

United States District Court
Northern District of Texas

NORTHERN DISTRICT OF TEXAS
FILED
FEB 24 2009
CLERK, U.S. DISTRICT COURT
BY
DEPUTY

UNITED STATES OF AMERICA

v.

CRIMINAL COMPLAINT

LAURA PENDERGEST-HOLT

H-09-140m
CASE NO.: 3-09/MJ- 56 mm 2-22-09

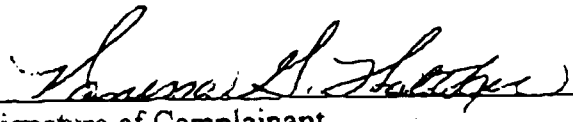
I, the undersigned complainant, being duly sworn state the following is true and correct to the best of my knowledge and belief. From on or about January 20, 2009 through on or about February 18, 2009, in Dallas County, in the Northern District of Texas and elsewhere, the defendant, a citizen of the United States, did

obstruct a proceeding before an agency of the United States, that is, the Securities and Exchange Commission (SEC),

in violation 18 U.S.C. § 1505.

I further state that I am a Special Agent with Federal Bureau of Investigation (FBI), and that this Complaint is based on the following facts:

See attached Affidavit of Special Agent Vanessa G. Walther, FBI, which is incorporated and made a part hereof by reference.



Signature of Complainant
VANESSA G. WALTHER, Special Agent - FBI

Sworn to before me and subscribed in my presence this 25 day of February 2009, at Dallas, Texas.

Wm. F. SANDERSON, JR.
UNITED STATES MAGISTRATE JUDGE
Name & Title of Judicial Officer



Signature of Judicial Official

STATE OF TEXAS)
)
COUNTY OF DALLAS)

AFFIDAVIT

I, Vanessa G. Walther, being duly sworn, depose and state as follows:

I. Introduction

1. This affidavit is submitted in support of a complaint charging LAURA PENDERGEST-HOLT ("PENDERGEST-HOLT") with obstruction of a proceeding before an agency of the United States, this is, the Securities and Exchange Commission ("SEC"), in violation of 18 U.S.C. §1505.

II. Affiants Background and Experience

2. I have been a Special Agent with the Federal Bureau of Investigation ("FBI") for 14 years. I have been a case agent on numerous white collar investigations to include high yield investment fraud schemes, securities and commodities fraud schemes, and other wire fraud and mail fraud schemes.

III. The Investigation

3. Since June of 2008, I and others on behalf of the FBI, Special Agents with the Internal Revenue Service ("IRS") Criminal Investigations, and Postal Inspectors from the United States Postal Inspection Service ("USPIS"), have been conducting an investigation into allegations that executives of Stanford Financial Group ("SFG"), by and through companies under their control, including, but not limited to, Stanford International Bank Ltd. ("SIB") and its affiliated Houston-based investment advisors, Stanford Group Company ("SGC") and Stanford

Capital Management ("SCM"), have defrauded investors and account holders of more than \$8 billion in deposits. We have been conducting this investigation parallel to an investigation being conducted by the Securities and Exchange Commission ("SEC") Regional Office in Ft. Worth, Texas. I am also investigating related schemes aimed at obstructing federal regulatory entities.

4. The information contained in this affidavit is based upon information I have gathered during the course of my investigation, including, but not limited to, interviews of past and current employees of SFG, SIB and other related entities, interviews with various regulators, and a review of documents and electronic media obtained by me, as well as documents obtained from the SEC and other federal and state agencies, including transcripts of sworn testimony before the SEC. This affidavit does not include all of the facts I have learned during the course of the investigation, but only sufficient facts to establish probable cause for the crimes set forth herein.

IV. Background of the SFG Entities and Certain Executives

5. SIB is a private, offshore bank that purports to have an independent Board of Directors, an Investment Committee, a Chief Investment Officer, and a team of research analysts. Although SIB is domiciled in Antigua-Barbuda, a small group of SFG employees maintain offices in Memphis, Tennessee, Tupelo, Mississippi, Miami, Florida, Houston, Texas, and elsewhere.

