduced us to  
 20 Meridian had sent an e-mail saying that there was a  
 21 possibility that Meridian did have exposure -- indirect  
 22 exposure to Madoff.  
 23 BY MR. KING:  
 24 Q Who was that?  
 25 A Who sent me the e-mail or who was Meridian?

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5 that retract statements from the company's website. Is that  
 6 what you said, Steve?  
 7 MR. KOROTASH: Uh-huh.  
 8 MR. SJOBLUM: was she a participant in any  
 9 conversation to retract a statement from --  
 10 BY MR. KOROTASH:  
 11 Q Concerning the desirability or necessity of  
 12 retracting a press release from the company's website.  
 13 A No.  
 14 MR. SJOBLUM: Your answer was?  
 15 THE WITNESS: I was not part of any of those  
 16 discussions.  
 17 BY MR. KING:  
 18 Q Okay. If you would flip the page on Exhibit 27 for  
 19 me.  
 20 A Yes.  
 21 Q Says there in the second column, first paragraph  
 22 there, The bank's board of directors made a decision to  
 23 increase the bank's capital by 541,000,000 --  
 24 A Okay.  
 25 Q -- on November 28th, 2008. See where it says that?

1 A I do.  
 2 Q What does that mean?  
 3 A I don't know. It's -- I don't know.  
 4 Q Okay.  
 5 A If you can tell me what you believe it to mean,  
 6 maybe I can clarify it.  
 7 Q Where does the -- what does this \$541,000,000 refer

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1 Q You said who -- who -- You said someone did an  
 2 introduction. Who was that?  
 3 A Oh, Bobby Ellison.  
 4 BY MR. KELTNER:  
 5 Q Is he the one that sent you the e-mail?  
 6 A Yes.  
 7 Q You think that was around mid January '09?  
 8 A I think so. I'm sorry. I've been traveling since  
 9 December 26th, so I'm guessing on dates.  
 10 BY MR. KOROTASH:  
 11 Q Did you bring this to Mr. Davis's attention?  
 12 A Yes, I did.  
 13 Q And what did he say?  
 14 A He tried to confirm whether or not -- that we did,  
 15 in fact, have indirect. Again, though, if we did, it would  
 16 have been maybe \$500,000.  
 17 Q Was there any discussion about the advisability or  
 18 the desirability of retracting the press release on the  
 19 company's website that there was no indirect exposure?  
 20 A I do not know if there were any.  
 21 Q You weren't party to any --  
 22 A I was did not party to any of that discussion.  
 23 THE REPORTER: I cannot get a clear record.  
 24 Everybody's talking at the same time.  
 25 MR. KOROTASH: Do your best.

1 THE WITNESS: I said, I did not participate in any  
 2 direct conversation as to whether or not a reprint should be  
 3 done.  
 4 MR. SJOBLUM: Not a reprint. Mr. Korotash asked  
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8 to?  
 9 A It would mean new capital put into the bank.  
 10 Q Where did that \$541,000,000 come from?  
 11 A I would have to use an assumed word. I would  
 12 assume by the shareholder.  
 13 Q Who is?  
 14 A R. Allen Stanford.  
 15 Q What's the basis for your assumption?  
 16 A Shareholder infusion or shareholder capital  
 17 infusion. It's not there, but that would be my assumption.  
 18 Q Why was this 541,000,000 in capital infused?  
 19 A That I do not know.  
 20 BY MR. KELTNER:  
 21 Q Sorry. I may have missed it. Did you say you  
 22 had --  
 23 A I don't know.  
 24 Q You don't know where the money came from?  
 25 A Substantive, no. An assumption, yes. I would

1 assume shareholder contribution.  
 2 Q And there's only one shareholder?  
 3 A Yes.  
 4 Q Robert Allen Stanford?  
 5 A Robert Allen -- It's not Robert, by the way. I  
 6 believe it's Randall. His first daughter is named after  
 7 him. Her name is Randy, not Roberta. So --  
 8 BY MR. KING:  
 9 Q How was that capital being used?  
 10 A I don't know.  
 11 Q Any of it in tier two?  
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12 A Based on the date here, November 28th, 2008, no.  
13 Q But you haven't seen an injection of any capital?  
14 A No. There have been no deposits in tier two.  
15 BY MR. KELTNER:  
16 Q Before we entirely leave that subject, just to  
17 close the loop --  
18 A Yeah.  
19 Q -- was there any other exposure to Madoff that  
20 you're aware of, aside --  
21 A That I am aware of, no -- Oh, for Stanford  
22 International Bank, I'm assuming?  
23 Q Correct.  
24 A To my knowledge, no.  
25 Q Okay. Were you ever asked to research whether that

1 might be additional exposure to Madoff?  
2 A I was not asked.  
3 Q Did you do --  
4 A I researched tier two, yes.  
5 Q What did you do?  
6 A I asked my analysts to do a scan of their  
7 individual portfolios to see if there were any exposure.  
8 Q Okay. And exposure to what?  
9 A To Madoff, alternative funds.  
10 Q Direct or -- Including indirect exposure?  
11 A Direct or indirect.  
12 Q How did you do that? Did you have them look at the  
13 list of Madoff investors?  
14 A I had them get -- Well, I had them actually get in  
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19 liquidity?  
20 MR. SJOBLUM: When?  
21 THE WITNESS: When? Exactly.  
22 BY MR. KING:  
23 Q Date and time. When's first time you ever  
24 discussed the bank's liquidity with someone on the board of  
25 directors or --

