

EXHIBIT G

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

UNITED STATES BANKRUPTCY 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.

BRUCE G. DUBINSKY

SAUL B. KATZ, et al.,

Defendants.

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TRANSCRIPT of testimony as taken by and before
NANCY MAHONEY, Certified Court Reporter, Registered
Professional Reporter, and Notary Public of the
States of New York and New Jersey, at the offices of
Davis Polk & Wardwell, 450 Lexington Avenue
New York, New York on January 11, 2012, commencing
at 9:27 a.m.

1 of the split-strike strategy in about '92 after the
2 Avellino & Bienes customers reinvested their money.

3 Q. What's the connection between
4 Avellino & Bienes and the reinvestment of the money
5 and the changing of the strategy?

6 A. The connection, as I've
7 investigated -- and I can't, again, testify to
8 someone why they did this because I'm not -- I can't
9 jump into Mr. Madoff's head or anybody else there --
10 there were -- there was an SEC investigation of
11 Avellino & Bienes that culminated in the -- well,
12 Avellino & Bienes was sanctioned by the SEC, fined
13 for acting as an unregistered investment advisor --
14 or investment firm. And, therefore, the money that
15 they had collected from their individual clients --
16 they were an accounting firm originally -- was all
17 returned to those clients and then those clients
18 individually set up individual accounts back with
19 BLMIS.

20 So now you had a situation where
21 prior to that the Avellino & Bienes, up until a
22 point in time, had about six to eight accounts
23 operating. Now BLMIS had 4,500 accounts that
24 flooded in. And from what I understand and what
25 I've investigated, then the strategy became somewhat

1 of a scaleable strategy where you would take the
2 split-strike and the options, the OEX options, wrap
3 those around basket of stocks from the S&P 100, and
4 then once you do that, it's fairly easy to replicate
5 that across a wide range of accounts. It's not
6 tailored specifically to you or if somebody else
7 came in.

8 So that's my understanding of what
9 happened and the extent of it. I can't tell you,
10 you know, why they did that.

11 Q. So one thing I'm -- I think you said
12 this, but I think I'm not following it.

13 There were six or eight accounts of
14 Avellino & Bienes and they turned into so many
15 accounts at BLMIS. What -- what was the change
16 there?

17 A. Well, originally those accounts
18 were -- so if I were a customer of Avellino &
19 Bienes, I gave my money to Avellino & Bienes, they
20 said to -- they would have said to me or --

21 Q. I see.

22 A. -- okay, they were invested that way
23 and pooled, kind of like a feeder fund. Okay?

24 Q. Got it.

25 So each investor in Avellino & Bienes

1 we're talking about. There were computer systems in
2 place. There were then expansions of those computer
3 systems into separate systems in House 17, so the
4 resources were available, the opportunity. There
5 were people that had a low level of education and
6 professional training that were being utilized to
7 continue the scheme.

8 Q. You mean the employees?

9 A. The employees, the employees of
10 House 17. So I think when you kind of roll all that
11 together, those factors contributed to the length of
12 this.

13 Q. What in this particular case -- you
14 may have already said it in this recitation, but
15 specifically what do you regard as the opportunity
16 that was available to BLMIS or Mr. Madoff?

17 A. Well, if I'm already -- give you an
18 example.

19 If I'm already selling cars, I'm
20 already in the business. If I want to now start a
21 fraud selling cars that I bought on the black market
22 and throw them into my lot, makes it easy to do,
23 doesn't it?

24 So when you have that kind of
25 opportunity -- it's much harder if I want to go out

1 and put a storefront up to sell cars and I've never
2 done it before.

3 So, you know, when you have that kind
4 of opportunity and you have the inside track on how
5 to run a business already, how to do it, you can
6 make things happen.

7 Q. And the resources would be, I think
8 you just said, the computer systems and the other
9 facilities in place for House 5 which was
10 legitimate?

11 A. Well, it's a good point. I haven't
12 concluded House 5 was legitimate. As I detail in
13 the report, I say there was some legitimate trading
14 that I saw and I -- and I went through that.

15 The fact that House 5 was falsifying
16 FOCUS reports and pumping up their revenues, so I'm
17 not opining that House 5 in any way was legitimate.

18 Having said that, again, the analogy
19 to the car dealer, you've got somebody over here
20 trading stocks and bonds and acting as a market
21 maker, they have the prop trading. That makes it
22 easier to facilitate pulling something like this
23 off, in my opinion.

24 Q. I think -- and at any point you're
25 welcome to read your report, but I think then you go