

# Exhibit 11

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

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK  
ADV. PRO. NO. 08-01789 (BRL)

-----X  
SECURITIES INVESTOR PROTECTION  
CORPORATION,

Videotaped

Plaintiff-Applicant,  
v.

Rule 2004  
Examination of:

BERNARD L. MADOFF INVESTMENT  
SECURITIES, LLC,  
Defendant.

PETER S. STAMOS

-----X  
In Re:

BERNARD L. MADOFF,  
  
Debtor.

-----X

TRANSCRIPT of testimony as taken by and before  
NANCY C. BENDISH and MONIQUE VOUTHOURIS, Certified  
Court Reporters, CRRs and Notaries Public of the  
States of New York and New Jersey, at the offices of  
Baker & Hostetler, 45 Rockefeller Plaza, New York,  
New York on Thursday, August 19, 2010, commencing at  
10:17 a.m.

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11:06:56 1           A.           She was a consultant to the firm and  
11:06:58 2 she may well have been involved as well.

11:07:01 3           Q.           Other than Mr. Okimoto, Mr. Chachra,  
11:07:06 4 Ms. Pipines -- am I pronouncing that right?

11:07:06 5           A.           Pipines, I believe.

11:07:09 6           Q.           -- Pipines, and possibly yourself and  
11:07:10 7 Mr. Daley, were there any other individuals involved  
11:07:13 8 with discussions with Mr. Katz with respect to  
11:07:15 9 registering as an investment advisor?

11:07:20 10          A.           Individuals in our firm?

11:07:22 11          Q.           Yes.

11:07:22 12          A.           There may well have been. I don't  
11:07:24 13 recall the specifics, but other members of our firm  
11:07:27 14 may well have been involved as well.

11:07:31 15          Q.           What were the nature of those  
11:07:34 16 discussions with Mr. Katz?

11:07:38 17          A.           He expressed his concern about our  
11:07:40 18 registering.

11:07:43 19          Q.           And what concern did Mr. Saul Katz  
11:07:45 20 express about Sterling Stamos registering as an  
11:07:49 21 investment advisor?

11:07:50 22          A.           What I recall, and my recollection  
11:07:53 23 was refreshed by seeing some of the emails that I  
11:07:55 24 submitted to you, was that he was concerned that  
11:07:59 25 this would possibly interfere in his relationship

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11:08:03 1 with Mr. Madoff.

11:08:05 2 Q. And how -- well, why did Mr. Katz  
11:08:09 3 believe that Sterling Stamos registering as an  
11:08:13 4 investment advisor would interfere with his  
11:08:16 5 relationship with Mr. Madoff?

11:08:17 6 MR. GOUDISS: I object to the form.  
11:08:19 7 Go ahead.

11:08:21 8 A. Could you be more specific.

11:08:26 9 Q. Well, Mr. Katz had investments with  
11:08:28 10 Madoff, right?

11:08:32 11 A. Correct.

11:08:33 12 Q. Okay. And you said that Mr. Katz  
11:08:36 13 expressed concern that Sterling Stamos registering  
11:08:40 14 as an investment advisor could possibly interfere  
11:08:44 15 with his relationship with Madoff.

11:08:46 16 A. Correct.

11:08:47 17 Q. So, what were his concerns?

11:08:50 18 A. I came to understand his concern to  
11:08:53 19 be that Mr. Madoff had expressed his concern to  
11:09:02 20 Mr. Katz.

11:09:05 21 Q. But we're going to get through this,  
11:09:08 22 I promise.

11:09:10 23 What did Mr. Madoff express -- strike  
11:09:15 24 that.

11:09:17 25 What were Mr. Madoff's concerns with

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11:14:00 1 was our general counsel.

11:14:01 2 Q. I'm not asking about the legal steps.  
11:14:04 3 I'm asking -- let me try to rephrase the question  
11:14:06 4 again.

11:14:07 5 You testified that Mr. Katz raised  
11:14:09 6 some concerns with Sterling Stamos registering as an  
11:14:13 7 investment advisor, right?

