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12 conversation. As to percentages or even ballparks, I don't
13 really remember the conversation much less what the
14 percentages would have been.
15 MR. SJOBLUM: Just for clarification, you are
16 talking about tier three only or tier two -- put together
17 private equity and real estate?
18 BY MR. KOROTASH:
19 Q Either one.
20 A Tier three, no. No conversation has been known to
21 allocations.
22 Q Did he ever advise you in writing of the
23 percentage?
24 A Not that I recall.
25 Q Did you ever advise anyone else in the company what

1 the percentage of real estate and private equity amounted to?

2 MR. SJOBLUM: In tier three?
3 THE WITNESS: Tier three or overall?
4 BY MR. KOROTASH:
5 Q Either one.
6 A In the entire year of 2008 it is possible, but I
7 would assume out over all portfolio allocations.
8 MR. SJOBLUM: As a matter of fact, I think there
9 was a slide this morning that talked about overall. No?
10 THE WITNESS: No.
11 MR. SJOBLUM: SBIL allocations combined?
12 THE WITNESS: That would have been tier two only --
13 BY MR. EDMUNDSON:
14 Q That spreadsheet that we saw this morning was only
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19 T plus two to today?
20 MR. KELTNER: Right.
21 THE WITNESS: Tier three I can unequivocally say I
22 do not know.
23 BY MR. KELTNER:
24 Q Okay. You don't know tier three and you don't know
25 the total either, correct?

1 A It's possible that I could have been given total
2 numbers.
3 Q Okay.
4 A So it's very possible I could have had said, Okay.
5 Total cash for the portfolio is this. In fact, there's an
6 SIBG quarterly report if you look at the breakdown of the
7 pie. So, yes, obviously, at some time received overall
8 portfolio allocations.
9 As to how it was classified, for example, private
10 equity, is it classified as alternative? Is it classified as
11 equity? It could be classified either way.
12 So do I know exactly how much is in private equity?
13 No. To my knowledge, I do not know and I would have to go
14 back to past correspondence just to try to find it.
15 (SEC Exhibit No. 28 was marked for
16 identification.)
17 BY MR. KING:
18 Q Ms. Holt, let's look at Exhibit 28.
19 A Yeah. Okay.
20 Q You recognize Exhibit 28?
21 A I do.

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15 tier two.
16 A That's correct.
17 BY MR. KOROTASH:
18 Q So as you sit here now, do you have a -- do you
19 have sense during 2008 of what the overall -- overall
20 percentage was of real estate and private equity?
21 A I'm sorry.
22 Q Don't be sorry. I hate that.
23 A I would have to look.
24 Q A ballpark.
25 A I can't even give you a ballpark. I'm afraid if I

1 have you a ballpark, I would simply be misleading you.
2 BY MR. KELTNER:
3 Q Where would you look?
4 A I would have to look through my archive e-mails to
5 see if I ever sent out an e-mail that discussed parameters of
6 a portfolio or the investment -- can't think of the word I'm
7 looking for.
8 BY MR. KELTNER:
9 Q I think Steve's question may have been, sitting
10 here today, do you know what it was at year end.
11 MR. KOROTASH: Uh-huh.
12 BY MR. KELTNER:
13 Q Do you know what it was now? And so I was asking,
14 where would you have to look to get that answer?
15 A I would have to look at my e-mail or past meeting
16 notes to see if I had ever received it or written it down.
17 MR. SJOBLUM: You're asking about private equity
18 and real estate allocations in either T three stand alone or
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22 Q What is it?
23 A It's the Stanford International Bank quarterly
24 report.
25 (Interruption to proceedings.)

1 BY MR. KING:
2 Q What was your role in preparing Exhibit 28?
3 A I edited it.
4 Q Okay. Would that include the pie charts on page
5 four?
6 A I didn't -- The only thing I would have done as it
7 relates to the pie charts on page four is to add the numbers
8 to make sure they equal 100.
9 Q Okay. Who provided the data that makes up the pie
10 charts on page four?
11 A I received the pie charts from Mr. Davis. I am
12 assuming he received it from the board of directors.
13 Q You received it from Mr. Davis?
14 A I received it -- Actually, I believe it was
15 actually sent directly to my analyst. It did not go directly
16 to me, that I recall.
17 Q How does -- The pie charts here are --
18 A Uh-huh.
19 Q -- are aggregated tier one -- I mean -- excuse me
20 -- for all tiers, right?
21 A That's correct.
22 Q Tier one, tier two and tier three?
23 A Yes. That is correct.
24 Q Okay. So you have knowledge of tier two --
25 A Uh-huh.

