

EXHIBIT L

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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:
SAUL B. KATZ

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 Friday,
January 13, 2012, commencing at 9:32 a.m.

1 Could you tell me what you were
2 referring to by virtue of that testimony?

3 A. I was referring to the fact
4 that there really was no company at that time, but
5 that Sterling itself oversaw its own liquidity. And
6 it helped people who wanted to do the same thing we
7 did, put money into Bernie Madoff at that time.

8 Q. Okay. So when you're talking about
9 managing liquidity, you're talking about managing
10 liquidity in Bernie Madoff?

11 A. No, managing liquidity in our office.

12 Q. Right.

13 A. We had a lot of money.

14 Q. Right.

15 A. And I looked at it as an area -- it
16 was an area that we managed the assets, we managed
17 real estate, we managed other assets. And looking
18 at the, that sector, that silo of our company, it
19 was a lot of liquidity. So we oversaw that
20 liquidity.

21 Q. And how did Mr. Madoff interact, if
22 at all, with that liquidity?

23 A. He was one of the people we sent the
24 money to. We sent money to him. We sent money to
25 other brokers. I sent money to Mr. Rosenthal. But

1 we had a lot of liquidity. We were very wealthy and
2 we had a lot of liquidity, so it was a silo of our
3 business.

4 Q. It says here, "We manage liquidity,
5 our own liquidity and other people's liquidity."
6 What did you mean by managing other people's
7 liquidity?

8 A. It may have been an overstatement, in
9 the fact that we didn't manage other people's
10 liquidity but other people said, Saul, what are you
11 doing? And said, we're in Bernie Madoff. Can we
12 get in there? We invited them in, let them go in
13 there.

14 Q. And did you -- I'm sorry.

15 A. As I recall, you know, that all went
16 through Arthur Friedman, who when friends or family
17 wanted to do that, we allowed them to talk to Arthur
18 and Arthur was able to oversee that, their sending
19 money to Bernie and Bernie sending money back when
20 they needed it.

21 Q. Okay. And would Arthur Friedman then
22 act as the person in between the other people and
23 Mr. Madoff?

24 A. Yes.

25 Q. Okay. And the term "manage," what

1 Q. Yeah, I know. Sorry about that.

2 (Comments off the record.)

3 Q. Staying with Sterling Stamos and your
4 role there, I want to go back even before 2002. To
5 your understanding, how did Sterling Stamos come
6 about?

7 A. I worked with Peter Stamos from '95
8 on at the hospital. He was a consultant at the
9 hospital.

10 Q. Um-hum.

11 A. His firm was a consultant at the
12 hospital.

13 Q. Right.

14 A. And so I worked side by side with him
15 and became personally friendly with him.

16 Q. Okay.

17 A. And that's how...

18 Q. Well, did that friendship then evolve
19 into a business relationship?

20 A. Yes.

21 Q. And how did that come about?

22 A. Peter sold his business in around
23 2000, in around 2000. And he and his family took
24 their money, one of our friends, and invested it
25 with Bernie Madoff.

1 Q. Um-hum.

2 A. And so he, for a couple of years, was
3 just looking around as to what to do and developing
4 an interest in investing. And my son, who for years
5 used to tell us that -- me in particular -- he would
6 say, Dad, when you're gone, if I had all of our
7 liquidity in one place, what would you do? I'd tell
8 him that you better be careful, I may strike you
9 with a lightning bolt. He said, well then, why
10 don't we do something while you're here, so that I'm
11 prepared to handle the liquidity silo.

12 Q. Yup.

13 A. And so he and Peter were always
14 friendly, and they came up with the idea of starting
15 a fund of funds, and that fund of funds would manage
16 our money and eventually when Bernie Madoff was no
17 longer doing this business, it would be a
18 diversified kind of thing that we'd be able to
19 manage all of our liquidity.

20 Q. Prior to 2002 -- let me use this time
21 frame, 1995 to 2002, when you were working with
22 Mr. Stamos at Long Island and up to 2002, using that
23 time frame. Did you ever discuss with Mr. Stamos
24 your investments with Bernie Madoff?

25 A. Yes, we did.

1 Q. And do you remember what those
2 discussions were?

3 A. I told him what Bernie was doing and
4 when he finally had enough liquidity to do
5 something, he put it into Bernie.

