

# EXHIBIT I

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C O N F I D E N T I A L  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK  
11-CV-03605(JSR)(HBP)

-----x  
IRVING H. PICARD, Trustee for  
the Liquidation of Bernard L.  
Madoff Investment Securities LLC,  
Plaintiff,  
v.  
SAUL B. KATZ, et al.,  
Defendants.  
-----x  
Videotaped  
Deposition of:  
FRED WILPON

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,  
January 10, 2012, commencing at 9:28 a.m.

1 starting up Sterling Stamos?

2 A. I don't recall.

3 Q. Do you remember having any  
4 conversations, prior to the actual formation of  
5 Sterling Stamos, with Mr. Madoff about starting  
6 Sterling Stamos?

7 A. Before or?

8 Q. Yeah, let me break that down. Before  
9 Sterling Stamos started, you know, you're talking to  
10 Mr. Peter Stamos about it, as you described --

11 A. Right.

12 Q. -- did you prior to that sit down  
13 with Mr. Madoff and tell him that you were thinking  
14 of putting together the Sterling Stamos fund?

15 A. Yes.

16 Q. Do you have any idea when that was?

17 A. No.

18 Q. Other than it was obviously before  
19 the formation.

20 A. Right. No.

21 Q. What do you remember about that  
22 conversation with Mr. Madoff about that?

23 A. It occurred subsequent to another  
24 conversation which initiated that.

25 Q. Okay.

1           A.           With Mr. Madoff, when the question  
2 was asked of Mr. Madoff was he going to retire.

3           Q.           Um-hum.

4           A.           And he said he didn't have any  
5 plans to -- my recollection is he said he didn't  
6 have any plans to retire, but if he did, he would  
7 send us the money back. And he said you can invest  
8 it in, I think he said U.S. Trust or Treasury, I  
9 forget.

10                       Saul and I were a little taken back  
11 by that, and we had a meeting going down the  
12 elevator from his office. I looked at him and he  
13 looked at me, and we said, we better have other  
14 alternatives.

15           Q.           Um-hum.

16           A.           And that was the initiation of, say,  
17 starting a family office or starting Sterling  
18 Stamos. Which was not to be as it turned out to be.  
19 It was really to -- to invest just the Stamos family  
20 money and our money.

21           Q.           You indicated that conversation that  
22 you just described for us took place first and then  
23 there was a subsequent conversation, I believe was  
24 your testimony, with Mr. Madoff about Sterling  
25 Stamos. Could you tell us now about that subsequent

1 strategy, then Sterling Stamos might decide to, to  
2 stop doing business with that particular investment  
3 vehicle.

4 Q. Was it your understanding that --  
5 that the Stamos investment side had concerns about  
6 the transparency of Mr. Madoff?

7 A. He was a -- he was a proprietary  
8 investor, didn't want people to understand what  
9 his -- how he came to his investments, and therefore  
10 that wouldn't be transparent.

11 For example, one of the great  
12 investors of the past 40 years is Renaissance,  
13 Mr. Simons and his group. They're not transparent.  
14 It's proprietary investing, and if you choose to  
15 invest with him, if you're fortunate to do that, you  
16 don't know what he's investing in or how he's  
17 investing or how he's determining those investments.

18 Q. Other than transparency, were you  
19 aware of any other concerns that Stamos -- don't  
20 care if I use that -- is your understanding based on  
21 what, your current -- let me rephrase the whole  
22 thing. Not doing very well there.

23 The transparency issue that we've  
24 been discussing, do you know what the source of that  
25 was, the concern about transparency?

1 A. I --

2 Q. Let me rephrase it.

3 Was it the company policy of Sterling  
4 Stamos that you would not invest in a fund that was  
5 not transparent?

6 A. That's my understanding.

7 Q. Okay. And other than transparency,  
8 were you aware of any other issues that prevented  
9 Sterling Stamos from investing in Mr. Madoff?

10 A. No, not at all. Because as far as I  
11 know, Mr. Madoff had a great reputation in the  
12 general field. And Peter Stamos had a very high  
13 regard for Bernie, Bernie Madoff and his -- his  
14 abilities as an investor. So I don't think that was  
15 the case. He and his family, with more limited  
16 funds from the sale of one of his companies, or a  
17 company that he had, more limited than Sterling's  
18 funds, was an investor for many years in Bernie  
19 Madoff.

20 Q. Do you know if Mr. --

21 A. Before Sterling Stamos.

22 Q. I understand.

23 Do you know whether or not the Stamos  
24 family redeemed its money out of Madoff at some  
25 point in time?

1 their exposure. I think it referred -- the words  
2 don't say it, but I think it referred to the  
3 doubling-up concept.

