

# EXHIBIT W

**In The Matter Of:**

*SIPC v. BLMIS*

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*PETER S. STAMOS*

*August 19, 2010*

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10:48:44 1 of the committee members.

10:48:45 2 Q. I appreciate that.

10:48:47 3 I want to back up to SAI. And I  
10:48:59 4 believe you sold SAI in around 1997; is that right?

10:49:03 5 A. That date I do know. It was June  
10:49:09 6 17th, 1997. The reason I know that date, it's my  
10:49:09 7 wife's birthday.

10:49:09 8 Q. How fortuitous.

10:49:12 9 A. That was the date that the  
10:49:14 10 transaction was closed, June 17th, 1997.

10:49:18 11 Q. And why did you sell SAI?

10:49:21 12 A. Because I was given an offer from  
10:49:23 13 Perot Systems that was quite attractive.

10:49:28 14 Q. And after you sold SAI, what did you  
10:49:32 15 do next?

10:49:33 16 A. I continued to be employed at SAI for  
10:49:37 17 two or three years. Initially on a full-time basis  
10:49:40 18 and eventually on a part-time basis.

10:49:44 19 Q. And you formed, you and the Sterling  
10:49:49 20 partners formed Sterling Stamos in June of '02,  
10:49:52 21 correct?

10:49:53 22 A. Yes. That I believe was also  
10:49:54 23 formally incorporated on June 17th, 2002, five years  
10:49:59 24 later. And I believe we opened for business on --  
10:50:03 25 with our own capital on July 1st, 2002.

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11:09:22 1 Sterling Stamos registering as an investment  
11:09:25 2 advisor?

11:09:25 3 A. I don't know the answer to that  
11:09:26 4 question. You'd have to ask Mr. Katz.

11:09:29 5 Q. What did Mr. Katz tell you that  
11:09:33 6 Mr. Madoff's concerns were with Sterling Stamos  
11:09:37 7 registering as an investment advisor?

11:09:40 8 A. What I recall is Mr. Katz expressing  
11:09:42 9 the concern that our registration, that is Sterling  
11:09:45 10 Stamos, would require that Mr. Katz disclose all of  
11:09:50 11 his investment holdings, including all business  
11:09:54 12 relationships with Mr. Madoff.

11:09:57 13 Q. Why did that cause Mr. Katz concern?

11:10:02 14 MR. GOUDISS: I object. Go ahead.

11:10:07 15 A. Are you asking me what he thought or  
11:10:10 16 asking what he said to me?

11:10:12 17 Q. That's a valid point. What did he  
11:10:14 18 tell you?

11:10:15 19 A. What I recall is his expressing his  
11:10:18 20 concern that Mr. Madoff was concerned about  
11:10:23 21 confidentiality and things of that nature.

11:10:26 22 Q. Anything else?

11:10:28 23 A. I don't recall anything specifically.  
11:10:30 24 I do recall trying to ascertain what the concerns  
11:10:34 25 were.

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12:26:27 1 Q. How did you come to invest with  
12:26:30 2 Madoff at that time?

12:26:31 3 A. Mr. Katz suggested that I invest with  
12:26:33 4 Mr. Madoff.

12:26:35 5 Q. And what did Mr. Katz tell you about  
12:26:39 6 investing with Madoff?

12:26:41 7 A. Told me that he was a very good  
12:26:44 8 investor, that Mr. Katz and his partners had  
12:26:48 9 invested with Mr. Madoff for many years and that  
12:26:50 10 they had had stable, consistent returns for many  
12:26:54 11 years with him.

12:26:55 12 Q. Did he say anything else in that  
12:26:58 13 initial discussion?

12:26:58 14 A. Yes.

12:26:59 15 Q. What else did he say?

12:27:00 16 A. He suggested that I put a portion of  
12:27:02 17 my capital with Mr. Madoff and that I continue to  
12:27:05 18 manage a portion of the capital myself.

12:27:09 19 Q. And this is in the 1998 time frame  
12:27:12 20 we're talking about?

12:27:14 21 A. '98, '99, 2000, 2001.

12:27:17 22 Q. Before Saul Katz suggested to you  
12:27:20 23 that you should invest with Madoff, what did you  
12:27:25 24 know about Bernie Madoff?

12:27:28 25 A. I don't believe I knew anything about

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12:35:22 1

A. Yes.

12:35:25 2

Q. And for how long did you provide

12:35:27 3

consulting services after the merger?