6 Q. Okay. And when did that happen, that
7 he put it into Bernie?

8 A. I don't know exactly but I know he
9 sold his company, Stamos Associates, Inc., around
10 2000 maybe, maybe '99. I don't know exactly when he
11 sold it, but when he had that liquidity.

12 Q. Right. When you were discussing
13 Mr. Madoff, prior to Mr. Stamos' investment in
14 Madoff, did you discuss with him what Madoff's
15 strategy was?

16 A. I told him what I thought his
17 strategy was.

18 Q. And what did you tell him?

19 A. I told him that we were pretty secure
20 in the fact that we weren't really at risk in the
21 market -- or not at risk, but certainly mitigated
22 risk by virtue of the fact that Bernie would buy
23 stocks long and collar them by buying puts and
24 selling calls. So your upside was restricted and
25 your downside was protected.

1 Q. Did you have any discussion about
2 that strategy with Mr. Stamos besides just
3 describing it to him?

4 A. No.

5 Q. Did he at any time question that
6 strategy with you?

7 A. Not that I recall.

8 Q. Okay. Did he ever bring up -- well,
9 let me ask you this: Was part of your discussion
10 ever the consistency of Mr. Madoff's returns?

11 A. It was more the liquidity of it,
12 which was really important to us.

13 Q. Um-hum.

14 A. Because of our other businesses, our
15 other silos, when we needed money, we wanted to get
16 it back. So, other managers may have made more
17 money, but they had more volatility and when you
18 needed the money, it was always there, and so when
19 Peter was selling his business, he needed the
20 income, it was a steady thing, as opposed to the up
21 and down. So, that's what we talked about.

22 Q. Just so we're clear here, when you
23 talk about liquidity, what do you mean by that?

24 A. When you needed money -- if you
25 invested in Jim Simons in Renaissance, who made us

1 substantially more money than Bernie Madoff over the
2 years, period, you're locked in. You put your money
3 in and you're -- if you need the money to buy a
4 building --

5 Q. Right.

6 A. -- you can't call Jim Simon and say,
7 send me a check.

8 Q. Um-hum.

9 A. Where with Bernie Madoff, in a short
10 period of time you could get your money back.

11 Q. You also used the term "volatility."
12 What did you mean by that?

13 A. Well, John Pauling, hedge fund
14 manager, may have made 300 percent two years ago and
15 last year lost 40 percent.

16 Q. Right.

17 A. That's volatility.

18 Q. And what was your understanding of
19 Mr. Madoff's volatility?

20 A. It was restricted in the fact that he
21 had restricted the upside by selling the calls and
22 protected the downside by buying puts.

23 Q. Did you ever discuss what you've just
24 described for us with Mr. Madoff -- let me explain
25 what I mean by that. That's a bad question.

1 First of all, again, do you have any recollection of
2 this meeting?

3 A. No. I don't even understand it,
4 because it says 12:30 lunch, starts at 4:30 and ends
5 at 5:00.

6 Q. Yeah, that's one of the beauties of
7 Microsoft, it does things like that. In any event,
8 do you recall -- just specifically, did you have a
9 luncheon on that date?

10 A. No.

11 Q. Using October of 2002 reference, do
12 you have any recollection of anything occurring at
13 that point in time that would have caused you to
14 have a meeting with Mr. Madoff?

15 A. Not that I can think of.

16 Q. Okay. Let me just ask this: When
17 did Sterling Stamos become, you know, a reality,
18 actually get formed?

19 A. I think officially July of 2002.

20 Q. Okay. Did you have any -- at or
21 around that time, the formation of Sterling Stamos,
22 did you have any conversations, you personally, with
23 Mr. Madoff about Sterling Stamos?

24 A. Yes, we did.

25 Q. Okay. Could you tell me what those

1 conversations were.

2 A. Just we told Peter that -- told
3 Bernie that Peter, who Bernie knew, that we were
4 starting this new company with Peter.

5 Q. And what was your purpose in telling
6 Mr. Madoff that?

7 A. Well, he managed some of our monies
8 and I wanted him to understand that we're just not
9 going to continue to just send money over.