1 A Probably -- 2001, probably.  
2 Q Okay. What did you talk about?  
3 A Eight years ago. I -- I don't recall. Probably  
4 how a -- what the liquidity of the overall portfolio was. As  
5 to the exact percentages, I do not recall.  
6 BY MR. KOROTASH:  
7 Q Let's go most recently.  
8 BY MR. KING:  
9 Q We'll do it the other way.  
10 A Well, 2000 -- We can start with 2004. The numbers  
11 that Michael set could have very easily been for the overall  
12 portfolio or the numbers that I would have been given for the  
13 overall portfolio. And given the time of the market in 2004,  
14 those are logical numbers.  
15 Q Now, I want to make sure we're clear on this  
16 because --  
17 A Yeah.  
18 Q -- before you said for the overall portfolio that  
19 that would have been impossible --  
20 A No. What I said is for the entire portfolio to be  
21 liquidated at T plus two is impossible.  
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15 touch with the advisors, to call the portfolio advisors.  
16 First, I asked them to scan their portfolios. If there were  
17 any questions about the holdings in the portfolios, to then  
18 call the portfolio advisor to see if, in fact, we did have  
19 exposure there, direct or indirect.  
20 Q Okay. And when did you do that?  
21 A Right after the whole Madoff issue came out on the  
22 news, and I do not remember that date. I do remember I was  
23 traveling and I was not in the office when it took place.  
24 Q So sometime ago, not recently?  
25 A Yeah. It was sometime ago.

1 BY MR. KING:  
2 Q Okay. Before we broke, I think we were talking  
3 about your -- I think you said five or six training sessions  
4 with Mr. Zarich, correct?  
5 A Uh-huh. That's correct.  
6 Q And you did recall having certain conversations  
7 with Mr. Zarich about liquidity, correct?  
8 A Yes. That is correct.  
9 Q But it was your testimony that your conversations  
10 about liquidity were confined only to tier two liquidity?  
11 A I do not recall whether or not they were based on  
12 the overall portfolio or whether there's specific  
13 conversations about tier two.  
14 Q What do you know about the bank's overall  
15 liquidity?  
16 A Only what I would have been told by the bank or by  
17 the board of directors.  
18 Q What have you been told about the bank's overall  
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22 MR. SJOBLUM: Is impossible?  
23 THE WITNESS: Is impossible.  
24 BY MR. KELTNER:  
25 Q Can you give us a more reasonable number?

1 A Fifty percent of a portfolio being liquidated in T  
2 plus two would have been possible in 2004. That would not be  
3 possible today.  
4 BY MR. KING:  
5 Q Okay. Would it have been possible in 2004 to  
6 liquidate 75 percent of the portfolio, the bank's entire  
7 portfolio, in T plus five?  
8 A I do not know the entire portfolio ever of the  
9 bank. Logically, could a portfolio be liquidated 75 percent  
10 in T plus five? Yes, it would have been possible.  
11 Q Did you tell Mr. Zarich in 2004 that it was -- that  
12 the bank could liquidate 75 percent of its portfolio in T  
13 plus five?  
14 A It is possible I would have said that.  
15 Q Okay. Did you tell Mr. Zarich in 2004 that the  
16 bank could liquidate 100 percent of its portfolio in 60 to 90  
17 days?  
18 A It was possible that could have been said. I'm  
19 sorry. In what days? In --  
20 MR. SJOBLUM: 60 to 90 days.  
21 THE WITNESS: 60 to 90, yes. That is possible I  
22 could have said that.  
23 BY MR. KING:  
24 Q When I showed you the brochure that has your  
25 picture in it earlier --  
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1 A Yes.  
2 Q I think it's Exhibit 26.  
3 A Yes, it is.  
4 Q -- we looked at the sentence that says, Maintain  
5 the highest degree of liquidity as a protective factor.  
6 A Is that page three?  
7 Q It's page three. Correct.  
8 A Okay.  
9 Q You see where it says that?  
10 A I do.  
11 Q How is liquidity a protective factor?  
12 A Are you asking for my definition or my personal  
13 opinion?  
14 Q Do you understand liquidity to be a protective  
15 factor to the bank?  
16 A I can understand how that could be a protective  
17 factor.  
18 Q Explain that to me.  
19 A If you have liquidity, that means you can  
20 quickly -- Liquidity doesn't necessarily mean cash. It means  
21 how quickly assets could be converted to cash. And so if  
22 you're in a bank-type situation, liquidity would certainly be  
23 important because that's how quickly you can translate  
24 holdings into cash.  
25 Q Okay. So why might that be important to a CD

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5 in kind investments.  
6 Q Okay. I think you just said earlier executing  
7 wires. Is that one of the roles that --  
8 A Yes.  
9 Q -- that tier one performs?  
10 MR. SJOBLUM: I don't think she said that. It's a  
11 mischaracterization.  
12 THE WITNESS: Yeah. No --  
13 MR. SJOBLUM: Tier one does not execute wires.  
14 THE WITNESS: Tier one would not execute wires.  
15 BY MR. KING:  
16 Q Okay. Does -- Does tier one give wire transfer  
17 instructions?  
18 A Tier one itself does not, no. Tier one is an  
19 investment portfolio.  
20 Q Okay.  
21 A An investment portfolio would be a cash and cash in  
22 kind investment. It does nothing outside of that.  
23 Q Okay.  
24 A So that would have been a mischaracterization.  
25 Q When -- Does money ever move between the various

1 tiers?  
2 A Yes.  
3 Q Okay. And when it moves between the various tiers,  
4 does it always have to go through tier one?  
5 A I do not know.  
6 Q Did you tell Mr. Zarich that when money moves  
7 between tiers, it always has to go through tier one?

