

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:	Adv. Pro. No. 08-01789 (BRL)
 BERNARD L. MADOFF, Debtor.	 SIPA LIQUIDATION (Substantively Consolidated)
IRVING H. PICARD, Trustee for the Liquidation of Bernard L. Madoff Investment Securities LLC, Plaintiff,	Adv. Pro. No. 10-5287 (BRL)
 v.	Case No. 11-Civ-03605 (JSR)
SAUL B. KATZ, <i>et al.</i> , Defendants.	

**DECLARATION OF DAVID J. SHEEHAN IN SUPPORT OF THE TRUSTEE'S
MOTION TO STRIKE THE EXPERT REPORTS AND TESTIMONY OF JOHN
MAINE**

I, DAVID J. SHEEHAN, declare pursuant to 28 U.S.C. §1746, that the following is true:

1. I am an attorney with the firm Baker & Hostetler LLP, counsel to Irving H. Picard, Esq., the trustee (“Trustee”) for the substantively consolidated liquidation of Bernard L. Madoff Investment Securities LLC (“BLMIS”) and Bernard L. Madoff (“Madoff”). I submit this declaration in support of the Trustee’s motion to exclude the expert report and related testimony of John Maine pursuant to Federal Rules of Evidence 702, 401, 402 and 403. I am personally familiar with the facts set forth herein.

2. Attached hereto as Exhibit 1 is a true and correct copy of the Expert Report of John Maine, including Exhibits A and B thereto, dated November 22, 2011.

3. Attached hereto as Exhibit 2 is a true and correct copy of the Rebuttal Report of John Maine, dated December 13, 2011.

4. Attached hereto as Exhibit 3 is a true and correct copy of the transcript of the Deposition of John D. Maine, dated January 5, 2012, in the above-captioned matter.

5. Attached hereto as Exhibit 4 is a true and correct copy of Defendants’ Answer and Defenses to the Trustee’s Amended Complaint, dated October 11, 2011.

6. Attached hereto as Exhibit 5 is a true and correct copy of excerpts from the Bankruptcy Rule 2004 Examination Transcripts of Arthur Friedman, dated June 22, 2010 and June 23, 2010.

7. Attached hereto as Exhibit 6 is a true and correct copy of excerpts from the Bankruptcy Rule 2004 Examination Transcript of David Katz, dated September 1, 2010.

8. Attached hereto as Exhibit 7 is a true and correct copy of Trustee Exhibit 257 marked at the deposition of John D. Maine, dated January 5, 2012.

9. Attached hereto as Exhibit 8 is a true and correct copy of Trustee Exhibit 258 marked at the deposition of John D. Maine, dated January 5, 2012.

10. Attached hereto as Exhibit 9 is a true and correct copy of Trustee Exhibit 187.

11. Attached hereto as Exhibit 10 is a true and correct copy of Trustee Exhibit 110.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: January 26, 2012

New York, New York

/s/ David J. Sheehan

David J. Sheehan

Exhibit 1

Picard v. Katz, No. 11 Civ. 3605 (JSR)
Expert Report of John Maine

I. Introduction

I have been retained by Davis Polk & Wardwell to provide expert testimony in the litigation known as *Picard v. Katz*. I have been asked to testify regarding topics including private wealth management practices in the financial industry, how brokers operate with regard to client assets and the customer's ability to do due diligence with respect to broker operations, and the nature of securities brokerage accounts, including those in this case.

This report presents my observations and conclusions.

II. Summary of Qualifications and Compensation

Attached to this report, as Exhibit A, is my curriculum vitae, detailing my qualifications as an expert in the securities industry. Also attached, as Exhibit B, is a list of cases in the last four years in which I have testified as an expert. I am compensated at the rate of \$385 per hour.

