

# **Exhibit 1**

## **Part 1 of 6**

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re:  BERNARD L. MADOFF INVESTMENT SECURITIES LLC,  Debtor,	Adv. Pro. No. 08-01789 (BRL)  SIPA LIQUIDATION  (Substantively Consolidated) Adv. Pro. No. 10-5287 (BRL)
IRVING H. PICARD, Trustee for the Liquidation of Bernard L. Madoff Investment Securities LLC,  Plaintiff,  v.  SAUL B. KATZ, et al.,  Defendants.	11-CV-03605 (JSR) HBP)

**INITIAL EXPERT REPORT OF  
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Bernard L. Madoff Investment Securities LLC and  
Bernard L. Madoff*

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1. This report is offered pursuant to Federal Rule of Civil Procedure 26(a)(2) and is authored by Dr. Steve Pomerantz, president of Steve Pomerantz LLC, an economic and financial consulting firm located in Princeton, New Jersey.<sup>1</sup> My curriculum vitae and a list of court and deposition appearances are attached to this report as Appendix I.

**I. Qualifications**

2. My experience in the investment community spans over 25 years dating back to 1986. During that time, I held positions in research and management for fixed income, equities, derivatives and alternative investments at several major firms including Morgan Stanley, Citibank, Weiss Peck & Greer LLC, and New York Life Investment Management. As part of my work at these investment management firms, I provided portfolio management and risk management services to both traditional and alternative investments.<sup>2</sup> In addition, I provided investment and asset allocation advice to a wide range of clients, including both high net worth individuals and very large institutional clients.
3. The high net worth individuals for whom I have worked and consulted had varying levels of assets from several million to more than a billion dollars. These high net worth individuals typically have similar sophistication levels as institutional clients. The institutional clients for which I have worked include pension funds, defined contribution plans and insurance companies, many with assets of several billion dollars. Over my 25 years of experience I have performed due diligence on hundreds of investment vehicles

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<sup>1</sup> Duff & Phelps, LLC, a financial advisory and investment banking services firm (“D&P”), was retained in this matter by Irving Picard, appointed as the Trustee for the liquidation of Bernard L Madoff Investment Securities, and Steve Pomerantz, I.I.C. was retained by D&P. Employees of D&P worked under my direction and supervision in the preparation of work supporting my opinions contained herein.

<sup>2</sup> In general, portfolio management refers to the construction of portfolios designed to achieve certain objectives, while the role of risk management is to generally assess market risk and monitor that the objectives are being met, and any constraints placed on this process are satisfied. Stephen A. Ross, Randolph W. Westerfield & Jeffrey Jaffe, *Corporate Finance* 261 (New York: McGraw Hill, 7<sup>th</sup> ed. 2005). Anil Bangia, Francis X. Diebold, Til Schuermann & John D. Stroughair, *Modeling Liquidity Risk, with Implications for Traditional Market Risk Measurement and Management* Section I, 3-13 (The New York University Salomon Center Series on Financial Markets and Institutions, Vol. 8, 2002).



including both registered and unregistered investment adviser accounts, managed/separate accounts, hedge funds, and mutual funds.

4. During my career, I have been a portfolio manager at several firms for fixed income, equity and hedge fund accounts. While at Weiss Peck & Greer, I served on Investment Policy Committees of both traditional and alternative products and on the firm-wide Product Review and Executive Committees. These committees supported institutional, mutual and hedge fund accounts as well as high net worth investor accounts. Among the firm's clients that I supported were numerous defined benefit plans, defined contribution plans and trusts. In each of those cases, my responsibility to the client was as a fiduciary. In this role, I was subject to varying degrees of due diligence by either the clients or their consultant representatives.<sup>3</sup> Potential investors investigated the products with which I was affiliated, and inquired about me personally. I also responded to questions generated by the types of analyses I performed for this assignment, which has contributed to my knowledge of due diligence practices. For example, I responded to due diligence inquiries from advisor platforms such as the Merrill Lynch Consults in 2000-2002 and I am therefore familiar with some of their due diligence practices.
5. In addition, I have spoken at investment seminars, presenting on various areas of portfolio management, risk management, asset allocation, hedge fund products, and securities pricing. I received a Ph.D. in Mathematics from the University of California at Berkeley and a B.A. in Mathematics from Queens College of the City University of New York. I have taught courses in statistics, probability, operations research and finance at the undergraduate and graduate levels.
6. I have offered testimony in a variety of venues on matters similar to those to be discussed here. In particular, I have testified in tax court and bankruptcy court on the role of derivatives, similar to those to be discussed here, in an investment program. My