12:35:30 4

A. I believe it was for contemporaneous

12:35:36 5

time frame that I continued to be an employee for

12:35:40 6

Perot Systems, which was about a year or two. I

12:35:43 7

don't recall the exact time frame.

12:35:45 8

Q. So we're in like late '90s?

12:35:48 9

A. Late '90s.

12:35:56 10

Q. When did the idea of you partnering

12:36:03 11

with the Katz or Wilpon families first arise?

12:36:08 12

A. I believe it first arose over lunch,

12:36:13 13

a lunch that I had with Saul Katz's son, David Katz,

12:36:18 14

sometime in the either late '90s or early 2000.

12:36:25 15

Q. And who raised the issue, was it you

12:36:27 16

or was it Mr. Katz?

12:36:29 17

A. You're referring to David Katz?

12:36:30 18

Q. Yes.

12:36:32 19

A. I don't recall who did. I believe it

12:36:35 20

was David who suggested that it would make sense for

12:36:38 21

us to consider creating a company with our two

12:36:43 22

fathers.

12:36:45 23

Q. And what else did Mr. David Katz say

12:36:50 24

at that lunch concerning forming a partnership

12:36:53 25

between the two families?

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12:36:55 1           A.           I recall two things that he said.  
12:36:58 2           The first was the nature of our two families, how he  
12:37:05 3           respected and I believe he used the word loved my  
12:37:09 4           father, and how I respected and loved his father,  
12:37:12 5           and how the two of us respected and loved each  
12:37:18 6           other. And that it would be wonderful to be able to  
12:37:21 7           work together, two fathers, two sons. That's the  
12:37:24 8           first thing I recall him saying.

12:37:26 9                         The second thing I recall him saying  
12:37:28 10           was his concern that sometime in the future if his  
12:37:37 11           father were no longer alive and his father were, in  
12:37:40 12           his words, in heaven looking down on him and saw  
12:37:43 13           that they had close to 100 percent of their  
12:37:45 14           investable assets in one single manager, that Saul,  
12:37:50 15           his father in heaven, would reprimand David for that  
12:37:56 16           fact.

12:37:58 17           Q.           And when you're referring to the one  
12:38:00 18           single manager with close to 100 percent of the  
12:38:02 19           assets, you're referring to Mr. Madoff?

12:38:05 20           A.           And I believe it -- I don't know what  
12:38:06 21           the phrase he used was, investable or liquid assets  
12:38:09 22           or investment assets, but a substantial portion of  
12:38:12 23           their assets. Yes.

12:38:16 24           Q.           Yes, thank you.  
12:38:20 25                         What did you say in response to those

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12:38:23 1 two points?

12:38:25 2 A. On the first point, I agreed. On the  
12:38:30 3 second point, I also agreed.

12:38:34 4 Q. And on those two points, were there  
12:38:39 5 any other reasons that Mr. David Katz raised for  
12:38:45 6 joining an investment partnership between the two  
12:38:47 7 families?

12:38:48 8 A. I don't recall anything other than  
12:38:49 9 those two general points.

12:38:57 10 Q. Did Mr. David Katz raise with you,  
12:39:00 11 prior to that lunch, his concerns with his family  
12:39:07 12 having substantially all or all of their liquid  
12:39:09 13 asset investments in Madoff?

12:39:12 14 A. I don't recall a conversation prior  
12:39:13 15 to that one. That's the first one I recall. It's  
12:39:15 16 possible we could have had an earlier conversation,  
12:39:19 17 but that's the one I recall.

12:39:23 18 Q. Before the lunch with David Katz,  
12:39:25 19 this lunch that we're discussing right now, did you  
12:39:30 20 come to the conclusion that you believe that the  
12:39:32 21 Katz and Wilpon families had -- let me rephrase.

12:39:36 22 Before that lunch with David Katz,  
12:39:39 23 did you know that the Katz and Wilpon families had  
12:39:42 24 substantially all or all of their liquid assets in  
12:39:45 25 Madoff?



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02:12:05 1 Q. Other than providing information as  
02:12:09 2 to what managers to invest in, did Mr. Saul Katz  
02:12:12 3 provide any other information concerning investing?

02:12:18 4 A. Can you be more clear about what you  
02:12:20 5 mean by information?

02:12:26 6 Q. What investment advice did Saul Katz  
02:12:31 7 provide you at this point in time?

02:12:34 8 A. I can think of an example of the kind  
02:12:38 9 of advice that he gave me.

02:12:39 10 Q. Okay. Please give me that example.

