

EXHIBIT T

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.

SAUL B. KATZ

-----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 Wednesday,
August 4, 2010, commencing at 10:04 a.m.

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For Irving Picard, Trustee

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BY: DANA M. SESHENS, ESQ.
KAREN E. WAGNER, ESQ.
For Sterling Equities, certain
affiliated entities, and the Witness

ALSO PRESENT:

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

1 Q. And it includes the other investments
2 of your partners as well?

3 A. Yes.

4 Q. So, earlier you told me that the
5 reports that you saw only had your and your family's
6 investments.

7 A. Right.

8 Q. Is that still your understanding?

9 A. That's my understanding.

10 MS. SESHENS: Objection as to the
11 form. Sorry.

12 A. What I said is that those are the
13 ones I looked at. Those are the ones -- this is 15
14 years ago. I don't know if I've seen another one
15 since, nor do I remember seeing this one.

16 Q. So this one is from 1995.

17 Do you recall any point in time at
18 which you considered purchasing insurance to cover
19 your investments in Madoff?

20 A. I recall looking at and considering
21 that.

22 Q. Tell me what you recall about that.

23 MS. SESHENS: Objection to the form.

24 A. I recall friends of mine who were
25 more conservative than I am -- and I'm very

1 conservative -- talked about doing it and asked us
2 to look into it.

3 Q. Who were the friends?

4 A. The friends at American Securities,
5 my friend Chuck Klein.

6 Q. And did you have an understanding
7 that American Securities had purchased insurance?

8 A. I think he said they were going to,
9 or considering it.

10 Q. And so what did you do when you
11 learned about this?

12 A. We weren't going to buy insurance on
13 something that we thought was as good as gold and
14 waste money.

15 Q. So what steps did you take to
16 investigate, if any, what steps did you take to
17 investigate the insurance aspect of this?

18 A. I think I asked Mr. Friedman to
19 investigate it and see what the costs are. But
20 that's because of my respect for Mr. Klein who said,
21 just take a look at it. So we took a look at it.

22 Q. Did you attend any meetings with any
23 outside third parties to discuss the insurance?

24 A. I don't recall.

25 Q. Do you recall a guy named Robert

1 partners' meetings and we got off on to a discussion
2 following that. But I want to come back to that
3 question.

4 A. Sure.

5 Q. Did the partners in the partners'
6 meetings discuss the double-up accounts bringing a
7 certain added element of risk to the business?

8 A. I don't ever recall us talking about
9 the risk element in the doubling up, because we all
10 assumed that the asset was solid, and that all we
11 talked about is the ability to leverage and make a
12 little bit more on that same asset class.

13 Q. Do you recall whether your son David
14 had an opinion about the double-ups, whether that
15 was a good idea or a bad idea from a business
16 perspective?

17 A. My son David, as I think I testified
18 earlier, felt as though we had too much in one
19 place.

20 Q. And the double-ups would add to that?

21 A. Double-ups would add to that. So if
22 we had too much in one place, too much plus
23 something, it just compounds the lack of diversity.

24 Q. Did he voice that opinion to the
25 group?

1 A. Many times. Never about the asset.

2 Q. I understand.

3 A. Never about the asset.

4 Q. Just about the fact of too much in
5 one place?

6 A. Too much in one place.

7 Q. And why -- was there a consensus
8 among the partners that diversity was a good idea?

9 A. Everyone believed diversity was a
10 good idea.

11 Q. Why was it, how was it that you ended
12 up with all your eggs in one basket, at least at
13 that point in time?

14 MS. SESHENS: Objection to the form.

15 A. We all felt very strongly that we had
16 no risk. This was a risk-free investment because --
17 now, of course, the world could have come to an end
18 and the puts, which are a derivative, the other end
19 of the puts could be some company that can go out of
20 business. But we didn't think that way, we didn't
21 think that the world was going to come to an end.
22 As a matter of fact, as bad as the market took place
23 now, I didn't hear of any puts not being supported.
24 So, it was a -- obviously erroneously, we believed
25 this asset was as good as can be, it was as good as

1 and a kiss and say, how are we.

2 Q. We talked a little earlier today
3 about a time when you looked -- not you personally
4 but perhaps others, looked into getting insurance to
5 cover problems that might arise with your Madoff
6 investments. And I mentioned this guy Duran and you
7 said you didn't know Robert Duran.

8 A. Right.

9 Q. And the Frank Crystal Company.

10 A. I said that name struck a bell, but I
11 don't know.

12 Q. Does the name Mark Frietas,
13 F-r-i-e-t-a-s, does that ring any bells with you?

14 A. No.

15 Q. I think you told me that the idea to
16 look into that insurance came about because you
17 learned that American Securities had purchased
18 insurance?

19 A. No. I said that my friend Chuck
20 Klein asked me to look into it because he had done
21 so. He requested I look into it.

22 Q. So Chuck Klein had looked into it.
23 This was American Securities, right?

24 A. Yes.

25 Q. Did you understand that he had

1 purchased the insurance?

2 A. No.

3 Q. Did you understand that he had not
4 purchased the insurance?

5 A. No.

6 Q. Did not have an understanding either
7 way?

8 A. To this day I don't know whether he
9 did or didn't.

10 Q. Did you have an understanding of why
11 he looked into such insurance?

12 A. No.

13 Q. Do you recall asking him about that?

14 A. No.

15 Q. Did you have an understanding about
16 whether the insurance that he was looking into and
17 either had or hadn't purchased was related to
18 investment in Madoff or in some other --

19 A. I think he covered, more than Madoff,
20 I think he covered his whole portfolio.

21 Q. What do you base that belief on?

22 A. My recollection.

23 Q. Something he said or something you
24 assumed?

25 A. No, no. That's what I recall he was

1 talking about. He wasn't talking about Madoff in
2 particular. As I recall he was talking about his
3 whole portfolio.

4 Q. KPMG is the auditor for -- that
5 audits the Mets; is that correct?

6 A. Yes.

7 Q. Do you have any role in connection
8 with that, the audit process?

9 A. Not at all.

10 Q. Do you ever interact with the people
11 from KPMG?

12 A. No.

13 Q. Do you ever receive reports from
14 people within the Mets organization or Sterling
15 organization about what the auditors are looking at
16 or what they're talking about or asking about?

17 A. Not that I recall.

18 Q. Do you recall KPMG ever asking any
19 questions about Madoff or raising any concerns about
20 Madoff?

21 A. No.


22 Q. I'm going to go back to this, I hate
23 going back here but I've got to go back for one
24 question. We had this whole discussion about
25 transparency.

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JURAT

I, SAUL B. KATZ, do hereby certify that I have read the foregoing transcript of my testimony taken on August 4, 2010, and have signed it subject to the following changes:

PAGE	LINE	CORRECTION
SEE ATTACHED	EXHIBIT A	



SAUL B. KATZ

Sworn and subscribed to before me on this day of 13th day of October, 2010

NOTARY PUBLIC: Ursula M. Mika

URSULA M. MIKA
NOTARY PUBLIC, STATE OF NEW YORK
No.01M16216250

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177	22	As a matter of fact, as bad as the market took place	As a matter of fact, as bad as the market place is	Transcription error
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