10 It actually started before that,
11 sometime before that, I don't know if it was a year
12 or 18 months before that, when one of our meetings
13 with Bernie Madoff, Fred and I had, we said to him
14 when -- because Bernie is our age. You know, Fred
15 and I are 2-1/2 years apart and he's right in
16 between. And I said -- we said to Bernie, you know,
17 when you're not doing this, who's going to be doing
18 it? Are the kids knowing any -- they run it? He
19 said, the kids know nothing about the business.
20 This is my thing, they do their thing. When I'm not
21 doing it any longer, I'll send you a check, you give
22 it to U.S. Trust and they'll run your money.

23 And I said to Fred on the elevator on
24 the way down, no way am I turning our money over to
25 U.S. Trust. We've got to do something about it.

1 Q. Okay.

2 A. And so that was the impetus to move
3 forward with Sterling Stamos. So, he already knew
4 that we were going to be doing something based upon
5 him not being able to continue his business.

6 Q. At that meeting where you just
7 described Mr. Madoff talked about his retiring at
8 one point and giving you the money back, did you
9 tell him at that meeting that you were going to
10 start your own alternative fund?

11 A. No.

12 Q. When do you recall first telling
13 Mr. Madoff you were going to do that?

14 A. I don't recall.

15 Q. Did you ever seek Mr. Madoff's advice
16 in creating this fund?

17 A. No, we didn't.

18 Q. Did you talk to him about strategies
19 that you might use at the fund as opposed to his
20 strategy?

21 A. No, we didn't.

22 Q. Did you talk to him about the fact
23 that you might use his strategy at your new fund?

24 A. That wouldn't be diversifying.

25 Q. Okay. Why no way U.S. Trust?

1 A. It was just a concept. It's not U.S.
2 Trust. It's just some young kid coming out of
3 school, managing money. We want to be in control of
4 our own destiny.

5 Q. And was the fact that you were
6 utilizing Mr. Madoff in connection with liquidity
7 issues for the Sterling silos, was that part of your
8 thinking?

9 A. I'm not sure I understand that
10 question.

11 Q. In other words, when you say no way
12 U.S. Trust, was it also a concern that you were
13 using Mr. Madoff with regard to the liquidity of the
14 Sterling silos and you needed someone to be an
15 alternative to him if he weren't around to handle
16 those issues?

17 MR. WISE: Objection to the form.
18 You can answer.

19 A. I still don't understand it. I don't
20 understand the question. I don't know what you're
21 getting to.

22 Q. Let me break it down if I can.

23 A. Yeah, please.

24 Q. No, no. This is good. I want you to
25 tell me that.

1 In other words, your earlier
2 testimony I think was, and if I get this wrong,
3 correct that too, was that there are Sterling silos
4 that you have and those Sterling silos each may have
5 some liquidity and when they did, they may, and
6 often did, use Madoff to manage that liquidity.

7 A. Right.

8 Q. Okay. And what I'm asking you is, is
9 was that fact, the fact that Madoff managed
10 liquidity, also part of the reason you were looking
11 to -- for an alternative to Madoff in the event he
12 were to stop doing business?

13 A. No. Let me make it clear. I can't
14 answer your question, I'm sorry, because I'm not
15 sure where -- what the question is.

16 Q. Okay.

17 A. So let me just try it and then we'll
18 put ourselves together.

19 Q. All right. Go ahead.

20 A. He managed the liquidity. When he
21 said he was no longer going to do it and turn it
22 over to U.S. Trust, already in the back of our mind,
23 we've been -- my son, I said to you, has been
24 pushing us to not have all the money in the same
25 place.

1 I don't -- in our mind, we did not
2 want an investment banking house managing our money
3 without someone we picked organize, and so when we
4 talked about starting Sterling Stamos, Sterling
5 Stamos eventually would have managed all of our
6 liquidity, including the short-term liquidity
7 because they have short-term funds, which would have
8 solved the short-term liquidity issue for some of
9 those silos that needed the money back and forth.

10 So they would have had short term,
11 long term, mid term, something that someone managing
12 and designing for us, for our needs, sitting across
13 the table from us, saying what do you need, they
14 understanding the markets, would invest our money,
15 the Peter Stamos kind of thing. That's what we
16 wanted, as opposed to some corporate thing.

17 Q. Let me go back to what I asked you a
18 moment ago, and that is this:

19 The fact -- I'll try to ask this in a
20 way -- let me just say it out loud and then we'll
21 see how it works, okay?

22 You were using Mr. Madoff, as you
23 say, to manage liquidity for some of the Sterling
24 silos, right? No?

25 A. No. What I said is that there are

1 certain of the silos, if it had monies sitting
2 around, let's take the Mets for a second.