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1 Q -- before you drafted this, correct?
 2 A Uh-huh. That's correct.
 3 Q And to do an aggregated report, you need knowledge
 4 of tiers one and three, right?
 5 A That's correct.
 6 Q But Mr. Davis doesn't send that information to you.
 7 You send tier two to him, correct?
 8 A That's correct.
 9 Q And how do you do that?
 10 A There's a compiled weekly report. So at the end of
 11 the quarter, Fred Palmidien would send to Mr. Davis the --
 12 like on this case -- the September 30th weekly report that
 13 would have all these breakdowns in it.
 14 Q You send it directly to Mr. Davis?
 15 A Yes. He sends it directly to Mr. Davis. Fred
 16 sends it directly to Mr. Davis.
 17 Q Okay. Looking here at page four --
 18 A Uh-huh.
 19 Q -- of Exhibit 28, let's look at the pie chart on
 20 the top left-hand corner, if you would.
 21 A Okay.
 22 Q And just do some definitions for me.
 23 A Okay.
 24 Q What is fixed income?
 25 A Fixed income investments, bonds, corporate bonds,

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5 liquidity any through tiers one, two or three.
 6 Q And equity, what's that?
 7 A It's any security listed or nonlisted.
 8 BY MR. EDMUNDSON:
 9 Q Common definition?
 10 A Common definition is any security listed or
 11 nonlisted.
 12 BY MR. KING:
 13 Q Okay. What's an example of the nonlisted
 14 securities?
 15 A It would be private equity. An individual private
 16 equity holding not a private equity fund, generally.
 17 Q Okay. So I thought you said that tier two is
 18 private equity was under alternative investments.
 19 A That's because tier two's private equity are in
 20 private equity funds.
 21 Q Okay. And --
 22 A And not individual holdings.
 23 Q Okay. How do you know that the private equities in
 24 the equity piece of this pie chart is different?
 25 A I don't. I said that's a general definition.

1 Q All right. So how do you know that private equity
 2 is included within equity?
 3 A I don't. I said it was a general definition. The
 4 general definition of equity is any security listed or
 5 nonlisted, any corporate security listed or nonlisted. So --
 6 BY MR. KELTNER:
 7 Q When you say --

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1 sovereign debt, could be convertibles.
 2 Q How do you know that?
 3 A That's just the definition of fixed income.
 4 Q It's a commonly used definition --
 5 A Yes.
 6 Q -- of fix income?
 7 A Uh-huh.
 8 Q Okay. What about alternative investments?
 9 A It would be noncorrelated instruments. It would
 10 include some private equity funds possibly in tier two. They
 11 could include some real estate. Generally, it's referring to
 12 alternative funds; long, short, global, macro, et cetera --
 13 MR. SJOBLUM: Global, macro.
 14 THE WITNESS: And it can also include futures
 15 options forwards.
 16 BY MR. KING:
 17 Q Okay. Now, how do you know that Mr. Davis's
 18 definition for alternative investments in tier three is the
 19 same as your definition of alternative investments in tier
 20 two?
 21 A I don't know.
 22 Q So that's dependent on Mr. Davis?
 23 A That's correct.
 24 Q Because he is the one pulling together the
 25 aggregated numbers?

1 A That's correct.
 2 Q What about cash equivalents? Is that tier one?
 3 A It would also certainly include tier two. I know
 4 we had -- we had cash in tier two. So it could include any
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8 A -- that's the general definition.
 9 Q When you say -- when you say individual private
 10 equity, do you mean private placements? You mean investments
 11 in individual companies?
 12 A Yes. I mean investments in individual companies as
 13 listed or nonlisted. In our case, obviously, nonlisted.
 14 BY MR. KING:
 15 Q Are you aware of anywhere that -- the bank
 16 discloses that the term "equity" includes these investments
 17 in individual companies?
 18 A I do not know.
 19 Q Now, are these -- So these are -- These investments
 20 -- Help me out here. I don't do private equity world.
 21 A Okay.
 22 Q These individual investments in private companies,
 23 it's -- it's nothing fancier than Stanford taking it's money,
 24 investing it in a company?
 25 A To my knowledge, that would be correct.

