

EXHIBIT F

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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
ADV. PRO. NO. 08-01789 (BRL)

-----x
SECURITIES INVESTOR PROTECTION
CORPORATION,

Plaintiff-Applicant,

Videotaped

v.

Rule 27

BERNARD L. MADOFF INVESTMENT
SECURITIES, LLC,
Defendant.

Deposition of:

ARTHUR FRIEDMAN

-----x

In Re:

BERNARD L. MADOFF,

Debtor.

-----x

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 Tuesday,
June 29, 2010, commencing at 1:49 p.m.

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18 DAVIS POLK & WARDWELL LLP
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21 BY: DANA M. SESHENS, ESQ.
22 KAREN E. WAGNER, ESQ.
23 ANDREW CLARK FRIEDMAN, ESQ.
24 For Sterling Equities, certain
25 affiliated entities, and the Witness

ALSO PRESENT:

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

1 with Kathryn Zunno and Fernando Bohorquez.

2

3 A R T H U R F R I E D M A N, previously sworn.

4 EXAMINATION BY MS. SESHENS:

5 Q. Good afternoon, Mr. Friedman.

6 A. Good afternoon.

7 Q. I'm going to ask you some questions
8 today pursuant to Federal Rule of Civil Procedure
9 27, which will have no meaning to you, but just so
10 the record is clear I wanted to indicate we're
11 beginning a deposition under that rule. Okay?

12 A. Okay.

13 Q. Mr. Friedman, we've talked over the
14 past couple of days about some aspects, different
15 aspects of Sterling's business. Do you remember
16 that testimony generally?

17 A. Yes.

18 Q. And do you recall telling us about
19 three different areas of Sterling's business?

20 A. Yes.

21 Q. And if I have my recollection
22 straight, and you'll correct me if I'm wrong, you
23 told us of real estate ventures in which Sterling
24 conducted business; is that correct?

25 A. Yes.

1 Q. And Sterling also has baseball
2 interests; is that correct also?

3 A. Yes.

4 Q. And Sterling also has certain
5 investments that we spoke of, that you spoke of,
6 correct?

7 A. Yes.

8 Q. Now, of those different businesses,
9 which would you say, if any, is the predominant
10 business of Sterling Equities?

11 A. Real estate.

12 Q. And does Sterling hold itself out to
13 be in the business of investing securities?

14 A. No.

15 Q. Do you personally view yourself as a
16 professional securities investor?

17 A. No.

18 Q. Does Sterling Equities hold itself
19 out to be a securities investment advisor?

20 A. No.

21 Q. Do you view yourself as a securities
22 investment advisor?

23 A. No.

24 Q. Did you rely on Mr. Madoff and his
25 firm as the professionals to whom you and the

1 in any of the partners' offices. Any location where
2 more than one partner got together, there could be a
3 business discussion.

4 Q. So fair to say that not all business
5 discussions happened solely at partner meetings?

6 A. That's correct.

7 Q. Mr. Friedman, you also testified over
8 the past few days about some due diligence that you
9 performed towards the beginning of Sterling's
10 investment relationship with BLMIS. Do you recall
11 that generally?

12 A. Yes.

13 Q. And I believe -- and again correct me
14 if I'm wrong -- you told us about some exercises you
15 undertook to track market prices or prices of the
16 securities; is that correct?

17 A. That's correct.

18 Q. And you also told us about some
19 analyses that you undertook that would analyze the
20 range of maximum gains and losses based on the
21 information that you had from the -- with respect to
22 the Madoff accounts? Is that correct?

23 A. That's correct.

24 Q. And we saw some of these analyses
25 over the course of the past few days, correct?

1 A. Yes.

2 Q. And did you perform other iterations
3 of those analyses? And by that I mean, if we saw a
4 spreadsheet from June of a particular year, would
5 there be other spreadsheets for other months in that
6 same year or subsequent years?

7 MR. LUCCHESI: Objection.

8 A. Yes.

9 Q. And do you recall performing these
10 analyses on more than one occasion?

11 A. Yes.

12 Q. Did anyone other than you perform
13 these types of analyses in and around the time that
14 Sterling's investment relationship began with
15 Madoff?

16 MR. LUCCHESI: Objection.

17 A. It could have been my assistant.

18 Q. So any analyses that were undertaken
19 in around that time would you say were undertaken at
20 your direction?

21 MR. LUCCHESI: Objection.

22 A. Yes.

23 Q. And did you maintain, to the extent
24 you performed these analyses, did you maintain them
25 in your files?

1 MR. LUCCHESI: Objection.

2 A. Yes.

3 Q. Mr. Friedman, in your second day of
4 testimony you testified about a change that I think
5 you said was in the anti-money laundering laws that
6 resulted in Mr. Madoff having to do a more extensive
7 background check into new account holders. Do you
8 remember that generally?

9 A. Yes.

10 Q. And do you recall whether it was the
11 enactment of the Patriot Act that led to that
12 change?

13 A. Yes, that's correct.

14 Q. Do you also recall, Mr. Friedman,
15 that Mr. Lucchesi asked you some questions about a
16 special investment that Mr. Madoff offered to
17 Sterling?