6. SIB's primary product is a certificate of deposit ("CD"). SIB, by and through SGC financial advisors, has sold approximately \$8 billion worth of their CD's by promising high return rates that exceed those available through true certificate of deposits offered by traditional banks. SIB offered 7.45% as of June 5, 2005, and 7.878% as of March 20, 2006, for a fixed rate

CD based on an investment of \$100,000. On November 28, 2008, SIB quoted 5.375% on a 3 year CD, while CD's offered by U.S. banks paid under 3.2%, and SIB has recently quoted rates of over 10% on five year CD's. In addition, over the past 15 years, SFG claims in promotional materials that its "diversified portfolio of investments," which served as the conduit for concealing the alleged fraud on investors, produced returns significantly better than the S&P 500. By way of example, SFG reported losses of only 1.3% in 2008, a time during which the S&P 500 lost 39% and the Dow Jones STOXX Europe 500 Fund lost 41%.

7. In order to facilitate the sale of SIB CD's, SGC recruited established financial advisors, and the advisors, in turn, brought with them investors with whom they had relationships of trust. Financial advisors at SGC received a 1% commission upon the sale of CD's, and were eligible to receive as much as a 1% "trailing commission" throughout the term of the CD. As such, SGC's commission structure promoted the sale of SIB CD's above all other SIB products.

8. In selling the SIB CD's, SFG touted the liquidity of its "diversified" portfolio. For example, in one CD brochure, SFG emphasized the importance of liquidity, stating, under the header of "Depositor Scrutiny," that the bank focuses on "maintaining the highest degree of liquidity as a protective factor for our depositors" and that the bank's assets are "invested in a well-diversified portfolio of highly marketable securities issued by stable governments, strong multinational companies and major international banks." Indeed, SGC advisors were trained to promote the "liquidity" of the CD portfolio. SFG promoted the CD products as secure investments that were very liquid and had very low risk. In addition, investors were told SFG's portfolio was invested by expert money managers throughout the world.

9. SIB's "diversified portfolio of investments" is purportedly managed primarily from Memphis, Tennessee and Tupelo, Mississippi. Based upon information gathered during the investigation, it appears that this portfolio is segregated into three investment tiers: (a) cash and cash equivalents ("TIER I"), (b) investments with "outside portfolio managers" ("TIER II"), and (c) unknown assets under the apparent control of SGC Executive A and SGC Executive B ("TIER III"). As of December, 2008, TIER I represented approximately 9% (\$800 million) of the bank's investment portfolio, TIER II represented 10% of the bank's portfolio, and TIER III represented 81% of the bank's portfolio. Actual and potential investors do not appear to have been advised of the three-tier investment structure.

10. SFG Executive A is a member of the board and a shareholder of SFG and its related entities to include SIB. SFG Executive B is a member of the board and an officer of SFG and purportedly manages the SIB portfolio in conjunction with PENDERGEST-HOLT from the SFG offices in Memphis, Tennessee and Tupelo, Mississippi. Attorney A was retained by SFG to represent the companies in regulatory matters.

11. In 1997, PENDERGEST-HOLT, who possessed an undergraduate degree in Mathematics, began employment with SFG as a "Research Analyst." PENDERGEST-HOLT was appointed to the SIB "Investment Committee" at a Board of Directors meeting she attended on December 7, 2005, as evidenced by the minutes of that meeting, a copy of which was emailed to her on June 13, 2006. She also served as Chief Investment Officer of SFG and, along with a team of analysts, directly oversaw TIER II of SIB's portfolio which included approximately 10% of SIB's entire investment portfolio. PENDERGEST-HOLT operated primarily from the SFG offices in Tupelo, Mississippi and Memphis, Tennessee. PENDERGEST-HOLT supervised the

proprietary research group and helped produce the Stanford Investment Model. In addition to preparing monthly and quarterly research reports, PENDERGEST-HOLT and her team prepared and reviewed monthly and quarterly financial reports published by SIB. PENDERGEST-HOLT reviewed the monthly and quarterly financial reports, which were used to support the appearance of SIB's solvency, prior to their dissemination to Antiguan bank regulators.