1 Q Okay. Are you aware of whether or not Stanford --
 2 Now, what are the terms of those agreements?
 3 A I do not know the terms of those agreements.
 4 Q Typically, have you ever seen one of these
 5 agreements?
 6 MR. SJOBLUM: Are you asking whether there's
 7 difference between a PPM or private placement memo?
 8 MR. KING: Yeah. I'm asking her if she's ever seen
 9 any of these agreements where --
 10 THE WITNESS: For Stanford International --
 11 BY MR. KING:

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12 Q Yes.
13 A -- Bank?
14 Q Yes.
15 A To my knowledge, I have not. Like I said earlier,
16 I have been copied on e-mails. I cannot say that they did
17 not include anywhere in there had I dug through the e-mail
18 any of those agreements, but they didn't relate to my
19 portfolio. I didn't bother going through them.
20 MR. SJOBLUM: "By agreements," are you talking
21 about the offering memorandums, the private placements? Is
22 that what you're asking about?
23 MR. KING: Yeah. I mean, if that's what she's --
24 BY MR. KING:
25 Q Are there -- Are there offering memorandums for

1 these investments?

2 A I don't know.

3 Q You've never seen one?

4 A To my knowledge, no. That's why I was saying, they
5 may be buried into one of these e-mails that I haven't
6 uncovered. So --

7 Q So how do you know that these are individual
8 investments in private companies rather than private equity
9 would better fit under alternative investments?

10 A I don't know. I stated that already.

11 Q That was Mr. Davis's decision to include it there,
12 correct?

13 A It would have been the board of directors. I
14 received the information from Jim, but I do not know -- Jim

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19 MR. KING: This is what happens. Let's talk to the
20 witness and we'll talk offline.
21 BY MR. KING:
22 Q The -- Do you recall in your -- having a meeting
23 with the analysts in mid December?
24 A I have numerous meetings with my analysts.
25 MR. SJOBLUM: Sorry?

1 THE WITNESS: I have numerous meetings with my
2 analysts. So --

3 BY MR. KING:

4 Q Okay.

5 A But, yeah, I'm sure I had a meeting with them in
6 mid December.

7 Q Okay. And remember back to Mr. Korotash's question
8 about why not liquidate --

9 A Uh-huh.

10 Q -- why not liquidate tier two. You said that --
11 that came up at some point. You weren't sure when --

12 A Yes.

13 Q -- correct?

14 A Yes. That is correct.

15 Q Do you recall telling the analysts that a big
16 portion of the bank's portfolio is invested in private equity
17 and real estate?

18 A I don't know that I've ever uttered the words "a
19 big portion." I could have said, a portion of the assets are
20 allocated. I could have -- I don't know what I said. I do
21 not recall saying "a big portion."

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15 Davis -- I do not know if that's something he did on his own
16 or if that were information given to him by the board of
17 directors.
18 Q would -- How would you characterize the liquidity
19 of these investments in individual companies?
20 A I don't know. I'd have to know the individual
21 companies.
22 MR. SJOBLUM: At what point in time?
23 THE WITNESS: Yes. Absolutely. The point in time
24 would make a huge difference.
25 BY MR. KING:

1 Q Okay. What's your understanding of when private
2 equity became part of the tier three asset allocation?

3 A You know, I honestly do not know when private
4 equity became part.

5 Q Do you recall telling Mr. Palmliden that tier three
6 had moved to private equity and real estate in recent years?

7 A I don't recall saying that it had moved. I know I
8 possibly said that it has held private equity and real estate
9 in recent years.

10 MR. SJOBLUM: May I interject? Since I sat in on
11 the interview with Mr. Palmliden, that's not what he said.
12 He said that in recent years it may have been more or an
13 increase, not that it moved from one to the other. That's
14 not what he told the SEC examination person if that's where
15 you're getting that information. That was like four or five
16 days ago.

17 MR. KELTNER: Do you have notes to that effect?

18 MR. SJOBLUM: I will find out.
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22 BY MR. KELTNER:
23 Q Anything like that?
24 A I would have said that there were funds allocated
25 toward private equity and real estate.

1 MR. SJOBLUM: When was this meeting?

2 THE WITNESS: In mid December.

3 MR. SJOBLUM: December of 2008?

4 THE WITNESS: Yes.

5 BY MR. KING:

6 Q Do you recall saying at that meeting that only a
7 small percentage of the tier three assets were invested in
8 equities?

