

EXHIBIT K

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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,

PETER STAMOS

vs.

SAUL B. KATZ, et al.,

Defendants.

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Transcript of testimony as taken by and before
LESLIE ROCKWOOD, Certified Shorthand Reporter, RPR and
Notary Public of the State of California, at the offices
of Shearman & Sterling, Four Embarcadero, Suite 3800,
San Francisco, California, on Thursday, January 5, 2012,
commencing at 9:48 a.m.

1 under management, average annualized return, standard
2 deviation, Sharpe ratio, number of managers, number of
3 positive months, number of negative months and largest
4 draw down.

5 A. Yes.

6 Q. Why would you provide those summary
7 statistics in a document like this Sterling Stamos
8 Security Fund LP document?

9 A. This would be standard practice for an
10 institutional investor in particular, but also for
11 individual investors to want to know the answers to all
12 those questions: What's the size of the firm? What's
13 the size of the fund? What are the average annual
14 returns? What's the standard deviation?

15 These are the standard statistics that are
16 generated by our firm on behalf of our fund to funds, and
17 they are very similar to those statistics that we collect
18 from the underlying fund managers that are also
19 summarized for our potential investors and existing
20 investors.

21 Q. If you could turn to the -- page 23 of that
22 same document, Bates range, last three numbers, 8242.

23 A. Yes.

24 Q. Okay. And do you see where it says,
25 "Professional senior investment team"?

1 A. Yes.

2 Q. There's yourself. Down lower, Saul B. Katz.
3 Was he one of the investment professionals of Sterling
4 Stamos?

5 A. In the general sense, yes. At that time in
6 2005 -- early part of 2005, I believe this still is
7 January, before we became a registered investment
8 advisor, we would often refer to Saul and David and Fred
9 as part of our investment team, with the understanding
10 being that their role was quite limited.

11 But that they actually had a great deal of
12 experience as investors, primarily in real estate, but
13 also in private equity and, as we now know, to a limited
14 extent in hedge funds. We thought they had deep
15 experience in hedge funds, but it turns out that the
16 experience they had in hedge funds was primarily one
17 manager. But we would emphasize their professional
18 relationship with us in the firm.

19 Q. And they were a member of your senior
20 investment team at or about the time of the date of this
21 document, which is December of 2004?

22 A. As I described the senior investment team,
23 which was, in the general sense, they had no role in the
24 day-to-day operations of the investment team, but they
25 did provide us with introductions to potential managers,

1 quite broadly. They had a very broad network through
2 their real estate network, through their sports network,
3 through their investments on running of Sterling American
4 Properties and in their joint venture with American
5 Securities and private equity that led to introductions
6 to numerous managers across all asset classes.

7 Q. If you could look at the second attachment,
8 it's entitled "A Sterling Stamos Security Fund LP
9 Marketing Supplement, October 2004," beginning Bates
10 range of SSMT01238252.

11 A. Is it the October '04 document?

12 Q. Uh-huh.

13 A. And which page would you like me to turn to?

14 Q. If you could turn to page 4 of that document,
15 which is Bates range, last four digits, 8255.

16 A. Yes.

17 Q. The third bullet, "Access to the investment
18 expertise and experience of Sterling Stamos," do you see
19 that?

20 A. Yes.

21 Q. "The fund who has access to the business
22 expertise of Sterling Equities. Sterling Equities was
23 founded by the Wilpon and Katz families who are
24 sophisticated investors with respect to hedge funds,
25 private equity and real estate.

1 "In addition to providing perspective that
2 only experience can generate, the networks of both the
3 Wilpon and Katz families also provide the fund with
4 proprietary sourcing and due diligence capabilities."

5 A. Yes.

6 Q. Was this document provided to investors in or
7 around October 2004?

8 A. Yes.

9 Q. And can you tell me what the proprietary
10 sourcing and due diligence capabilities of the Wilpon and
11 Katz families are that you're referring to there?

12 A. I can give you specific examples. So we
13 emphasize the business experience of Sterling Equities
14 through their business experience and their historical
15 experience of having invested in hedge funds, private
16 equity and real estate.

17 They had a very broad network of
18 relationships that they introduced us to. One was, for
19 example, Mr. Chuck Klein, and through Mr. Chuck Klein we
20 were introduced to a manager named Michael Lowenstein,
21 who is an outstanding manager. We would not have had
22 access to him without that, and that gave us exposure to
23 a great long/short equity manager.

24 Q. And when it says -- references the Wilpon and
25 Katz families also provide the fund with due diligence

1 capabilities, what does that mean?

2 A. The networks of both the Wilpon and Katz
3 families do provide us with due diligence capabilities,
4 because part of due diligence is doing reference checks
5 on managers. And so our objective here was to express
6 the extended experience, business experience, of them and
7 their extended network and our ability to do proprietary
8 sourcing, getting access to managers, as well as to do
9 due diligence.