4 Q. Okay. Just for the record, could you  
5 tell us what the doubling-up concept is.

6 A. Where a bank would loan money to an  
7 individual to buy -- to invest in Madoff, and the  
8 interest rate of that loan would be less than the  
9 return that Madoff was returning on a yearly basis.

10 Q. Um-hum.

11 A. And that they would -- so they would  
12 owe the bank that money. The collateral was the  
13 Madoff account, and they would make the  
14 differential, what they call a spread or  
15 differential.

16 Q. Right.

17 A. Pardon me?

18 Q. Right, I said. Yeah, I understand.

19 A. And -- better than I do.

20 And I think that that's what people  
21 were doing, and so someone must have said, well,  
22 check your individual accounts. We were already --  
23 I assume at this time we were already investing in  
24 Sterling Stamos. Oh, yeah, sure. We were investing  
25 in Sterling Stamos. A lot of the new funds that

1 were coming in, new liquidity was being invested in  
2 Sterling Stamos, as well as -- as well as Madoff,  
3 but we were trying to balance.

4 Q. When you say individuals would borrow  
5 money from a bank and put it into Mr. Madoff, would  
6 the individual deal directly with Mr. Madoff?

7 A. No. I think they probably would deal  
8 through Arthur Friedman.

9 Q. And would all the Sterling equity  
10 partners participate in the double-ups?

11 A. No.

12 Q. How was it determined who would  
13 participate?

14 A. The individual partner would decide.

15 Q. Okay. And did all the individual  
16 partners then deal through Mr. Friedman with  
17 Mr. Madoff?

18 A. I believe so.

19 Q. All right. And when those numbers  
20 were reported, double-up numbers, were they reported  
21 in the aggregate or by individual?

22 A. I don't recall.

23 Q. Okay. When -- the phrase "exposure  
24 with Mr. Madoff," does that suggest to you that  
25 there's any risk involved?



1           A.           We never -- we never felt exposure.  
2 We always felt that Bernie Madoff was a low-risk  
3 type of investment that we had been investing with  
4 for 25 years.

5           Q.           So, how -- how would each partner go  
6 about -- your understanding -- analyzing their  
7 exposure to Mr. Madoff?

8           A.           Well, they were -- they were  
9 borrowing money from a bank.

10          Q.           Right.

11          A.           The bank allowed that to happen  
12 because the bank did their investigation of Madoff  
13 and allowed that to be used as collateral.

14          Q.           Um-hum.

15          A.           And there were several banks that  
16 allowed that. And so they were borrowing money.  
17 What -- what would happen if Bernie Madoff's returns  
18 in a year didn't match interest rate? You'd have  
19 a -- you'd have a reverse situation. So, they were  
20 saying, we'll look at that. Not that -- not that  
21 there was an exposure to Bernie, in terms of  
22 Bernie -- but there was certainly a -- Bernie did  
23 not always produce the same returns. He might  
24 produce X one year and X minus five the next year.

25          Q.           Do you recall anything specific that

1 with regard to Mr. Madoff and how his business  
2 operated that would have spawned this comment?

3 A. None. None that I know of.

4 Q. Okay. Was there, at or about this  
5 time, we're going to talk more about this later, but  
6 do you recall any conversations about Mr. Madoff  
7 registering as an investment adviser?

8 A. I believe he told us he was  
9 registering as an investment adviser when the -- I  
10 think the law changed?

11 Q. Um-hum.

12 A. Or a new law came in?

13 Q. Right.

14 A. And I think he told us he was -- he  
15 was, in addition to being a broker-dealer, whatever,  
16 NASDAQ and whatever you have to be as a  
17 broker-dealer, he was -- he was registered as an  
18 investment adviser.

19 Q. Okay. I want to take a look at D.  
20 Do you see this? It says, "Net Madoff balances."  
21 Do you see that?

22 A. Yes.

23 Q. Okay. What does anything -- if  
24 anything, does that mean to you, that entry in the  
25 minutes?

1 registration. And I remember that we contacted  
2 counsel, Davis Polk, to tell us what the rulings  
3 were.")

4 Q. Focusing on just this portion of your  
5 answer, and that is, is where you testified that  
6 Sterling Equities did not need to be part of that  
7 registration or should not be part of it. Do you  
8 recall that?

9 A. (Witness nods.)

10 Q. Okay. What did you mean by that?

11 A. We were not, as I've testified to  
12 you, we at Sterling Equities were not involved in  
13 the -- in the investment process at Sterling Stamos.  
14 We were involved only in the management of the  
15 company, that they were going to take space at 450  
16 Park Avenue or 270 Lex or things of that nature.