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1 purchaser?  
2 MR. SJOBLUM: If you know. If you don't.  
3 THE WITNESS: I don't know. I could be  
4 speculating, but -- I apologize. I'm not a banker.  
5 BY MR. KELTNER:  
6 Q Why might that be important to an investor?  
7 A An investor, in general, it just means how quickly  
8 I can get cash out, if needed.  
9 BY MR. KING:  
10 Q During your 2004 training sessions with Mr.  
11 Zarich --  
12 A Yes.  
13 Q -- did you tell him that the bank's money -- or  
14 that the bank's investment portfolio was managed in three  
15 tiers?  
16 A Yes.  
17 Q Is that accurate?  
18 A Yes.  
19 MR. SJOBLUM: Is what accurate, that she said it or  
20 that --  
21 BY MR. KING:  
22 Q Is it accurate that there are three tiers?  
23 A Yes.  
24 Q What is tier one?  
25 A Cash. Cash and cash in kind investments.

1 Q What are the functions of tier one?  
2 A It's cash management.  
3 Q What does that mean?  
4 A It just means you're managing liquid cash and cash  
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8 A I do not recall saying that it would always have to  
9 go through tier one.  
10 Q Okay. When money is placed with a portfolio  
11 advisor, does it always have to go through tier one?  
12 A It does not have to.  
13 Q How do you know that?  
14 A I don't. I don't know that it does not have to.  
15 I've never seen anything written. Let's put it that way.  
16 I've never seen anything written that said it would have to.  
17 Q Does it typically go through --  
18 A Yes.  
19 Q -- tier one?  
20 MR. SJOBLUM: Are you talking about new incoming  
21 money? Are you talking about liquidating portfolios and  
22 moving money around? What -- what point are you talking  
23 about?  
24 It seems by your question that maybe a tier one is  
25 unclear to you what it is and how it arises.

1 BY MR. KING:  
2 Q Yeah. I don't think so. I mean, as I understand  
3 her testimony, money, when it goes tier -- goes to a  
4 particular portfolio advisor, it typically goes through tier  
5 one, correct?  
6 A It typically goes through one of our correspondent  
7 institutions, and, generally, those institutions do have tier  
8 one cash.  
9 Q Okay. And who are the correspondent institutions?  
10 A I don't know that this is an all inclusive list,  
11 but Toronto Dominion --

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12 BY MR. KOROTASH:  
13 Q I'm sorry?  
14 A Toronto Dominion, Bank of Houston and Trust Mark  
15 are three of them.  
16 BY MR. KELTNER:  
17 Q And where is Trust Mark based out of?  
18 A I don't know. I'm sorry.  
19 BY MR. KING:  
20 Q What about National Republic?  
21 A I do not know that they are currently a  
22 correspondent bank, but I've heard the name in the past as to  
23 whether or not they are now. I don't know.  
24 Q What about HSBC?  
25 A We have relationships with HSBC as a firm. As to

1 whether or not those are Stanford International Bank accounts  
2 or other accounts, I don't know.

3 Q Do you have access to balances of cash being  
4 managed in tier one?  
5 A No, I do not.  
6 Q Do you know how much money is in -- is with tier  
7 one managed institutions right now?  
8 A I do not.  
9 Q Do you know if management and referral fees paid to  
10 Stanford Group Company are paid from tier one?  
11 A I'm sorry. I do not.  
12 Q If tier two needs cash from tier one, how do you go  
13 about getting it?  
14 A I would request the cash through the board of

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19 A Patricia Maldonado.  
20 Q You ever request that information from Mr. Davis?  
21 A Not the exact institution where to send the cash,  
22 no.  
23 Q All right. Let's talk about tier two for a second.  
24 A Okay.  
25 Q What is tier two?

1 A It's a globally diversified portfolio managed by  
2 external portfolio advisors.

3 Q Who sets the -- I think you told us -- the  
4 investment parameters for tier two?  
5 A The board of directors.  
6 Q Okay. And so are those investment parameters then  
7 communicated to the various portfolio advisors?  
8 A Yes.  
9 Q How are they communicated to the various portfolio  
10 advisors?  
11 A Generally, in terms of -- here's how we see the  
12 state of the economy, but as I've mentioned, all the  
13 portfolio advisors have discretion, have 100 percent  
14 discretion of their portfolios. They do not have to take  
15 directives.  
16 Q How do you know that?  
17 A I have been told that's how the accounts were set  
18 up, that they have 100 percent discretion.  
19 Q Who told you that?  
20 A Either the portfolio advisor through a copy of the  
21 agreement or from a board member.

