

## Stanford Attorney Quits Following CIO's Testimony

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Facing five representatives of the U.S. Securities and Exchange Commission's Division of Enforcement, the chief investment officer of the Stanford Financial Group family of companies – a woman with close ties to Memphis – raised her right hand.

It was a little after 1 p.m. Tuesday Feb. 10, in the SEC's office in Fort Worth, Texas. After being put under oath, SEC branch chief [Michael King](#) asked Stanford's chief investment officer Laura Pendergest-Holt to spell her name for the record.

Exactly one week later – the following Tuesday – the SEC raided Stanford offices in multiple cities, including the company's plush East Memphis digs in The Crescent Center. The agency charged Pendergest-Holt, along with chief financial officer [James Davis](#) and Chairman R. Allen Stanford with “a fraud of shocking magnitude” that involved defrauding and luring investors with inflated claims about the company's products including its certificates of deposit.

### Eyes on Texas

The timing of the SEC's movement against Stanford is related to what happened in that Fort Worth office Feb. 10 – possibly in more ways than one.

For almost four hours, the SEC officials quizzed Pendergest-Holt, who in 2006 was named to the Memphis Business Journal's Top 40 under 40, a ranking that honors the area's local business leaders. In the room with her was Thomas Sjoblom, an attorney with the international law firm [Proskauer Rose LLP](#) who represented the Stanford company.

Whether the testimony he heard Pendergest-Holt give that day influenced an action he took the next day is unclear. But with little explanation, Sjoblom officially quit representing Stanford Financial's affiliated companies the day after Pendergest-Holt's testimony, according to court records the SEC filed last week along with its complaint against Stanford.

Before entering private practice, Sjoblom had worked for the SEC for 20 years. From 1987 to 1999, he was an assistant chief litigation counsel in the SEC's Division of Enforcement – the same division of the agency whose representatives were peppering Pendergest-Holt with questions Feb. 10.

After she was put under oath, Sjoblom immediately got down to business.

Pre-empting the SEC officials, according to a transcript of the day's testimony, he asked: “First of all, has there been a criminal referral in this matter?”

King told him that he and his client had been provided with an SEC Form 1662. Among other things, that form reads, “The commission often makes its files available to other governmental agencies, particularly United States Attorneys and state prosecutors. There is a likelihood that information supplied by you will be made available to such agencies where appropriate.”

At press time, criminal charges had not yet been filed against the three executives who were the subject of SEC civil charges last week.

Sjoblom followed that up with another question about whether the SEC is currently working with the U.S. Attorney's office in the Northern District of Texas or elsewhere.

"Mr. Sjoblom, I just referred you to SEC Form 1662," King replied.

## **Objections**

Sjoblom pressed on. Before Pendergest-Holt began her testimony, he brought up a question of whether the SEC had authority to probe matters related to Stanford's banking arm, which operates on the Caribbean island of Antigua.

The SEC complaint alleges that most of the bank's investment portfolio was purportedly monitored from Memphis.

"OK," Sjoblom said. "Next, before you start asking questions ... there's certainly an issue here whether or not the certificates of deposit are securities. So I have an objection to the purported jurisdiction of the SEC over this instrument.

"Secondly, it's my view that the bank is located – that's [Stanford International Bank](#) – is located outside the jurisdiction of the United States and there is no jurisdiction by the SEC over that bank and its product lines and, hence, over the information that, I'm sure, you're going to seek to elicit today."

Nevertheless, the testimony proceeded. The line of questioning from the SEC officials focused on filling in both personal and professional details about Pendergest-Holt.

They learned, for example, that she was about 23 years old when she joined Stanford in June 1997. They also learned enough to allege in their complaint that she trained employees below her to mislead investors.

The SEC's complaint says Pendergest-Holt supervised "a group of analysts in Memphis, Tupelo and St. Croix, (U.S. Virgin Islands)."

## **Cutting ties**

The Stanford lawyer in the room while Pendergest-Holt gave her testimony, however, soon removed himself from the picture. He gave notice to the SEC Feb. 11, the day after her testimony, that his firm was no longer Stanford's counsel.

He followed that up with a Feb. 12 fax to [Kevin Edmundson](#), the assistant regional director in the SEC's Fort Worth office, and left a voice mail message for him the next evening.

Finally, Sjoblom typed a note on his BlackBerry to Edmundson a little after 4 p.m. Saturday, Feb. 14. It read: "Kevin, this will advise the SEC, and confirm my voice message last evening, that I disaffirm all prior oral and written representations made by me and my associates ... to the SEC staff regarding Stanford Financial Group and its affiliates."

Three days later, the SEC swung into action, charging the Stanford officials with what [Rose Romero](#), regional director of the SEC's Fort Worth Regional Office, called a "fraud of shocking magnitude that has spread its tentacles throughout the world."