

# Exhibit 8

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,

DAVID KATZ

Defendant.

(Volume I)

-----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,  
August 31, 2010, commencing at 10:10 a.m.

BENDISH REPORTING, INC.  
Litigation Support Services  
877.404.2193  
www.bendish.com

16			18		
1	for?	10:20:57	1	could help sort of pin down the date?	10:23:10
2	A. Until like five years ago. Maybe	10:21:00	2	A. No.	10:23:15
3	longer, a little bit.	10:21:08	3	Q. Did Sterling have partners' meetings?	10:23:16
4	Q. Do you recall why you stopped?	10:21:10	4	A. Sure.	10:23:21
5	A. I was going to say, have you ever	10:21:13	5	Q. Do you recall when you first started	10:23:22
6	managed buildings?	10:21:17	6	attending them? Or -- let's leave it at that.	10:23:24
7	Q. That's a no.	10:21:18	7	A. No, I couldn't pick a date. I	10:23:30
8	A. Just time to move on.	10:21:20	8	couldn't tell you.	10:23:33
9	Q. In your own words, how would you	10:21:22	9	Q. Do you recall if you were a partner	10:23:34
10	describe Sterling's business?	10:21:26	10	before the creation of Sterling Stamos?	10:23:37
11	A. A family-run business that has	10:21:34	11	A. Before? Yes.	10:23:42
12	diversified assets.	10:21:38	12	Q. Okay. Now going back to when you	10:23:43
13	Q. And what do you mean by diversified	10:21:40	13	were on the Mets board --	10:23:45
14	assets?	10:21:43	14	A. Um-hum.	10:23:46
15	A. You want me to just name the assets?	10:21:44	15	Q. -- you said you were on the Mets	10:23:47
16	Q. Sure.	10:21:46	16	board when you were a partner?	10:23:49
17	A. SNY, the Mets, real estate, cash.	10:21:47	17	A. Yes.	10:23:50
18	Cash.	10:21:55	18	Q. Do you recall the length of time you	10:23:51
19	Q. So if we take them one at a time.	10:21:55	19	were a board member?	10:23:53
20	How would you describe the SNY Mets business?	10:21:58	20	A. I believe I still am.	10:23:54
21	A. Describe it?	10:22:02	21	Q. Oh, you still are, okay. What are	10:23:55
22	Q. Yes. What does it involve?	10:22:03	22	your responsibilities as a board member?	10:23:58
23	A. No idea.	10:22:04	23	A. Zero.	10:24:00
24	Q. To the extent you know.	10:22:05	24	Q. Zero?	10:24:01
25	A. Don't know.	10:22:07	25	A. What are my responsibilities there?	10:24:04
17			19		
1	Q. Did you have any involvement in	10:22:07	1	Very little.	10:24:05
2	the -- is it fair that I call that aspect of the	10:22:10	2	Q. Very little, okay. Do you attend	10:24:06
3	business the sports and entertainment side of the	10:22:12	3	board meetings?	10:24:09
4	business?	10:22:15	4	A. Yes.	10:24:13
5	A. I guess.	10:22:16	5	Q. How often are those board meetings?	10:24:13
6	Q. Did you have any role at all in that?	10:22:17	6	A. I don't remember the last time we had	10:24:18
7	A. No.	10:22:21	7	one.	10:24:20
8	Q. Were you on the Mets board at any	10:22:22	8	Q. Okay. Was it this year?	10:24:20
9	point?	10:22:24	9	A. I don't think so.	10:24:24
10	A. Yup.	10:22:25	10	Q. Was there one last year that you	10:24:25
11	Q. And when were you on the board of the	10:22:25	11	remember?	10:24:27
12	Mets?	10:22:29	12	A. I'd be guessing.	10:24:32
13	A. I don't know. I don't know.	10:22:35	13	Q. You'd be guessing, okay. Don't want	10:24:33
14	Q. Actually, I'm not sure if I asked you	10:22:39	14	you to guess.	10:24:36
15	this already. Do you recall exactly when you became	10:22:42	15	Do you know who else is a member of	10:24:37
16	partner at Sterling?	10:22:46	16	the board at the Mets?	10:24:39
17	A. You didn't ask. No. I couldn't	10:22:47	17	A. Sure.	10:24:42
18	narrow it down.	10:22:54	18	Q. Sorry, let me rephrase that.	10:24:42
19	Q. Is there anything you remember about	10:22:54	19	Do you know who else is a board	10:24:44
20	that time frame? Just trying to get a general idea.	10:22:56	20	member of the Mets?	10:24:45
21	A. You mean you want me to guess when it	10:23:00	21	A. Sure.	10:24:46
22	was? Is that what you're saying?	10:23:02	22	Q. Who?	10:24:47
23	Q. Your counsel probably wouldn't be	10:23:04	23	A. My father, Fred, Jeff, Tom, Arthur,	10:24:48
24	happy about you guessing. But is there anything you	10:23:05	24	Michael, Richie and Marvin.	10:24:54
25	recall going on at Sterling at the time that we	10:23:07	25	Q. Just to clarify, your father is Saul	10:24:58

28			30				
1	A.	Yeah. If even -- I'm not even sure	10:32:19	1	A.	Any money that we had made on the	10:34:15
2		if I did anything on it.	10:32:22	2		last funds or, you know. Money we made.	10:34:19
3	Q.	What do you remember about SAP II?	10:32:23	3	Q.	And how did you come to learn about	10:34:23
4	A.	I remember not wanting to do it.	10:32:26	4		the cash invested in Madoff?	10:34:25
5	Q.	Why?	10:32:30	5	A.	I don't know.	10:34:30
6	A.	I can say that, too. I just lost	10:32:32	6	Q.	Did you speak with the partners at	10:34:32
7		interest.	10:32:35	7		the time about it?	10:34:35
8	Q.	And at that time did you have any	10:32:36	8	A.	Yeah.	10:34:37
9		other real estate responsibilities, if you recall?	10:32:40	9	Q.	And what do you recall about those	10:34:39
10	A.	Yeah, I was still running the	10:32:43	10		discussions?	10:34:42
11		buildings at that time.	10:32:45	11	A.	Nothing in particular. Pretty	10:34:45
12	Q.	You were still managing the	10:32:46	12		mundane.	10:34:49
13		buildings, okay. So other than managing the	10:32:47	13	Q.	Okay. I think you said any money	10:34:51
14		buildings, around -- well, do you recall when SAP II	10:32:50	14		that we had made on the last funds.	10:35:01
15		was formed?	10:32:53	15	A.	Right.	10:35:03
16	A.	No.	10:32:54	16	Q.	Was invested with Madoff.	10:35:04
17	Q.	And then you had no involvement in	10:32:56	17	A.	I would think so.	10:35:07
18		SAP III, IV, V?	10:32:58	18	Q.	And by last funds, do you mean real	10:35:08
19	A.	Correct.	10:33:01	19		estate funds?	10:35:10
20	Q.	Now, I think you mentioned cash.	10:33:03	20	A.	SAP I.	10:35:11
21	A.	Um-hum.	10:33:06	21	Q.	Okay. And was any other cash	10:35:12
22	Q.	As another part of the business.	10:33:06	22		invested in Madoff?	10:35:15
23	A.	Um-hum.	10:33:09	23	A.	I don't know.	10:35:16
24	Q.	What does that mean to you?	10:33:09	24	Q.	Now, did you have any role with	10:35:17
25	A.	I'm not sure what time period.	10:33:13	25		respect to the cash side, aspect of the business?	10:35:22
29			31				
1	Q.	Okay. So let's start with when you	10:33:14	1	A.	When?	10:35:27
2		first started at Sterling in 1980 -- well, I think	10:33:17	2	Q.	Let's start with when you first	10:35:28
3		you thought it was around 1990.	10:33:21	3		started at Sterling.	10:35:30
4	A.	Well, '87 is around '90.	10:33:24	4	A.	No.	10:35:33
5	Q.	Okay. Do you recall early on what	10:33:26	5	Q.	Did there come a time when you became	10:35:34
6		the cash aspect of the business was?	10:33:28	6		involved in the cash aspect of Sterling's business?	10:35:36
7	A.	No.	10:33:32	7	A.	Yeah.	10:35:39
8	Q.	Did there come a time when you became	10:33:33	8	Q.	Do you recall when?	10:35:40
9		aware of the cash aspect of the business?	10:33:36	9	A.	About 2002 maybe.	10:35:43
10	A.	Yes.	10:33:38	10	Q.	What was your role in 2002 with	10:35:50
11	Q.	When was that?	10:33:39	11		respect to the cash aspect of Sterling's business?	10:35:53
12	A.	I don't know when. I couldn't put a	10:33:40	12	A.	At that point I was screaming for	10:35:56
13		date on when I realized.	10:33:42	13		diversification.	10:36:01
14	Q.	Okay. Well, do you remember what you	10:33:44	14	Q.	So when you say you were screaming	10:36:02
15		did realize?	10:33:47	15		for diversification, what do you mean?	10:36:04
16	A.	Yes. It was in Madoff.	10:33:48	16	A.	We had all our liquid investments in	10:36:07
17	Q.	Okay. And what do you mean by that?	10:33:52	17		Madoff.	10:36:12
18	A.	It was invested in Madoff.	10:33:57	18	Q.	And how did you come to learn that?	10:36:14
19	Q.	So, can you just describe that a	10:33:59	19	A.	I don't remember exactly how I came	10:36:19
20		little more?	10:34:00	20		to learn that.	10:36:20
21		MS. SESHENS: Objection to the form.	10:34:01	21	Q.	Prior to 2002, was it your	10:36:27
22	A.	Other than giving him money, I don't	10:34:06	22		understanding that Sterling had all their liquid	10:36:30
23		know how you describe it.	10:34:10	23		assets in Madoff?	10:36:35
24	Q.	All right. So what cash was invested	10:34:11	24	A.	Majority.	10:36:36
25		in Madoff?	10:34:12	25	Q.	And just to go back, when you say	10:36:37