11:14:14 8 A. Yes.

11:14:14 9 Q. And those concerns that Mr. Katz  
11:14:17 10 expressed were in connection with his investments  
11:14:20 11 with Bernie Madoff, right?

11:14:24 12 A. What I believe he expressed to me was  
11:14:26 13 his concerns about his investments in other business  
11:14:29 14 relationships that he has with Mr. Madoff.  
11:14:34 15 Investments and other business relationships.

11:14:38 16 Q. What did Sterling Stamos do after  
11:14:40 17 Mr. Katz raised those concerns?

11:14:42 18 A. As CEO I recall two steps. First was  
11:14:46 19 to try to alleviate his, Mr. Katz's concerns,  
11:14:50 20 because he was our investor and is our business  
11:14:52 21 partner. And the second was we went, undertook  
11:14:57 22 steps to register ourselves.

11:15:00 23 Q. And what did you do -- let me  
11:15:05 24 rephrase. What did Sterling Stamos do to alleviate  
11:15:11 25 Saul Katz's concerns?

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11:15:13 1           A.           We sought to determine what in fact  
11:15:16 2 would have to be disclosed as a registered  
11:15:19 3 investment advisor.

11:15:22 4           Q.           And when you say you sought to  
11:15:24 5 determine what in fact would have to be disclosed as  
11:15:27 6 a registered investment advisor, does that include  
11:15:31 7 what had to be disclosed with respect to his  
11:15:34 8 investments with Madoff?

11:15:36 9           A.           It may well have included that. I'm  
11:15:39 10 not familiar with the exact form of this, but I  
11:15:43 11 believe there's something called a form ADV that we  
11:15:46 12 file. What would have to be disclosed on that, as  
11:15:50 13 an example.

11:15:51 14           Q.           Were you able -- and when I say you,  
11:15:55 15 Sterling Stamos, your managing team, were you able  
11:15:58 16 to alleviate Mr. Katz's concerns?

11:16:03 17           A.           To some extent, yes, but not fully.

11:16:07 18           Q.           What do you mean by that?

11:16:12 19           A.           In order to fully alleviate his  
11:16:16 20 concerns, we had to create a more formal separation  
11:16:21 21 of our activities with Sterling Equities.

11:16:25 22           Q.           And did you create a more formal  
11:16:28 23 separation between your relationship with Sterling  
11:16:31 24 Equities?

11:16:32 25           A.           I believe so. I recall at least one

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11:16:36 1 specific thing that we did that made us more  
11:16:41 2 separated in a formal sense.

11:16:43 3 Q. And what was that?

11:16:45 4 A. At the time we were trying -- we  
11:16:47 5 shared office space, and I believe we had a period  
11:16:51 6 of time where we had an overlapping information  
11:16:53 7 system. And we were contemplating a move to the  
11:16:56 8 same office space. We decided to do what I recall,  
11:17:01 9 two things.

11:17:02 10 Number one was to move to separate  
11:17:04 11 office spaces. So they would occupy a space in a  
11:17:10 12 different building and we would be occupied in a  
11:17:12 13 different building.

11:17:14 14 And, secondly, we would create,  
11:17:16 15 through ways that are legal and otherwise, a more  
11:17:22 16 definitive separation between the operating partners  
11:17:25 17 of the firm who run the business on a daily basis,  
11:17:29 18 and the role of the Sterling partners as equity  
11:17:33 19 owners of the business but removing them from  
11:17:36 20 operating responsibilities.

11:17:39 21 Q. Thank you. I just want to circle  
11:17:42 22 back to some of the items that you raised.

11:17:47 23 When you say at the time we shared  
11:17:50 24 office space, what time frame are you referring to?

11:17:56 25 A. From inception until the time we

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11:23:31 1 daily basis?

11:23:33 2 A. I don't recall him participating on a  
11:23:35 3 daily basis. I recall him participating on a more  
11:23:39 4 periodic basis when we had a decision to make.

11:23:43 5 Q. And what types of decisions were  
11:23:48 6 Mr. Saul Katz involved in?