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15 directors.  
16 Q Specifically who?  
17 A I would send mine to Mr. Davis. I would send my  
18 request to Mr. Davis. What he does with it, I don't know. I  
19 don't know if he speaks to the entire board or --  
20 Q Okay. When you say send a request to Mr. Davis,  
21 Mr. Davis's office is in Tupelo, right?  
22 A Not always.  
23 Q Okay.  
24 A Sometimes he's in Memphis. Sometimes he's on the  
25 road --

1 Q Okay.  
2 A -- or I might be on the road. So, typically, I  
3 would e-mail a request.  
4 Q Okay. In what situations might you request cash  
5 from tier one?  
6 A I don't know that I have ever requested cash from  
7 tier one.  
8 Q Okay. We talked earlier about the liquidations in  
9 tier two, correct?  
10 A Yes. That's correct.  
11 Q And when tier two liquidates an asset, where does  
12 it send the cash?  
13 A I send cash to one of the institutions I just  
14 mentioned; Toronto Dominion, Bank of Houston, several of  
15 them -- Bank of Houston, I believe, or Trust Mark.  
16 Q And how do you know where to send it?  
17 A I request that information from our treasurer.  
18 Q Who is?  
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22 Q Has any specific board member ever told you that?  
23 A Mr. Davis.  
24 Q Now, if it's okay with you guys, I think at this  
25 point -- you provided the Commission with a copy of a

1 presentation that you gave this morning, correct?  
2 A Yes. That's correct.  
3 Q Rather than go through the entire list of portfolio  
4 advisors, can we just say that the list of -- will you agree  
5 that the list of portfolio advisors that you gave to the SEC  
6 this morning is a comprehensive list of the portfolio  
7 advisors in tier two?  
8 A Yes. Yes.  
9 MR. SJOBLUM: You mind if we go off the record for  
10 a second?  
11 THE WITNESS: Yes.  
12 MR. KING: Let's go off the record.  
13 (A discussion was held off the record.)  
14 MR. KING: Let's go back on the record at 3:40.  
15 MR. SJOBLUM: With respect to what Mr. King asked  
16 about the powerpoint presentation this morning by Mrs. Holt,  
17 it is certainly a comprehensive list. We'll double check to  
18 make sure that it's 100 percent complete.  
19 Also, having mentioned that now, I did agree to  
20 provide that to you, but we do have to do that under FOIA,  
21 confidential request. I think the way I'll handle it is to  
22 make a Bates stamped hard copy, Bates stamped pages, send it  
23 to you under a FOIA letter and then maybe return that other  
24 one to -- would be the same thing. Agreed?  
25 MR. EDMUNDSON: Let me -- You would like to produce  
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1 the slide presentation to the Commission pursuant to FOIA, a  
2 FOIA --  
3 MR. KOROTASH: Limited use.  
4 MR. EDMUNDSON: -- limited use of a legend?  
5 MR. SJOBLUM: Yes.  
6 MR. EDMUNDSON: When will you produce that to us?  
7 MR. SJOBLUM: Next couple of days. When I go back  
8 to Washington, I'll print it off and get it Bates stamped,  
9 submit you a letter.  
10 MR. EDMUNDSON: Don't have a problem. End of the  
11 week?  
12 MR. SJOBLUM: Okay.  
13 BY MR. KING:  
14 Q Okay. I want to talk about a few of the people on  
15 the list that --  
16 A Okay.  
17 Q -- we've been talking about. I think you mentioned  
18 Meridian earlier. That's the group that we discussed with  
19 the indirect Madoff exposure, correct?  
20 A That's correct.  
21 Q And the money was invested in Meridian through what  
22 entity?  
23 A There was an SIBL -- There was an SIBL investment  
24 direct into Meridian.  
25 (Mr. Keltner entered the room.)

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5 Stanford Coins and Bullion, Stanford Asset Capital  
6 Management, that have Stanford in the name, is Stanford  
7 affiliated with any of the other portfolio advisors on the  
8 list?  
9 A No. Unless they have Stanford in their name, no.  
10 Q Okay. I think you said you were recently married,  
11 correct?  
12 A That's correct.  
13 Q And what's your husband's name?  
14 A Jim Holt.  
15 Q Okay. Has tier two ever invested any money with  
16 your husband?  
17 A Yes.  
18 Q Tell me about that.  
19 A He runs a long/short equity fund, and Stanford  
20 International Bank did make an investment in his fund. Given  
21 my relationship to Jim, I saw it as a conflict of interest  
22 for me to recommend or personally oversee that account. So I  
23 had nothing to do with the opening of that account and do not  
24 follow it.  
25 Q When was it opened?

1 A I believe 2006 or 2007.  
2 Q Is it still open?  
3 A It is actually in process of being liquidated.  
4 BY MR. KELTNER:  
5 Q At a gain or a loss?  
6 A At a loss.  
7 Q How significant was the loss?

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1 BY MR. KING:  
2 Q All right. One of the other entities there on that  
3 list is an entity called SSM Venture. You familiar with that  
4 entity?  
5 A Yes, I am.  
6 Q Tell me about that.  
7 A It is a private equity firm. They offer private  
8 equity and holdings through -- I believe it's an L.L.P.  
9 structure or an L.P. structure, and it is a collection of  
10 investors investing in private equity.  
11 Q What's the balance of the SSM Venture portfolio  
12 today?  
13 A I'm sorry. I'd have to look at the numbers.  
14 Q Roughly.  
15 BY MR. KELTNER:  
16 Q How's it done?  
17 A Actually, I do recall they're up for the year, I  
18 believe, by, like, a percent, maybe.  
19 MR. SJOBLUM: What did you ask?  
20 THE WITNESS: The number that I had in the  
21 presentation was accurate as of 12/31.  
22 BY MR. KING:  
23 Q SSM Venture is located in the same building as  
24 Stanford in Memphis, correct?  
25 A That's correct.