32			34		
1	diversification, how would you define that? What do	10:36:39	1	Q. Do you agree sort of with the -- do	10:39:17
2	you mean?	10:36:44	2	you agree with this as a general rule of thumb, that	10:39:20
3	A. Anything other than what money is	10:36:45	3	you shouldn't put any more than 10 percent of your	10:39:22
4	invested in that, different manager, different	10:36:50	4	assets in any one manager?	10:39:25
5	discipline of investing.	10:36:52	5	MS. SESHENS: Objection to the form.	10:39:28
6	Q. What do you mean by different	10:37:07	6	You can answer.	10:39:29
7	discipline of investing?	10:37:09	7	A. I like that idea.	10:39:30
8	A. Bernie's black box. You go to	10:37:17	8	Q. And why do you like that idea?	10:39:31
9	somebody who does long-short or equity only or, you	10:37:20	9	A. Diversified.	10:39:33
10	know, different kinds of funds.	10:37:25	10	Q. Going back to the aspects of	10:39:44
11	Q. So let's break that down a little.	10:37:26	11	Sterling's business, prior to 2002 did you have any	10:39:55
12	So, what do you mean by Bernie's black box?	10:37:30	12	role in the cash aspect of Sterling's business?	10:40:01
13	A. Bernie's is considered to be a black	10:37:35	13	A. No. Excuse me. No.	10:40:05
14	box. Black box is basically, as I understand it, is	10:37:40	14	Q. Did Sterling invest in any non-real	10:40:08
15	something that you invest in that you're not sure of	10:37:44	15	estate assets during, or since you started at	10:40:14
16	the strategy.	10:37:45	16	Sterling?	10:40:18
17	Q. When did you come to learn that	10:37:47	17	A. Yes.	10:40:19
18	Bernie was a black box?	10:37:48	18	Q. What were those non-real estate	10:40:20
19	A. I don't know.	10:37:53	19	assets?	10:40:22
20	Q. Did you know Bernie was a black box	10:37:54	20	A. American Securities funds.	10:40:24
21	when you first started at Sterling?	10:37:57	21	Q. Um-hum. Anything else?	10:40:27
22	A. Probably not.	10:38:02	22	A. Besides SNY and things like that?	10:40:33
23	Q. And did you know Bernie was a black	10:38:03	23	Q. Yes, aside from SNY and the Mets and	10:40:37
24	box when you were a partner at Sterling?	10:38:06	24	American Securities.	10:40:40
25	A. Yes.	10:38:09	25	A. Pathogenesis.	10:40:43
33			35		
1	Q. And was that before 2002?	10:38:10	1	Q. What was Pathogenesis?	10:40:45
2	A. Yes.	10:38:14	2	A. Biotech company.	10:40:48
3	Q. And do you recall how you came to	10:38:18	3	Q. Did you have any role with respect to	10:40:49
4	learn that?	10:38:20	4	that investment?	10:40:52
5	A. No.	10:38:25	5	A. No.	10:40:53
6	Q. Do you recall any discussions with	10:38:25	6	Q. Do you recall an investment in a	10:40:53
7	the partners about that fact?	10:38:27	7	company called Changing World Technologies?	10:40:56
8	A. Yeah.	10:38:33	8	A. Sure, yeah.	10:40:59
9	Q. Do you recall the subject or the	10:38:34	9	Q. Do you know how that investment came	10:40:59
10	substance of those discussions?	10:38:38	10	about?	10:41:01
11	A. It was basically me suggesting that	10:38:40	11	A. Yeah.	10:41:02
12	we put our money in other strategies other than a	10:38:44	12	You've got to say how.	10:41:07
13	black box. That's the only context I remember.	10:38:48	13	Q. Sorry. How?	10:41:08
14	Q. Is it fair to say that's what you	10:38:51	14	A. Yeah. A friend of mine had started	10:41:09
15	mean by diversification?	10:38:53	15	that company and told me about it and I got	10:41:11
16	A. Yeah.	10:38:55	16	interested. So we invested.	10:41:14
17	Q. And do you recall the first time you	10:38:55	17	Q. Okay. And was that friend Brian	10:41:17
18	raised that with the Sterling partners?	10:38:59	18	Appel?	10:41:19
19	A. No.	10:39:01	19	A. Correct.	10:41:20
20	Q. Was it prior to 2002?	10:39:02	20	Q. How do you know him?	10:41:20
21	A. Yes.	10:39:05	21	A. Friend of a friend.	10:41:22
22	Q. And how do you know it was prior to	10:39:11	22	Q. Did you go to college with him?	10:41:25
23	2002?	10:39:12	23	A. No.	10:41:26
24	A. Because I know I've been doing it for	10:39:14	24	Q. Friend of a friend. Do you recall	10:41:27
25	a while.	10:39:16	25	who that friend was?	10:41:29