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<sup>3</sup> Due diligence is a process whereby, among other things, an investor initially investigates the attractiveness of an opportunity, assesses the quality of the management team, assesses the key risks associated with the opportunity, and continues to evaluate investments on an ongoing basis. Due diligence has any number of elements associated with the analyses. Those elements are discussed throughout the body of this report.

testimonies on derivatives related to the use of puts, calls and collars substantially the same as those at issue in this matter, and how those securities were used in tax shelters. In those cases, my opinions centered on an analysis of these transactions and their associated economic merits. I have also testified numerous times on due diligence and investment performance-related issues for both traditional and alternative investments. The due diligence activities on which I have testified include some of the same activities I performed as part of this assignment, including, but not limited to, peer analysis and performance attribution.

7. The opinions that I offer are based on my review of the documents in this case as well as my training, education and experience in the investment management industry.

**A. Recent Qualitative and Quantitative Due Diligence Experience**

8. Since 2000, numerous investment management firms with assets under management (“AUM”) from tens of millions to several billions of dollars and high net worth individuals with several million to well more than a billion dollars in assets have hired me as a consultant to advise on risk management and portfolio strategy. I have advised, conducted due diligence on behalf of, and/or consulted with numerous high net worth individuals and institutional clients. In addition to investors that I worked for while employed by numerous investment management firms,<sup>4</sup> I have directly consulted for institutional and high net worth clients including, but not limited to:

- QED: an equity money management firm;
- Verizon Communications: a global telecommunications company with a multi-billion dollar pension fund;<sup>5</sup>
- International Fidelity Insurance Company: a global insurance company founded in 1904;<sup>6</sup>

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<sup>4</sup> Throughout my career I have worked for the following investment advisers: Morgan Stanley Asset Management, Nomura Securities, Weiss, Peck & Greer, and New York Life Investment Management.

<sup>5</sup> Verizon Communications Inc. Securities and Exchange Commission, Form 10-K, at 76 (Fiscal Year ended December 31, 2008).

- Richard Goldman: an entrepreneur and philanthropist; and
  - Frank Halowell: a venture capitalist.
9. In my capacity as a consultant, I develop risk models and pricing models, advise on portfolio strategy issues and perform qualitative and quantitative due diligence on traditional and alternative investments. I have also authored articles related to investment management including “Mutual Fund Advisory Fees: New Evidence and a Fair Fiduciary Duty Test,” and “The Pursuit of Alpha in a Fund of Hedge Funds.”
10. I have consulted or worked for numerous hedge funds such as Galileo, Andover and Lotus, and provided due diligence and risk management services to established hedge funds of funds. These funds of funds maintained diversified portfolios of 10-30 individual hedge fund investments.<sup>7</sup> My responsibilities were to monitor and evaluate the current holdings of the fund as well as continually evaluate new opportunities for investment.
11. I routinely develop valuation and trading models for proprietary use, and perform due diligence on potential hedge fund investments from both a quantitative and qualitative perspective. From a quantitative perspective, I perform peer analysis, reverse engineering, performance attribution and other quantitative analyses related to investment and portfolio performance.<sup>8</sup> From a qualitative perspective, I analyze, among other things, the philosophy, the pricing structure, the business infrastructure, and the people involved in the

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<sup>6</sup> Our Company, IFIC Suretyship (last visited November 20, 2011), <http://www.ific.com/our-company/company.html> (accessed November 20, 2011).

<sup>7</sup> A fund of funds is an investment vehicle that invests in other funds. John Downes & Jordan Elliot Goodman, *Barron's Finance & Investment Handbook* 51 (New York: Barron's, 5<sup>th</sup> ed. 1998).

<sup>8</sup> Peer analysis is a comparison of different investment managers' performance metrics that use the same or similar investment strategies. Edward J. Stavetski, *Managing Hedge Fund Managers* 71, 79 (Hoboken, New Jersey: John Wiley & Sons, 2009).

Reverse engineering is the process of replicating, as best as possible, the investment strategy being pursued. Judith Wiesinger, Didier Sornette & Jeffrey Satinover, *Reverse Engineering Financial Markets with Majority and Minority Games using Genetic Algorithms*, Swiss Finance Institute, Research Paper Series Number 10-08 (2010), <http://ssrn.com/abstract=1553821>.