V. **The SEC Investigation**

12. In January 2009, the SEC issued subpoenas to SFG and its related entities, and to SFG Executive A, SFG Executive B and PENDERGEST-HOLT. On January 21, 2009, PENDERGEST-HOLT participated in a meeting at Stanford Aviation's hangar at an airport in Miami, Florida. Present at that meeting was SFG Executive A, via teleconference, SFG Executive B, Attorney A, SIB Affiliate President, and the following SFG employees: Cooperating Witness 1 ("CW1"), Cooperating Witness 2 ("CW2"), and Cooperating Witness 3 ("CW3"). At that meeting, the group agreed that Attorney A would notify the SEC that SIB Affiliate President and PENDERGEST-HOLT should be the individuals to testify before the SEC about the entire SIB portfolio. It was further agreed that they would all meet again in Miami during the week of February 2, 2009 to review and critique presentations by PENDERGEST-HOLT and SIG Affiliate President in preparation for their SEC testimony.

13. On January 22, 2009, staff members of the SEC met with Attorney A to discuss issues regarding the SEC's testimonial and documentary subpoenas. The SEC staff informed Attorney A at this meeting that they wanted to depose individuals with knowledge of the "entire investment portfolio." Attorney A also informed the SEC staff that SFG Executives A and B were not the individuals from whom the SEC should take testimony, but, instead,

PENDERGEST-HOLT and SIB Affiliate President could provide information regarding SFG's entire investment portfolio. Toward the end of the meeting, Attorney A stated to the SEC staff that the SEC needed to change their view of SFG. Attorney A remarked, "this is not a criminal enterprise." Attorney A agreed, however, that SIB Affiliate President and PENDERGEST-HOLT would appear for testimony before the SEC on February 9th and 10th, 2009.

14. On January 24, 2009, Attorney A sent an email to CW1, setting forth his understanding of the agreement that had been reached with the SEC at the meeting earlier that day. On January 26, 2009, CW2 forwarded the same email to SFG Executive A, SFG Executive B, PENDERGEST-HOLT, and SIB Affiliate President. In the email, Attorney A confirmed that subpoenas had been issued to SFG Executives A and B, and PENDERGEST-HOLT because "the SEC had been told that the people who really know about the bank portfolio are [Executive A], [Executive B], and Laura [PENDERGEST-HOLT.]" Attorney A further confirmed in the email that he had "persuaded [the SEC's staff] that [SFG Executives A and B] do not 'micro-manage' and instead delegate, so that the better people to explain details about the portfolio are [SIB Affiliate President] and Laura [PENDERGEST-HOLT]." Attorney A further confirmed in the email that "[w]e can fully anticipate that the SEC will want [SIB Affiliate President] to testify under oath that the bank is 'real,' the CDs are 'real,' that the money is actually invested as described in our documents, and that client funds in the CDs are safe and secure. The [SEC] staff will want to be protected against obstruction and perjury ... [SIB Affiliate President] will have to be fully and carefully prepared so that he can provide details as best as humanly possible."

15. In the January 24, 2009 email, Attorney A further confirmed that

"Laura [PENDERGEST-HOLT] will have 2 to 3 hours to explain her supervision and management of the bank portfolio" to the SEC staff. Attorney A noted that "one problem [he] foresee[s] is that she knows about tier 1 and tier 2, but little about tier 3. [PENDERGEST-HOLT] will have to get up to speed on tier 3 before the SEC investigation." Attorney A further noted in his January 24th email that "[he] would like to make sure that [SIB Affiliate President] and Laura [PENDERGEST-HOLT] have ample time to prepare and practice the week before the SEC meeting."

16. The SEC staff, by way of email dated February 4, 2009 to Attorney A, reminded Attorney A that the testimony of PENDERGEST-HOLT and SIB Affiliate President "need[ed] to account, in a manner that can be verified by the [SEC], for SIB's *entire portfolio of assets*."

17. On January 27, 2009, Attorney A sent an email to SIB Affiliate President and PENDERGEST-HOLT stating they should be able to provide the SEC with:

"positive proof" that investor funds are invested as and where we say they are.

We need to "account for" the full amount stated in the financial statements related to the CDs. E.g., if we say there is \$8.2 billion attributed to the CDs, we have to account for the full \$8.2 billion. (The SEC staff told me they are not interested in the full \$50 or \$60 bn under "advisement." Just the \$8.2 billion attributable to the CDs.)

You will need to address all 3 tiers, not just tier 1 and tier 2.