9 A It is possible that I could have said that, yes.

10 Q How did you know that?

11 A It was really more of an assumption from a
12 conversation with Mr. Davis.

13 BY MR. KOROTASH:

14 Q When was that conversation?

15 A Mid December.

16 Q And where did that conversation take place?

17 A I believe in Tupelo.

18 Q Okay. Was it just you and Mr. Davis?

19 A Actually, it was more of a passing meeting.

20 Q Okay. Hallway meeting?

21 A Yeah.

22 Q What was it that he said that caused you to infer
23 that only a small percentage of assets were in equities?

24 A I don't recall exactly.

25 Q Was it something like only a small percentage of
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1 the assets are in equities?
2 A No, I do not believe that is the case.
3 Q Well, you drew that conclusion. What did he say?
4 A I really --
5 Q Think hard on this one because, obviously, you draw
6 that conclusion from a conversation with Mr. Davis.
7 MR. SJOBLUM: Well, let me just interject.
8 MR. KOROTASH: That's okay. She's okay. She's
9 thinking.
10 MR. SJOBLUM: Is that your word "small" or --
11 THE WITNESS: I do not --
12 MR. SJOBLUM: -- is that Mr. Korotash's word?
13 THE WITNESS: I don't recall --
14 MR. KOROTASH: Those were her words just a minute
15 ago.
16 THE WITNESS: I don't recall saying a small
17 allocation to equity. I said I possibly could have said it.
18 I do not recall saying it. I do recall saying that a portion
19 of tier three was in private equity and real estate.
20 BY MR. KELTNER:
21 Q He gave no sense as to what the -- allocation was?
22 MR. SJOBLUM: Sorry?
23 THE WITNESS: I do not recall giving --
24 BY MR. KELTNER:
25 Q When she talked to the analysts, did she convey

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5 A To the best of my recollection, it was: Why are
6 we -- is there no cash in tier three to pull rather than
7 liquidating tier two. The question was not whether or not to
8 liquidate tier three.
9 And my response is: There may be cash in tier
10 three, but if they are private equity holdings, you would
11 have to assume the cash there is already spoken for, that you
12 would be breaking commitments if you moved that cash.
13 Q And how did you know that?
14 A It was an assumption on the fact that there is
15 private equity in tier three.
16 Q But you don't know how much?
17 A I do not know how much.
18 Q So how do you make that assumption without knowing
19 how much private equity is in tier three?
20 A It's just a valid -- just a valid assumption that
21 if I'm liquidating assets over here -- if I had cash over
22 here that could be committed to liquidity, I would have
23 already moved it.
24 Q Would you consider private equity a marketable
25 security?

1 A When?
2 Q Today.
3 A Today? Probably not.
4 Q During the fourth quarter of 2008, would you have
5 considered private equity to be a marketable security?
6 A Let me rephrase. It's always a marketable
7 security. Is it a highly liquid security? So is it highly

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1 anything about the relative size of the private equity and
2 real estate?
3 A I do not recall. I mean, I don't mean to -- I'm
4 not trying to mislead you, but do you--all understand how many
5 meetings I hold and how many words are spoken to ask me to
6 remember exactly what I said on a specific date is almost
7 humanly impossible to remember my exact words. I'm sorry. I
8 cannot recall.
9 MR. KOROTASH: Let's go off the record for a
10 second.
11 (A discussion was held off the record.)
12 MR. KING: We're back on the record. It's 4:25.
13 BY MR. KING:
14 Q You had a meeting with analysts in mid December
15 2008, correct?
16 A Yes.
17 Q Do you recall saying at that meeting that only a
18 small percentage of tier three was in equities?
19 A I do not recall saying that only a small percentage
20 were in equities, publicly-traded equities.
21 Q The question that Mr. Korotash asked earlier
22 about -- and that was ultimately posed by the -- your
23 analysts as well was: Why not liquidate tier three rather
24 than tier two because it's a bigger portion of the assets,
25 correct?

1 A That was not the question that --
2 Q What was the question?
3 A -- my analysts asked me.
4 Q What was the question your analysts asked you?
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8 -- Is that your question? Is it highly liquid or is it
9 marketable? Those are very different questions.
10 Q What's the difference between being highly liquid
11 and marketable?
12 A "Marketable" means there exists a market on which I
13 could liquidate it. "Liquid" means how difficult is it to
14 convert the holdings into cash.
15 Q Okay. Now, we've talked about highly liquid and
16 marketable.
17 A Correct.
18 Q Now, what about highly marketable?
19 A That's also an issue. Highly marketable is going
20 to depend on how large the market is that would purchase
21 the -- that would purchase the holding regardless of how much
22 they were willing to pay for it.
23 Q Okay. Highly marketable. Is private equity highly
24 marketable today?
25 A Today? I would say is not highly marketable today.

1 Q In the fourth quarter of 2008, was private equity
2 highly marketable?
3 A I think it could have been.
4 Q How so?
5 A Private equity was getting cheap. Cash balances on
6 corporate balance sheets was very high. Tobin's Q ratio is
7 currently at a negative, meaning that it's currently cheaper
8 to go out and buy a company than to buy its assets and
9 replicate its business model.
10 So, actually, given Tobin's Q ratio for the fourth
11 quarter of 2008 Tobin's Q ratio thus far, the first quarter
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12 of 2009, and given the amount of cash, there's what, an 86
13 percent jump of cash to market cap. So given the high levels
14 of cash, the Tobin's Q ratio, I would say, it is potentially
15 highly marketable -- so I'm going to change my answer -- for
16 fourth quarter and first quarter just based on research.