10 I don't believe in any way that they brought
11 specific due diligence expertise on how to invest in
12 hedge fund managers, other than what I discussed before,
13 which is understanding the relationships and how to
14 develop trust with them.

15 Q. Does it say in here that you don't believe
16 they have due diligence capabilities?

17 A. No. I said --

18 MR. GOUDISS: I object.

19 Go ahead.

20 THE WITNESS: There -- due diligence starts
21 at the broad and goes to the very specific. Their due
22 diligence expertise was at the very broad level. At the
23 broad level of understanding the nature of the
24 individuals that we're investing with. And their network
25 was quite profound and allowed us to meet managers that

1 were often closed to outside investors.

2 And the level of questioning that I would
3 have of Saul, in particular, based upon his judgment, was
4 if he knew the manager, what he thought of that person as
5 an individual, could we trust them? So in the first nine
6 questions we had to answer, the trust and value based,
7 those are qualitative judgment calls. It's an important
8 part of due diligence. I would argue it's one of the
9 most important parts.

10 And then on the quantitative side, you know,
11 can they actually do the job, can they execute on hedge
12 fund strategies and so on, that was our job.

13 Q. BY MS. GRIFFIN: Okay. Page 11 of that
14 document, Bates range, last four digits, 8262. Under
15 Saul B. Katz, it says, "Mr. Katz is a general partner of
16 Sterling Stamos and is actively involved in the
17 investment decisions, as well as the management of
18 Sterling Stamos."

19 Was that true in or about October 2004?

20 A. Yes. At that time he was actively involved.
21 Again, with the caveat being that his active involvement
22 was, on the investment side at least, at the very general
23 level. On the business side, very specific level.

24 Q. And David Katz, it says, "Mr. Katz is a
25 general partner of Sterling Stamos and is actively

1 involved in the investment decisions as well as the
2 management of Sterling Stamos."

3 Is that an accurate statement in or about
4 October 2004?

5 A. Yes.

6 Q. Okay.

7 A. With the same caveat, at the general level on
8 the investment side. More specifically on the management
9 side of it.

10 Q. Were you marketing Mr. Katz's, Mr. Saul Katz
11 and Mr. David Katz, their involvement with the fund to
12 your potential investors?

13 A. Yes.

14 Q. And did you inform your potential investors
15 that their -- strike that.

16 MR. GOUDISS: Thank you.

17 MS. GRIFFIN: I'll save you the objection.

18 MR. GOUDISS: You saved me the objection.

19 MS. GRIFFIN: You're coughing so hard I felt
20 bad.

21 Q. On page 3 of the first attachment -- my
22 apologies.

23 A. Going back to the first?

24 Q. Yes. Jumping back.

25 A. Okay.

1 infective, but what David did have is -- and does have, I
2 believe, to this day, some of Saul's judgment and
3 instincts about people. And so David would regularly,
4 you know, counsel me in the same way, in this case not
5 like a father but more like brother, and ask me questions
6 about the managers. And that's why I think in the early
7 days he even came on some manager interviews with us,
8 gave us some of his judgment. But, again, like Saul, he
9 deferred the investment decisions to us.

10 Q. Now, you also testified in response to
11 questions to Ms. Griffin that you -- not you personally,
12 but Sterling Stamos was marketing Mr. Katz, Mr. Wilpon
13 and David Katz to potential investors.

14 Do you recall that?

15 A. Yes.

16 Q. And can you tell me why it is that Sterling
17 Stamos, or what was SP Capital at the time, was marketing
18 those individuals to potential investors?

19 A. Because they had a, if you'll pardon the
20 phrase, sterling reputation in the New York area in
21 general -- I mean, in the investment world in general,
22 because of their remarkable track record in real state,
23 remarkable track record with American Securities and
24 private equity, and that gave us credibility. In
25 addition to the fact that they owned the New York Mets,

1 were at the time highly respected owners. A portion of
2 the Mets, I believe, at the time. I don't know whether
3 they owned 50 percent or more at this point in time. And
4 that opened doors both on the manager's side, the people
5 that we invested with. Specifically they would, you
6 know, use the cachet of the New York Mets and the ability
7 to have access to the owners' box and to throw out the
8 first pitch or to have a charitable event at Shea Stadium
9 as an incentive for hedge fund managers to consider us.
10 I think I got an allocation to Michael Lowenstein when he
11 asked for a charitable event that they could throw out
12 the first pitch or have a couple seats. Then the next
13 day I got access to him. That's on the one hand.

14 On the other hand, they had the reputation of
15 being savvy businessmen, very thoughtful, very credible.
16 And so a number of other limited partners who chose to
17 invest with us would do it under the halo of the fact
18 that Saul and Fred had chosen us as their investment
19 manager for a significant portion of their assets.

20 Q. Okay. Last set of questions. Mr. Stamos, at
21 any point prior to December 11th, 2008, did you believe
22 that there was a high probability that Bernie Madoff was
23 engaged in fraud?

24 MS. GRIFFIN: Objection.

25 THE WITNESS: No. If I had any inkling