			72				74
1	Q.	When was that?	11:22:16	1	11th, '08 you didn't know anything about Madoff's	11:23:55	
2	A.	11 years ago. I know that for a	11:22:17	2	strategy?	11:23:58	
3		fact.	11:22:19	3	A. It was a black box -- there were	11:23:59	
4	Q.	Does 1989 jog your memory at all --	11:22:24	4	guesses of what it was. To me it was always a black	11:24:01	
5	A.	Now it does.	11:22:27	5	box. There's no one could tell me what he does, for	11:24:04	
6	Q.	-- as to when you first invested.	11:22:28	6	sure. So...	11:24:09	
7		When you first invested, do you	11:22:32	7	Q. Who did you ask about Madoff's	11:24:11	
8		recall what you knew about BLMIS or Madoff?	11:22:34	8	strategy?	11:24:14	
9	A.	No, I can't recall what I knew.	11:22:37	9	A. Who did I ask? I don't think I asked	11:24:15	
10	Q.	Do you recall why you first invested	11:22:40	10	anyone.	11:24:17	
11		in Madoff?	11:22:43	11	MS. SESHENS: Objection to the form.	11:24:17	
12	A.	Yeah, sure.	11:22:44	12	Q. I think you said nobody could tell me	11:24:18	
13	Q.	Why was that?	11:22:45	13	what he does for sure.	11:24:20	
14	A.	Because everyone said it was a great	11:22:46	14	A. Yeah, that was just a -- I didn't	11:24:22	
15		investment.	11:22:49	15	ask. No one could tell me because no one knows.	11:24:23	
16	Q.	And who said it was a great	11:22:49	16	That's what I meant.	11:24:26	
17		investment?	11:22:52	17	Q. Okay. At any point prior to December	11:24:28	
18	A.	I couldn't pin it on one person.	11:22:52	18	11th, '08 did you discuss Madoff's strategy in any	11:24:33	
19	Q.	Okay. Did any of the Sterling	11:22:55	19	way with anyone at Sterling?	11:24:37	
20		partners say it was a good investment?	11:22:57	20	A. Yeah.	11:24:38	
21	A.	Oh, sure.	11:22:59	21	Q. Who?	11:24:39	
22	Q.	Do you know what informed that	11:23:01	22	A. Probably my father.	11:24:40	
23		opinion?	11:23:02	23	Q. Do you recall when you had those	11:24:41	
24	A.	No.	11:23:05	24	discussions?	11:24:44	
25	Q.	Did you know whether any of the other	11:23:06	25	A. No.	11:24:44	
			73				75
1		Sterling partners had accounts with Madoff before	11:23:09	1	Q. Do you recall the substance of those	11:24:45	
2		you decided to invest?	11:23:11	2	discussions?	11:24:48	
3	A.	Yeah.	11:23:14	3	A. Yeah. It was basically me	11:24:50	
4	Q.	Okay. And which partners?	11:23:14	4	suggesting, since we don't know what he does, that	11:24:55	
5	A.	Oh, God.	11:23:17	5	it's time to diversify.	11:24:59	
6	Q.	Was it all the partners?	11:23:17	6	Q. Other than -- well, let's go back.	11:25:01	
7	A.	I would imagine.	11:23:19	7	When you say we don't know what he does, are you	11:25:05	
8	Q.	Did you discuss investing in Madoff	11:23:21	8	referring to --	11:25:08	
9		with your father, Saul?	11:23:25	9	A. The black box.	11:25:09	
10		MS. SESHENS: Prior to opening the	11:23:27	10	Q. -- the black box?	11:25:10	
11		first account?	11:23:29	11	A. Yeah, sure.	11:25:12	
12		MS. ZUNNO: Prior to opening the	11:23:29	12	Q. And it's time to diversify. Do you	11:25:13	
13		first account.	11:23:31	13	know around when that conversation was?	11:25:16	
14	A.	Probably.	11:23:32	14	A. Around when, give you around when.	11:25:21	
15	Q.	Do you recall anything about those	11:23:32	15	Q. Okay.	11:25:23	
16		discussions?	11:23:35	16	A. 2001 before we started Sterling	11:25:23	
17	A.	No.	11:23:36	17	Stamos.	11:25:26	
18	Q.	When you first invested in Madoff,	11:23:39	18	Q. Did you discuss how you were going to	11:25:26	
19		did you know anything about Madoff's strategy?	11:23:41	19	diversify with your father?	11:25:28	
20	A.	No.	11:23:44	20	A. We had -- yes.	11:25:30	
21	Q.	Did there come a point in time when	11:23:45	21	Q. What was discussed?	11:25:32	
22		you learned about Madoff's strategy?	11:23:47	22	A. Original plan was a family office.	11:25:34	
23	A.	I still haven't learned about	11:23:49	23	Q. What do you mean by that?	11:25:37	
24		Madoff's strategy.	11:23:51	24	A. A family office, someone who helps	11:25:40	
25	Q.	Okay. So, I guess through December	11:23:52	25	you with your investments and other things, if you	11:25:42	

108			110		
1	want those kinds of returns?	12:16:49	1	company?	12:18:48
2	A. Negative?	12:16:52	2	Q. Yeah. I guess when you first created	12:18:48
3	Q. At Sterling Stamos. No, no. You	12:16:53	3	Sterling Stamos --	12:18:52
4	said that Madoff didn't have negative months a lot,	12:16:59	4	A. Right.	12:18:54
5	right?	12:17:03	5	Q. -- did you have to put any funds --	12:18:55
6	A. Stamos?	12:17:04	6	A. Oh, to start the company?	12:18:57
7	Q. Am I mixing words? Yes, I am. Thank	12:17:06	7	Q. Yes.	12:18:58
8	you.	12:17:09	8	A. Oh, so start-up money?	12:18:59
9	A. I'm sorry.	12:17:09	9	Q. Yes.	12:19:01
10	Q. So, Madoff did not have negative	12:17:10	10	A. It wasn't a lot. It was actually a	12:19:02
11	months a lot, correct?	12:17:15	11	little bit.	12:19:04
12	A. Correct.	12:17:18	12	Q. Do you recall how much it was?	12:19:04
13	Q. I guess what I'm trying -- to cut to	12:17:20	13	A. No. I remember it being lower than I	12:19:05
14	the chase what I'm trying to figure out is why you	12:17:23	14	would have thought.	12:19:08
15	didn't want that replicated at Sterling Stamos.	12:17:25	15	Q. Was it less than a million?	12:19:09
16	A. Well, I don't want the black box	12:17:29	16	A. That's still not too little. I mean,	12:19:13
17	replicated because we have enough black boxes.	12:17:31	17	that's, you know -- I don't know. I don't know.	12:19:16
18	Q. And by enough black boxes --	12:17:33	18	Q. And then -- so other than the initial	12:19:22
19	A. Meaning Bernie.	12:17:35	19	start-up cost, did Sterling have to, or did Sterling	12:19:26
20	Q. Meaning --	12:17:36	20	put any additional money up --	12:19:30
21	A. Right.	12:17:39	21	A. Into the GP?	12:19:32
22	Q. So is it fair to say you had enough	12:17:39	22	Q. -- when Sterling Stamos was first	12:19:34
23	money invested in a manager with a black box?	12:17:42	23	created?	12:19:35
24	A. Correct.	12:17:46	24	A. I don't think in the GP.	12:19:36
25	Q. Do you know if Sterling Stamos	12:17:47	25	Q. Okay. At any time did Sterling have	12:19:38
109			111		
1	invested in any black boxes?	12:17:49	1	to fund its GP interest?	12:19:42
2	A. They weren't supposed to.	12:17:52	2	A. I don't think so.	12:19:45
3	Q. How do you know they weren't supposed	12:17:54	3	Q. And do you know how Sterling funded	12:19:48
4	to?	12:17:55	4	the start-up funds for Sterling Stamos?	12:19:53
5	A. Because we specifically didn't want	12:17:57	5	A. Where the money came from?	12:20:01
6	that. That would not fit our main criteria.	12:17:58	6	Q. Yes.	12:20:03
7	Q. Was that one of the requirements kind	12:18:02	7	A. I'm not sure. I would hope it would	12:20:04
8	of going in?	12:18:04	8	be from Bernie, but I don't know.	12:20:07
9	A. Um-hum.	12:18:04	9	Q. Do you know if there are any	12:20:14
10	Q. Now, Sterling had both general	12:18:15	10	documents we could look at to see if it came from	12:20:15
11	partner and limited partner interests in Sterling	12:18:20	11	Bernie?	12:20:18
12	Stamos, right?	12:18:24	12	A. There's got to be a trail. No, I	12:20:25
13	A. Yeah.	12:18:25	13	don't know of anything specific.	12:20:27
14	Q. So, just taking the G -- general	12:18:25	14	Q. And what about the LP interest, the	12:20:31
15	partner interest first, we can call them GP	12:18:29	15	limited partner interest? Can you explain to me	12:20:35
16	interest?	12:18:34	16	what that means?	12:20:38
17	A. Sure.	12:18:35	17	A. I think I can. I think that was your	12:20:40
18	Q. Do you know how much Sterling had of	12:18:35	18	limited partner interest in each fund.	12:20:42
19	the GP interest?	12:18:37	19	Q. Okay. And did Sterling, as a whole,	12:20:44
20	A. 50 percent at the beginning.	12:18:38	20	invest in any of those funds?	12:20:49
21	Q. At the beginning it was 50?	12:18:40	21	A. As a whole? Sometimes through the	12:20:51
22	A. Right.	12:18:41	22	GP. The GP would invest sometimes into the LP.	12:20:54
23	Q. Do you know approximately how much	12:18:42	23	Q. Okay.	12:20:59
24	money that equated to?	12:18:43	24	A. But my father and Fred would usually	12:21:00
25	A. Oh, how much it was worth, the	12:18:46	25	start putting money into the little funds to get	12:21:03

