

Small-town clique who ran Stanford empire

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Published: February 28 2009 02:00 | Last updated: February 28 2009 02:00

A top lieutenant of Sir Allen Stanford appeared in court in Houston yesterday to face obstruction of justice charges in the first criminal case spawned by the alleged \$8bn fraud in the tycoon's business empire, which the US Securities and Exchange Commission is now calling a "massive Ponzi scheme" in its complaint.

The appearance of Laura Pendergest-Holt, Stanford Financial Group's chief investment officer, at an arraignment hearing highlights the growing suspicion about the small group of people that ran the large financial empire.

While attention has focused on Sir Allen's colourful life, one of the targets of investigation into the alleged fraud is what the SEC describes as the "close-knit" group of family and friends with whom he ran his key businesses.

One focus of the SEC investigation is the relationship between Ms Pendergest-Holt, James Davis, chief financial officer of Stanford Financial, and a small group of associates - a number of them apparently committed Christians - who were dubbed the "Baldwyn set" by other Stanford employees. The nickname comes from the small Mississippi town where Ms Pendergest-Holt and Mr Davis grew up and from where they would run much of the tycoon's empire.

The SEC says Sir Allen first met Mr Davis during the 1970s at Waco-based Baylor University, which advertises itself as "a top Texas Christian university". The relationship developed until the two men allegedly had sole control of the so-called "tier three" assets that accounted for four-fifths of the purported \$8bn-plus held by Sir Allen's flagship Stanford International Bank.

Religion also seems to have played a role in the arrival on the scene of Ms Pendergest-Holt, who is yet to plead over the obstruction charges. The SEC claims she and Mr Davis met in a church in Baldwyn, where they were both born. She started working for him in Memphis, Tennessee, after graduating from the University of Mississippi in 1997.

The SEC document paints a curious picture of Ms Pendergest-Holt as both insider and ingénue, who became a senior executive of a vast business empire despite having "no experience in the financial services or securities industries".

Under Mr Davis's wing, she rose quickly; working her way up to become - at the age of 34 - chief investment officer for the whole of Stanford Financial. She acknowledged the closeness of her relationship with Mr Davis in a 2005 interview with the Memphis Business Journal, describing him as her "visionary mentor".

In May last year, the pair moved into a purpose-built office in Tupelo, near Baldwyn. There, with a small team of analysts, they and other associates ran the Stanford financial engine.

One was Danny Bogar, head of the Stanford Group Company's capital markets division and supervisor of the firm's investments, and Mr Davis' brother-in-law.

Mr Bogar, originally a banker, was instrumental in setting up Stanford Capital Management, which was overseen by Jason D'Amato, a close associate of Ms Pendergest-Holt. Neither Mr D'Amato nor Mr Bogar has been named as a defendant by the SEC. None of Sir Allen's inner circle could be reached for comment.

More than a decade ago, Mr Davis ridiculed archaic private bankers who were "slow to change while making very conservative investment decisions in traditional geographic sectors".

Yet the real story of the Stanford empire may turn out to be how much it was built in the classic parochial tradition of the old boys network.

Developments in Stanford case, www.ft.com/stanford

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