17 And, therefore, we are a private  
18 company, a private family company, and it wasn't  
19 required that all of our businesses be registered on  
20 whatever that, whatever they had to register under.

21 Q. Do you have any understanding of what  
22 the implications of registration might be for  
23 Sterling Equities as a -- let me just stop there.

24 A. Well, it was a lot of paperwork, a  
25 lot of reporting. As I understood it, it's

1 tantamount to being a publicly held company, which  
2 is something we did not want to be.

3 Q. Did -- did Sterling Equities'  
4 investments in Madoff have any influence or any  
5 impact on your concerns about registering as part of  
6 the Sterling Stamos investment advisory  
7 registration?

8 A. I don't recall that being part of  
9 that.

10 Q. Did you have any conversations --  
11 just you, personally, have any conversations with  
12 Bernie Madoff about the fact that Sterling Stamos  
13 was considering registering as an investment  
14 adviser?

15 A. Only what I testified to in that --  
16 that meeting that we had with Bernie Madoff. I  
17 don't remember at that time whether he was already  
18 an investment adviser --

19 Q. Who, Mr. Madoff?

20 A. Mr. Madoff.

21 Q. Okay.

22 A. -- or he was saying -- or it was at a  
23 time when they both were going to become investment  
24 advisers, that Sterling Stamos was going to become  
25 an investment adviser, under the law or new law or

1 requirement.

2 And as I testified, he said something  
3 about, I don't think you guys want to be investment  
4 advisers for your real estate, your media business,  
5 your oil business, whatever businesses you're in.

6 Q. Um-hum.

7 A. That's the -- I have a vague  
8 recollection of that conversation.

9 (Comments off the record.)

10 (Exhibit Trustee 331, Meeting Notice,  
11 Bates SE\_T673935, marked for identification.)

12 Q. I'm showing you what has been marked  
13 as Exhibit 331 for identification, and it appears to  
14 be another one of those meeting notices, whatever.  
15 Do you see that?

16 A. Yes.

17 Q. Have you seen this prior to today?

18 A. No.

19 Q. Okay. I note for the record that the  
20 date of this is July 15th, 2004. Do you see that?

21 A. Yes.

22 Q. And I would also note that the prior  
23 exhibit that we were looking at was 330, was dated  
24 July 14, 2004. Do you see that? The one just  
25 before.

1 A. No.

2 Q. And the personal friends who had  
3 invested with Mr. Madoff that you've spoken of but  
4 haven't named, but I'm not asking you for their  
5 names, would you consider any of them to be  
6 investment advisers?

7 A. No. Not -- not personal friends that  
8 I can recall.

9 Q. Did Mr. Levitt actually invest with  
10 Mr. Madoff?

11 A. I don't know.

12 Q. Okay. Did you know whether  
13 Mr. Levitt ever -- you know, I know you've spoken of  
14 his high opinion of Mr. Madoff, but do you know if  
15 he ever did an analysis of Mr. Madoff's investment  
16 strategy?

17 A. No, I couldn't tell you that.

18 Q. Okay. Other than what you've just  
19 described for us, Howard Squadron, Arthur Levitt and  
20 your friends, was there any other due diligence that  
21 you did with regard to investing in Mr. Madoff?

22 A. Well, it wasn't something that was  
23 static.

24 Q. Right.

25 A. It started, I'd say '75, heard a lot

1 about it. In '85 we decided to make some  
2 investments with the individuals, partners made some  
3 investments with Madoff. And as time went on it was  
4 a constant kind of thing, that we were constantly  
5 hearing, thinking, you know, observing how Bernie  
6 Madoff performed, how others performed, and so it  
7 was -- it was a sort of, if I may use, it was a  
8 motion picture, you know, in terms of a learning  
9 process.

10 Q. Right.

11 A. And there was a time when, I don't  
12 know the year, but the stock market went down  
13 significantly. And it was, Bernie Madoff was -- his  
14 investments came through that. There was a time  
15 when some Florida investors were sanctioned or  
16 something by the SEC. Ike Sorkin was one of the  
17 lawyers at Squadron at the time, he was the  
18 former -- I think he was the former head of the SEC  
19 in New York. Something -- someone we knew.

20 And I remember being at their offices  
21 that day and describing what happened, that the SEC  
22 came and -- and did an analysis of that particular  
23 situation. I don't know how far they went, but that  
24 particular situation. And they sanctioned the two  
25 people in Florida, and they said that the Madoff

1 operation was perfectly fine.