1 Q Is there any affiliation between SSM Venture and  
2 Stanford?  
3 A To my knowledge, no.  
4 Q Does Stanford have -- Other than the entities,  
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8 A I don't know the most recent --  
9 Q Ballpark.  
10 A I don't know. It was probably down 25, 30 percent.  
11 Q For the year or total?  
12 A I believe for 2008, probably, by percent. Believe  
13 it or not, we really don't discuss work at home. We have  
14 enough finance during the day.  
15 BY MR. KING:  
16 Q What's the name of it?  
17 A CMSU & Associates.  
18 Q Now -- CMS -- You said CMSU --  
19 A Yes.  
20 Q -- & Associates is not on your list, correct?  
21 A No. It should be on my list. I put it on my  
22 list -- I don't track it. I don't follow it and I am a  
23 signatory or -- anywhere on the paperwork because of the  
24 conflict of interest, but it was included on that list.  
25 MR. SJOBLUM: Stop pointing to the screen. You

1 mean the powerpoint --  
2 THE WITNESS: Oh, yeah. The powerpoint. I'm sorry.  
3 BY MR. KELTNER:  
4 Q Who does track it?  
5 MR. SJOBLUM: Who does? Sorry.  
6 BY MR. KELTNER:  
7 Q Track the portfolio.  
8 A The reports are sent to Fred Palmlden.  
9 Q And then does put them in the weekly report?  
10 A Yes, he does.  
11 Q Okay. And you receive the weekly report?  
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12 A I do.
13 BY MR. EDMUNDSON:
14 Q How much money was your husband given to match?
15 A I believe the original figure was 20,000,000, or, I
16 believe, it got up to 20,000,000. I'm not sure the actual
17 tranches of cash that were put in. I was not in those
18 conversations.
19 BY MR. KELTNER:
20 Q How long has CMSU been in existence?
21 A I believe eight years.
22 Q How long has your husband been employed with CMSU?
23 A He's an original partner of the firm.
24 BY MR. KOROTASH:
25 Q Was there any discussion about putting that fund

1 over into tier three to try to take away any of the conflict
2 that might have existed?
3 A Not necessarily to put it in tier three, no. It was
4 more of a discussion. I did not mind it being placed in tier
5 two. I just thought it was a conflict of interest for me to
6 personally monitor it.
7 Q You oversee the people that monitor it?
8 A Yes. But I do not oversee or request any funds to
9 be placed in any given portfolio advisor.
10 Q Did you have any discussions at all with Mr. Davis
11 concerning the possibility of putting the funds in tier
12 three?
13 A I asked that he sign the documents and that he
14 oversee it. I didn't care where the placement was. I just
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19 Q Okay. What's the balance on tier two currently?
20 A It's around 350. Probably 350,000,000.
21 BY MR. KELTNER:
22 Q How does that compare to the end of '07?
23 A It was over -- close to or just over a billion.
24 BY MR. KING:
25 Q So I take it that the -- it wasn't -- I mean, it's

1 down 30 -- roughly 30 percent, right?
2 A (Nodding.)
3 Q And the rest of that percentage would then be
4 covered by liquidations; is that right?
5 A Majority of it was a result of cash being withdrawn
6 from the portfolio.
7 Q Okay. Why was cash withdrawn from the portfolio?
8 A To send to cash and liquidity, and then, I'm
9 assuming, to meet redemptions.
10 Q How do you know that?
11 A I don't know it for certain.
12 BY MR. KELTNER:
13 Q I assume if you're the investment manager and
14 they're liquidating -- or since you're overseeing the
15 investments and they're liquidating a large portion of what
16 you're overseeing -- overseeing, you never had occasion to
17 ask?
18 A I asked and I was told that they are raising
19 liquidity.
20 Q And that was --
21 A And that's to both bolster -- I mean, when you're