144			146				
1	Q.	I guess what I'm asking is, if there	01:47:59	1	Q.	Yeah.	01:50:36
2		was a non-Sterling person who wanted to open a	01:48:02	2	A.	I don't know.	01:50:37
3		Madoff account --	01:48:05	3		MS. SESHENS: I think he said it	01:50:37
4	A.	Right.	01:48:08	4		wouldn't be problematic?	01:50:38
5	Q.	-- through Sterling --	01:48:08	5		THE WITNESS: Yeah. I think you got	01:50:40
6	A.	Right.	01:48:09	6		one word backwards.	01:50:41
7	Q.	-- was there anyone at Sterling who	01:48:10	7		MS. SESHENS: So that's why I was	01:50:43
8		had to give approval?	01:48:11	8		confused by your question.	01:50:44
9	A.	Thumbs up?	01:48:13	9		MS. ZUNNO: Let's just start over.	01:50:46
10	Q.	Yeah.	01:48:13	10	Q.	The black box would mean what	01:50:49
11	A.	No.	01:48:13	11		exactly? What does black box mean to you exactly?	01:50:53
12	Q.	For that account to be opened?	01:48:14	12	A.	It's a proprietary trading method.	01:50:56
13	A.	No.	01:48:15	13	Q.	Proprietary trading method meaning	01:51:00
14	Q.	Do you know approximately how many	01:48:33	14		what?	01:51:03
15		accounts for non-Sterling individuals were opened	01:48:35	15	A.	Meaning it's secret.	01:51:03
16		through Sterling?	01:48:41	16	Q.	And is there anything about the	01:51:06
17	A.	No.	01:48:44	17		trading method being secret that you have, that you	01:51:09
18	Q.	Do you know if it was more than ten?	01:48:44	18		would have concerns about?	01:51:12
19	A.	Yeah, more than ten.	01:48:46	19	A.	Not in this case, no, absolutely not.	01:51:14
20	Q.	More than a hundred?	01:48:48	20	Q.	Why not?	01:51:17
21	A.	I don't know.	01:48:49	21	A.	Well, I guess Bernie was an	01:51:21
22	Q.	At any point in time did you think	01:48:49	22		outstanding citizen. He helped computerize NASDAQ,	01:51:24
23		Sterling received any benefit for doing that?	01:48:52	23		SEC writes rules with him. A lot of reasons.	01:51:31
24	A.	No.	01:48:54	24	Q.	I guess putting Bernie aside, just	01:51:36
25	Q.	Did you ever speak with anyone at	01:49:07	25		the black box strategy in general --	01:51:39
145			147				
1		BLMIS?	01:49:09	1	A.	Um-hum.	01:51:43
2	A.	What's that?	01:49:10	2	Q.	-- with a particular investment	01:51:44
3	Q.	Sorry. BLMIS, Bernard L. Madoff	01:49:11	3		manager --	01:51:46
4		Investment Securities.	01:49:16	4	A.	Um-hum.	01:51:47
5	A.	No.	01:49:16	5	Q.	-- would you be concerned if an	01:51:48
6	Q.	So you would never speak with anyone	01:49:17	6		investment manager had a black box strategy?	01:51:50
7		there about your accounts at any point?	01:49:19	7	A.	No.	01:51:54
8	A.	No.	01:49:21	8	Q.	Going back to Sterling Stamos, I	01:51:54
9	Q.	I just want to go back for a second	01:49:52	9		think you had said that Sterling Stamos wasn't	01:51:57
10		to our discussions about Bernie being a black box.	01:49:55	10		supposed to invest in black boxes, correct?	01:52:00
11	A.	Yup.	01:49:58	11	A.	Right.	01:52:03
12	Q.	Can you tell me why, or did you think	01:49:59	12	Q.	So why weren't they supposed to	01:52:03
13		that was problematic?	01:50:05	13		invest in black boxes?	01:52:05
14	A.	In what way?	01:50:07	14	A.	We've got enough allocated to black	01:52:07
15	Q.	Was there anything about Bernie being	01:50:08	15		boxes by being in Bernie.	01:52:10
16		a black box that concerned you?	01:50:14	16	Q.	Okay.	01:52:11
17	A.	No.	01:50:16	17		Is it fair to say by the creation of	01:52:18
18	Q.	But I think you said before that the	01:50:17	18		Sterling Stamos you were trying to minimize your	01:52:20
19		black box meant that you didn't know Bernie's	01:50:18	19		exposure to black boxes?	01:52:24
20		strategy, right?	01:50:21	20	A.	No. Yeah, to black boxes, sure.	01:52:25
21	A.	Yes.	01:50:22	21		Yeah. And having money just -- having money in one	01:52:35
22	Q.	I guess my question is, why would	01:50:23	22		place as well.	01:52:38
23		that be problematic in any way?	01:50:30	23	Q.	So, it is fair to say by the creation	01:52:47
24		MS. SESHENS: Objection to the form.	01:50:32	24		of Sterling Stamos you were trying to minimize your	01:52:51
25	A.	Why would it be problematic?	01:50:34	25		exposure to black boxes?	01:52:53



148			150		
1	A. Correct.	01:52:55	1	A. Just that it was down. Other than	01:56:13
2	MS. ZUNNO: Let's mark this as	01:52:56	2	that, I don't know.	01:56:15
3	Exhibit 2.	01:52:58	3	Q. Do you recall Arthur Friedman telling	01:56:16
4	(Exhibit DK-2 marked for	01:53:09	4	you that he had spoken with Bernie?	01:56:18
5	identification.)	01:53:12	5	A. I don't remember if he told me that,	01:56:22
6	Q. Just take a minute to review that,	01:53:23	6	but I remember knowing about it.	01:56:23
7	Mr. Katz. Let me know when you're ready.	01:53:26	7	Q. Okay. And do you know what Bernie's	01:56:25
8	A. Okay.	01:54:15	8	reaction was?	01:56:26
9	Q. My first question is whether you've	01:54:16	9	A. Talking to Frank or Bernie? Which	01:56:30
10	ever seen this memo before?	01:54:20	10	one?	01:56:32
11	A. No.	01:54:21	11	Q. Let's talk about Bernie first.	01:56:32
12	Q. Do you recall any of the contents of	01:54:22	12	A. I don't remember him talking to	01:56:34
13	this memo being discussed at any partners' meetings?	01:54:24	13	Bernie. I remember him talking to Frank.	01:56:36
14	A. I do not.	01:54:28	14	Q. Do you remember anything about that	01:56:38
15	Q. Do you recall discussing anything	01:54:29	15	conversation?	01:56:40
16	raised in this memo with any particular partner?	01:54:32	16	A. No.	01:56:41
17	A. Any part of it? Yeah.	01:54:36	17	Q. At some point did you learn that	01:56:41
18	Q. Okay. Which parts?	01:54:39	18	Arthur had spoken with Bernie?	01:56:43
19	A. The part that they were upset about	01:54:41	19	A. Just now.	01:56:45
20	how little he did that month.	01:54:45	20	Q. Fair enough.	01:56:47
21	Q. I think that was in -- so putting the	01:54:48	21	Do you recall the existence of an	01:56:48
22	document aside, I think that was in December of '03?	01:54:50	22	executive committee at Madoff ever being discussed	01:56:50
23	A. Whenever this is.	01:54:54	23	amongst the partners?	01:56:55
24	Q. What do you recall about that time	01:54:56	24	A. Never, never thought there was one,	01:56:57
25	frame, in terms of Bernie's returns?	01:54:58	25	no.	01:57:00
149			151		
1	A. Just remember it wasn't what we were	01:55:01	1	Q. Do you recall it being discussed,	01:57:00
2	expecting.	01:55:03	2	though, amongst the partners?	01:57:01
3	Q. Do you have any idea why?	01:55:03	3	A. Not that I know.	01:57:08
4	A. No.	01:55:06	4	Q. Do you know if your father Saul ever	01:57:15
5	Q. What is it about the returns that	01:55:07	5	said that nobody understands how Bernie does it?	01:57:17
6	weren't what you were expecting?	01:55:10	6	A. If he said that?	01:57:22
7	A. It was lower than what we were	01:55:12	7	Q. Um-hum.	01:57:23
8	expecting.	01:55:14	8	A. I don't recall him specifically	01:57:25
9	Q. Had Bernie ever before returned --	01:55:14	9	saying that.	01:57:26
10	well, strike that.	01:55:17	10	Q. Do you recall him saying anything	01:57:29
11	Would Bernie give you anticipated	01:55:18	11	similar to that statement?	01:57:32
12	returns in advance?	01:55:26	12	A. No. Nobody knows how he does it? I	01:57:34
13	A. No way.	01:55:28	13	know he didn't know how he did it but, no, I don't	01:57:41
14	Q. Do you recall any conversations that	01:55:32	14	remember him saying that.	01:57:44
15	the Sterling partners -- that any Sterling partner	01:55:37	15	Q. Did you have an understanding of how	01:57:46
16	had with Bernie about the returns in this time	01:55:40	16	Bernie, quote, did it or generated the returns he	01:57:49
17	period?	01:55:42	17	did?	01:57:54
18	A. No.	01:55:43	18	A. Black box.	01:57:55
19	Q. Do you recall Arthur ever talking	01:55:48	19	Q. That was your explanation?	01:57:55
20	about any discussion he had with anyone at BLMIS	01:55:50	20	A. Yeah.	01:57:57
21	about the returns in 2003?	01:55:55	21	Q. Did you ever talk to Arthur Friedman	01:58:08
22	A. I know Arthur spoke to Frank but I	01:55:58	22	about Bernie's black box?	01:58:10
23	don't remember anything other than that.	01:56:05	23	A. I'm sure. I'm sure.	01:58:14
24	Q. Do you know what he spoke to Frank	01:56:06	24	Q. Do you recall any specific	01:58:16
25	about in 2003, I'm talking about?	01:56:08	25	conversations?	01:58:18