III. Facts and Data Relied Upon

In forming my opinions as presented in this report, I relied upon my years of experience in the financial industry, which includes involvement in over fifteen hundred arbitrations and court cases between customers and brokers, in which I usually represent the broker. I reviewed sample account documents issued by Bernard L. Madoff Investment Securities ("BLMIS"), including trade confirmations, monthly statements and 1099s. I also reviewed the Broker Check Report regarding BLMIS prepared by the Financial Industry Regulatory Authority ("FINRA"), which is available on FINRA's website. Finally, I reviewed the

amended complaint, the memoranda of law submitted with respect to Defendants' motion to dismiss the amended complaint, and the Court's opinion thereon dated September 27, 2011.

IV. Summary of Opinions

A. Investment Management Vehicles

An individual or entity that wishes to invest in securities may consider doing so in various ways. Two of the most common include using the services of a broker-dealer and investing in some type of pooled fund.

A "broker-dealer" is, among other things, engaged in the business of buying or selling securities for customers. In this regard, the broker-dealer functions as a securities intermediary that maintains securities accounts for customers, *i.e.* a broker. In addition to operating as an agent, the broker-dealer may operate as a dealer, *i.e.* buying or selling for its own account. Because broker-dealers buy and sell securities directly for specific customers, they are different from hedge funds or mutual funds. Hedge funds and mutual funds also trade in securities, but they are not "middle men" acting for customers. Instead, they sell investors percentage interests in the funds themselves and distribute investment returns proportionately to each interest holder.

When a customer invests through a broker-dealer, the customer provides funds to the broker for the purchase of securities that will be held for the benefit of the customer. After purchasing a security the customer is entitled to the benefits of owning that specific security. In addition, the customer can give the

broker specific instructions about the operation of his account, *i.e.*, what securities to buy or hold.

When a customer invests in a pooled fund such as a hedge fund or a mutual fund, he is not buying a specific security—he is buying a portion of a pool of assets, and he owns a percentage of that fund. The investor will receive his proportional share of the investment results generated by that fund. He cannot buy or sell any security that is part of the pool, he can only buy and sell an interest in that pool.

Broker-dealers may also invest in a functionally similar manner for customers. They can pool client assets and trade blocks of securities on behalf of multiple customers. All of the customers are then given the average price paid or received on those trades. Bulk transactions of this type are very typical in private wealth management accounts. Based on my experience, I would estimate that nearly 95% of private wealth managers use this technique to trade on behalf of customers. I understand that BLMIS used this technique, buying and selling baskets of securities that were then allocated to customers.

B. Investment Advice

In my experience, most wealthy individuals hire professionals to manage their investment securities, whether they invest through a broker or in a fund. There are several reasons for this. First, successful people are generally busy doing whatever has made them successful. Monitoring the markets requires an enormous investment of time, time that a successful person normally does not

have. Retaining an experienced professional permits a busy customer to use his time to engage in his own area of expertise while still participating in the market.

Second, while wealthy investors may have sophisticated knowledge of their own career specialty, this does not mean that they have sophisticated knowledge of the financial markets. Even if they did take the time to manage their own investments, it is unlikely that customers who are not financial market experts will achieve as good a return as will a professional. To be in the best position to be successful, an investor should have a high level of expertise and sophistication regarding securities and markets. Investment markets are complex, and increasingly dominated by investment professionals. Moreover, the markets are increasingly global. While in the past an individual investor might have been able to focus primarily on investment opportunities in domestic companies with which they were personally familiar, in today's global economy, evaluating investment opportunities requires consideration of global market trends and industry changes.

Third, as securities markets have become increasingly sophisticated, so have investment strategies. Many of the new techniques used in investing, such as employing securities options to hedge investments, are normally carried out by specialists. A non-professional investor would likely be unable to achieve results that could compete with those attainable by such specialists.

Therefore, to save time and in the hope of achieving better returns, wealthy investors generally turn to professionals, whose careers are devoted to analyzing investment opportunities and strategies. To accomplish these goals,

investors often open a private wealth management account with an investment professional. Nearly all brokerage firms have private wealth management groups, and it is one of the fastest growing parts of the financial industry.

Such professionals are often “registered investment advisors,” persons registered with the Securities and Exchange Commission (“SEC”) who manage the investments of others. An investment advisor with more than \$100 million under management must register with the SEC. Such professionals are generally compensated in one of three ways. They can charge clients a fee, they can generate commissions on trades, or they can employ some combination of the two methods.