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15 wanted it to be stated that I did not personally make
16 requests as it related to that fund.
17 Q Again, was there any discussion about placing it
18 with Mr. Davis --
19 A I don't recall ever -- I don't recall having that
20 conversations.
21 MR. SJOBLUM: Stop, guys.
22 BY MR. KELTNER:
23 Q Do you understand that to mean the top performing
24 funds or the worst performing funds?
25 A It was among the worst at the end of 2008, and it
1 was also -- it was also in process of being liquidated.
2 BY MR. KING:
3 Q Who made the decision to liquidate it?
4 A Actually, there was a combined effort. I don't
5 have anything to do with it. And given the performance, I
6 made the -- I made the recommendation -- or I brought it up
7 that it should be liquidated due to its performance.
8 It's a long/short equity fund. Long/short equity
9 funds generally do not -- especially when they're more long
10 than short, generally, do not fair well in market
11 environments like 2008.
12 Q And to whom did you make that recommendation?
13 A To Mr. Davis.
14 Q And he followed it?
15 A He is liquidating the positions currently.
16 Q Let's talk about tier two's overall performance.
17 How did tier two do in 2008?
18 A It was down approximately 30 percent.
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22 raising liquidity, it's to do one of two things. Either to
23 bolster your liquidity to a certain level or to pay out
24 redemptions. All I need to know is where it goes.
25 BY MR. KING:
1 Q What percentage of the bank's portfolio is in tier
2 two?
3 MR. SJOBLUM: When?
4 The WITNESS: Yeah. When? Today or --
5 BY MR. KELTNER:
6 Q Let's start with today.
7 A I really don't know. Certainly today, less than 10
8 percent.
9 Q I think earlier today you looked at an exhibit that
10 had around eight billion dollars investment portfolio around
11 year end?
12 A That were around year end and at year end we had
13 approximately four to 500,000,000, then that would be less
14 than 10 percent.
15 Q In the neighborhood of 5 percent, assuming those
16 numbers are right?
17 MR. SJOBLUM: Currently?
18 BY MR. KING:
19 Q What is -- What's the highest percentage of assets
20 or -- Strike that.
21 What is the highest percentage tier two has ever
22 been with regard to the bank's entire portfolio?
23 A I know this question (sic) is going to sound like a
24 smart remark, but if you have a calculator, I can give you a
25 percentage, but, otherwise, I couldn't --
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1 BY MR. KOROTASH:  
2 Q Well, give us the numbers. Tell us what your  
3 number was and what the bank's number was.  
4 A When the bank was under eight billion, we had --  
5 I'm sorry. When the bank was under eight billion, we  
6 probably had close to a billion, and so it would be the  
7 calculation. So it's greater than 10 percent, but --  
8 Q Okay. We talked this morning for a few minutes  
9 about having to pay penalties during the liquidation phase?  
10 A That's correct.  
11 Q And why was that? I mean, who was charging  
12 penalties?  
13 A We were brokering investments that had lock-ups on  
14 them. And when you break an investment that has a lock-up in  
15 the contract, you're going to pay a penalty if your  
16 redemption exceeds a certain percentage or if there is any  
17 redemption at all. In both cases we have now broken that.  
18 So as a result, we had to pay penalties.  
19 Q Was it your sense these were significant penalties?  
20 A It's not my sense that they are significant  
21 penalties, no.  
22 Q Do you have a ballpark idea sitting here what the  
23 penalties -- the total?  
24 A In total, no, I don't.  
25 BY MR. KELTNER:

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5 A So an underlying manager or a -- a fund that would  
6 have been within a portfolio would have charged fees, not the  
7 portfolio advisor. So it's not a double set of fees to  
8 liquidate.  
9 BY MR. KOROTASH:  
10 Q I think I asked you this morning about whether or  
11 not you had any discussions with Mr. Davis regarding the  
12 desirability of, perhaps, getting funds from tier three to  
13 use for the needed purpose rather than incurring these  
14 penalties.  
15 Did you have any discussions along those lines?  
16 A No, I did not have those discussions with Mr.  
17 Davis.  
18 BY MR. KELTNER:  
19 Q Did you tell Mr. Davis that liquidating these  
20 assets would result in penalties?  
21 A I honestly do not recall if I told him. I do  
22 recall telling him that it could take time to liquidate --  
23 Q Do you know --  
24 A -- these holdings.  
25 Q Do you know if Mr. Davis was aware that the

1 penalties would be incurred?  
2 A I do not know if he were.  
3 BY MR. KOROTASH:  
4 Q And sitting here now --  
5 A Uh-huh.  
6 Q -- do you think it might have made some sense from  
7 an economic standpoint to get money from the large tranche

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1 Q You said both of them. Which two investments are  
2 you talking about?  
3 A I'm sorry. When did I say both of them?  
4 Q When he asked you about redemption penalties, I  
5 think you said in both instances.  
6 A Oh, we were talking earlier. He had asked -- I'm  
7 sorry. He had asked earlier if there were any redemption  
8 penalties and I had said, yes, that there were. And then he  
9 asked again, and I said, yes, that there were. And in both  
10 instances I don't know how much they are.  
11 MR. SJOBLUM: Mr. Korotash asked his question this  
12 morning --  
13 THE WITNESS: Right.  
14 MR. SJOBLUM: -- and the question today --  
15 THE WITNESS: Right.  
16 MR. SJOBLUM: -- in both of those instances --  
17 THE WITNESS: Yes. Yes. So in both instances of  
18 the question I still don't know.  
19 BY MR. KELTNER:  
20 Q Which advisors do you know charged you liquidation  
21 fees?  
22 A The advisors themselves would not have charges  
23 liquidation fees. The holdings that those advisors owned  
24 would have charged liquidation --  
25 Q Sort of like a fund of funds --

1 A Yeah.  
2 Q -- type structure?  
3 A Yeah.  
4 Q So an underlying fund --  
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8 that's tier three rather than incur penalties?  
9 A Not necessarily. I don't know, and it doesn't  
10 necessarily make sense.  
11 Q Okay.  
12 BY MR. KING:  
13 Q Did you participate in a meeting with analysts in  
14 mid November last year in St. Thomas -- could have the island  
15 wrong -- St. Croix?  
16 A Actually --  
17 MR. SJOBLUM: What was the question?  
18 THE WITNESS: Actually, he's right. It is St.  
19 Thomas, and, no, I was not in that meeting. He asked there  
20 were -- did I participate -- or were I in a meeting in St.  
21 Thomas in November.  
22 I was not in that meeting. I was elsewhere. I  
23 don't recall now where I was.  
24 BY MR. KING:  
25 Q Did you participate in the meeting remotely?