3 Q. Sure.

4 A. The Mets are an easy one.

5 Q. Yup.

6 A. They get a sum of money the beginning
7 of the season, and we need it during the year. And
8 it all goes during the year. In fact, more than all
9 of it goes. That's one of the problems.

10 Q. Yeah, exactly.

11 A. But it's sitting in lumps. So we
12 would send the money to Bernie and he'd send us back
13 the money as we needed it monthly or quarterly. And
14 we'd earn a little bit of money, a little bit more
15 money on that. But that's a liquidity kind of thing
16 that balances that kind of thing.

17 Q. If Madoff went out of business, how
18 would you replicate that?

19 A. Sterling Stamos would be able to have
20 a fund of short-term investments, and it would --
21 whether it bought 30-day paper -- it would figure
22 its own way -- we'd need someone to help figure that
23 out.

24 Q. All right.

25 A. We couldn't do it, we'd need

1 A. I think it's a reach, because, you
2 know, describing hedge funds, we have a real estate
3 fund. Actually, five of them. SAP I, II, III, IV
4 and V. And we get the same fees -- and people would
5 look at that as a hedge fund or alternative
6 investment.

7 So we're partners in our own real
8 estate fund. We're partners in the LBO fund. And
9 so, would we be experts in investing in hedge funds?
10 We've done very well with them. But this may be a
11 reach, because someone may think of a hedge fund as
12 something different than I think of it as.

13 Q. Do you think of Mr. -- when
14 Mr. Madoff was in business, did you view him as a
15 hedge fund?

16 A. Absolutely not.

17 Q. What did you view Mr. Madoff's
18 business to be?

19 A. A relationship between myself and
20 Merrill Lynch or my relationship between me and a
21 broker-dealer, a regulated broker-dealer.

22 Q. Okay. Did you see him as anything
23 beyond being a broker-dealer?

24 A. Absolutely not. Well, I'm sorry, I
25 thought he had other businesses. I thought his sons

1 ran a proprietary business.

2 Q. Right.

3 A. Trading for his monies. And I
4 thought that he had a market business, market-making
5 business where he bought volume and traded for other
6 people in the market-making business on the
7 Cincinnati Exchange. That's what I thought. But as
8 far as my relationship with him, or our relationship
9 with him, it was strictly broker/dealer.

10 Q. Okay. Okay. You used the term -- I
11 want to go back for a minute to LBO fund as a hedge
12 fund. Just if you can explain to me your basis for
13 that statement. Why would you call an LBO fund a
14 hedge fund?

15 A. Because I think of a hedge fund is a
16 fund that raises money in a partnership form.

17 Q. Um-hum.

18 A. And buys and trades different assets.
19 It could be stocks, it could be commodities, it
20 could be businesses, it could be real estate. And
21 that group of people in that partnership, the
22 general partners get a fee. They get a promote,
23 they get a manage -- they manage. They get a
24 management fee and a promote for doing well for that
25 partnership. That's, to me, what a hedge fund is.

1 diligence that was done with regard to the fund?

2 A. No, sir.

3 Q. All right. Dropping down to the
4 next-to-last item, it says, "risk management." Do
5 you see that?

6 A. Yes.

7 Q. Did you ever have any discussions
8 with Mr. Stamos about risk management?

9 A. In regard to?

10 Q. Just generally, I'm sorry. Apart
11 from the document itself even, did you ever have a
12 discussion with Mr. Stamos about risk management?

13 A. Yes.

14 Q. And what were those discussions?

15 A. That we are very conservative and we
16 want little risk. We want to do things in a way
17 where we're not looking to hit home runs. We're
18 looking to manage the risk. And that when he's
19 managing money for us, he should take that in mind
20 because we're not interested in hitting any home
21 runs. So, risk is very important.

22 Q. Okay. And what did the term "risk"
23 mean to you?

24 A. Risk means that you can lose your
25 money.

1 Sterling Stamos.

2 Okay, here you go.

3 Q. Do you know whether or not Sterling
4 Stamos on a regular basis compared its performance
5 to the Madoff return performance?