Performance attribution examines why a portfolio performed as it did and involves determining the sources of a portfolio's performance. Forbes Financial Glossary. <http://www.forbes.com/tools/glossary/searchWord.jhtml>.

investment vehicle.

**B. Review of Investment Vehicles Invested With Madoff**

12. It is through my due diligence practice that I encountered entities that were exposed to the Investment Advisory business of Bernard L. Madoff Investment Securities (“BLMIS”).<sup>9</sup> The first time I encountered BLMIS was in 2005 when a funds of funds engaged me to perform due diligence on dozens of funds in which the funds of funds was invested as well as to evaluate other potential investments. The funds of funds were not directly invested with Madoff, but one of my client’s funds was invested with a feeder fund that was invested with Madoff.<sup>10</sup> As a result, my due diligence activities included an analysis of the feeder fund and BLMIS.
13. As part of my review, I was not provided access to BLMIS customer statements, trade confirmations, or any other documents provided by BLMIS to its investors. Nor was I provided access to anyone at BLMIS in order to ask questions. I spoke with the head of the feeder fund, and inquired as to whether I could speak to the ultimate investment adviser (i.e., Bernard L. Madoff (“Madoff”)). I was told that I would not be able to meet with him.
14. I was, however, provided with two pieces of information: (1) a one-page document detailing the purported strategy that Madoff followed, namely the split-strike conversion (“SSC”) strategy,<sup>11</sup> and (2) monthly returns for the feeder fund from 1997 to 2005. Using this limited information, I performed typical quantitative calculations used to evaluate investment performance, such as peer analysis, performance attribution, and reverse engineering. Based even on this limited data, I observed definite warning signs that

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<sup>9</sup> Throughout this report “BLMIS” will refer to the Investment Advisory (“IA”) business of BLMIS. There is also a broker-dealer business of BLMIS. If I am referring to the broker-dealer business I will explicitly indicate as such.

<sup>10</sup> For purposes of this report, a BLMIS feeder fund is an investment vehicle that invested with BLMIS.

<sup>11</sup> See Appendix III. The split-strike conversion strategy as purportedly employed by Madoff involves buying a security, buying a put option on that security, and selling a call option on that security. Gonder Memorandum (August 24, 1990) (STESAH0007078). All discussion and opinions related to Madoff’s SSC strategy, BLMIS trading activities, or positions in Sterling BLMIS accounts are assumed herein to be purported, including all references to, for example, “shares,” “securities held” or “trading.”

Madoff was not engaged in his purported investment strategy.

15. In particular, I observed that the stated monthly returns, which were continuously positive month after month, were entirely inconsistent with the stated investment strategy. I was convinced that Madoff was not performing any form of split-strike conversion strategy and made this opinion known to my client. At the time, I was convinced and communicated that Madoff was either engaged in front-running or some other fraud.<sup>12</sup> Despite the limited information available to me, the results of my due diligence were compelling. I therefore made a recommendation to divest or not invest any additional funds with the BLMIS feeder fund. It is my best recollection that my client divested in part, but not in whole, from the BLMIS feeder fund in which it was invested.
16. In 2008, I encountered BLMIS again when another fund of funds engaged me to perform due diligence on a potential investment with a BLMIS feeder fund (a different BLMIS feeder fund than I had investigated in 2005). I was provided with: (1) marketing materials indicating that the feeder fund was invested with Madoff, (2) marketing documents explaining the SSC strategy, and (3) monthly returns for the BLMIS feeder fund from 1997 to 2008. By 2008, I had formed a strong opinion that Madoff was not following his SSC strategy.<sup>13</sup> I informed my client that I believed Madoff was not engaged in the strategy he purported to follow, and was likely engaged in either front-running or some other fraud. My client ultimately decided not to invest in the BLMIS feeder fund.

## II. Background

17. On December 11, 2008, Madoff was arrested by federal agents for violation of the criminal

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<sup>12</sup> Front-running “refers to a situation in which a trader, knowing that an order is about to come in, trades in the same direction before the anticipated order is executed.” Fang Cai, *Does the Market Conspire Against the Weak? An Empirical Study of Front Running Behavior During the LTCM Crisis* 1, Board of Governors of the Federal Reserve System - Division of International Finance (May 2002).

