

# EXHIBIT C

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

-----x  
SECURITIES INVESTOR PROTECTION  
CORPORATION,

Plaintiff-Applicant,  
v.

Rule 2004  
Examination of:

BERNARD L. MADOFF INVESTMENT  
SECURITIES, LLC,  
Defendant.

ASHOK CHACHRA

-----x  
In Re:

BERNARD L. MADOFF,  
  
Debtor.

-----x

TRANSCRIPT of testimony as taken by and before  
MONIQUE VOUTHOURIS, Certified Court Reporter, RPR,  
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,  
October 8, 2010, commencing at 10:16 a.m.

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

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KYL A STEWART, ESQ.  
For Ashok Chachra

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Q. Why did Sterling Stamos register as an investment advisor in 2005?

A. I thought we were -- I thought it was mandatory.

Q. And why did you think it was mandatory?

A. I mean, I don't know the law -- I'm not a lawyer, but I thought that was why we did.

Q. And who expressed to you -- or how did you come to the understanding that it was mandatory that Sterling Stamos had to register as an investor advisor?

A. I don't know. I just remember reading articles on Bloomberg that alternative investment managers were going to have to register and we thought why wait, let's register, let's be, hopefully, best in class as it relates to -- you know, Peter had always mentioned this, you know, let's be ahead of the curve from a -- you know, let's do the -- you know, let's be -- whatever we need to do from a regulation standpoint, let's always be in line. It's an obvious point, but...

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Q. Let me take it another way. Within what kind of context did Mr. Stamos raise the Katz/Wilpon family's investments in Madoff?

A. Principally as an area for our asset growth so we could grow our business.

Q. And what do you mean by that?

A. That if the Katz and Wilpon families would, you know, speed up their diversification process for Madoff, then we could, you know, we could -- we could grow our asset -- our business.

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20 Q. Was the due diligence process, do you  
21 know if it was ever shared or communicated to the  
22 general partners or the limited partners?

23 A. So we actually made a rule by which  
24 it would not be shared, because whatever we thought  
25 I guess when I was told by our compliance -- head of

1 compliance was whatever you share with one investor,  
2 you have to be willing to share it with everyone.

3 Q. Whether they are a GP or LP?

4 A. Yeah, exactly, and also because every  
5 GP was an LP and it could be misinterpreted, so we  
6 pretty much tried not to share anything.

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Q. Okay. In addition to introducing Peter Stamos to potential investors and limited partners, did Mr. Katz play any role in selecting fund managers do you recall?

A. No.

Q. Not to your recollection or you know that he did not?

A. I don't believe he played a role.

Q. Okay. So, to your recollection, he didn't play any role in deciding which funds to invest in?

A. No. He didn't actually know many of the fund managers.

Q. Okay. With respect to David Katz, he's listed here as a senior investment team member. What was his role at that time prior to registration?

A. Saul's son. There was no role. He attended one -- after Noreen left, he attended one fund manager interview with me.

Q. Okay.

A. He happened to be in the city that



1 day and I was going to a meeting, and he said can I  
2 come along and I said sure.

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Q. Do you know what role, if any, Fred Wilpon had in any of the Sterling Stamos' investments?

A. I don't believe Fred Wilpon or Saul Katz or David Katz had anything to do with the investments of Sterling Stamos.

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Q. Prior to that time frame, post-June  
of '07, where were the investment memos maintained?

1           A.           To be clear, we had like a file on a  
2           shared drive and they would be in that file.

3           Q.           Okay. And did the limited partners  
4           or the general partners have access to the  
5           investment memos at that time?

6           A.           No.

7           Q.           Okay. So if a limited partner or a  
8           general partner wanted to review a particular  
9           investment memo, how would they --

10          A.           They wouldn't.

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6 Is that an accurate statement, that  
7 at that time Saul Katz and David Katz were the  
8 primary portfolio decision-makers for Sterling  
9 Stamos?

10 A. There was only one decision-maker.  
11 It's an inaccurate statement.

12 Q. So it's an inaccurate statement?

13 A. Yes.

14 Q. So at that time who was the primary  
15 portfolio decision-maker?

16 A. There was only ever one  
17 decision-maker and it was Peter Stamos. Ever, I  
18 mean in the entire time that I was at Sterling  
19 Stamos it was only Peter.

20 Q. So your understanding is that this  
21 document is inaccurate then?

22 A. My understanding this document is  
23 inaccurate.

24 Q. And do you know who drafted this  
25 document or filled it out?

1 A. No.

2 Q. Based on the fact that it's a hedge  
3 fund manager questionnaire, do you think it was  
4 Kevin Okimoto or part of his team?