		232			234
1	is. Just taken off of --	04:11:32	1	did come from Sterling.	04:14:41
2	Q. I think it's the London Interbank	04:11:34	2	A. I'm shocked.	04:14:41
3	Offered Rate. Just for clarification.	04:11:39	3	Q. I can't represent to you that it was	04:14:41
4	A. The London Interbank -- okay.	04:11:42	4	created by Sterling.	04:14:43
5	Q. Is it your understanding it was a	04:11:45	5	MS. SESHENS: Thank you.	04:14:44
6	rate of some sort?	04:11:47	6	A. I was going to say, I'm shocked.	04:14:45
7	A. Yeah, I guess so.	04:11:50	7	When this was done, this was way advanced, having a	04:14:50
8	Q. Do you --	04:11:53	8	graph like this. I'm serious. So, someone else had	04:14:54
9	A. I don't know in 2003 if I knew that,	04:11:54	9	to have -- but anyway, so what do you want to know?	04:14:59
10	but I know it now.	04:11:57	10	I'm sorry. You're questioning.	04:15:02
11	Q. And why do you know that now?	04:12:01	11	Q. Do you have any idea whether there	04:15:08
12	Looking at the document?	04:12:03	12	was someone outside of Sterling that may have	04:15:11
13	A. Getting old.	04:12:08	13	prepared this?	04:15:13
14	Q. Do you know why Madoff's returns	04:12:09	14	A. I'm telling you something, it had to	04:15:15
15	would in any way be related to the prime or LIBOR	04:12:11	15	be. It had to be. But, listen, I've been surprised	04:15:17
16	rates?	04:12:15	16	before.	04:15:20
17	MS. SESHENS: Objection.	04:12:15	17	Q. Do you know if anyone at Sterling	04:15:21
18	A. I don't know how it works.	04:12:16	18	took an interest in any correlation, possible	04:15:23
19	Q. If at all.	04:12:17	19	correlation between Madoff returns and the rates	04:15:27
20	A. If I knew how it works, you know,	04:12:19	20	reflected here?	04:15:30
21	wouldn't be sitting here.	04:12:22	21	A. I don't know if it -- I know Arthur	04:15:32
22	Q. Do you know if anyone at Sterling	04:12:24	22	was into that stuff.	04:15:34
23	looked into that?	04:12:26	23	Q. Do you know if Arthur had any	04:15:37
24	MS. SESHENS: What do you mean,	04:12:29	24	explanation as to whether there was a correlation?	04:15:39
25	looked into --	04:12:31	25	A. Did he? I don't know. He never had	04:15:41
		233			235
1	Q. I'm sorry, looked into whether Madoff	04:12:33	1	a eureka moment, I don't think.	04:15:47
2	returns were related to the LIBOR and prime rates.	04:12:36	2	Q. If you'd turn to the second page,	04:15:57
3	Do you know if anyone at Sterling looked into that?	04:12:40	3	Bates labeled 179.	04:16:04
4	A. I vaguely remember Arthur maybe doing	04:12:43	4	A. Yup.	04:16:06
5	something.	04:12:48	5	Q. The top says, "Estimated Average	04:16:07
6	Q. Let me see if I can show you	04:12:56	6	Madoff Annual Returns."	04:16:09
7	something related to that.	04:12:58	7	A. Um-hum.	04:16:11
8	A. Are we done with this one?	04:12:59	8	Q. Do you know how those returns were	04:16:11
9	Q. Yeah. You can put it to the side.	04:13:02	9	calculated?	04:16:13
10	(Exhibit DK-10 marked for	04:13:20	10	A. No. Also wondering why it says	04:16:14
11	identification.)	04:13:27	11	estimated. How they got figured out?	04:16:18
12	Q. Just take a moment to review what's	04:13:33	12	Q. Yeah.	04:16:22
13	been marked as Exhibit 10 and let me know when	04:13:36	13	A. I have no idea what they took to put	04:16:22
14	you're finished.	04:13:39	14	into this.	04:16:26
15	A. Okay. I think I'm with you.	04:14:15	15	Q. If you look on this page, the year	04:16:26
16	Q. Do you recall ever seeing these	04:14:18	16	2000, the percentage listed there is 14.1 percent.	04:16:30
17	documents or this document before?	04:14:21	17	A. Correct.	04:16:36
18	A. No.	04:14:26	18	Q. And in 1999 it's 22.2 percent.	04:16:36
19	Q. Do you have any knowledge as to who	04:14:27	19	A. Um-hum.	04:16:39
20	at Sterling may have been involved --	04:14:31	20	Q. Do you recall that there was a	04:16:40
21	A. In this?	04:14:34	21	decline in Madoff's --	04:16:43
22	Q. -- in constructing these?	04:14:35	22	A. I do.	04:16:45
23	A. You're saying this came from	04:14:37	23	Q. -- rate of returns between 2000 --	04:16:46
24	Sterling?	04:14:38	24	I'm sorry, 1999 and 2000?	04:16:49
25	Q. Yes, I can represent to you that it	04:14:39	25	A. I don't remember when it was but I	04:16:51

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,

DAVID KATZ

Defendant.

(Volume II)

-----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,  
September 1, 2010, commencing at 10:08 a.m.