<sup>13</sup> Between 2005 and 2008, I continued to monitor the returns, as provided by the client, of the BLMIS feeder fund I had evaluated first in 2005.

securities laws.<sup>14</sup> Simultaneously, the Securities and Exchange Commission (“SEC”) filed a complaint commencing district court proceedings against Madoff and BLMIS.<sup>15</sup> On December 15, 2008, the SEC combined its action with an application by Securities Investor Protection Corporation (“SIPC”), which alleged that BLMIS could not meet its obligations to its securities customers as they became due and thus needed protection under the Securities Investor Protection Act (“SIPA”).<sup>16</sup> Also on December 15, 2008, Judge Stanton granted the SIPC application, appointed Irving H. Picard as the Trustee for the liquidation of BLMIS, appointed Baker & Hostetler LLP (“Baker”) as counsel for the Trustee, and removed the case to the bankruptcy court.<sup>17</sup>

### III. Assignment Scope and Methodology

18. I have been retained through D&P by Baker, counsel for Irving H. Picard, Trustee (“Trustee”) for the Substantively Consolidated SIPA Liquidation of BLMIS and Madoff, to: (i) describe the investment management industry, including hedge funds, managed accounts, investment advisory services, institutional and high net worth investors, as well as the forms and elements associated with both quantitative and qualitative due diligence, including operational due diligence, transaction level due diligence, investment adviser due diligence, and ongoing/monitoring of investments due diligence; (ii) determine whether, in my opinion, certain facts I reviewed constituted red flags or warning signs under the customs and practices of the investment management industry; (iii) determine whether, in my opinion, any such red flags were indicia of fraud such that a reasonable investor similarly situated to Sterling Equities (“Sterling”)<sup>18</sup> would have performed additional due

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<sup>14</sup> Press Release, United States Attorney, Southern District of New York, *Investment Adviser and Former Chairman of Nasdaq Stock Market Arrested for Multibillion Dollar Ponzi Scheme* (New York: December 11, 2008), <http://www.justice.gov/usao/nys/pressreleases/December08/madoffarrestpr.pdf>.

<sup>15</sup> *SEC v. Madoff*, No. 08-CV-10791, Complaint, ECF No. 1 (S.D.N.Y. December 11, 2008).

<sup>16</sup> Press Release, Securities Investor Protection Corporation, *Liquidation Proceedings for Bernard L. Madoff Investment Securities LLC Undertaken by Securities Investor Protection Corporation* (New York: SIPC, December 15, 2008).

<sup>17</sup> *SEC v. Madoff*, No. 08-CV-10791, Order, ECF No. 4 (S.D.N.Y. December 15, 2008).

<sup>18</sup> Sterling Equities—collectively, the partners and the entities that they own, operate and control—will hereinafter be referred to as “Sterling.” Sterling was controlled by its general partners: Saul Katz, Fred Wilpon, Michael

diligence; and (iv) opine on what industry practice due diligence conducted in real time would have revealed.

19. I am compensated for my work at a standard rate of \$750 per hour plus out-of-pocket expenses. My compensation is in no way contingent upon my opinions or the testimony I intend to offer in this case.

**A. Information Sources**

20. Baker provided access to information, including but not limited to the following:<sup>19</sup>
- A database containing more than 28 million documents representing, among other things: (1) customer statements; (2) bank account statements and other documents obtained through third-party subpoenas; (3) internal documents and correspondence from BLMIS; and (4) other documents, data, information and correspondence found on BLMIS's computer systems;
  - A database containing customer statement information compiled from underlying supporting documentation and bank account information compiled from underlying supporting documentation such as bank statements and wire transfer documents;
  - Electronic media and records obtained from BLMIS's offices and storage facilities including nearly 19,000 backup tapes, hard drives, cell phones, Blackberry devices and other electronic information sources;
  - Hard copy documents housed in a BLMIS-rented warehouse in Queens, NY containing more than 11,000 large banker boxes of documents and information;
  - Deposition transcripts for person(s) deposed by Baker; and

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Katz, Richard Wilpon, David Katz, Thomas Osterman, Jeffrey Wilpon, Arthur Friedman, Gregory Katz, Marvin Tepper, and the late Leonard Schreier (the "Sterling Partners"). As in this report Sterling Partners refers to some or all of the partners.

