

Exhibit 1

C O N F I D E N T I A L

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
11-CV-03605(JSR)(HBP)

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IRVING H. PICARD, Trustee for the Liquidation of Bernard L. Madoff Investment Securities LLC,	Videotaped Deposition of:
Plaintiff,	
v.	SAUL B. KATZ
SAUL B. KATZ, et al.,	
Defendants.	

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TRANSCRIPT of testimony as taken by and before
 NANCY C. BENDISH, Certified Court Reporter, RMR, CRR
 and Notary Public of the States of New York and New
 Jersey, at the offices of Baker & Hostetler, 45
 Rockefeller Plaza, New York, New York on Friday,
 January 13, 2012, commencing at 9:32 a.m.

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A P P E A R A N C E S:

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For Sterling Equities, certain
affiliated entities, and the Witness

ALSO PRESENT:

GREGORY P. NERO, ESQ., Sterling Equities
DANIEL McCLUTCHY, Videographer

1 observations?

2 A. No, I don't recall.

3 Q. Do you recall any -- particularly
4 with regard to any discussion of expected volatility
5 changes over time?

6 A. No.

7 Q. Do you recall anyone ever suggesting
8 to you that given Mr. Madoff's strategy, you should
9 expect volatility changes?

10 A. I don't recall that.

11 Q. Okay. All right. I want to go to a
12 different topic and this one is going to be SEC
13 investigations, okay, of Mr. Madoff.

14 A. SEC investigations. Okay, through
15 with this.

16 Q. First of all, do you have any
17 recollection of any SEC investigations of
18 Mr. Madoff?

19 A. Only what I've seen in the papers or
20 heard secondhand.

21 Q. When you say -- let's do first what
22 you'd seen in the papers. Was that before or after
23 his confession?

24 A. Before.

25 Q. Okay. And what did you see in the

1 papers before his confession?

2 A. That there was an issue with some
3 accountants in Florida who were running some sort of
4 a fund that the SEC wasn't happy with. And they
5 came in and they investigated, as I recall, closed
6 up the fund and required Madoff, who appears to have
7 been managing that fund, to send back all the money
8 to those people.

9 Q. Um-hum.

10 A. And as I recall, Ike Sorkin, who was
11 a friend of ours, through the law firm that he had
12 been with before, Howard Squadron's firm, was
13 representing, as I recall, he was representing
14 Bernie, and said that the SEC closed one, no problem
15 with Bernie after their -- whatever their
16 investigation was, and Bernie quickly sent back the
17 money to the fund and it was redistributed to the
18 people. And as Ike had told me, that most of those
19 people tried to get right back into Bernie directly,
20 as opposed to through the accounting firm.

21 Q. Other than the SEC investigation you
22 just described for us, are you aware of any other
23 SEC investigations of Mr. Madoff?

24 A. Not before this whole thing broke,
25 when I read in the papers that there were five or

1 six or seven.

2 Q. Okay. All right.

3 (Exhibit Trustee 358, Memo 7/29/99,
4 Bates SE_T954409-10, marked for identification.)

5 Q. Mr. Katz, I show you what has been
6 marked by the reporter as Exhibit 358. Do you have
7 a -- first of all, do you have any recollection of
8 this document?

9 A. No, sir.

10 Q. Was this to -- have you seen it prior
11 to today? Do you have any recollection that you've
12 seen it prior to today?

13 A. I don't remember. I don't remember.

14 Q. What it purports to be is a memo from
15 AF, who I'm assuming is Arthur --

16 A. Arthur Friedman.

17 Q. -- Friedman. And it's to all
18 partners. Partners being Sterling Equities, I
19 think. All right. But I'm only guessing here, so
20 why don't I stop doing that.

21 In other words, do you have any --
22 why don't you read the document and tell me what
23 your understanding of it is, and if after reading it
24 you have any recollection of it.

25 A. Yes, sir.