11:23:51 7 A. During that time frame --

11:23:54 8 Q. Yes.

11:23:55 9 A. -- he was involved in decisions about  
11:23:57 10 managers that we should invest in and managers that  
11:24:00 11 we should not invest in. We involved him in those  
11:24:04 12 discussions.

11:24:07 13 Q. Any other types of discussions that  
11:24:10 14 Mr. Katz was involved in?

11:24:12 15 A. He was intimately involved in the  
11:24:14 16 financial and business aspects of the business.

11:24:19 17 Q. When you say the financial aspects of  
11:24:22 18 the business, what do you mean by that?

11:24:25 19 A. For example, payroll, budget,  
11:24:31 20 profitability, capital expenditures.

11:24:35 21 Q. So the operational side?

11:24:37 22 A. Yes, the operational financial side  
11:24:39 23 of the business, as an owner of the business.

11:24:42 24 Q. When you say that Mr. Saul Katz was  
11:24:45 25 intimately involved in the operational side of the



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11:24:48 1 business, what do you mean by that?

11:24:49 2 A. During the early stages of the  
11:24:52 3 company we didn't make any, that I recall,  
11:24:53 4 significant business decisions without his approval.  
11:24:56 5 That changed as the firm evolved.

11:25:02 6 Q. Did that change after you  
11:25:04 7 registered -- as a result, let me rephrase it. Did  
11:25:06 8 that change as a result of registering as an  
11:25:10 9 investment advisor?

11:25:11 10 MR. GOUDISS: I object. Go ahead.

11:25:13 11 A. I can't answer the question whether  
11:25:16 12 it was as a result or whether it was part of a  
11:25:19 13 process.

11:25:19 14 Q. When did that change?

11:25:22 15 A. I believe it changed  
11:25:23 16 contemporaneously over the same time frame in the  
11:25:27 17 context of the evolution of the firm.

11:25:31 18 Q. But did it have anything to do with  
11:25:34 19 Sterling Stamos' registering as an investment  
11:25:36 20 advisor?

11:25:39 21 A. It may well have been part of the  
11:25:43 22 process that we went through to create separation  
11:25:45 23 between the financial management of the business and  
11:25:49 24 the investment side of the business.

11:25:55 25 Q. Other than the two steps that we've

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11:25:58 1 gone over, the separation of the office space and  
11:26:01 2 the separation of Mr. Katz's role in the investment  
11:26:08 3 side of the business, are there any other steps that  
11:26:10 4 you took?

11:26:11 5 A. When you refer to "you," you mean the  
11:26:14 6 firm?

11:26:14 7 Q. Yes.

11:26:15 8 A. I believe the firm took other steps  
11:26:17 9 but you would have to confer with our counsel. I  
11:26:21 10 believe we structured ourselves differently in terms  
11:26:24 11 of how our documents were written, for example. But  
11:26:28 12 that's not something I have any knowledge of,  
11:26:31 13 specifically.

11:26:31 14 Q. Well, what knowledge do you have,  
11:26:33 15 generally speaking?

11:26:35 16 A. Generally speaking, my understanding  
11:26:37 17 is that we created a more -- a separate, more  
11:26:44 18 separate structure so that we would have board  
11:26:48 19 meetings to discuss business issues and have  
11:26:51 20 investment committee meetings to discuss investment  
11:26:54 21 issues, and that those two would remain separate, to  
11:27:01 22 make clear that Mr. Katz, in particular, and the  
11:27:04 23 Sterling Equities partners were not involved in the  
11:27:07 24 investment decision-making of the firm.

11:27:15 25 Q. So I take it from your response that

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12:56:08 1 Q. After you had this discussion with  
12:56:10 2 Mr. Madoff at dinner at the Merkins, did you share  
12:56:16 3 that conversation with anyone?

12:56:20 4 A. I'm sure I shared it with some  
12:56:23 5 members of my family, and possibly with Mr. Katz.

12:56:26 6 Q. What members of your family did you  
12:56:28 7 share it with?

12:56:29 8 A. I believe my wife.