C. Discretionary vs. Non-Discretionary Accounts

Brokerage accounts fall into two categories: non-discretionary and discretionary.

In non-discretionary accounts, the customer retains decision-making authority, and the broker must obtain the customer’s consent prior to making any trades. A person who wants to be responsible for the management of his account will likely have a non-discretionary account so that he can invest according to his own strategy.

In a discretionary account, the customer delegates all investment decision-making authority to the broker. The customer gives the broker the right to decide on the investment strategy, which will guide the broker’s decisions as to which securities to buy or sell, and when to buy or sell them. In a discretionary account, the broker does not need to obtain the client’s consent prior to making trades.

In my experience, the majority of private wealth management accounts are discretionary. This is because, as discussed, most wealthy investors do not have the time or sophistication to make their own investment decisions. Acting with discretion, a broker can act quickly, using his professional judgment to invest in today's fast-paced markets, without waiting for consent to each and every trade.

In fact, most private wealth managers will not accept non-discretionary accounts. Their performance is judged on their the rates of return. When trading on behalf of hundreds of customers, it would take an enormous amount of time to obtain informed consent from each customer. This could hinder their ability to implement strategies in fast-moving markets, and possibly impair their ability to obtain the desired returns. Therefore, both the broker and the customer benefit if the broker is given discretion.

However, brokers with discretion understand that they have great responsibility to their customers. Within the financial industry, discretionary accounts are considered to impose a higher level of duty, and allow an investor to hold his advisor accountable for his performance.

D. Customer Reports

Regardless of whether an investor's account with a broker is non-discretionary or discretionary, that investor will receive the same standard documents detailing the activity conducted in his account. These documents include confirmations, which are sent after each purchase and sale to notify the customer as to what was bought or sold. The confirmation confirms that a security has been bought or sold, pursuant to an agreement between the broker-

dealer and his customer. For example, a trade confirmation might show that a customer purchased one share of IBM stock at \$48 per share on a particular day.

A brokerage statement is issued monthly or quarterly. It is a “snapshot” of the status of the brokerage account at the end of the period, and shows all transactions made during the statement period as well as the customer’s position at the end of the period—how many shares of stock or other securities are held for the customer at that time. In the example above, the statement would reflect the purchase of the IBM stock for \$48 on the trade day, and the current value of the IBM stock on the day as of which the statement was issued, and any other positions in the account at the end of the period.

Brokers also issue 1099 forms on an annual basis. 1099 forms reflect income generated by dividends and interest on investments and are used by the Internal Revenue Service (“IRS”) to calculate an investor’s tax liability. They also reflect the gross proceeds of all the year’s sale transactions.

E. The Importance of the Confirmations and Statements

The reports issued by broker-dealers are critically important because, in the modern securities markets, they represent the customer’s only evidence of ownership.

The modern world of securities trading is quite different from that of fifty years ago. Securities trading is based on individual purchases and sales at agreed prices. In past decades, this process took place at a physical location such as a stock exchange, and brokers would exchange tangible paper stock certificates

representing a stake in the issuing company. Investors would receive these paper certificates and rely on them as representing the securities they purchased.

Now, stock trades happen digitally, with a computer system matching up the bid and ask prices. Electronic trading has greatly increased the pace and volume of trading in today's market. This increased volume has made the issuance of paper documentation for each and every share an impossibility. Therefore, brokers now employ centralized custody of securities through entities such as the Depository Trust & Clearing Corporation ("DTCC"). The DTCC maintains a central depository of securities and allows for electronic transfer of shares between brokers, eliminating the trade of paper stock certificates.

Investors no longer receive paper certificates. Instead, investors now rely upon their confirmations and brokerage statements, which represent that investor's entitlement to ownership of the securities listed, in the amounts identified. Brokers issue confirmations and brokerage statements in electronic or hard copy form, or use some combination of the two. There is nothing unusual about a broker issuing trade confirmations and brokerage statements in paper form only.