BENDISH REPORTING, INC.  
Litigation Support Services  
877.404.2193  
www.bendish.com

256			258		
1	Bernie, if anything?	10:17:18	1	Q. Okay, Mr. Katz. Do you recall	10:21:06
2	A. I actually didn't remember he was on	10:17:19	2	receiving this article?	10:21:09
3	an 11-man committee.	10:17:21	3	A. Nope.	10:21:10
4	Q. Okay. And do you have any idea why	10:17:23	4	Q. Do you recall reviewing this article?	10:21:11
5	Bernie voting for trading halts one way or the other	10:17:26	5	A. No. Not in particular, no.	10:21:17
6	had any particular interest to you?	10:17:29	6	Q. In general, do you recall any	10:21:19
7	A. No idea.	10:17:31	7	discussions with anyone regarding any articles about	10:21:23
8	Q. Okay. You can put that aside.	10:17:33	8	Madoff that raise any concerns about Madoff in those	10:21:28
9	(Exhibit DK-13 marked for	10:18:07	9	articles?	10:21:32
10	identification.)	10:18:10	10	A. The only ones that I remember talking	10:21:34
11	Q. Just take a moment to review Exhibit	10:18:11	11	about were all positive.	10:21:36
12	13.	10:18:13	12	Q. Were all positive, okay. You can put	10:21:37
13	A. Read it all or just peruse?	10:18:19	13	that document aside.	10:21:44
14	Q. Whatever you feel comfortable with.	10:18:22	14	And putting aside the articles that	10:21:46
15	I'll tell you my question is whether you recall	10:18:25	15	we marked as exhibits, do you recall ever hearing	10:21:48
16	receiving and reviewing the document -- the article.	10:18:28	16	that there were experts in the industry that tried	10:21:53
17	A. Okay. Is there another one? No.	10:18:51	17	to duplicate Madoff's returns but they were unable	10:21:58
18	Okay.	10:18:55	18	to do so?	10:22:01
19	Q. Mr. Katz, do you recall receiving	10:18:56	19	A. I vaguely remember that, yeah.	10:22:02
20	this document?	10:19:00	20	Q. What do you remember about that?	10:22:03
21	A. No.	10:19:01	21	A. Just what you said.	10:22:05
22	Q. Do you see your initials at all	10:19:02	22	Q. Okay. Is there any particular reason	10:22:06
23	written in handwriting on the cover page?	10:19:07	23	why you vaguely remember that? Do you recall any	10:22:08
24	A. No.	10:19:11	24	conversations?	10:22:10
25	Q. Do you see where it says JSW on the	10:19:11	25	A. I'm sure. I'm sure it was a	10:22:12
257			259		
1	bottom?	10:19:14	1	conversation but I couldn't tell you who was there	10:22:14
2	A. Right.	10:19:14	2	or what it was totally about.	10:22:16
3	Q. Do you know whose initials those are	10:19:15	3	Q. Do you recall that -- do you recall	10:22:18
4	right above that?	10:19:16	4	having -- sorry, strike that.	10:22:22
5	A. DL.	10:19:17	5	Do you recall hearing that there were	10:22:27
6	Q. DL. Was there a DL who worked at	10:19:18	6	experts in the industry that tried to duplicate	10:22:43
7	Sterling?	10:19:22	7	Madoff's returns but they were unable to do so prior	10:22:45
8	A. I don't think so.	10:19:23	8	to December 11, 2008?	10:22:47
9	Q. Do you have any recollection as to	10:19:24	9	A. I'm sure.	10:22:51
10	whether you were a partner in April of 2001?	10:19:27	10	Q. And did that raise any concerns for	10:22:52
11	A. Yeah.	10:19:35	11	you?	10:22:54
12	Q. You were, okay. But you have no	10:19:36	12	A. No.	10:22:55
13	recollection of receiving this document?	10:19:38	13	Q. And do you recall any particular	10:22:56
14	A. No.	10:19:40	14	discussions that you had with anyone about that	10:22:58
15	Q. Do you recall any discussions with	10:19:41	15	fact?	10:23:00
16	the partners about an article in Mar Hedge entitled	10:19:43	16	A. Not in particular, no.	10:23:03
17	"Madoff Tops Charts; Skeptics Ask How"?	10:19:51	17	Q. Generally?	10:23:04
18	A. No.	10:19:57	18	A. It might have, it might have come up.	10:23:06
19	Q. You can put that document aside.	10:19:58	19	Q. With whom, to the extent you	10:23:08
20	A. Done?	10:20:00	20	remember?	10:23:12
21	Q. Yes.	10:20:01	21	A. I don't remember, but...	10:23:13
22	(Exhibit DK-14 marked for	10:20:21	22	Q. And do you recall ever hearing,	10:23:24
23	identification.)	10:20:24	23	Mr. Katz, that Madoff was possibly using his	10:23:26
24	Q. Take a moment to review Exhibit 14.	10:20:25	24	market-making business to subsidize his investment	10:23:31
25	A. Okay.	10:21:05	25	advisory side of the business?	10:23:36

260			262				
1	A.	I remember hearing that.	10:23:38	1	transactions that he conducted on behalf of his	10:25:46	
2	Q.	And do you recall when you heard	10:23:40	2	clients on the investment advisory side?	10:25:49	
3		that?	10:23:41	3	A.	I guess that's how he made money.	10:25:51
4	A.	No.	10:23:42	4	Q.	And do you recall any -- do you	10:25:54
5	Q.	Did hearing that raise any concerns	10:23:44	5	recall hearing that he did not charge enough to his	10:25:58	
6		for you at all?	10:23:47	6	investment advisory clients?	10:26:05	
7	A.	I think it was dispelled, if I	10:23:50	7	A.	No.	10:26:07
8		remember.	10:23:53	8	MS. SESHENS: Objection to the form.	10:26:07	
9	Q.	What was dispelled, that	10:23:53	9	Q.	Did you ever hear that Madoff	10:26:13
10		particular --	10:23:56	10	requested secrecy with respect to his investment	10:26:15	
11	A.	I remember it being not true.	10:23:57	11	strategy or anything about his business?	10:26:22	
12	Q.	Do you know why you remember that	10:23:59	12	A.	Yeah.	10:26:26
13		being not true?	10:24:01	13	Q.	Do you recall what you heard?	10:26:27
14	A.	I couldn't tell you.	10:24:05	14	A.	No, just at the beginning I	10:26:30
15	Q.	Do you recall any discussions that	10:24:05	15	remember -- whenever the beginning was, it was like	10:26:33	
16		you may have had with anyone about Madoff possibly	10:24:07	16	a, you know, it was a quiet -- you weren't supposed	10:26:36	
17		subsidizing his investment advisory side of the	10:24:10	17	to tell anyone you were invested. You know, you	10:26:40	
18		business with market-making funds?	10:24:12	18	know, that faded over time.	10:26:44	
19	A.	I'd be guessing.	10:24:14	19	Q.	Do you have any understanding why it	10:26:46
20	Q.	What's your understanding, generally,	10:24:21	20	faded over time?	10:26:48	
21		about how Madoff made money off of his investment	10:24:27	21	A.	So many investors that it was silly	10:26:50
22		advisory side of the business?	10:24:31	22	to try.	10:26:53	
23	A.	All I know is he traded an enormous	10:24:37	23	Q.	On what do you base the understanding	10:26:54
24		amount of stock and he got paid for it. The sheer	10:24:42	24	that at some point you weren't supposed to tell	10:26:57	
25		volume was big numbers.	10:24:45	25	anyone you were invested in Madoff?	10:27:01	
261			263				
1	Q.	Do you know how he got paid; were	10:24:46	1	A.	You're asking why were we told that	10:27:04
2		there fees involved with those trades?	10:24:49	2		or asked that?	10:27:07
3	A.	I have no idea.	10:24:51	3	Q.	Yes, let's actually go back.	10:27:09
4	Q.	Did you ever speak with anyone at	10:24:52	4		Do you recall when you had that	10:27:11
5		Sterling about that?	10:24:55	5		understanding?	10:27:13
6	A.	Probably.	10:24:56	6	A.	No.	10:27:14
7	Q.	Do you recall who?	10:24:57	7	Q.	Do you recall having any discussions	10:27:14
8	A.	Probably, if I did, it was my father.	10:24:58	8		with anyone at Sterling about that, about Madoff	10:27:15
9	Q.	Do you remember any particular	10:25:01	9		requesting --	10:27:19
10		discussions with your father --	10:25:02	10	A.	Not specifically.	10:27:21
11	A.	No.	10:25:04	11	Q.	-- that at some point you weren't	10:27:23
12	Q.	-- about how Bernie got paid?	10:25:04	12		suppose to tell anyone you were invested?	10:27:25
13	A.	No.	10:25:06	13	MS. SESHENS: Objection to the form.	10:27:27	
14	Q.	Do you recall ever hearing that	10:25:10	14	A.	Not specifically.	10:27:28
15		Bernie not charging particular fees didn't make	10:25:13	15	Q.	And did it raise any concerns for	10:27:28
16		sense?	10:25:20	16		you that --	10:27:31
17		MS. SESHENS: Objection to the form.	10:25:21	17	A.	No.	10:27:31
18	Q.	Let me, actually, rephrase that.	10:25:22	18	MS. SESHENS: One second.	10:27:32	
19		Is it your understanding that Bernie	10:25:25	19	Q.	Did it raise any concerns for you	10:27:34
20		received commissions on trades that he made for his	10:25:29	20		that at some point you weren't supposed to tell	10:27:37
21		investment advisory clients?	10:25:31	21		anyone you were invested in Madoff?	10:27:39
22	A.	I'm not sure exactly what you're	10:25:35	22	A.	Contrary.	10:27:44
23		saying.	10:25:37	23	Q.	What do you mean by contrary?	10:27:45
24	Q.	Okay. Is it your understanding that	10:25:37	24	A.	It was a black box. He was a proven	10:27:48
25		Bernie received fees for any of the, for any of the	10:25:41	25		great investor. That's part of being in the few.	10:27:53