VI. The Miami Preparation Sessions

18. On or about Tuesday, February 3, 2009, PENDERGEST-HOLT met with SFG Executive B, Attorney A, SIB Affiliate President, CW1, CW2, and CW3 at the SFG office in Miami, Florida. SIB Affiliate President made a presentation focusing on the regulatory

framework for banking in Antigua, and various other topics. None of his presentation involved the holdings of the bank or the value of the investments existing within TIERS I, II, or III.

Several discussions also centered on capital contributions from the shareholder.

19. On the morning of Wednesday, February 4, 2009, CW 1 sent an email to SFG Executive B regarding the capital contribution discussions the previous day. In his email, CW 1 wrote:

I am confused. I was surprised yesterday during our meetings to learn from your comments that SIB's latest capital contribution [alleged to be \$541 million in a SIB December 2008 Monthly Report] and some of SIB's holdings in excess of 2 Billion may be comprised substantially of equity positions in real estate companies which may include the companies that owned the Guiana Island and surrounding properties as well as the Pelican Island in Antigua. As you know, the two holding companies that ultimately owned the Pelican and Guiana Islands properties were acquired directly by Stanford International Bank last year for a consideration of 17.5MM and 68MM respectively.

Thus, according to the email, the \$541 million capital contribution set forth in SIB's December 2008 Monthly Report was made up entirely of assets already owned by SIB entities which had been purchased by SIB in 2008 for approximately \$88.5 million.

20. Later that day, PENDERGEST-HOLT met with SFG Executive B, Attorney A, SIB Affiliate President, CW1, CW2, and CW3 at the SFG office in Miami, Florida. PENDERGEST-HOLT made a presentation to the group, focusing on TIER II of the investment portfolio. In PENDERGEST-HOLT's presentation she stated the value of the assets that she managed at that time was approximately \$350 million, down from approximately \$850 million in June, 2008. While the CW's were very surprised and unnerved by PENDERGEST-HOLT's revelations, they observed that SFG Executive B did not appear surprised by these revelations.

21. PENDERGEST-HOLT also participated in the preparation of a PowerPoint document meant to reflect the entire portfolio of assets in TIER III. Assisting her throughout the preparation process was SFG Executive B. SFG Executive B provided PENDERGEST-HOLT with a thumb drive from which PENDERGEST-HOLT appeared to obtain information to prepare a pie chart depicting the investments in TIER III. The pie chart, prepared and presented by PENDERGEST-HOLT, showed that TIER III contained over \$3 billion in real estate, and \$1.6 billion labeled as "Loan to Shareholder." Prior to this, CW 2 and CW 3 had not been aware that any TIER III investment funds had been loaned to a shareholder. More significant, however, is that the "shareholder" referred to in the pie chart by the participants was understood to be SFG Executive A. CW 3 described feeling like he "had been kicked" after he saw PENDERGEST-HOLT's presentation on TIER III investments.

22. According to CW 1, CW 2, and CW 3, who were all present at various times while the aforementioned pie chart was being discussed on February 4, 2009, SIB Affiliate President voiced his concerns about the true-nature of the TIER III investments. Specifically, SIB Affiliate President stated that if the pie chart, in fact, represented the assets in TIER III, then SIB would be "insolvent." Indeed, SIB Affiliate President vowed that he would not testify before the SEC, as the information he obtained at the meeting was not the information he disclosed to investors or Antiguan regulators. SFG Executive B, Attorney A, and PENDERGEST-HOLT were present during these discussions.

23. On or about February 5, 2009, another session was held at the SFG office in Miami, Florida. Attending were SFG Executives A and B, SIB Affiliate President, Attorney A, CW1, CW 2 and CW 3. CW2 and CW3 stated to CW 1 and Attorney A that they wanted to

report the information learned at the Miami meetings to the SEC. Also present was SFG Executive A, who, after hearing CW2 and CW3's representations, "began pounding the table," stating, "the assets are there."

24. The following day, on Friday, February 6, 2009, PENDERGEST-HOLT, SFG Executives A and B, Attorney A, and CW's 2 and 3, met again at the SFG Miami office. Before the session began, CW2 broke down crying because of the revelations the previous day. CW2 then told the group something to the effect: "if you are going to go through more information I didn't know, I don't want to be there, and I'm going to the authorities." Soon thereafter, Attorney A walked over to CW2 and suggested they begin to pray together. At the end of this meeting, SFG Executive A stated to the entire group of attendees that "there was at least \$850 million more in assets than liabilities" in SFG investments. After the conclusion of several private meetings with SFG Executives throughout the day, Attorney A entered the office of CW3, and in response to her question as to why he was not smiling, Attorney A responded, "The party is over." After returning to the general session in the afternoon with all present, Attorney A announced that SIB Affiliate President would not testify on Monday, and that PENDERGEST-HOLT would testify on Tuesday. CW3 then questioned SFG Executives A and B about their plan of action, given what they knew. SFG Executive A said he would "probably" report to the SEC "on Tuesday."

