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U.S. case tells tale of Stanford exec's legal woes

Fri Feb 27, 2009 4:04pm EST

By Chris Baltimore

HOUSTON (Reuters) - Laura Pendergest-Holt, who spent Thursday night in a Houston detention center, can trace her legal ills to a private aircraft hangar in Miami.

That's where the Stanford Financial Group's 35-year-old chief investment officer huddled with other executives and lawyers on January 22 to hammer out a strategy for dealing with federal investigators.

They were probing what they would later call a massive scheme to defraud holders of \$8 billion worth of certificates of deposit in an Antigua-based bank.

In the Miami hangar, one of many owned by Texas billionaire Allen Stanford, executives decided that Pendergest-Holt would be the one to face down U.S. Securities and Exchange Commission investigators who had subpoenaed three executives to appear.

That's according to the criminal complaint filed in a Texas court against Pendergest-Holt. It reads in many ways like a page-turner by John Grisham, the legal thriller writer.

Five FBI agents arrested Pendergest-Holt on Thursday at the Houston office of Stanford Financial Group and charged her with criminal obstruction in the SEC investigation.

Still at large are Stanford -- the golf, polo and cricket sponsor whose corporate empire of offices, jets, yachts and castles stretches from Houston to St. Croix to Antigua -- and James Davis, Stanford's one-time roommate at Baylor University who serves as the company's chief financial officer. Neither has been charged with criminal wrongdoing.

Though Stanford himself is not named in the 15-page complaint against Pendergest-Holt, there are multiple references to "SFG Executive A," who was one of three executives subpoenaed by the SEC and who attended the January 22 meeting via teleconference.

In the early days of February, Pendergest-Holt and others gathered in Miami to pore over accounts and prepare their strategy for Pendergest-Holt's appearance at an SEC regional office in Fort Worth, Texas, on February 10.

"I AM CONFUSED"

In these sessions, Stanford attorneys' earlier assurances that they had "positive proof" about the security of the \$8 billion in funds in the CD program began melting away.

"I am confused," one employee identified only as "Cooperating Witness 1" wrote in an email to a company executive, also unnamed, on February 4.

Stanford International Bank's monthly report from December 2008 showed a \$541 million capital contribution, mostly in equity positions in real estate in Guiana Island and Pelican Island in Antigua. But SIB had already bought the properties in 2008 for \$17.5 million and \$69 million respectively, wrote the employee, who is cooperating with federal investigators.

In Miami, Pendergest-Holt helped prepare a PowerPoint presentation, using data from a thumb drive, or disk, supplied by another executive and plugged into the computer. That executive is named as "SFG Executive B," according to the complaint.

The presentation, in the form of a pie chart, showed assets in three categories, or "tiers." Tier I was cash and cash equivalents. Tier II was outside portfolio managers.

Tier III contained \$3 billion in real estate holdings, and included a \$1.6 billion item labeled "Loan to Shareholder."

The shareholder is evidently Allen Stanford himself.

POUNDING THE TABLE

The pie chart made one unnamed cooperating witness feel like he "had been kicked," and two other cooperating witnesses told a company attorney a day later that they wanted to report the information to the SEC. The executive listed as "SFG Executive A" -- apparently Stanford -- "began pounding the table" and stating "the assets are there."

In private meetings on Friday, February 6, one cooperating witness broke down crying, and an attorney "suggested that they begin to pray together," according to the complaint. Later that day, a company attorney conceded to another cooperating witness that "the party is over."

On Sunday, February 8, with Pendergest-Holt scheduled to talk to the SEC two days later, a Stanford attorney told a cooperating witness in a telephone call: "The earnings calculations were not calculated properly; the assets may or may not be there."

In sworn testimony before SEC investigators in Fort Worth on February 10, Pendergest-Holt "never revealed the material information she had gathered" at the Miami prep sessions, the complaint said. She also failed to disclose that she had discussed her testimony with top company executives.

Pendergest-Holt denied any knowledge of the \$1.6 billion "loan to shareholder" from Stanford's "Tier III" assets. "I don't know about Tier III, other than what I've already shared with you in about 20 different ways," she said.

Questioned about the Tier III assets again in Memphis on February 17 -- the day that U.S. Marshals raided Stanford offices in Houston -- Pendergest-Holt responded: "If I knew anything about Tier III I'd tell you ... God's honest truth."

The complaint that put Pendergest-Holt in jail said she failed to tell investigators she had served on the Antigua bank's investment committee and that the investment portfolio holding more than 80 percent of its assets included a \$1.6 billion loan to Stanford "Executive A."

(Reporting by Chris Baltimore; Editing by Gary Hill)

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