02:12:41 11 A. One example that I recall was his  
02:12:43 12 advice to look for managers who hit, in his words,  
02:12:46 13 singles and doubles, not triples and home runs, for  
02:12:50 14 investors who generated stable, consistent returns.

02:12:56 15 Q. Did he provide you any other advice?

02:13:02 16 A. I can't recall the specific advice  
02:13:04 17 that he provided me back in 2002 -- or '4.

02:13:10 18 Q. '4. At this time in 2004, how would  
02:13:13 19 you characterize Mr. Katz's involvement in the  
02:13:16 20 investment aspect of Sterling Stamos?

02:13:19 21 A. Minimally, relatively minimal.

02:13:23 22 Q. Other than the factors that we  
02:13:25 23 discussed earlier?

02:13:26 24 A. Other than periodic introductions and  
02:13:29 25 reviewing of his own investment portfolio, by that

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02:35:09 1 Mr. Katz why I thought it was a good idea for him to  
02:35:12 2 be diversified.

02:35:15 3 Q. So that the diversification issue was  
02:35:18 4 a continuous subject of discussion with Mr. Katz?

02:35:22 5 A. Yes.

02:35:25 6 Q. And within those discussions of  
02:35:27 7 diversification the issue of front-running, of  
02:35:32 8 Madoff possibly front-running, came up?

02:35:34 9 MR. GOUDISS: I object. Go ahead.

02:35:36 10 A. May have come up in the context of  
02:35:38 11 diversification, it may have come up in the context  
02:35:41 12 of the competition that I felt with Madoff, of  
02:35:44 13 wanting to get more, have Mr. Katz invest more money  
02:35:48 14 with me as opposed to invest money with somebody  
02:35:52 15 else.

02:35:52 16 Q. So, in the context of further  
02:35:55 17 diversifying away from Madoff to Sterling Stamos?

02:35:57 18 A. Not necessarily away from Madoff.  
02:35:59 19 When they sold the building, I'd like to get that  
02:36:03 20 money invested in 25 managers, not in one manager.

02:36:07 21 Q. But one of the purposes of Sterling  
02:36:09 22 Stamos was to diversify the Katz and Wilpon family's  
02:36:16 23 investments in Madoff, right?

02:36:17 24 A. Purpose was initially  
02:36:19 25 diversification. And then later for me it became

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02:36:22 1 competition.

02:36:24 2 Q. Right. But initially, as we  
02:36:26 3 discussed earlier, they had a substantial amount of  
02:36:28 4 their assets in Madoff, correct?

02:36:30 5 A. That was my understanding.

02:36:31 6 Q. Right. And one of the stated  
02:36:34 7 purposes of forming Sterling Stamos for the Katz/  
02:36:38 8 Wilpon family was to diversify some of those assets  
02:36:40 9 into another investment vehicle; isn't that right?

02:36:44 10 A. To diversify their overall portfolio  
02:36:47 11 of assets because they had money with Madoff, but  
02:36:49 12 they also had real estate, baseball team and various  
02:36:53 13 other assets, funds.

02:36:56 14 Q. When was the first time you raised,  
02:37:00 15 or when was the first time the issue of the  
02:37:03 16 broker-dealer Madoff issue, when was that first  
02:37:06 17 discussed with Saul Katz?

02:37:08 18 A. I don't recall the first time. I  
02:37:10 19 do -- I don't believe it was at any time in the  
02:37:14 20 early years of the firm, because it was not an issue  
02:37:16 21 that we monitored in the early years of the firm.

02:37:19 22 Q. So, the discussion you had with  
02:37:25 23 Mr. Saul Katz concerning the broker-dealer issues  
02:37:29 24 with Madoff, was that before or after Mr. Dunleavy  
02:37:35 25 raised his concerns with the broker-dealer issue?

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02:43:44 1           A.           Either I or a member of my firm on a  
02:43:47 2 regular basis, most likely monthly, would have some  
02:43:51 3 conversation with Mr. Katz about performance of  
02:43:56 4 Bernard Madoff versus performance of his capital  
02:43:58 5 with us.

02:44:04 6           Q.           What were the issues that were raised  
02:44:06 7 by Saul Katz during these regular discussions?

02:44:10 8           A.           Two very specifically. On any  
02:44:12 9 concerns that I would raise about Mr. Madoff, he  
02:44:15 10 dismissed it categorically, as these are not issues  
02:44:20 11 that he needed to worry about, other than  
02:44:22 12 diversification. And he had a plan to diversify  
02:44:25 13 over time.