2 Q. Okay.

3 A. I don't know whether those were the  
4 words.

5 Q. No, I understand. I assume that's  
6 your understanding of it?

7 A. That's my...

8 Q. Yeah, exactly. The -- just a moment  
9 here, I lost my train of thought. I was listening  
10 to you there and I lost it, you know.

11 A. Join the club.

12 Q. First one to admit that.

13 A. Join the club.

14 Q. But -- exactly.

15 A. That's why when you're asking me  
16 things like years, I say --

17 Q. I understand completely.

18 A. What did I have for lunch yesterday?

19 Q. I've had that experience as well.

20 MR. WISE: Those senior moments.

21 MR. SHEEHAN: Indeed.

22 Q. The -- but let me try to get back  
23 into the context of it. The -- let me jump-start it  
24 in a different direction. This might get me back to  
25 where I want to go.



1 than once, they suggest Saberhagen and Glavine? Do  
2 you see that, down the bottom?

3 A. Yes.

4 Q. All right. Is that accurate?

5 A. That we -- that we did defer -- that  
6 we invested monies in Bernie and that it was  
7 deferred payments --

8 Q. Yes.

9 A. -- for Saberhagen and Glavine? I  
10 believe that's correct.

11 Q. Okay, fine. Is -- is the reason you  
12 went with Mr. Madoff is because of the consistency  
13 of his returns?

14 A. I think the acceptability of his  
15 returns. He had -- he had very good returns over 25  
16 years. There were times when it was not meeting --  
17 when Arthur Friedman would report it was not meeting  
18 projections.

19 Q. Right.

20 A. There was one or two years there was  
21 a very big dip. But overall he was -- he was  
22 out-performing treasuries or investments like that.

23 Q. Okay. I want to go back to  
24 exhibit -- the other exhibit that you have in front  
25 of you. It's the financial outlook, capital

1 this email?

2 A. I did not.

3 Q. Did you ever have a conversation with  
4 anyone at Sterling Stamos about the contents of this  
5 email?

6 A. I did not.

7 Q. Or anyone else at the bank other than  
8 Mr. Kenny?

9 A. This is the first time I've ever seen  
10 this email.

11 Q. Okay, all right.

12 This is a somewhat unrelated  
13 question, but it's still in the area of banks.  
14 Earlier you were talking about double-ups; do you  
15 remember that?

16 A. Yes.

17 Q. And you talked about the fact that  
18 the bank itself would do some due diligence; do you  
19 remember that --

20 A. Yes.

21 Q. -- with regard to that?

22 Could you describe for me what you  
23 understand the banks did?

24 A. My understanding is that if -- if  
25 Sterling Equities partners or any of the partners

1 wanted to borrow money against an account they had  
2 at Bernie Madoff --

3 Q. Right.

4 A. -- using collateral of the Bernie  
5 Madoff account, the bank would then determine  
6 whether they thought that was appropriate  
7 collateral.

8 Q. Um-hum.

9 A. And so the bank would then do -- I'm  
10 probably going to use wrong words, you know, as I  
11 say an investigation, I don't know what the words  
12 are, but --

13 Q. All right. We understand.

14 A. -- they would do -- they would look  
15 into whether Bernie Madoff Securities was something  
16 that the bank could, could keep as collateral for  
17 a -- for a borrower. And my understanding is that  
18 the bank did all that investigation or work, came  
19 back and said that Bernie Madoff is fine, we -- we  
20 would lend you on Bernie Madoff.

21 Q. Do you have any knowledge what the  
22 bank actually did to, to borrow your word,  
23 investigate Mr. Madoff?

24 A. I have no idea.

25 Q. Did they ever share any of that

1 said something, he used some words, clean bill of  
2 health or something like that, with respect to that.  
3 And I remember that the newspapers reported and --  
4 that they had sent the money back.

5 Q. Okay.

6 A. That Bernie Madoff had sent the money  
7 back.

8 Q. Using that as a point in time,  
9 whether it's '92 or some other year, using that as a  
10 point in time, did there come a time after that when  
11 you became aware of any other SEC investigation of  
12 Mr. Madoff?

13 A. Now, I'm -- I would answer yes, but  
14 I'm going to give you a qualification, that I'm not  
15 sure I remember when -- when I knew of this versus  
16 what I've read afterwards. Because there's so much  
17 publicity that's been about this. But I did know  
18 that Madoff was, I thought the word "regularly,"  
19 maybe regularly like everybody else, but regularly  
20 was -- was, I'm going to use the word "monitored," I  
21 don't know if that's the right word, by the -- by  
22 certain regulatory bodies, like NASDAQ or the SEC or  
23 other government agencies.

24 Q. When you said that -- is that an  
25 assumption on your part, that that happened on a