12:56:30 9 Q. Did you share it with your father?

12:56:33 10 A. I possibly shared it with my father.

12:56:36 11 Q. What about your brothers, Basil and  
12:56:39 12 Chris?

12:56:39 13 A. Possibly my brothers Basil and Chris  
12:56:42 14 as well because we're very close and spoke often.

12:56:45 15 Q. Did you raise this discussion you had  
12:56:49 16 with Mr. Madoff with anyone at Sterling Stamos?

12:56:53 17 A. I don't recall the specific  
12:56:55 18 conversation with anyone at Sterling Stamos, but it  
12:56:58 19 would have been in my normal course of events to  
12:57:02 20 discuss this with -- a conversation with a fund,  
12:57:04 21 with any manager with my investment team, so I  
12:57:07 22 assume I probably did.

12:57:09 23 Q. And who from your investment team did  
12:57:10 24 you probably have that discussion with?

12:57:12 25 MR. GOUDISS: I object. Go ahead.

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12:57:15 1 A. I don't recall the specific  
12:57:18 2 conversation, so it could have been any member of  
12:57:20 3 the team.

12:57:20 4 Q. At that time who were the members of  
12:57:22 5 your team?

12:57:23 6 A. The two members that were most active  
12:57:25 7 I believe at that time were Kevin Okimoto and Ashok  
12:57:29 8 Chachra.

12:57:30 9 Q. Those are the two founding partners  
12:57:32 10 of Sterling Stamos?

12:57:33 11 A. Yes.

12:57:33 12 Q. From the Stamos side.

12:57:37 13 A. Yes.

12:57:42 14 Q. With respect to Mr. Katz, you said  
12:57:46 15 you raised the discussion you had with Mr. Madoff  
12:57:48 16 with Mr. Katz, are you referring to Saul Katz or  
12:57:50 17 David Katz?

12:57:52 18 A. Saul Katz, I believe.

12:57:53 19 Q. And what did you tell Saul Katz about  
12:57:55 20 your discussion with Mr. Madoff?

12:57:57 21 A. First of all, I don't recall a  
12:57:58 22 specific conversation with Mr. Katz. I think what I  
12:58:02 23 believe I said is that I believe I spoke with him  
12:58:06 24 about this, because it was the kind of thing I would  
12:58:10 25 share with him.

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01:58:44 1

Madoff?

01:58:45 2

MR. GOUDISS: I object. Go ahead.

01:58:46 3

A. To be clear, my understanding of what

01:58:49 4

Mr. Katz said to me was that he was concerned about

01:58:53 5

his having to disclose his investments and other

01:58:58 6

business relationships with Mr. Madoff.

01:59:01 7

Q. And did you find that odd in any way

01:59:05 8

that Mr. Katz had any concerns with having to

01:59:08 9

disclose his investments or business relationships

01:59:11 10

with Mr. Madoff?

01:59:12 11

A. What I don't understand is "odd in

01:59:14 12

any way." If you could describe what you mean by

01:59:16 13

that, I can answer the question.

01:59:21 14

Q. Did Mr. Saul Katz -- why did Mr. Saul

01:59:33 15

Katz -- did Mr. Saul Katz tell you why he wanted to

01:59:37 16

keep his investments with Madoff confidential?

01:59:42 17

MR. GOUDISS: I object. Go ahead.

01:59:44 18

A. I can tell you what I recall he said

01:59:46 19

to me. I don't know his reasons why.

01:59:51 20

Q. And what did he say to you?

01:59:53 21

MR. GOUDISS: I object. Go ahead.

01:59:54 22

Tell him again.

01:59:57 23

A. I believe that what Mr. -- or what I

01:59:59 24

recall Mr. Katz expressing is concern about

02:00:03 25

confidentiality and privacy.

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02:00:10 1 Q. Did he explain why he didn't -- did  
02:00:13 2 he explain to you why he did not want to disclose  
02:00:16 3 his investments with Madoff?

02:00:18 4 A. I don't recall his explanation,  
02:00:19 5 anything beyond privacy and confidentiality.