02:44:26 14                           And number two was a, I would say,  
02:44:29 15 constant comparison about the risk adjusted returns  
02:44:34 16 of our funds versus Bernard Madoff's. Some months  
02:44:36 17 we did better and some months we didn't do as well.

02:44:39 18           Q.           What was your response when Saul Katz  
02:44:42 19 categorically rejected some of the concerns that you  
02:44:46 20 expressed about Madoff?

02:44:47 21           A.           I was of the same opinion in those  
02:44:51 22 years.

02:44:51 23           Q.           And when we're talking about those  
02:44:53 24 years, what years are you referring to,  
02:44:55 25 specifically?

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02:44:56 1           A.           All the way to the time when the  
02:44:58 2 fraud was discovered, I had the same conclusion.  
02:45:02 3 Other than not putting more than 10 percent into a  
02:45:06 4 manager, and that as a fiduciary I could not put my  
02:45:10 5 capital, my fund's capital there, I agreed with him.  
02:45:13 6 Legend in the industry and all of the things that he  
02:45:17 7 said.

02:45:20 8           Q.           Did you ever express to him that  
02:45:23 9 given the fact that they had so much money in  
02:45:27 10 Madoff, that even though you both shared the  
02:45:31 11 conclusion that he wasn't front-running and that the  
02:45:34 12 broker-dealer issue that he had wasn't a substantial  
02:45:39 13 concern but that given the volume of their assets  
02:45:42 14 under management with Madoff, that he or Sterling  
02:45:45 15 should take another look at Madoff?

02:45:47 16           A.           I don't understand what you mean by  
02:45:48 17 take another look.

02:45:49 18           Q.           That they should engage in any --  
02:45:51 19 that Sterling should engage in any diligence with  
02:45:53 20 Madoff?

02:45:54 21           A.           I didn't think that was my -- no. I  
02:45:56 22 never did due diligence on Madoff and I never asked  
02:45:59 23 them to do due diligence on Madoff.

02:46:01 24           Q.           Did you ever recommend that they do  
02:46:04 25 due diligence on Madoff?

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03:49:06 1 before the fraud was discovered. Because it was a  
03:49:09 2 painful conversation for me to hear. I remember him  
03:49:12 3 saying something along the lines of, Peter, I'm very  
03:49:16 4 disappointed. Your fund is down on an unlevered  
03:49:21 5 basis 18 percent and Madoff is up 12. I think I  
03:49:24 6 have to redeem all of my capital or a substantial  
03:49:27 7 portion of my capital from you and put it with  
03:49:31 8 Bernie Madoff.

03:49:32 9 Q. And what did you say in response?

03:49:35 10 A. I don't recall the specific words,  
03:49:36 11 but I do recall trying to defend our position.

03:49:42 12 Q. And what did you say to defend your  
03:49:44 13 position, to Saul Katz at that discussion?

03:49:47 14 A. Generally, that we were a diversified  
03:49:51 15 portfolio of managers and that that was better for  
03:49:55 16 him than to have all his capital in one manager, and  
03:49:59 17 I believe I said, particularly in a manager whose  
03:50:02 18 strategy we cannot explain.

03:50:05 19 Q. And when you say a particular manager  
03:50:10 20 whose strategy you cannot explain, what are you  
03:50:12 21 referring to specifically?

03:50:14 22 A. I'm referring to specifically not  
03:50:16 23 only the investment due diligence that we developed  
03:50:20 24 post-2007, over the 2007-2008 period, which was to  
03:50:27 25 require of managers that they explain their strategy

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03:50:32 1 in a way that we could explain to our investors and  
03:50:35 2 that put a big block on us investing as fiduciaries  
03:50:40 3 in black boxes. Such as D.E. Shaw, for example.

03:50:43 4 Q. Or such as Madoff?

03:50:45 5 A. At that time, if what we heard about  
03:50:49 6 Madoff were true, he would not have made it into our  
03:50:52 7 portfolio as a -- he would not have made the  
03:50:54 8 transparency requirements or the operational due  
03:50:56 9 diligence requirements, or the investment due  
03:50:58 10 diligence requirements because of transparency.

03:51:00 11 Q. And did you share the fact that  
03:51:02 12 Madoff would not have passed those due diligence  
03:51:05 13 criteria with Mr. Katz?

03:51:08 14 A. At any time or at that particular  
03:51:10 15 time?

03:51:11 16 Q. Let's start with this discussion that  
03:51:13 17 you had, I think you said about a week before  
03:51:16 18 December 11th.