1 A I dialed in for a quick conference call with the  
2 team. I did not stay on the line the entire time during that  
3 meeting.  
4 Q Okay.  
5 MR. SJOBLUM: When? November 2008?  
6 MR. KING: Yes. Mid November 2008.  
7 BY MR. KING:  
8 Q There was a trip to St. Thomas, right?  
9 A There was a trip to St. Thomas.  
10 Q What was the purpose of the trip to St. Thomas?  
11 A It was our mid quarter investment meeting.  
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12 Q Okay. Who went to the meeting?  
 13 A My -- A large quorum of my team. As to exactly who  
 14 was there, I would have to go back and check travel vouchers.  
 15 Q Okay. Was it mid November?  
 16 A Yes. You're correct. It was mid November. It was  
 17 around November 15th.  
 18 Q Okay. And you dialed in for some portion of the  
 19 meeting?  
 20 A Yes, I did.  
 21 Q Did this question that Mr. Korotash posed a moment  
 22 ago come up in the meeting, why not liquidate tier three  
 23 rather than tier two?  
 24 A That question has come up. Whether or not it was  
 25 at that precise time, I don't know.

1 Q How has it come up?  
 2 A No. That was a question that was asked. The  
 3 question is -- Well, what is your question? Did the question  
 4 come up during that meeting or has that question ever been  
 5 asked?  
 6 Q Well, I think you said you didn't remember whether  
 7 it happened at that meeting?  
 8 A Right. Has the question been asked? Yes.  
 9 Q By whom?  
 10 A One of my analysts. I don't remember which one.  
 11 Q What was your response?  
 12 A My response was tier two is the more liquid  
 13 portfolio, and that while there may be cash in tier three, it  
 14 was, most likely, already called for.

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19 BY MR. KING:  
 20 Q Let me do the question, then you'll do the answer,  
 21 okay, so we can be clear.  
 22 What was your reaction to Mr. Davis's statement  
 23 that tier three was private equity and real estate?  
 24 A I don't think I had a reaction. I had asked a  
 25 question and been given an answer.

1 BY MR. KOROTASH:  
 2 Q I'm sorry. What was the remark Mr. Davis made in  
 3 terms of -- you said -- was there a primarily here or what  
 4 percentage are we talking about?  
 5 A I did not ask percentages. I just asked what some  
 6 of the holdings of tier three were. I don't think it's all  
 7 -- I don't know that it's all inclusive, but the answer that  
 8 was given to me was that there were private equities and real  
 9 estate holdings in tier three.  
 10 BY MR. KING:  
 11 Q What percentage of tier three at year end -- or in,  
 12 let's say -- let's say in fourth quarter 2008 was in private  
 13 equity?  
 14 A I don't know.  
 15 BY MR. KOROTASH:  
 16 Q But you have the sense, obviously, there was a  
 17 significant percentage to the extent that you couldn't ask  
 18 him for -- to -- you told the analysts that that wasn't a  
 19 feasible idea to get money from tier three.  
 20 A I -- I was responding only to cash in the portfolio  
 21 of tier three. I was responding only to cash.

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15 Q Okay. Without knowing the assets that are in tier  
 16 three, how do you know that tier two is more liquid than tier  
 17 three?  
 18 A Because I had asked at a point in time -- I don't  
 19 remember the exact date -- what tier three assets were.  
 20 Q Who did you ask?  
 21 A Mr. Davis.  
 22 Q What did he say?  
 23 A He told me private equity and real estate.  
 24 BY MR. KELTNER:  
 25 Q And when was that?

1 A I just said I don't remember.  
 2 Q Five years ago? Six months ago?  
 3 A It would have been probably within the last three  
 4 to six months.  
 5 BY MR. KING:  
 6 Q Were you surprised to learn that tier three was in  
 7 private equity and real estate?  
 8 A I wouldn't say surprised.  
 9 MR. KELTNER:  
 10 Q Why do you laugh?  
 11 A Surprised is just a humorous term. I'm sorry.  
 12 BY MR. KING:  
 13 Q What was your reaction?  
 14 MR. SJOBLUM: There's been a lot of laughter in  
 15 here today, Tom. So --  
 16 BY MR. KING:  
 17 Q What was your reaction --  
 18 A I can quit if you would like.  
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22 BY MR. KING:  
 23 Q I want to -- I want to ask the question again  
 24 because I want to --  
 25 A Okay.