17 Q Okay. Was it highly liquid in the first -- or just
18 say today?

19 A It is only as liquid as corporations are to release
20 the cash on their balance sheets. So given the amount of
21 cash on balance sheets, it could be liquid.

22 Q But not highly liquid?

23 A But not highly liquid, but it depends on how much
24 they're willing to pay for it.

25 Q Okay. Would private equity have been highly liquid

1 in the fourth quarter of 2008?

2 A I would assume again that it would have been liquid
3 because, again, it depends on how much people are willing to
4 pay for it. And, keep in mind, liquidity is converting it to
5 cash. So when you're converting it to cash, then it's
6 dependent on how much people are willing to pay for it, not
7 whether or not it's marketable.

8 BY MR. KELTNER:

9 Q Trying to see if I understand you. Are you saying
10 that -- if you reach the right price, it's liquid? In other
11 words, if they're willing to take a big enough hair cut it
12 becomes liquid?

13 A Absolutely.

14 Q Okay. So it's not --

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19 new investors.

20 Going to also depend on whether they had
21 incorporated a secondary market in which one -- a current
22 investor could sell to an investor in a secondary market for
23 that fund.

24 So it's going to certainly be different for a
25 private equity fund versus an individual investment that

1 required -- regardless of either you're going to have capital
2 commitments on the table.

3 MR. SJOBLUM: Can we go off the record for a
4 second, please?

5 MR. KOROTASH: Yes.

6 (A discussion was held off the record.)

7 MR. KING: Let's go back on the record. It's 4:40.

8 BY MR. KELTNER:

9 Q Just real quickly to tie up --

10 A Yeah.

11 Q -- what we've been talking about before this. To
12 liquid a private equity fund interest, what do you need?

13 A I need a secondary market.

14 Q Okay. Do you also need the consent of the general
15 partner, typically?

16 A Generally, yes.

17 Q Because the private equity fund agreement typically
18 doesn't provide for redemptions actually, correct?

19 A I don't know. I think that's dependent on the
20 private equity fund.

21 Q But, typically, it's been your experience that you

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15 A I mean, that's not necessarily what I'm saying, but
16 your -- your answer to the question is also accurate.

17 Q Okay. And so, again, to clarify this discussion
18 that you had just with Mr. King about private equity. Are
19 you talking about individual companies or private equity
20 funds?

21 A I'm talking about individual companies at this
22 price. Private equity funds are --

(Interruption in proceedings.)

24 THE WITNESS: Sorry. That was not intentional.

25 Private equity funds --

1 MR. KING: Let's go off the record for a minute.
2 (A brief recess was taken.)

3 BY MR. KELTNER:

4 Q Okay. We had a brief recess to clean up a spill.
5 Before we took the recess, we were talking about the
6 different -- the conversation you just had with Mr. King --

7 A Uh-huh.

8 Q -- and I think we, you know, cleared up that you
9 were talking about private equity in individual companies?

10 A Yes.

11 Q Okay.

12 A That is correct.

13 Q Okay. And you were starting to draw a distinction
14 between that and private equity funds.

15 A A private equity fund is going to be a number of
16 investors who have made commitments to a select group of
17 individual private equity. Given to how funds are
18 structured, depends on whether or not they could open that to
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22 need the consent of a general partner?

23 A Typically. That is correct.

24 Q Okay. And earlier we were talking about selling
25 your -- SIB's interest in private companies?

1 A Yes.

2 Q What's involved -- what do you need to do to sell
3 your interest in private companies --

4 A As I just mentioned, you would go to the market in
5 private equities. You would put your holdings out and see if
6 a corporation is willing to pay for it --

7 Q How do you --

8 A -- or how much.

9 Q How do you put your holdings out?

10 A I'm not a private equity specialist.

11 Q Have you had occasion to liquid under the private
12 company tier two?

13 A Have I? I don't have any individual holdings in
14 private equity or tier two.

15 Q It's all private equity funds?

16 A Yes. That is correct.

BY MR. KING:

18 Q Okay. Talking about tier three --

BY MR. KOROTASH:

20 Q While Michael's working up that question, let me
21 ask you: You've got about 15 to 20 hours --

22 A Yes.

23 Q -- one of the responsibilities is to sort of
24 monitor the folks that manage the money, mostly overseas, but
25 some in the United States --