03:51:18 19 A. I don't believe that I did it at that  
03:51:19 20 particular time. I think I just put up a general  
03:51:22 21 defense. But I do recall having that conversation  
03:51:24 22 with him at some point over the 2007-2008 period.  
03:51:28 23 2008 period, I believe.

03:51:30 24 Q. And what specifically did you tell  
03:51:32 25 Mr. Saul Katz during those discussions?

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03:54:24 1 MR. GOUDISS: I object. Go ahead,  
03:54:26 2 tell him again.

03:54:27 3 A. I don't recall expressing that  
03:54:29 4 concern to him. I recall expressing a defense of my  
03:54:35 5 own performance relative to the market.

03:54:37 6 Q. Right. Did you ever raise that issue  
03:54:39 7 with Saul Katz, the fact that Madoff's returns were  
03:54:45 8 very -- were consistent over time?

03:54:48 9 A. I don't recall expressing that  
03:54:51 10 concern. I recall expressing that as an objective  
03:54:54 11 of one of the criteria we looked for in managers.

03:55:00 12 Q. I think earlier you had said that  
03:55:04 13 Mr. Dunleavy had raised two concerns that he had  
03:55:09 14 with Madoff in the 2007 time frame. That was the  
03:55:13 15 broker-dealer issue.

03:55:15 16 A. Um-hum.

03:55:15 17 Q. And the front-running issue.

03:55:20 18 A. Possibility.

03:55:21 19 Q. Possibility. Other than those two  
03:55:24 20 issues, did Mr. Dunleavy raise any other concerns  
03:55:28 21 with you that he had with Madoff?

03:55:30 22 MR. GOUDISS: I object. Asked and  
03:55:31 23 answered. Go ahead.

03:55:33 24 A. I don't recall any others.

03:55:35 25 Q. Do you know if Mr. Dunleavy shared



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04:02:09 1 "recommended --"

04:02:10 2 A. Recommended and advised.

04:02:10 3 Q. Yeah, put those aside.

04:02:15 4 What other -- are there any other  
04:02:16 5 issues that you discussed with Mr. Katz concerning  
04:02:21 6 Madoff --

04:02:21 7 A. Yes.

04:02:22 8 Q. -- other than the ones we've  
04:02:23 9 discussed?

04:02:24 10 A. Yes.

04:02:24 11 Q. What else?

04:02:25 12 A. I'm embarrassed to say that I said to  
04:02:27 13 Mr. Katz on a number of occasions that my assumption  
04:02:29 14 is that Mr. Madoff is the most honest and honorable  
04:02:33 15 man, among the most honest and honorable men that we  
04:02:38 16 will ever meet. Number one. And, number two, that  
04:02:41 17 he is perhaps one of the -- my assumption is he's  
04:02:43 18 perhaps one of the best hedge fund managers in  
04:02:45 19 modern times.

04:02:47 20 Q. With respect to the first assumption,  
04:02:50 21 that Mr. Madoff is the most honest and honorable man  
04:02:54 22 that you'll ever meet, what was that based on?

04:02:57 23 A. Based on his reputation, based upon  
04:03:01 24 his long track record, based upon having seen him  
04:03:05 25 receive these awards and the positions that he held

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04:03:09 1 as chairman of the NASDAQ, having built this great  
04:03:14 2 company. He was, quite frankly, legendary, to all  
04:03:18 3 of us. And I stood in awe of that with Mr. Katz,  
04:03:23 4 and I assumed that.

04:03:27 5 Q. But despite all that, the Madoff fund  
04:03:29 6 would not have passed your due diligence tests,  
04:03:31 7 right?

04:03:32 8 A. As a fiduciary I couldn't put it in  
04:03:34 9 my portfolio for all kinds of reasons by that time.  
04:03:39 10 In early 2002 we could have because at that time we  
04:03:40 11 were investing in any closed manager that had a good  
04:03:42 12 reputation that we could get into. But by 2007,  
04:03:46 13 2008 with the new sets of requirements and  
04:03:49 14 operational due diligence, risk management and  
04:03:51 15 investment due diligence that we would have imposed,  
04:03:54 16 it would have been stopped at the door the moment we  
04:03:56 17 found any of these issues.

04:03:59 18 Q. Did you express the fact that Madoff  
04:04:01 19 would not have passed your due diligence  
04:04:04 20 requirements to Saul Katz?

04:04:06 21 MR. GOUDISS: I object.

04:04:07 22 A. I believe that I expressed it and I  
04:04:09 23 know for a matter of fact that -- I believe that, I  
04:04:15 24 believe that Mr. Dunleavy expressed that at the  
04:04:19 25 board meeting as well.