02:00:24 6 Q. And what did he tell you about his  
02:00:26 7 concerns with confidentiality and privacy with  
02:00:28 8 respect to his Madoff investments?

02:00:31 9 MR. GOUDISS: I object. Go ahead.

02:00:34 10 A. I believe that's the only thing I  
02:00:36 11 recall is that Mr. Madoff is -- wants our  
02:00:41 12 relationship private and confidential.

02:00:44 13 Q. And did he tell you why Mr. Madoff  
02:00:46 14 wanted his relationship with Mr. Katz confidential?

02:00:50 15 A. I don't recall him ever explaining to  
02:00:52 16 me why, then in fact that's one of the things that  
02:00:58 17 we tried to determine. Why that was an issue.

02:01:03 18 Q. And why did you try to determine as  
02:01:05 19 to whether that was an issue?

02:01:07 20 A. So that we could register as an  
02:01:09 21 investment advisor.

02:01:19 22 Q. Did anyone at Sterling Stamos ever  
02:01:22 23 express to you or raise -- let me rephrase it.

02:01:28 24 Did anyone at Sterling Stamos ever  
02:01:31 25 raise any questions with the fact that Madoff wanted

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05:38:31 1 Mr. Wilpon several months, if not more than a year  
05:38:36 2 or two, to agree with that approach and strategy.

05:38:41 3 Q. And why did it take so long for  
05:38:44 4 Mr. Wilpon to agree with that approach and strategy?

05:38:46 5 MR. GOUDISS: I object. Go ahead.

05:38:47 6 A. I don't know why -- what his thoughts  
05:38:51 7 were. I can -- what he said to me --

05:38:55 8 Q. Well, let's talk about the  
05:38:56 9 discussions you had with Fred Wilpon about  
05:38:59 10 diversifying from Madoff.

05:39:01 11 A. What I recall Mr. Wilpon saying to me  
05:39:04 12 was we will call the firm something other than  
05:39:07 13 Sterling and see how you do for a year, and after a  
05:39:09 14 year we'll then make that decision.

05:39:12 15 Q. That's why it was called SP Capital  
05:39:14 16 at first?

05:39:15 17 A. Stamos Partners Capital, yeah, Stamos  
05:39:18 18 Partners Management, yes, SP Capital.

05:39:21 19 Q. And when was the name changed to  
05:39:23 20 Sterling Stamos?

05:39:24 21 A. About a year later.

05:39:26 22 Q. And did you have discussions with  
05:39:28 23 Fred Wilpon about changing the name to Sterling  
05:39:31 24 Stamos?

05:39:31 25 A. Yes.

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07:29:08 1 reverse?

07:29:08 2 A. It may have been our asking them to  
07:29:10 3 consider investing with us.

07:29:12 4 MR. BOHORQUEZ: All right. Why don't  
07:29:13 5 we take a quick break, make sure that we can finish  
07:29:17 6 this up, but I think just maybe five minutes and  
07:29:20 7 then we can wrap this up.

07:29:22 8 THE VIDEOGRAPHER: Going off the  
07:29:23 9 record, the time is 7:29.

07:29:26 10 (Brief recess.)

07:37:13 11 THE VIDEOGRAPHER: We are back on the  
07:37:21 12 record. The time is 7:37.

07:37:25 13 BY MR. BOHORQUEZ:

07:37:28 14 Q. Mr. Stamos, when did Mr. Chachra  
07:37:31 15 leave Sterling Stamos?

07:37:36 16 A. I believe it was April 1st of this  
07:37:41 17 year.

07:37:42 18 Q. And why did he leave Sterling Stamos?

07:37:45 19 A. What Mr. Chachra expressed to me was  
07:37:53 20 a couple of factors. Number one, he wanted an  
07:37:59 21 opportunity to be the lead investor of a group and  
07:38:06 22 that he wouldn't have that opportunity with our firm  
07:38:09 23 for several years because I intended to stay in that  
07:38:14 24 position. And second, that the opportunity that he  
07:38:18 25 had was one that would allow him to stay closer to