6 A. Are you asking if they did that?

7 Q. Yeah. If Sterling Stamos on a
8 regular basis compared its performance to Madoff?

9 A. I don't know.

10 Q. Okay. Do you ever remember having
11 any conversations with Peter Stamos about Madoff's
12 returns?

13 A. Yes.

14 Q. And can you, just to start, tell us
15 what you recall of those conversations.

16 A. Just that Bernie's done a great job
17 and continues to do a good job, and he's brilliant.

18 Q. Okay. Did you ever have a discussion
19 specifically about the returns at any period in
20 time? For example, you mentioned earlier today
21 1987. I realize that's before you were with
22 Mr. Stamos, but using that as a reference point, do
23 you ever recall talking to Mr. Stamos about Bernie's
24 performance at a specific point in time?

25 A. No. Only that his performance has

1 always been just like his reputation, superlative.

2 Q. Was -- did you have any conversation
3 with Mr. Stamos about the consistency of those
4 returns that Mr. Madoff would have?

5 A. Yes.

6 Q. And what was that information?

7 A. The fact that we were giving up the
8 opportunity to invest in longer-term things that
9 might have more volatility, higher returns, but that
10 the steadiness and the focus of Mr. Madoff has
11 proven -- the steadiness is really what we need.

12 Q. Did Mr. Stamos ever indicate to you
13 that the, that the consistency of those returns may
14 have indicated that something was not quite right at
15 Mr. Madoff?

16 A. He's never, never indicated anything
17 negative about Mr. Madoff.

18 Q. Okay. Do you recall ever putting
19 pressure on Mr. Stamos to achieve returns like
20 Mr. Madoff?

21 A. Have you ever met Mr. Stamos?

22 Q. No, I have not, actually.

23 A. He's very competitive.

24 Q. Okay. So you didn't have to do that,
25 is that what you're saying?

1 Q. At any point in time?

2 A. Not his securities.

3 Q. Well, your --

4 A. His strategy, maybe. Not his
5 securities.

6 Q. Maybe you can -- I'm not quite
7 understanding your answer. What do you mean his
8 strategies?

9 A. The securities he had were beautiful
10 long securities.

11 Q. Right.

12 A. That would have passed.

13 Q. I'm sorry, I was using Madoff
14 Securities as sort of the entity.

15 A. I'm sorry.

16 Q. I apologize. That was my fault.

17 A. And I saw the securities themselves.

18 Q. No, no, that's a good point.

19 Everyone hears it a different way.

20 What I meant -- let me rephrase the
21 question -- is that whether or not Mr. Stamos ever
22 said to you, Peter Stamos that is, at any point in
23 time, that the -- BLMIS, you know, Mr. Madoff's
24 company, would not have passed Sterling Stamos' due
25 diligence requirements?

1 A. Peter Stamos didn't even look at it,
2 to try to pass it. Because as an investor, as he
3 was over the years, he knew what was done by
4 Mr. Madoff and knew that it couldn't pass their due
5 diligence and was more of a black box kind of
6 investment than would be accepted into Sterling
7 Stamos.

8 Q. My question was just a little
9 different. And that is whether or not Mr. Stamos
10 ever said to you --

11 A. That's what I'm telling you, he
12 didn't.

13 Q. Okay, fine.

14 A. I'm telling you without saying it, we
15 knew it was so --

16 Q. Okay.

17 A. -- but he didn't say it.

18 Q. But is it your testimony he never
19 said that to you?

20 A. That's my testi -- not that I recall.

21 Q. Okay. All right.

22 Does the term "front-running" mean
23 anything to you?

24 A. Yes.

25 Q. What do you understand front-running

1 of paper.

2 Q. All right. I believe I asked you
3 this before but to put it in context, do you know
4 who Noreen Harrington is?

5 A. I know who she is, yes.

6 Q. And could you tell me your
7 understanding of who she is?

8 A. Well, she was one of the early
9 employees at Sterling Stamos.

10 Q. When you say "early," could you give
11 us a time frame?

12 A. One of the -- in fact, we just went
13 through the papers and I noticed her name in the
14 partnership agreement.

15 Q. Right.

16 A. So I don't think she was there July
17 1st, but obviously when the partnership was done,
18 she seems to have been there.

19 Q. All right. Did you ever meet with
20 Noreen Harrington?

21 A. Yes.

22 Q. And did you ever discuss with her any
23 potential investments of Sterling Stamos?

24 A. No, sir. Not that I recall.

25 Q. Okay. Let me be specific. Do you

1 ever recall discussing with her a potential
2 investment by Sterling Stamos in a fund run by
3 Mr. Merkin?