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1 A Of tier two. Correct.
2 Q Of tier two. They sort of keep track of things;
3 they compile monthly reports, that type of thing?
4 A Yes.
5 Q How many people does Mr. Davis have working for him
6 doing that same thing, defining that analyst oversight
7 function?
8 A I have no idea.
9 Q Do you know of any?
10 A Anybody who is named specifically to do that? No.
11 Q For tier three?
12 A I don't know.
13 Q Does that strike you a little strange?
14 A No.
15 MR. SJOBLUM: Strike what as strange?
16 The WITNESS: Does it strike me as strange that he
17 does not have individual analysts overseeing tier three?
18 BY MR. KOROTASH:
19 Q Uh-huh.
20 A Is that your question?
21 Q Yeah. You've got 20 for tier two, don't you?
22 A That's not all they do.
23 Q That's right. But they do do that. They do have
24 an oversight function.
25 A But when I first started, I did it all myself.

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5 A I never bothered to ask.
6 Q You're not even interested in what's in tier three;
7 is that right?
8 A I have asked and I think that shows interest.
9 Q And what did he say?
10 A At the last meeting was there were private equity
11 and real estate holdings.
12 BY MR. KELTNER:
13 Q Did you ever ask if you could help oversee tier
14 three?
15 A No. My hands are -- It may not sound like it by
16 the list I gave you, but my hands are really full in other
17 areas. I don't need to oversee tier three just to have
18 something else to do.
19 Q So you and your team have your hands full with tier
20 two?
21 A We do so much more than monitor tier two. The
22 powerpoint that I showed you today, SIM, takes hours and
23 hours and weeks and days of research. I could double my
24 staff and we would still be overworked in terms of research.
25 This is something that takes a portion of a day to
1 compile reports. That is a minor, minor portion of what my
2 analysts' time is spent doing. The last thing I need to do
3 is increase their workload by incorporating tier three.
4 My team -- Just to finish answering the question,
5 my team was never increased because of tier two.
6 BY MR. KOROTASH:
7 Q That wasn't my implication.

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1 Q But then they started to grow?
2 A But not to oversee tier two.
3 Q What's that?
4 A But not to oversee tier two.
5 Q But tier three is how much bigger? We established
6 that already, haven't we?
7 A Let's separate the question. Did I grow my team to
8 oversee tier two?
9 Q Not to grow your team. You grew tier two?
10 A Those things were completely separate occasions.
11 In fact, my team didn't start even looking at tier two until
12 probably 2004.
13 Q You have any idea -- Do you have any idea at all if
14 anyone helps Mr. Davis with tier three?
15 A I do not, no. I have no idea.
16 Q You guys office, basically, next to each other for
17 the most part and you've never said to him, Hey, who manages
18 this monster over here, tier three?
19 A No. In all sincerity --
20 Q Yeah.
21 A -- my job doesn't really have anything to do with
22 the bank except for what it is for tier two.
23 Q Yeah. You're managing -- You're managing a good
24 portion of its money --
25 A I'm not managing. I'm --

1 MR. SJOBLUM: So the answer to his question is no.
2 THE WITNESS: That is right.
3 BY MR. KOROTASH:
4 Q You've never bothered to ask?
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8 A It was increased to carry out research functions.
9 BY MR. EDMUNDSON:
10 Q We looked at, I believe it was, Exhibit 28 earlier,
11 and there was a snapshot in time for the bank products. The
12 total assets of the bank as of 9-30-08 were basically 8.5
13 billion dollars.
14 A 9-30-08?
15 Q 9-30-08?
16 A Okay.
17 Q What is the last report that you've received about
18 the current total assets of the bank?
19 A It would have been the December 30th report --
20 December 31st report that I received from --
21 Q I didn't know if it was on that spreadsheet earlier
22 today --
23 A Oh, I'm sorry.
24 Q -- but do you know what the total assets of the
25 bank are at the last report that you've seen internally?

1 A The last report that I've seen internally is the
2 monthly report that I was given a copy of.
3 Q And that is for December or January?
4 A I believe that is as of December.
5 MR. SJOBLUM: Also, are you asking about --
6 MR. EDMUNDSON: Yeah. Let me be clear. I want to
7 know what the total assets of bank are now.
8 MR. SJOBLUM: No. I got you, but are you talking
9 about a consolidated basis or are you talking about --
10 MR. EDMUNDSON: Well, let me --
11 THE WITNESS: Total assets?
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12 MR. EDMUNDSON: Yeah. Total assets of SIB --
13 BY MR. KELTNER:
14 Q A minute ago when you said the last monthly report
15 you had seen --
16 A This is the last monthly report that I have seen --
17 MR. SJOBLUM: Hold it, guys. One at a time.
18 THE WITNESS: Exhibit 27.
19 BY MR. EDMUNDSON:
20 Q All right. And what's the date on that?
21 MR. SJOBLUM: Now, he's got a quarterly report.
22 THE WITNESS: This is December 2008.
23 BY MR. EDMUNDSON:
24 Q Got it.
25 BY MR. KING:

1 Q What safeguards are there with respect to the
2 assets in tier three?
3 A I don't know. I can state it as many ways as you
4 would like me to. I don't know about tier three, other than
5 what I've already shared with you in about 20 different ways.
6 Q Have you ever participated in any kind of audit for
7 the bank's portfolio of assets?
8 A No. Any audit for SIBL would have been done at the
9 bank.
10 Q And that would have been done by whom?
11 A Internal as well as external audit.
12 Q Okay. Who is external audit?
13 A CAS Hewlett & Company.
14 Q Who is the principal at CAS Hewlett?

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19 Q If there's anybody really there?
20 A No. Good God. Of course, there's people there.
21 Q Good.
22 A I hope you're being sarcastic --
23 MR. SJOBLUM: of course he is.
24 THE WITNESS: -- there's a chartered and certified
25 accounting firm out of the London and approved by the ETC

1 group.
2 BY MR. EDMUNDSON:
3 Q Have you ever met anybody else other than Hewlett
4 from this firm?
5 A Yes, I have.
6 Q How many people have you met?
7 A I have met three people from --
8 Q And was that within the last couple of years?
9 A Yes.
10 Q But that was not in connection with audit work that
11 they were doing?
12 A I don't know. They were at the bank when I met
13 them on one of my visits. It was a, oh, hi, Laura. This is
14 so and so and so and so from CAS Hewlett. I'm horrible with
15 names, so, please, don't ask me to remember those.
16 BY MR. KING:
17 Q If Stanford International Bank told investors that
18 the bank's portfolio of assets were overseen by a network of
19 financial advisors, would that be accurate?
20 A To my knowledge, yes, that would be accurate.
21 Q Now, when you say "to my knowledge," why do you say

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15 A It was Mr. Hewlett.
16 Q Why do you say "was"?
17 A Because he recently passed away.
18 Q Who is it now?
19 A I don't know.
20 Q What was your interaction with Mr. Hewlett?
21 A I had no interaction with Mr. Hewlett.
22 BY MR. EDMUNDSON:
23 Q Did you ever meet him?
24 A I had met him once.
25 Q When?

1 A Two, three years ago in Antigua.
2 BY MR. KING:
3 Q What role do you play in external audit?
4 A I do not play any role in external audit, other
5 than -- I do, as I said earlier. I reconcile at the end. I
6 make a listing from December 31st all of our holdings by
7 country, by currency, by advisor and by type of holding in a
8 spreadsheet and then I make sure that that spreadsheet
9 reconciles back to 12/31 numbers, and then I turn in that
10 information to accounting. And whether or not that's used in
11 audit, I'm not sure, but it is certainly provided.
12 Q Who in accounting do you give it to you?
13 A I gave it to SIBL's accountant. I'm sorry. His
14 name has completely slipped my mind.
15 BY MR. KOROTASH:
16 Q Who's the new auditor?
17 A I don't know his name. I don't know who -- It's
18 still CAS Hewlett & Company. As to who --

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22 to your knowledge? Is it accurate or is it not accurate?
23 A I don't know. I just see one tier of the
24 portfolio. So if somebody told me that, to my knowledge of
25 SIBL's portfolio, that is accurate.

1 MR. SJOBLUM: You're referring to the portfolio
2 managers around the world. A net -- what is that crazy -- a
3 network of what.
4 BY MR. KING:
5 Q A global network of financial advisors managed the
6 portfolio. Is that true or false?
7 A That's correct.
8 Q As to tier two?
9 A Yes.
10 Q That's the only thing you know about?
11 A That's correct.
12 Q You don't know if there's a global network of
13 financial advisors that manage tier three?
14 A I do not know.
15 BY MR. KELTNER:
16 Q Would it be accurate or inaccurate to say your team
17 of analysts in Memphis oversees all the bank assets?
18 A That is a horrible inaccurate statement.
19 MR. SJOBLUM: Horribly inaccurate?
20 THE WITNESS: Inaccurate. My team sees only tier
21 two.
22 BY MR. KELTNER:
23 Q And you're crystal clear on that, right?
24 A I am absolutely 100 percent crystal clear on that
25 one statement.