18 A. Yes, I do.

19 Q. And you remember that generally as a
20 subject matter?

21 A. Yes.

22 Q. And do you also recall telling
23 Mr. Lucchesi about a discussion you remembered the
24 partners having about the special investment?

25 A. Yes.

1 Q. During that discussion amongst the
2 partners, do you recall any partner raising the
3 question of whether what Madoff was proposing to do
4 in connection with the special investment was
5 illegal?

6 A. No.

7 Q. Do you recall during that discussion
8 that the concept of illegality was raised in any
9 way?

10 A. No.

11 Q. To the extent you testified
12 previously about questions concerning the legality
13 of the special investment, were you testifying to
14 your present day view of how you could understand a
15 question of that nature having been raised?

16 A. Yes.

17 Q. Mr. Friedman, do you also recall
18 Mr. Lucchesi asked you some questions last week
19 about Sterling's 401(k)?

20 A. Yes.

21 Q. And in connection with that
22 testimony, I would like to hand you a page from the
23 rough transcript of your testimony on Thursday, June
24 24th that I will mark as an exhibit. And provide
25 you, counsel, with copies.

1 A. Canter, who we spoke about.

2 Q. Yes.

3 A. I know that he had a Madoff account.
4 Had nothing to do with 1KW -- was not a 1KW account.

5 Q. Okay. Was he a guy that you
6 administered his account as well?

7 A. No.

8 Q. Okay. So that's what I'm -- what I'm
9 asking is, for the persons for whom you administered
10 accounts, that were called others --

11 A. Oh, I'm sorry.

12 Q. -- did any of those individuals, to
13 your knowledge, have an account with Madoff, to use
14 your words, that was not a 1KW account?

15 MS. SESHENS: Objection to the form.

16 A. I did not administer or give any
17 other information to anybody that didn't have a 1KW
18 account. That is, I have to qualify that, I'm
19 talking about tax information and regular reporting
20 information. Only to those who had a 1KW account.

21 Q. Okay. Listen, maybe I'm not being
22 clear with my question.

23 You administered accounts for persons
24 that we've called others, correct?

25 A. Yes.

1 MS. SESHENS: Objection to the form.
2 We've called them outsiders. I think you've been
3 calling them others. I don't know where that term --

4 Q. Is "others" a term that you use, or
5 is that --

6 A. I think we were using outsiders.

7 Q. Okay, my fault, my fault.

8 A. Okay.

9 Q. You administered accounts for persons
10 called outsiders, that you've referred to as
11 outsiders, correct?

12 A. Right.

13 Q. And my question is whether you're
14 aware of whether any of those outsiders, for whom
15 you're administering accounts, also had an account
16 at Madoff that was not a 1KW account?

17 A. No.

18 MR. LUCCHESI: I don't have any other
19 questions. Oh, maybe I do.

20 BY MR. LUCCHESI:

21 Q. In response to Ms. Seshens' questions
22 a minute ago, you talked about -- she asked you
23 questions about analyses that you performed and she
24 was asking you along the lines of if we saw an
25 analysis for one month, would it be likely or was it

1 a fact that you did analyses in other months as well
2 or that others in your office. And you generally
3 answered yes to that.

4 A. Yes.

5 Q. What analyses were you referring to
6 that you did on a month-to-month or a systematic
7 basis throughout the course of the relationship with
8 Madoff?

9 A. I'm not answering it during the
10 course -- for a limited, for a period of time, not
11 during the entire course.

12 Q. Oh, okay. So you were answering for
13 a limited period of time?

14 A. Yes. I may have identified a
15 particular schedule that I did in one month, but I
16 did that for more than one month. It may have been
17 a period of, let's say two years in a given case,
18 not during the entire 23-year relationship.

19 Q. Okay. I just want to explore that
20 for a minute because we looked at a couple, and we
21 can go back to some of them if you wish, we looked
22 at some analyses you did. For example, there was a
23 period of time at which you compared the prices of
24 transactions to see if it was within the range of
25 prices on a particular day. Do you recall that you

1 did that?

2 A. Yes.

3 Q. For what period of time did you do
4 that type of analysis?

5 A. I don't have a definite recollection
6 of the exact period of time, but I would say it was
7 more like close to two years rather than just one
8 month.

9 Q. Okay.

10 A. Same for the schedule that said
11 maximum income, maximum loss. I recall doing that
12 many, many months, well past a year. Perhaps,
13 again...

14 Q. In your records, you'd have records
15 that would reflect when you did that?

16 A. Yes.

17 Q. So if there are charts that show you
18 did that, that would be when you were doing it, and
19 I presume the opposite would be true, if there were
20 no charts in your records on your computer,
21 whatever, it would show you weren't doing that?

22 MS. SESHENS: Objection to the form.

23 Q. Is that a fair statement?

24 A. I presume that they were all, all the
25 records that I kept manually were retained.