4 A. No, sir.

5 Q. To be even more specific, do you ever
6 recall discussing with her a potential investment by
7 Sterling Stamos into a fund called Ascot?

8 A. Do not remember it, sir.

9 Q. Do you ever -- do you recall her at
10 any time saying to you that -- let me withdraw that.

11 Do you recall at any time talking to
12 her about the transparency of Mr. Merkin's funds?

13 A. No, sir.

14 Q. Okay. Do you ever recall Ms.
15 Harrington saying to you that Sterling Stamos should
16 not invest in the Merkin funds?

17 A. No, sir.

18 Q. Okay. Do you recall Ms. Harrington
19 ever saying to you that Merkin was feeding the money
20 through to Madoff?

21 A. I do not recall ever hearing that.

22 Q. Okay. Do you ever recall Ms.
23 Harrington saying to you that Mr. Madoff's results
24 were too good to be true?

25 A. I never remember -- I never recall

1 her saying that.

2 Q. Okay. One last Noreen Harrington
3 question: Do you ever recall conversation with her
4 in which she expressed the opinion that Madoff's
5 returns might be a fiction?

6 A. I never heard her say that.

7 Q. Okay. Do you have any knowledge of
8 Ms. Harrington's departure from Sterling Stamos?

9 A. Yes, sir.

10 Q. And what is that knowledge?

11 A. That she was one angry lady,
12 disruptive in the office and, as I recall, when she
13 left we found out she was even some sort of a
14 whistle-blower and didn't have good relationships
15 wherever she was.

16 Q. When you said she was an angry lady,
17 did you have a personal experience with her?

18 A. She just looked angry and she was...
19 she left very quickly and she and Peter didn't get
20 along. She was disrupting the office with the
21 younger people.

22 Q. Is that your complete understanding
23 of why she left?

24 A. That's what I think happened, yes.

25 Q. Okay, fine. Do you know Kevin

1 questions about. But feel free to look at the
2 document.

3 A. Second page?

4 Q. Yeah. I should, for purposes of the
5 record, also identify the fact that what's attached
6 to this email is a copy of the Bayou complaint
7 against Sterling Stamos Security Fund LP. But take
8 a look at that.

9 A. Yes, sir.

10 Q. Okay. As I said, I'm directing your
11 attention to the email from Steven Kenny to Mark
12 Peskin on page 2. Do you see that?

13 A. Yes.

14 Q. Okay. First of all, who's Mr. Kenny,
15 if you know?

16 A. Yes, he's an executive at the Bank of
17 America.

18 Q. And what is his relationship, if any,
19 to Sterling Equities?

20 A. He's one of our lenders.

21 Q. Okay. Have you met with Mr. Kenny?

22 A. Numerous times.

23 Q. Okay. And what is the professional
24 relationship that you have with Mr. Kenny?

25 A. He's one of our bankers.

1 Q. Okay. So just so I understand that,
2 that's someone to whom you would look to for
3 financing?

4 A. Yes.

5 Q. Okay. And would you provide him with
6 collateral?

7 A. Yes.

8 Q. And what would that collateral
9 consist of?

10 A. The Mets, our network, real estate,
11 our SAP loan -- our SAP investments. Madoff was
12 one.

13 Q. Tell me which one was Madoff. Or
14 tell me about the Madoff investment.

15 A. The Madoff investments is he would
16 take his security for loans.

17 Q. And who would the loans be to?

18 A. Whoever owned the Madoff account.

19 Q. Okay. Is this -- are you referring
20 to something we've talked about here as double-ups?

21 A. In some cases. In some cases it was
22 different, but the answer is yes.

23 Q. Okay. Just directing your attention
24 now to this email, it reads, "Mark" -- we should, I
25 don't know if we clarified this. Who is Mark

1 he was not one of the investment options?

2 A. I do not know why.

3 Q. Did you ever talk to Mr. Labita about
4 that?

5 A. Not that I recall.

6 Q. Do you recall Mr. Labita ever saying
7 to you that they could not get -- that is, he could
8 not get, I should say, enough information to provide
9 adequate information on Madoff to plan participants?