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1 BY MR. KING:
2 Q Okay. I want to hit a couple of issues since we're
3 short on time. What was your involvement with the Stanford
4 allocations strategies program?
5 A They were given -- They were given the SIM
6 parameters just like everybody else. Outside of that, I
7 really didn't have any dealing with them.
8 Q Okay. Did you supervise Mr. Parish?
9 A No.
10 Q So if Mr. Parish says there was a dotted line to
11 you as far as his supervisor, that would be inaccurate in
12 your view?
13 A That is not accurate.
14 Q Did you ever become aware that there were certain
15 reporting problems with regard to SAS, historical reporting
16 of its results?
17 A I don't have dealings with SAS, no. My only
18 dealing with SCM would be to provide them research.
19 Q You said SAS? -
20 A Any of Stanford capital management, which SAS is a
21 product. My only interaction is to provide research.
22 Q So you were never notified of any performance
23 reporting or problems with regard to SAS?
24 A To the best of my recollection, no.
25 Q Okay. I want to show you one other thing here.

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5 A I do see that.
6 Q How is that possible?
7 A Well, two things. First of all, as I stated, my
8 start date with Stanford was June 2nd of '97. So I have no
9 idea how the portfolio was managed during those two years.
10 From a mathematic standpoint, just looking at it,
11 the only way I can see it would have been possible -- there
12 are several ways. Certainly, set returns. So when I say if
13 had this return, regardless, I'm taking my profit or if you
14 were doing -- or if you were clipping coupons off of fixed
15 income.
16 And in '95 and '96 it would have been possible to
17 have clipped pretty high coupons, and that's only way it
18 would have been possible.
19 Q Do you see that as a likely outcome to manage down
20 to the 100th of a decimal place as a mathematician?
21 A As a mathematician --
22 MR. SJOBLUM: I think she already answered the
23 question. She just said from a mathematician standpoint.
24 She answered it.
25 THE WITNESS: Yeah. It is possible.

1 BY MR. KING:
2 Q The question was: Is it likely?
3 A Likely? No. Possible? Yes.
4 Q Okay. As a mathematician, how would you
5 characterize the odds roughly of managing a portfolio out to
6 the 100th of a decimal place?
7 A I would say improbable.

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1 A Okay.
2 Q I'm just going --
3 A Okay.
4 MR. SJOBLUM: I got to go.
5 BY MR. KING:
6 Q All right. Let's look at Exhibit 8 real quick.
7 A Okay.
8 Q Do you recognize Exhibit 8?
9 A Yes.
10 Q What is it?
11 A It is a ten-year investment portfolio performance.
12 So it's the portfolio performance of the overall Stanford
13 International Bank portfolio.
14 Q Does Exhibit 8 have a disclaimer at the bottom?
15 A Yes. I --
16 Q And would the disclaimer be something that would
17 typically be included on an internal or external document?
18 A Generally, external.
19 Q Okay. Now, I'd like to direct your attention to
20 two years here.
21 A Okay.
22 Q 1995 and 1996.
23 A Yes.
24 Q You see those two years?
25 A I do.

1 Q It looks like Stanford International Bank --
2 A Uh-huh.
3 Q -- managed those years to the 100th of a place,
4 15.71. Do you see that?
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8 Q Improbable?
9 A (Nodding.)
10 BY MR. KELTNER:
11 Q Were you ever asked to explain that anomaly to
12 anyone?
13 A No.
14 Q Did you ever hear an explanation?
15 A No.
16 MR. SJOBLUM: Okay. Mr. King, I got to go.
17 MR. KOROTASH: Okay. We're leaving the record
18 open.
19 MR. KING: Let's go off the record.
20 (whereupon, at 4:55 p.m., the examination was
21 adjourned.)

PROOFREADER'S CERTIFICATE

1
2
3 In the Matter of: STANFORD GROUP COMPANY
4 Witness: Laura Pendergest-Holt
5 File Number: FW-02973-A
6 Date: Tuesday, February 10, 2009
7 Location: Fort Worth, Texas

8
9
10 This is to certify that I, Donna Raya, (the
11 undersigned), do hereby swear and affirm that the attached
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12 proceedings before the U.S. Securities and Exchange
13 Commission were held according to the record and that this is
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15 been compared to the reporting or recording accomplished at
16 the hearing.
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1 U.S. SECURITIES AND EXCHANGE COMMISSION
2 REPORTER'S CERTIFICATE
3 I, Jacci Walker, reporter, hereby certify that the
4 foregoing transcript consisting of 166 pages is a complete,
5 true, and accurate transcript of the testimony indicated,
6 held on February 10, 2009, Securities and Exchange
7 Commission, 801 Cherry Street, 11th Floor, Room A, Fort
8 Worth, Texas. In the Matter of: STANFORD GROUP COMPANY.
9 I further certify that this proceeding was recorded
10 by me, and that the foregoing transcript has been prepared
11 under my direction.
12 Date: _____
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14 Official Reporter
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