276			278		
1	(Exhibit DK-15 marked for	10:40:46	1	A. Correct.	10:42:51
2	identification.)	10:40:49	2	Q. Okay. And is it your understanding	10:42:51
3	Q. Take a moment to review Exhibit 15	10:40:55	3	that around the time that this was being considered	10:42:52
4	and let me know when you're done.	10:41:01	4	Sterling had more than 100 million invested in	10:42:55
5	A. Okay.	10:41:03	5	Madoff?	10:42:57
6	Q. Okay, Mr. Katz. Do you recall	10:41:05	6	A. I would believe so.	10:42:59
7	receiving this memo?	10:41:07	7	Q. And do you think or do you know if	10:43:00
8	A. I don't recall it.	10:41:09	8	that was why Sterling did not pursue insurance any	10:43:02
9	Q. Do you recall whether you were a	10:41:10	9	further?	10:43:04
10	partner on June 13th, 2008?	10:41:12	10	A. That may be one of the reasons.	10:43:06
11	A. I think I was.	10:41:15	11	Q. Do you recall any other reasons?	10:43:07
12	MS. SESHENS: I think you meant 2001.	10:41:15	12	A. No.	10:43:09
13	MS. ZUNNO: I'm sorry. Thank you,	10:41:18	13	Q. Do you recall any conversations that	10:43:12
14	Dana.	10:41:20	14	you had with Chuck Klein about insurance, if any?	10:43:15
15	Q. 2001.	10:41:20	15	A. No.	10:43:19
16	A. There, too.	10:41:22	16	Q. Do you know if Chuck Klein took out	10:43:21
17	Q. Putting aside the memo, do you recall	10:41:25	17	insurance to cover the Madoff accounts at American	10:43:26
18	whether there was ever a point in time when Sterling	10:41:27	18	Securities?	10:43:30
19	considered taking out insurance to cover its Madoff	10:41:30	19	A. No.	10:43:33
20	investments?	10:41:34	20	Q. I think that was a very poorly worded	10:43:34
21	A. Yes.	10:41:35	21	question, so let me go back.	10:43:37
22	Q. Tell me generally what you remember	10:41:35	22	Is it your understanding that	10:43:39
23	about that?	10:41:37	23	American Securities took out insurance to cover its	10:43:40
24	MS. SESHENS: Objection to the form.	10:41:38	24	Madoff investments?	10:43:42
25	A. What do I remember about that? I	10:41:39	25	A. No.	10:43:43
277			279		
1	think it was Chuck Klein mentioned it to my father,	10:41:43	1	Q. And do you know if your father, Saul	10:43:49
2	and I think we looked at it and I think it was silly	10:41:52	2	Katz, ever spoke with Chuck Klein about --	10:43:51
3	because we couldn't get anywhere near the amount we	10:41:56	3	A. I believe so.	10:43:53
4	needed to cover it. It was silly, a waste of time.	10:41:59	4	Q. Let me just go back and finish.	10:43:54
5	Didn't do it.	10:42:05	5	Sorry. I know you're anticipating my question and I	10:43:57
6	Q. Do you recall -- when you say that	10:42:06	6	do a bad job of cutting you off sometimes, too, so	10:44:00
7	you think we looked at it and I think it was silly	10:42:09	7	I'll try to --	10:44:04
8	because we couldn't get anywhere near the amount we	10:42:13	8	A. We'll both try.	10:44:05
9	needed to cover it --	10:42:15	9	Q. Yes, thank you.	10:44:06
10	A. Correct.	10:42:17	10	Do you know if your father, Saul	10:44:07
11	Q. Can you just explain that?	10:42:17	11	Katz, ever spoke with Chuck Klein about possibly	10:44:09
12	A. The amount of money, I think the	10:42:18	12	taking out insurance to cover Sterling's Madoff	10:44:13
13	amount you could -- I believe the amount you could	10:42:20	13	investments?	10:44:17
14	take out in insurance was low per account compared	10:42:21	14	A. I'm pretty sure they talked.	10:44:18
15	to what we had invested.	10:42:24	15	Q. Do you know anything about those	10:44:21
16	Q. Okay. And if you turn back to what	10:42:26	16	conversations?	10:44:22
17	we marked at Exhibit 15, if you look at the last	10:42:28	17	A. No.	10:44:23
18	sentence.	10:42:35	18	Q. Were you present at any of those	10:44:24
19	A. Um-hum.	10:42:36	19	conversations?	10:44:27
20	Q. "They will be limited to a maximum of	10:42:36	20	A. I don't think so.	10:44:27
21	100 million in total and probably they would limit	10:42:39	21	Q. Mr. Katz, did there come a time in	10:45:04
22	coverage to accounts greater than 10 million."	10:42:43	22	2004 when Sterling wanted to exercise an option to	10:45:07
23	A. Right.	10:42:46	23	buy out of its contract with Cablevision?	10:45:11
24	Q. Is that what you are referring to as	10:42:47	24	A. I'm not sure of the year, but yeah.	10:45:13
25	the limit on coverage?	10:42:50	25	Q. What do you know about this	10:45:16

