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Pendergest-Holt indicted on 2 counts in Stanford fraud case

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HOUSTON (AP) — The chief investment officer for Texas billionaire R. Allen Stanford's companies became the first person Tuesday indicted in a federal investigation of an alleged massive Ponzi scheme.

A Houston federal grand jury indicted Laura Pendergest-Holt on one count of conspiring to obstruct a Securities and Exchange Commission investigation into the Stanford Financial Group and a second count of obstructing the investigation.

Each count carries up to five years in prison and a \$250,000 fine. Pendergest-Holt was set to appear in court on the new charges on Thursday. She remains free on a \$300,000 bond issued after she was arrested in February on an obstruction charge.

Pendergest-Holt's attorney said he expects federal prosecutors will seek additional indictments against other Stanford executives.

"She will plead not guilty and looks forward to fighting the charges," attorney Jeff Tillotson said. "She was truthful in everything she did and we intend on proving that."

A Justice Department spokesman declined to comment.

The SEC has accused Stanford and his top executives of conducting an \$8 billion fraud by advising clients to buy certificates of deposit at the Antigua-based Stanford International Bank.

In its lawsuit filed in February, the SEC said Stanford's Antigua-based bank advertised its CDs in a brochure touting an investment philosophy "anchored in time-proven conservative criteria." But rather than maintaining diversified investments, the Stanford bank's portfolio was "misappropriated by Defendant Allen Stanford and used by him to acquire private equity investments and real estate."

In an amended complaint, the SEC accused Stanford and his finance chief, James M. Davis, of conducting a "massive Ponzi scheme." In a Ponzi scheme, early investors are paid returns from money put in by later investors.

The allegations against Pendergest-Holt in Tuesday's indictment are similar to those detailed in a criminal complaint filed February in Dallas federal court — where the SEC filed its lawsuit.

The indictment accuses Pendergest-Holt of lying to SEC investigators about knowing the true value of one of Stanford International Bank's largest portfolios, which contained more than 80 percent of the bank's purported investments.

Internal documents show that about \$3.2 billion of this portfolio's purported value consisted of investments in artificially valued real estate and at least \$1.6 billion in undocumented loans to "Executive A," according to the indictment.

"Executive A" refers to Stanford, a person familiar with the case has previously told The Associated Press on condition of anonymity because of the ongoing investigation.

The indictment also accuses Pendergest-Holt of failing to disclose to SEC investigators during a Feb. 10 interview in Fort Worth, Texas, that she had previously met with Stanford officials in Miami in order to prepare for her meeting with federal investigators.

The indictment also alleges that on Feb. 12, after her false testimony to the SEC, Pendergest-Holt caused \$4.3 million in bank funds to be wire-transferred to its operating account in Houston.

Stanford has said he is innocent but that he expects to also be indicted.

Last month, Davis, Stanford's finance chief, promised to fully cooperate with federal investigators.

Associated Press Writer Jeff Carlton in Dallas contributed to this report.

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