10 A. I do not recall that.

11 Q. Okay.

12 A. Are we through with this?

13 Q. Yes, sir. Thank you.

14 (Exhibit Trustee 357, JPMorgan
15 Analysis of Katz account, Bates SE_T954094-118,
16 marked for identification.)

17 Q. Mr. Katz, I show you what has been
18 marked as Trustee Exhibit 357.

19 A. Yes, sir.

20 Q. For identification. Can you identify
21 this document?

22 A. Only that it says what it says on the
23 top, that it's an analysis of Bernie Madoff's
24 investments for one of my accounts.

25 Q. Okay. Do you recall this analysis

1 being done?

2 A. Not really. No, sir.

3 Q. Do you have any recollection of why
4 it was done?

5 A. I don't have a recollection, but on
6 page 19 it's quite evident why it was done.

7 Q. Okay. And what are you referring to,
8 Mr. Katz?

9 A. It looks like Morgan was looking for
10 some business.

11 Q. Okay.

12 A. And they wanted to complement this
13 investment strategy that I have and they wanted to
14 participate in some way.

15 Q. Were you looking at JPMorgan as an
16 alternative investment?

17 A. I don't recall if we were, but I know
18 all of our banks want to manage our money for us.
19 And some do today. Morgan still does today, they
20 manage some money for us.

21 Q. I'm going to ask you to look back at
22 page 4 of this exhibit, if you would.

23 A. Certainly. Yes, sir.

24 Q. Down at the bottom it has a
25 disclaimer, but what it does say is, and I'm reading

1 observations?

2 A. No, I don't recall.

3 Q. Do you recall any -- particularly
4 with regard to any discussion of expected volatility
5 changes over time?

6 A. No.

7 Q. Do you recall anyone ever suggesting
8 to you that given Mr. Madoff's strategy, you should
9 expect volatility changes?

10 A. I don't recall that.

11 Q. Okay. All right. I want to go to a
12 different topic and this one is going to be SEC
13 investigations, okay, of Mr. Madoff.

14 A. SEC investigations. Okay, through
15 with this.

16 Q. First of all, do you have any
17 recollection of any SEC investigations of
18 Mr. Madoff?

19 A. Only what I've seen in the papers or
20 heard secondhand.

21 Q. When you say -- let's do first what
22 you'd seen in the papers. Was that before or after
23 his confession?

24 A. Before.

25 Q. Okay. And what did you see in the

1 papers before his confession?

2 A. That there was an issue with some
3 accountants in Florida who were running some sort of
4 a fund that the SEC wasn't happy with. And they
5 came in and they investigated, as I recall, closed
6 up the fund and required Madoff, who appears to have
7 been managing that fund, to send back all the money
8 to those people.

9 Q. Um-hum.

10 A. And as I recall, Ike Sorkin, who was
11 a friend of ours, through the law firm that he had
12 been with before, Howard Squadron's firm, was
13 representing, as I recall, he was representing
14 Bernie, and said that the SEC closed one, no problem
15 with Bernie after their -- whatever their
16 investigation was, and Bernie quickly sent back the
17 money to the fund and it was redistributed to the
18 people. And as Ike had told me, that most of those
19 people tried to get right back into Bernie directly,
20 as opposed to through the accounting firm.

21 Q. Other than the SEC investigation you
22 just described for us, are you aware of any other
23 SEC investigations of Mr. Madoff?

24 A. Not before this whole thing broke,
25 when I read in the papers that there were five or

1 what impact the registration of Sterling Stamos may
2 have had on your relationship, meaning Sterling
3 Equities' relationship with BLMIS? Yes or no?"

4 And your answer was "yes."

5 A. Yes.

6 Q. Okay. My question is: Did you ever
7 discuss that issue with Mr. Madoff?

8 A. I might have.

9 Q. Okay. Do you have any recollection
10 of a conversation with him about -- about that
11 topic?

12 A. As I recall, in talking to him about
13 it -- I did talk to him about it I think, as I
14 recall, and I think he described to me what it
15 includes and how the complex life we live would be
16 totally exposed, all our privacy will be exposed,
17 and we're -- until this happened, we were a very
18 private firm, and our life was -- in fact, nobody
19 knew for 33 years that I was an owner of the Mets
20 until this happened. Which is the privacy that we
21 liked to live in. And so privacy is very important
22 to us. So, privacy was something that we talked
23 about.

24 We talked about the kind of
25 administrative problems that have to be filled out,

1 the kind of things you have to do. And it was --
2 there were so many things that had to get done if
3 you became a registered investment adviser.