296			298		
1	of Madoff?	11:05:37	1	only 10 percent of the trust assets were invested in	11:08:08
2	MS. SESHENS: Objection to the form.	11:05:37	2	Madoff?	11:08:11
3	A. I would hope so.	11:05:39	3	A. I don't think so.	11:08:11
4	Q. Do you recall that being discussed at	11:05:41	4	Q. Do you know why?	11:08:12
5	the meeting?	11:05:43	5	A. Because we were moving slower than I	11:08:14
6	A. I don't remember if we discussed it	11:05:43	6	wanted.	11:08:16
7	but I'd be shocked if it weren't.	11:05:45	7	Q. Do you know why -- and by "you" do	11:08:17
8	Q. Do you know around January 2008 how	11:05:47	8	you mean you and your father, do you mean Sterling	11:08:20
9	much money Sterling and the Sterling partners had	11:05:51	9	as a whole?	11:08:22
10	invested in Madoff?	11:05:54	10	MS. SESHENS: Objection to the form.	11:08:22
11	A. I'd be guessing.	11:05:55	11	A. In my opinion everyone was moving too	11:08:24
12	Q. Do you know if it was greater than	11:06:03	12	slow.	11:08:27
13	\$100 million?	11:06:06	13	Q. Do you know why?	11:08:27
14	A. Yes.	11:06:07	14	A. They were moving slow?	11:08:29
15	Q. Do you know if at this meeting there	11:06:08	15	Q. Yeah.	11:08:31
16	were any discussions related to withdrawing any of	11:06:10	16	MS. SESHENS: Objection to the form.	11:08:31
17	the funds in Madoff at that time gradually?	11:06:19	17	A. They enjoyed the investment. They	11:08:33
18	A. Perhaps, depending on the partner.	11:06:26	18	liked it.	11:08:35
19	Q. Do you remember how -- I mean, do you	11:06:28	19	Q. Do you recall when -- or should I	11:08:36
20	remember how you felt about portfolio planning as of	11:06:31	20	say, was it a goal of yours to only have 10 percent	11:08:39
21	January '08?	11:06:34	21	of your assets invested in Madoff?	11:08:42
22	MS. SESHENS: Objection to the form.	11:06:35	22	A. Maybe even less. But, yes, it was a	11:08:46
23	A. Well, I would have personally liked	11:06:36	23	goal.	11:08:50
24	to leave 10 percent or so in Bernie, in my	11:06:37	24	Q. Why do you say maybe even less?	11:08:50
25	portfolio, and move the rest in other places.	11:06:41	25	A. I'd have to think about a black box.	11:08:53
297			299		
1	Q. And do you know if any of the other	11:06:45	1	One black box, should you have 10 percent in there?	11:08:56
2	Sterling partners agreed with that?	11:06:48	2	I don't know. I'd have to think about it.	11:08:59
3	A. Maybe not on the exact percentage.	11:06:50	3	Q. Did you ever talk to anyone at	11:09:01
4	That's why they would pull out differently and also	11:06:52	4	Sterling Stamos about whether you should have less	11:09:02
5	people have different needs as far as cash flow and	11:06:54	5	than 10 percent invested in black boxes?	11:09:04
6	stuff. So, yeah, close to that, I would imagine.	11:06:58	6	A. I don't recall.	11:09:07
7	Q. Did there come a time with respect to	11:07:14	7	Q. And do you recall when, when you	11:09:17
8	your own Madoff investments that you had only 10	11:07:16	8	thought that you should have 10 percent or maybe	11:09:25
9	percent of your assets invested in Madoff?	11:07:23	9	even less invested in Madoff?	11:09:27
10	A. I look at my assets differently	11:07:29	10	A. When I thought that?	11:09:29
11	than -- in my mind I count part of my father's trust	11:07:33	11	Q. Yes.	11:09:30
12	as part of my assets. So I don't know if it was	11:07:37	12	A. I couldn't pin down the date.	11:09:31
13	exactly 10 percent. That was all part of what I	11:07:42	13	Q. Do you recall if it was prior to	11:09:34
14	wanted to change.	11:07:44	14	2005?	11:09:41
15	Q. What was all part of what you wanted	11:07:46	15	A. I would think so.	11:09:42
16	to change?	11:07:48	16	Q. Do you recall if it was shortly after	11:09:43
17	A. The trust had money. It was probably	11:07:49	17	Sterling Stamos was formed?	11:09:46
18	lopsided and that's one of the things I wanted to	11:07:52	18	A. It was before Sterling, that's why we	11:09:48
19	change.	11:07:54	19	started Sterling Stamos.	11:09:50
20	Q. And by lopsided you mean --	11:07:54	20	Q. So before Sterling Stamos was formed,	11:09:51
21	A. Too much in Bernie.	11:07:56	21	was it your goal to have 10 percent or possibly less	11:09:53
22	Q. Do you know if that ever did change	11:07:58	22	invested in Madoff?	11:09:57
23	at any point?	11:08:00	23	A. Correct.	11:09:58
24	A. I'm sure it changed a little bit.	11:08:02	24	Q. Is there anyone at Sterling who	11:09:59
25	Q. Did it ever change to the point where	11:08:04	25	shared that goal?	11:10:01

344			346		
1	phone.	12:16:10	1	MS. SESHENS: Objection to the form.	12:18:20
2	Q. What would you talk on the phone	12:16:10	2	A. In which type of funds Sterling	12:18:21
3	about?	12:16:12	3	Stamos would invest?	12:18:24
4	A. I think he was just buttering,	12:16:12	4	Q. Yeah.	12:18:25
5	buttering us up because he wanted to do the SSP	12:16:16	5	A. Did I ask them? I might have	12:18:25
6	thing.	12:16:19	6	overheard.	12:18:27
7	Q. How or what conversation did you have	12:16:20	7	Q. Overheard?	12:18:28
8	with Peter Stamos about KRB?	12:16:22	8	A. When I was sitting in the meetings I	12:18:29
9	A. How's it doing, what are you doing,	12:16:25	9	might have overheard them talking.	12:18:31
10	how's it today, you know, that kind of thing.	12:16:27	10	Q. Okay. I guess, well, if you were	12:18:33
11	Q. Did you ever give Peter Stamos money	12:16:30	11	sitting in on meetings and overheard them talking	12:18:37
12	to invest in KRB specifically?	12:16:33	12	about funds in which to invest, would you voice your	12:18:40
13	A. No.	12:16:35	13	opinion?	12:18:43
14	Q. Did it ever work the other way	12:16:35	14	A. I wouldn't talk.	12:18:43
15	around, did Peter ever give you money to invest in	12:16:38	15	Q. When Sterling Stamos was first	12:18:45
16	KRB?	12:16:40	16	created, I think you said they weren't supposed to	12:18:48
17	A. If he did it was a little bit. I	12:16:41	17	invest in black boxes, right?	12:18:50
18	don't remember it.	12:16:43	18	A. That was my understanding.	12:18:52
19	Q. You also mentioned that as part of	12:16:50	19	Q. Were there any other types of funds	12:18:53
20	the creation of Sterling Stamos you didn't --	12:17:01	20	in which they weren't supposed to invest?	12:18:56
21	Sterling Stamos wasn't supposed to invest in black	12:17:04	21	A. None that I know of.	12:18:59
22	boxes.	12:17:07	22	Q. Okay.	12:19:01
23	A. Yeah. At the beginning.	12:17:08	23	Would you agree that one of the	12:19:25
24	Q. At the beginning. Was there a time	12:17:11	24	purposes of Sterling Stamos was to diversify away	12:19:26
25	that that changed?	12:17:12	25	from Madoff?	12:19:29
345			347		
1	A. I think when we started getting --	12:17:14	1	A. Yeah. Yes.	12:19:30
2	when they started getting bigger, I think -- I don't	12:17:16	2	Q. Would you agree that the fact that	12:19:35
3	remember talking about it and I wouldn't be	12:17:21	3	Madoff was a black box, was that one of the reasons	12:19:38
4	surprised if they did, that's all.	12:17:22	4	Sterling wanted to diversify away from Madoff?	12:19:40
5	Q. You wouldn't be surprised if Sterling	12:17:24	5	MS. SESHENS: Objection. Katie, I	12:19:42
6	Stamos did invest in black boxes?	12:17:25	6	know we've given a lot of leeway on this, this is	12:19:44
7	A. Later on, yeah.	12:17:29	7	like the fourth or fifth time this line of	12:19:46
8	Q. I mean, what informs that opinion?	12:17:30	8	questioning has been asked. So I just want to note	12:19:48
9	A. There's a lot of funds.	12:17:36	9	my objection, we've gone over this, it's been asked	12:19:51
10	Q. That Sterling Stamos was invested in	12:17:38	10	and answered and it's captured in the testimony that	12:19:53
11	a lot of funds?	12:17:40	11	I think has been elicited thus far.	12:19:56
12	A. Yeah.	12:17:41	12	MS. ZUNNO: I note your objection. I	12:19:58
13	Q. At any point did you ever ask Peter	12:17:43	13	disagree that this was asked and answered. But I'll	12:19:59
14	Stamos or anyone at Sterling Stamos if they were	12:17:45	14	ask my question again.	12:20:03
15	invested in black boxes?	12:17:48	15	BY MS. ZUNNO:	12:20:06
16	A. I'm sure at the beginning.	12:17:50	16	Q. Was the fact that Madoff was a black	12:20:06
17	Q. At the beginning. And later on when	12:17:51	17	box one of the reasons Sterling wanted to diversify	12:20:08
18	there were a number of funds, did you ever, when	12:17:55	18	away from Madoff?	12:20:12
19	there were more funds did you ever ask?	12:17:58	19	A. No.	12:20:14
20	A. I might have.	12:18:01	20	Q. So other than diversifying away from	12:20:15
21	Q. You don't recall any specifics?	12:18:02	21	Madoff, are there any other reasons why Sterling	12:20:21
22	A. No.	12:18:05	22	Stamos was created?	12:20:25
23	Q. Do you recall making any other	12:18:09	23	A. Seemed like a good business, start a	12:20:27
24	requests to Sterling Stamos when it was first formed	12:18:13	24	family office. No. I can't think of any other	12:20:30
25	related to in which types of funds it would invest?	12:18:16	25	reason now.	12:20:34