5 A. I don't know who drafted it.

6 Q. On page 3 where it has listed Saul  
7 Katz, it says, "Mr. Katz is a general partner of  
8 Sterling Stamos and is actively involved in the  
9 investment decisions as well as the management of  
10 Sterling Stamos." Do you think that is an accurate  
11 statement?

12 A. He was a member -- it's half  
13 accurate. He was a member of the general  
14 partnership, but from my -- I'm not attesting to be  
15 a lawyer to understand how the corporate structure  
16 worked. He owned half the company was my  
17 understanding, but he was not -- he didn't interact  
18 with me on the investment decisions, so I view that  
19 as an inaccurate statement. He may have interacted  
20 with Peter, and that he may have talked to Peter  
21 about.

22 Q. To your understanding he was not  
23 actively involved in the investment decisions?

24 A. My understanding he was not involved  
25 at all in the investment decision-making. As it

1 relates to introducing clients and/or the revenue  
2 and profits of the business, my understanding he was  
3 involved.

4 Q. And with respect to -- we talked  
5 about introducing clients to the business. With  
6 respect to the revenue and profits of the business,  
7 what was his role in that --

8 A. I think he advised Peter on when  
9 Peter wanted to open up an office in California and  
10 we were going to spend money, my understanding he  
11 consulted Saul. If we were going to make -- you  
12 know, we were going to open up our own office when  
13 we moved from 575 Fifth to 455 Park, he consulted  
14 Saul. We were spending the firm's money.

15 Q. Anything else that you recall? If  
16 you can go to the next page which ends in 410, you  
17 see under David Katz it says the same thing, David  
18 Katz "is actively involved in the investment  
19 decisions, as well as the management of Sterling  
20 Stamos." Do you consider that to be inaccurate as  
21 well?

22 A. Yes.

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Q. And what kind of questions did these  
Madoff investors that Saul Katz had brought to  
Sterling Stamos, what did they ask?

A. Did I -- did we -- you know, if we're  
doing due diligence, did we ever do due diligence on  
Madoff.

Q. And what was your response to that  
question?

A. No.

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12 Q. And was that routine practice of his,  
13 to send you an e-mail asking you -- telling you how  
14 Madoff did for the month and then asking you how  
15 Sterling Stamos did for the month?

16 A. Well, you know, I think in -- from my  
17 understanding as part of the diversification away  
18 from Madoff, they never wanted to believe -- in a  
19 sense I think they thought that we could -- you  
20 know, the goal was to maintain the same level of  
21 investment return, but reduce the single manager  
22 risk.

23 So, you know, for instance, in those  
24 instances I mentioned where Saul would call and say  
25 how is performance, I believe he was frequently

1 comparing it how are we doing versus Madoff. So if  
2 David -- I wouldn't say it was routine, but it was  
3 definitely more than a few times, sure. They had a  
4 significant investment, so that was their effective  
5 benchmark, if you will.

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18 Q. Did you think -- did you personally  
19 think that that was a valid comparison between using  
20 Madoff as a benchmark compared to Sterling Stamos?

21 A. It was a completely irrational  
22 comparison.

23 Q. And why did you think it was  
24 irrational?

25 A. Saying that we should compete with

1 one fund manager and we're investing in 30, we don't  
2 even know what that fund manager does, it's an  
3 irrational comparison. It's -- by no means should  
4 one feel that they can recreate that return stream  
5 and I would have that -- that's a conversation at a  
6 later point that I did have with Saul Katz.

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Q. So you would say I don't -- we don't have any basis to know what Madoff is doing?

A. Yeah.

Q. And you would just leave it at that?

A. Yeah. I mean -- I mean, I can remember vague conversations where, you know, it was, well, he was the pioneer in electronic trading, so he must be able to trade quicker than other people can.

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12 Q. So you don't know if you ever had any  
13 discussions with anyone -- any of the Sterling  
14 Partners with the idea of Madoff being a black box?

15 A. No. I mean, I remember a discussion  
16 with Brendan O'Brien, Saul's son-in-law --

17 Q. Right.

18 A. -- that there are certain strategies  
19 that have historical performance to annualized  
20 volatility ratios comparable to Madoff. But I said  
21 I don't feel comfortable investing in them just  
22 because I can't look an investor in the eye and say,  
23 you know, here is how that fund works, either  
24 because there were many trading teams, there could  
25 be high velocity trading. And many investors got

1 comfortable. I said -- so I had discussion with him  
2 about that. I know he had talked to Saul about it.  
3 So, yeah.

4 Q. Now, just so I can clarify this, when  
5 you're referencing being comfortable with investing  
6 in a particular fund, are you talking about Madoff  
7 or you're talking about --

8 A. No, I'm not talking about Madoff at  
9 all. I'm talking about like -- like take Millenium,  
10 for example, Millenium has many discretionary  
11 trading teams. They don't provide -- at the time  
12 they did not provide investors with transparency  
13 about their overall exposures for what those teams  
14 were doing. That could be something that I would  
15 say -- and I would even say to Saul, look, if it  
16 were just my money, I would have less of an issue.  
17 But if I need to answer to someone every month...