4 And in addition to that, I remember
5 talking about, right now we have separated ourselves
6 from the investment part of the business, as opposed
7 to the ownership. I mean, if I were a stockholder
8 at Goldman Sachs, I'm not in investment, but I'm an
9 owner of the business, that's the way we wanted to
10 keep ourselves. By becoming a registered investment
11 adviser, another issue would be blunting the line
12 between owner and registered investment. So it had
13 a liability issue of managing people's money without
14 the ability to do so.

15 So, all those things were not only
16 discussed with Bernie, but were discussed by
17 ourselves.

18 Q. As a result of those discussions, did
19 your role at Sterling Stamos change as a result of
20 it becoming a registered investment adviser?

21 A. No. No, it was always the same. It
22 was just we were afraid of that line getting blunted
23 by doing that. We never had any involvement in the
24 investments. We wanted to make sure we were
25 shareholders on the operations of the business.

1 Just, could you expand upon that,
2 what you mean by administrative problems?

3 A. Yeah. Reporting, as was described to
4 us, what kind of reports and information have to be
5 disclosed. And as I said, we're a very complex
6 company, with a lot of different businesses, a lot
7 of different everything. To date, even during this
8 disaster, it still remains, some of it, private.
9 But with being an investment, registered investment
10 adviser, I've been led to believe that it all has to
11 be reported, cross back and forth.

12 Q. Did you ever have a conversation with
13 Peter Stamos where he said to you that kind of
14 disclosure isn't required?

15 A. Not that I recall.

16 Q. Okay. And then the last one is --
17 I'm again reading your testimony, it's near the end,
18 it says -- I'm going to read a couple of sentences.

19 "By becoming a registered investment
20 adviser, another issue would be blunting the line
21 between owner and registered investment. So had a
22 liability issue of managing other people's money
23 without the ability to do so."

24 And my focus is on that answer, that
25 is, "so had a liability issue of managing people's

1 money without the ability to do so." Could you tell
2 me what you meant by that?

3 A. Yes. I think I tried to describe the
4 fact that there was a line between the ownership of
5 the company and the business of managing the money.
6 And me, nor any of my partners, are equipped to do
7 the kind of stuff that Sterling Stamos does in
8 managing the money. And so that line, I was afraid
9 that if we became registered investment advisers,
10 that line would be blunted. Nothing changed from
11 what we were doing, it's just all of a sudden we may
12 be putting ourselves out as a registered investment
13 adviser. It certainly sounds like you know more
14 than you do.

15 Q. Just so I understand, was it your
16 concern that you weren't qualified as a registered
17 investment adviser?

18 A. Totally not qualified. Sorry. I
19 don't know what the qualifications are of a
20 registered investment adviser, but the perception
21 would be that as a registered investment adviser,
22 you certainly are an experienced investment adviser.

23 Q. Okay. But nonetheless, you still
24 registered; isn't that true?

25 A. Who is "we"?

1 Q. Sterling Stamos.

2 A. Sterling Stamos did, yes.

3 Q. Aren't you a partner in Sterling
4 Stamos?

5 A. I'm not sure I'm a partner of
6 Sterling Stamos or the management company. I cross
7 over. I'm not sure what the distinction is, but I
8 know that we, at Sterling Equities, are not
9 registered investment advisers. I don't know how
10 the technical works, the technicality works on that,
11 as to whether we just own stock in the ownership,
12 but -- and I'm not sure who's the registered
13 investment adviser, whether it's just the management
14 company or the company that owns the management
15 company.

16 Q. Which company are you on the board
17 of?

18 A. I can't tell you.

19 Q. Okay. I'm sure the record will tell
20 us.

21 Did you ever discuss with Mr. Madoff
22 whether Sterling Stamos' potential registration as a
23 registered investment adviser would require
24 disclosure of either your or Sterling Equities'
25 investments with BLMIS?

1 A. We discussed the fact that all of our
2 investments would be disclosed.

3 Q. Including those?

4 A. Including those.

5 Q. Okay. I'm done.

6 A. You want to check before you...

7 MR. SHEEHAN: No, we're done. Thank
8 you very much, Mr. Katz.

9 THE VIDEOGRAPHER: Going off the
10 record, the time is 5:45.

11 (Deposition concluded.)

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