25. On Sunday, February 8, 2009, Attorney A made several telephone calls to CW1. During one of the telephone calls, Attorney A stated to CW1: "The earnings calculations were not calculated properly; the assets may or may not be there."

26. On Monday, February 9, 2009, one day prior to PENDERGEST-HOLT's

scheduled SEC testimony, Attorney A sent an email to CW 1 regarding PENDERGEST-HOLT's pending SEC presentation, which Attorney A admitted he assisted in preparing. Attorney A wrote, "The SEC will also ask for her thumb drive, since she revealed all this information to them." Attorney A also wrote, "[PENDERGEST-HOLT] will also probably be asked lots of questions about (a) all players, (b) SIB ... (c) ROI on marketing materials and how SIB pays those rates, (d) a little about TIER III to the extent she knows much (which she learned a little from [SFG Executive B] in Nov/Dec/ 2008)." In his responsive email, CW1 expressed frustration with the information in PENDERGEST-HOLT's proposed presentation and stated to Attorney A: "In any event, [PENDERGEST-HOLT's] presentation needs to be complete, accurate and correct. Thus you need to postpone her appearance before the SEC."

VII. Pendergest-Holt's Testimony Before the SEC

27. Pursuant to SEC subpoena, PENDERGEST-HOLT appeared on Tuesday, February 10, 2009, at the Forth Worth, Texas SEC regional office, in the company of Attorney A, who was present throughout the testimony, which was taken under oath.

28. Despite being asked directly whom she met with to prepare for her testimony, PENDERGEST-HOLT failed to reveal to the SEC that she met with SFG Executive A, SFG Executive B, Attorney A, SIB Affiliate President, and the CW's in Miami, Florida one week prior to her testimony. Despite being questioned directly, PENDERGEST-HOLT also never revealed the material information she had gathered and presented during the Miami preparation sessions. When asked, "What did you do to prepare — without telling me about any conversations with [Attorney A] ... What did you do to prepare for your testimony today?" PENDERGEST-HOLT answered, "I have been to Antigua. I have reviewed statements and

looked through, gosh, other issues, but mainly reviewed the statements of SIBL in Antigua.”

Later, the SEC asked, “Who did — without telling me the substance of the conversation, who did you meet with in preparation for your testimony today?” PENDERGEST-HOLT answered, “[Attorney A].” When the SEC asked if PENDERGEST-HOLT met with “anyone else” in preparation for her testimony, she answered, “In preparation of my part, no.” The statements made by PENDERGEST-HOLT set forth above were false.

29. Regarding the SIB investment portfolio structure, PENDERGEST-HOLT testified that SIB’s portfolio was managed in three tiers: TIER I was “Cash. Cash and cash in kind investments.” TIER II was “a globally diversified portfolio managed by external portfolio advisors,” and that the investment parameters for TIER II were set by “the board of directors.” According to PENDERGEST-HOLT, SFG Executive B told her that the “portfolio advisors had 100% discretion of their portfolios.” PENDERGEST-HOLT testified that the value of TIER II was approximately \$350 million compared to “just over a billion” at the end of 2007.

30. When questioned directly about the assets in TIER III, PENDERGEST-HOLT failed to reveal to the SEC the extent of her knowledge of the TIER III portfolio. When asked, “And your testimony here today is you don’t know what the assets of tier three are?,” PENDERGEST-HOLT stated, “That’s correct.” PENDERGEST-HOLT later testified that she learned from SFG Executive B that the assets of TIER III only included “private equity and real estate.” PENDERGEST-HOLT also testified that if she needed information “regarding the assets of tier three as the chief investment officer of Stanford Financial Group,” she “would go to the board of directors . . . I would ask [SFG Executives A and B].” At no point did PENDERGEST-HOLT reveal to the SEC that she had learned that TIER III held a “\$1.6 billion loan to

shareholder,” as discussed during the Miami preparation sessions.