1 Q -- make sure we're on the same page.  
 2 What percentage of tier three was invested in  
 3 private equity in the fourth quarter of 2008?  
 4 A I do not know.  
 5 Q Did you ever have occasion to ask Mr. Davis what  
 6 percentage of tier three was private equity in the fourth  
 7 quarter of 2008?  
 8 A My recollection is no. I mean, it's -- My  
 9 recollection, as it is just a tier three or just in the  
 10 portfolio, how much is in private equity, I do not recall.  
 11 Q What percentage of the total portfolio was in  
 12 private equity during the fourth quarter of 2008?  
 13 A I don't know.  
 14 Q Were you ever asked by a financial advisor to  
 15 determine how much private equity was in tier three?  
 16 A Not that I recall.  
 17 BY MR. EDMUNDSON:  
 18 Q Do you know who manages the assets in tier three?  
 19 A I know it's overseen by the board of directors.  
 20 Q Including Jim Davis?  
 21 A Yes.  
 22 BY MR. KOROTASH:  
 23 Q Jim is on the board of directors or managing the  
 24 assets?  
 25 BY MR. EDMUNDSON:  
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1 Q My question was "managed."  
 2 A Oh, I'm sorry. I do not know that Mr. Davis is  
 3 actually managing tier three.  
 4 Q All right. Do you have an understanding of who  
 5 oversees the assets in tier three?  
 6 A It's overseen by the board of directors.  
 7 Q And your testimony here today is you don't know  
 8 what the assets of tier three are?  
 9 A That's correct.  
 10 MR. SJOBLUM: That's not what she said.  
 11 THE WITNESS: Well --  
 12 MR. KELTNER: New question.  
 13 MR. SJOBLUM: Wait a minute. That's a  
 14 mischaracterization.  
 15 MR. EDMUNDSON: Let me rephrase.  
 16 MR. SJOBLUM: She said she knew or was told there's  
 17 private equity and real estate.  
 18 MR. EDMUNDSON: Fair enough. I appreciate that.  
 19 That was a bad question.  
 20 THE WITNESS: Thank you.  
 21 BY MR. EDMUNDSON:  
 22 Q You don't oversee the assets in tier three?  
 23 A I do not oversee the assets in tier three.  
 24 Q And your testimony here today is with specificity  
 25 you don't know what the assets are in tier three at the

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5 report or in a previous agreement.  
 6 BY MR. KELTNER:  
 7 Q A private equity fund identified by name?  
 8 A Yes.  
 9 BY MR. EDMUNDSON:  
 10 Q If you wanted to have information regarding the  
 11 assets of tier three as the chief investment officer of  
 12 Stanford Financial Group, who would you go to?  
 13 A I would go to the board of directors.  
 14 Q And within the board of directors who would you go  
 15 to?  
 16 A Actually, if I wanted to know about tier three, I'd  
 17 probably go to all of them or I would, at minimum, go to the  
 18 investment committee.  
 19 Q Okay. And who would you ask on the investment  
 20 committee?  
 21 A I would ask Mr. Stanford and Mr. Davis.  
 22 Q Who would you ask on the board by name?  
 23 A I would ask Mr. Stanford and Mr. Davis.  
 24 BY MR. KING:  
 25 Q Okay. I hate to ask this question since it's a

1 good segue. We were talking about the investment committee  
 2 earlier.  
 3 You are aware that the bank has an investment  
 4 committee, correct?  
 5 A I am aware of that --  
 6 Q Who constitutes the bank's investment committee?  
 7 A I believe it to -- without referring back to that

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1 moment?  
 2 MR. SJOBLUM: No. That's not -- It's a  
 3 mischaracterization again. You're talking about percentages  
 4 or allocations. She said she's -- private equity and real  
 5 estate.  
 6 BY MR. EDMUNDSON:  
 7 Q Let me take each one of those.  
 8 A Okay.  
 9 Q I was -- I thought I could generalize it for  
 10 specificity. You don't know what the allocations are in tier  
 11 three, do you?  
 12 A I do not know what the allocations are in tier  
 13 three.  
 14 Q You don't know who the portfolio advisors are in  
 15 tier three, if any, are used at all?  
 16 A I do not know.  
 17 Q You don't even know that there are any assets in  
 18 tier three, do you?  
 19 A I do know they are assets in tier three.  
 20 Q How do you know that?  
 21 A I have been copied on some e-mails as it relates to  
 22 holdings in tier three.  
 23 Q What did those e-mails say?  
 24 A There's several e-mails. Some are talking about  
 25 drawdowns on cash for private equity investments. Actually,

1 all of them are discussing drawdowns or investments into  
 2 private equity.  
 3 In no case is it -- that I recall is it an initial  
 4 investment, so, generally, as agreed upon in a previous  
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8 list that you gave me earlier, I believe it to be Mr.  
 9 Stanford or Allen Stanford, Mr. Davis and O. Y. Goswick.  
 10 Q What's your basis for that belief?  
 11 A Gosh, years with Stanford. I mean, it's -- I don't  
 12 -- I don't recall where I was when I first got that  
 13 information, whether it was through a phone call, a question,  
 14 a meeting. I don't recall, but that is who I believe it to  
 15 be.  
 16 Q Who is O. Y. Goswick?  
 17 A He's a board member of Stanford International Bank.  
 18 Q What's his background?  
 19 A I do not know his background.  
 20 Q Where's he live?  
 21 A I think, Texas.  
 22 Q Have you ever made presentations to him as a member  
 23 of the investment committee?  
 24 MR. SJOBLUM: She's already testified she has.  
 25 MR. KOROTASH: That's off the record.

1 MR. SJOBLUM: No. No earlier today.  
 2 MR. KING: Okay. I forgot.  
 3 MR. SJOBLUM: As long as it's consistent.  
 4 THE WITNESS: I have not made a presentation solely  
 5 to the investment committee. I have made presentations to  
 6 the board of directors.  
 7 BY MR. KOROTASH:  
 8 Q Did Mr. Davis ever advise you in 2008 what the  
 9 percentage of -- of the bank's assets were comprised of real  
 10 estate and private equity?  
 11 A It is possible that we could have had that  
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