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Q. Did you ever have any discussions with Saul or David Katz about the fact that Madoff was both an investment advisor and a broker-dealer?

A. Yes, I remember a vague conversation post-Bayou where that was one issue that should have been -- you know, I wouldn't say should have been. The hedge fund industry in the early days that was a common practice. D.E. Shaw had their own



1 broker-dealer. I believe Steinhard had his own  
2 broker-dealer. And it was common practice because  
3 hedge funds didn't have a lot of revenue, they were  
4 small asset managers. There was -- the practice was  
5 to sell the broker-dealer, shut it down.

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11 Q. Okay. And walk me through what  
12 happened.

13 A. We would invest with the fund  
14 managers a hundred million dollars. He was growing  
15 his business. He said to 500 million he was going  
16 from just trading equities to trading currencies and  
17 commodities, so he was substantially growing and  
18 shifting his strategy, and he wasn't adding a lot of  
19 back office infrastructure personnel.

20 So we had the manager in, we talked  
21 to him about it. He said he would do it in three  
22 months. We said it takes more than three months.  
23 We'll redeem, and when you do it, let us know, maybe  
24 we'll come back. And that's what I told Saul Katz.

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7 Q. And what was your opinion as to  
8 whether or not Fairfield or Madoff, whoever was  
9 involved in the -- using a split-strike strategy,  
10 whether they were able to trade that strategy in a  
11 way that is differentiated, meaning that they are  
12 able to identify pricing anomalies and then can  
13 execute them?

14 A. What is the question?

15 Q. I'm just repeating what you said.

16 A. Yeah.

17 Q. So what was your reaction to that  
18 explanation?

19 A. My reaction was this is an amazing  
20 strategy and they had a great track record.

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16 Q. Fair enough. And to the extent that  
17 they came up in conversation, what was discussed  
18 with respect to the fact that Madoff had an  
19 investment advisory business and a broker-dealer  
20 business?

21 A. You know, like I said, I don't  
22 remember a specific conversation. I just know  
23 learning from the experience of Bayou, I'm sure -- I  
24 believe we probably spoke about that there is the  
25 potential conflict of interests that arise if you

1 own a broker-dealer and you are in the fund  
2 management business.

3 Q. And what, to your understanding, was  
4 the potential conflict of interest?

5 A. The sequencing of execution.

6 Q. And this sequencing of execution, was  
7 that in any way tied to or related in any way to the  
8 possibility or concern that Madoff might be front  
9 running?

10 A. I mean, I had no -- first of all, as  
11 I said, we had no reason to think there was anything  
12 wrong there. Peter and I may have had a  
13 conversation saying that's potential risk, that you  
14 can sequence trades differently if it's for your  
15 business versus your clients.

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21 Q. With respect to the potential  
22 conflict of interests that Madoff may have had  
23 having an investment advisory business and a  
24 broker-dealer business, was that potential conflict  
25 of interest ever discussed between you and anyone at

1 Sterling?

2 A. I don't remember. I can't remember  
3 the specific conversation, no.

4 Q. Do you remember any general  
5 discussions about that issue with anyone at  
6 Sterling?

7 A. You know, I remember one conversation  
8 where, you know, someone had mentioned a Barron's  
9 article, I don't know if this was at the stadium or  
10 somewhere, regarding Bernie, and I don't know who at  
11 Sterling, but someone made the comment, you know, we  
12 take a lot of comfort that they are an SEC broker --  
13 they are an SEC registered broker-dealer and have  
14 government oversight.

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Q. Explain to me how the two are related.

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A. Like, once in a while -- every now and then I can vaguely remember a conversation where we may have had a bad month and Madoff may have had a good month and it wasn't anything that is even remotely -- it was just that he's very talented and has faster execution, that was believed to be part of -- he was the grandfather of electronic trading, I don't know what the thing -- I don't know anything about the guy. Whatever he did, his innovation is in electronic trading, so we mentioned that. I remember that being brought up in, like, in a sense

1       thrown in my face at how much smarter he was than  
2       what I was doing.

3               Q.           What I'm struggling to understand is  
4       where does front running come into that  
5       conversation?

6                       MS. BIEBER: I object. You can  
7       answer.

8               A.           I did not bring up front running,  
9       that wasn't part of our conversation.

10              Q.           So the front running wasn't  
11       discussed?

12              A.           I didn't say to them he's front  
13       running or anything. I had no facts to that effect.

14              Q.           Not whether you said it, but did you  
15       ever hear that topic discussed?

16              A.           No. What I definitely -- no, that  
17       was not part of my discussions with them.

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