31. Later, the SEC asked whether there were any safeguards with respect to the assets in TIER III, whereby PENDERGEST-HOLT stated, “I do not know. I can state it as many ways as you would like me to. I don’t know about tier three, other than what I’ve already shared with you in about 20 different ways.”

32. PENDERGEST-HOLT also failed to reveal to the SEC that she was a member of the *Bank’s* investment committee, a position that potentially would have provided her with exposure to TIER III investments. When the SEC asked PENDERGEST-HOLT to “go through all the committees that you’ve served on as chief investment officer – since becoming chief investment officer,” PENDERGEST-HOLT answered, “The Stanford investment committee.” When the SEC asked whether PENDERGEST-HOLT served on “the Stanford International Bank limited investment committee,” she answered, “On the investment committee, no.” This statement is false. Indeed, in addition to being present at the Board of Directors meeting when she was named to the *Bank’s* investment committee, PENDERGEST-HOLT was introduced by SIB Affiliate President as “our global chief investment officer, and also part of the bank’s investment committee” at a SIB Top Producers Club meeting in Miami, Florida on January 10, 2009.

33. When the SEC asked, “Okay. Does Stanford International Bank do any loans?,” PENDERGEST-HOLT answered, “Yes.” In describing the extent of her knowledge of SIB loans, PENDERGEST-HOLT testified, “I’m sorry. I don’t know the details of loans.” The SEC asked whether PENDERGEST-HOLT knew “whether or not the loans are secured by certificates of deposit,” and she answered, “I do believe they are cash collateralized loans, yes.” Again,

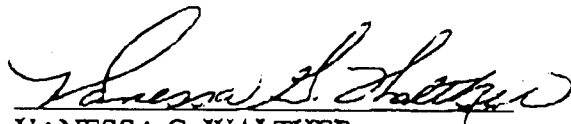
PENDERGEST-HOLT failed to reveal to the SEC her knowledge depicted in the PowerPoint pie chart she prepared at the Miami preparation sessions evidencing the "\$1.6 billion Loan to Shareholder." Nor did she reveal that she had in her possession at the Miami preparation sessions a thumb drive which contained this very information.

34. PENDERGEST-HOLT was shown the December, 2008 SIB Monthly Report discussing the "\$541 Million" contribution, and asked where the "\$541,000,000 c[a]me from?" PENDERGEST-HOLT testified, "I would have to use an assumed word. I would assume by the shareholder ... [SFG Executive A]... Shareholder infusion or shareholder capital infusion. It's not there, but that would be my assumption." PENDERGEST-HOLT failed to reveal that during the Miami preparation sessions she learned and understood that the \$541,000,000 came from equity positions in real estate.

35. When the SEC asked whether PENDERGEST-HOLT knew "what the allocations are in tier three," PENDERGEST-HOLT answered, "I do not know what the allocations are in tier three." Finally, the SEC asked, "Does [SIB Affiliate President] know what the assets are in tier three?" PENDERGEST-HOLT stated, "I do not know." When the SEC asked, "Have you ever discussed with [SIB Affiliate President] anything other than tier two?" PENDERGEST-HOLT replied, "No. In specifics, no." These statements are also false, as PENDERGEST-HOLT was present at the Miami preparation sessions when SIB Affiliate President discussed with her and others, in detail, the problems extant in TIER III.

36. On February 17, 2009, the SEC interviewed PENDERGEST-HOLT in Memphis, Tennessee. During PENDERGEST-HOLT's interview, the SEC staff asked again whether she had any knowledge of the assets in TIER III. Once again, PENDERGEST-HOLT continued to obstruct the SEC investigation by saying, "If I knew anything about TIER III, I'd tell you . . . God's honest truth," even though she was aware of such information through her participation in the Miami preparation sessions.

On the basis of the foregoing, it is my belief that **LAURA PENDERGEST-HOLT**, did obstruct a proceeding before an agency of the United States, that is, the Securities and Exchange Commission, in violation of Title 18 United States Code, Section 1505.



VANESSA G. WALTHER
SPECIAL AGENT, FBI

Subscribed and sworn to before me on this 25th day of February, 2009.



Wm. F. SANDERSON JR.
UNITED STATES MAGISTRATE JUDGE