<sup>19</sup> My access to documentation that was collected by the Trustee and made available to me was not limited in any manner and allowed me to search for information and documentation that both supported the opinions contained herein as well as countervailing evidence, if any. A complete listing of the documents considered is included in Appendix II of this report.

- Visit to the BLMIS offices at 885 Third Avenue in Manhattan.
21. In addition to the information to which I was provided, additional information was obtained where necessary for the analyses from publicly-available sources. A complete listing is included in Appendix II of this report. To the extent that additional information is discovered, I may amend or supplement my opinion as necessary.

**B. Conduct of Information Review and Analysis<sup>20</sup>**

22. The work conducted in connection with the assignment was planned, supervised and staffed in accordance with applicable professional standards. The work that was conducted included, but was not limited to:
- Review and analysis of documents, emails, etc;
  - Review and analysis of customer statements, trade confirmations and other related documentation;
  - Review and analysis of certain purported trading activity for Sterling; and
  - Review of deposition transcripts and other sworn testimony.
23. FTI Consulting, Inc. (“FTI”), hired directly by Baker, performed certain work and baseline analyses at the direction and supervision of Baker. Such was conducted largely before my retention. To the extent any such data was relied upon or support analyses or opinions herein, the accuracy of the data was tested to ensure reliability.
24. Given the sheer volume of transactional data and documents in this investigation, a vast amount of analyses were performed using electronic computer analytics and data mining

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<sup>20</sup> Records, documents and other information for certain periods were no longer available because the time period in question spans nearly 23 years (1985-2008). Nonetheless, the opinions contained herein are supported by available documentation, which include 28 million documents, and by alternative analysis where historical documentation was no longer available.



algorithms. Further, advanced computer models were developed and utilized for certain quantitative conclusions. Such analytics and models were developed and utilized consistent with applicable professional standards.

#### **IV. Sterling Is a Sophisticated Investor**

25. My conclusions and opinions as summarized below assume that the Sterling is an experienced investor. All the documents and testimonies I have reviewed, and in connection with my own experiences working with high net worth individuals, support the assumption that Sterling is a sophisticated investor.<sup>21</sup> The documents in the record that I have reviewed reveal, among other things, that Sterling is an active investor with a “high” level of financial expertise, sits on boards of major corporations, including financial institutions, and manages a diverse network of real estate, sports-related and other assets. The following are a few examples of facts from the record I have reviewed which support my assumption:
- a) Sterling is described as “active hedge fund investors for 20 years” with a “deep understanding of hedge funds;”<sup>22</sup> Saul Katz and Fred Wilpon indicated that they had a

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<sup>21</sup> I am aware of a number of definitions related to the sophistication of an investor. For example, the Municipal Securities Rule Making Board defines a sophisticated investor as “... having sufficient resources, market knowledge, and experience to understand and bear the risks involved in a particular investment.” *Definition of Sophisticated Investor*, Municipal Securities Rulemaking Board (November 2, 2011), [http://www.msrb.org/msrb1/glossary/view\\_def.asp?param=sophisticatedinvestor](http://www.msrb.org/msrb1/glossary/view_def.asp?param=sophisticatedinvestor). In addition, “accredited investors,” under SEC regulations can be defined as investors, including high net worth individuals having any of these characteristics, among others: (1) an ERISA employee benefit plan if it has \$5 million in assets; (2) a partnership with assets greater than \$5 million; or (3) income in excess of \$200,000 (individually) or \$300,000 (jointly) or personal net worth in excess of \$1 million (excluding residence). Accredited Investors, U.S. Securities and Exchange Commission (last visited November 21, 2011), <http://www.sec.gov/answers/accred.htm>. The SEC also recognizes “qualified purchasers” as defined under the Investment Company Act of 1940 as owning not less than \$5 million in investments. My understanding of a sophisticated investor is consistent with these definitions.

<sup>22</sup> “The Sterling Stamos Difference.” Sterling Stamos Marketing Document (July 2004) (SSMSAA1876781).

- “high” level of “financial expertise;”<sup>23</sup> and Arthur Friedman testified that he was an “astute investor;”<sup>24</sup>
- b) Sterling’s Fred Wilpon was a Director at Bear Stearns from 1993 to 2003,<sup>25</sup> and Member of the Metropolitan Regional Advisory Board of J P Morgan Chase,<sup>26</sup>
  - c) Sterling was a General Partner in Sterling Stamos, a hedge fund created by Sterling;<sup>27</sup>
  - d) Sterling maintains an internal bank from which money can be borrowed and paid back later.<sup>28</sup> The entity, referred to as Sterling Equities Funding (“SEF”), was created to “serve as the clearing house for the movement of funds and obligations among Sterling and its investments.”<sup>29</sup> The interest rates charged by SEF are determined internally at Sterling;<sup>30</sup>
  - e) Sterling leveraged the lack of volatility in its BLMIS returns to create “double-up” accounts where Sterling would borrow \$1 for every \$1 in its account, invest these borrowed funds with Madoff, double the returns and earn a “vig” on the difference between the return generated by Madoff and the rate they paid on the loan;<sup>31</sup> and

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<sup>23</sup> Know Your Customer Questionnaire - Fred Wilpon (undated) (SSMSAA2335309); Know Your Customer Questionnaire - Saul Katz (undated) (SSMSAA2335313).

<sup>24</sup> Arthur Friedman Dep. 31:19-20, June 22, 2010.

<sup>25</sup> *Sterling Equities: Fred Wilpon*, Bloomberg Businessweek (November 8, 2011), <http://investing.businessweek.com/businessweek/research/stocks/private/person.asp?personId=555605&privcapId=37826059&previousCapId=21719&previousTitle=The%20McGraw-Hill%20Companies,%20Inc>.

<sup>26</sup> *Biography of Fred Wilpon* (November 4, 2011), <http://www.allamericanspeakers.com/speakers/Fred-Wilpon/10612>.

<sup>27</sup> Arthur Friedman Dep. 622-624, June 29, 2010; Peter Stamos Dep. 60-63, August 19, 2010; Sterling Stamos fund overview (February 2005) (SSMSAA0026027-59 at 52).

<sup>28</sup> David Katz Dep. 114-115, August 31, 2010.

<sup>29</sup> Sterling Equities Presentation at 7 (February 4, 2009) (STESBG0000294).

<sup>30</sup> Mark Peskin Dep. 61-62, 63: 11-13, July 29, 2010.

<sup>31</sup> Mark Peskin Dep. 49-50, July 29, 2010; David Katz Dep. 264-265, September 1, 2010; Arthur Friedman Dep. 477, June 24, 2010. Sterling also monitored accounts to ensure that each was maximizing the opportunity to invest with Madoff. Sterling called it an “efficiency factor,” and noted that based on Madoff’s purported investment strategy, there was an efficiency to maintaining a certain level of investment in each account. Arthur Friedman Dep. 338-364, June 23, 2010.

- f) Sterling owns the New York Mets (where it is involved in every financial decision made),<sup>32</sup> the regional television network SportsNet New York,<sup>33</sup> and owns or manages billions of dollars of real estate interests (having launched private equity funds for investing in and managing real estate).<sup>34</sup>
26. In my professional experience, investors with the sophistication of Sterling—similar to many high net worth individuals with whom I have worked—behave like institutional investors, for example, by performing quantitative and qualitative due diligence and by having a more robust and sophisticated understanding of the nature of financial markets, as well as understanding warning signs, i.e. red flags.

## V. Summary of My Opinions

### A. Red Flags

27. Based on my experience, my independent review of documents and testimony in the record to date, my own independent analysis, as well as customs and practices of the investment management industry, I have identified numerous facts and circumstances relating to Sterling's BLMIS investments, which I conclude were red flags that: (i) Madoff was not engaged in the strategy he purported to follow and were by their nature indicia of fraud that required additional qualitative and quantitative due diligence; (ii) were rife with the opportunity for Madoff to commit fraud; and/or (iii) were virtual impossibilities where the only rational or reasonable explanation was fraud. The evidence I have analyzed in connection with this case leads me to conclude, in accordance with industry customs and practices, as well as my own experience in conducting due diligence for clients, that the following were red flags:

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<sup>32</sup> Saul Katz Dep. 18-19, August 4, 2010; Fred Wilpon Dep. 23-24, July 20, 2010.

<sup>33</sup> Fred Wilpon Dep. 14, July 20, 2010.

<sup>34</sup> History of Sterling Equities, Sterling Equities (Accessed on November 8, 2011), <http://www.sterlingequities.com/about/history.php>. Among Sterling's buildings are the Lipstick Building (where BLMIS was headquartered) and the "crown roofed architectural gem" 450 Lexington Avenue in New York City. *Real Estate Weekly* (vol. 53, issue 23, January 17, 2007).