These documents can be analogized to a statement issued with respect to a checking account at a bank. A bank customer receives a statement showing funds held in his name at the bank. The customer "owns" and is able to request those funds at any time. The customer cannot, however, go the bank and see "his" money. Similarly, a brokerage statement represents the broker's debt to the customer for the securities listed on the statement. The customer "owns" the

stock on the statement. The customer cannot, however, go to his broker and see “his” stock. Therefore, like the bank customer, the brokerage customer must instead rely upon his statement.

A brokerage customer is also entitled to rely on the accuracy of a broker’s statement primarily because the financial industry is one of the most heavily regulated industries in our economy. A host of governmental and non-governmental organizations play a role in this regulation, including the SEC, FINRA, and state regulatory agencies.

The SEC is a government commission created by Congress to protect investors. The SEC is responsible for administering all major federal legislation governing the securities industry. Brokers are required to file extensive information about their financial condition on a periodic basis with the SEC. Federal securities laws and regulations impose strict requirements on brokers when dealing with customer funds and securities held for customers. The SEC staff regularly performs inspections and examinations on all registered brokers to monitor their compliance with the applicable law and regulations. Through its Enforcement Division, the SEC investigates violations of the securities rules, including rules prohibiting fraud and false or misleading statements in materials distributed to investors. The SEC is empowered to bring lawsuits and enforce penalties against entities that violate the federal securities laws.

FINRA is the largest self-regulatory organization overseeing the financial industry. All companies who wish to sell securities in the U.S. are required to register with FINRA. FINRA has regulatory oversight over all securities firms

that do business with the public, and aims to protect investors by ensuring the integrity of the securities industry. FINRA licenses individuals and enforces rules governing their behavior, and is authorized by the SEC to discipline registered representatives and member firms that fail to comply with the laws or with FINRA's rules. Like the SEC, FINRA also performs examinations and inspections of member brokers to monitor their compliance with the law and regulations. FINRA also maintains the Central Registry Deposit ("CRD"), a database maintaining extensive records of the activities of every member firm and representative, including that member's disciplinary record.

FINRA-registered firms and employees are subject to extensive reporting requirements, including the requirements of reporting any customer complaints and submitting annual financial statements to the Authority.

In addition to the SEC and FINRA, brokers are subject to regulation in each of the states. In New York, where BLMIS operated, the Investor Protection Bureau protects investors from frauds perpetrated by brokers, dealers, salesmen and investment advisors by investigating any customer complaints.

Because there is no need to do so, due in part to the extensive regulatory schemes overseeing brokers, most brokerage clients do not review their statements to make sure they accurately reflect, for example, the then-current market price or trading volume for specific securities bought or sold by the broker. The customer is entitled to assume that the broker has done, or will do, whatever is necessary to perform the obligation he has undertaken to the customer. If the broker has taken the customer's money in return for an obligation to buy a

particular stock at a particular price, the customer need not do anything else to make sure that the broker actually buys the stock. In the securities industry, the issuance of a trade confirmation binds the broker to fulfill whatever was memorialized in the confirmation. The customer has no way of policing the broker's internal operation, and consequently is not required to be concerned about it.

Thus, most customers receive their statements, look at the bottom line stating the value of their portfolio to determine whether the value increased or decreased, and then file the statement away to give to their tax preparer. There is no need to do any more investigation and, in my experience, most customers do not.

F. Opinions Regarding BLMIS Accounts

Based on my many years of experience in the financial industry and exposure to thousands of trade confirmations and account statements, it is my opinion that the confirmations and statements issued by BLMIS were entirely standard, and that there was no substantive basis, from the point of view of an investor, to distinguish a BLMIS brokerage account from any other brokerage account.

The trade confirmations issued by BLMIS were typical of those issued by any brokerage house. The trade confirmations identified the trade date when the transaction was entered into, and the settlement date, reflecting the date when the transaction closed. The confirmations specifically identified the number of shares bought and sold of a certain stock, and included a CUSIP number, which stands

for “Committee on Uniform Securities Identification Procedures” and reflects a number assigned to U.S. and Canadian registered stocks and U.S. government and municipal bonds. The confirmations were standard, and looked similar to confirmations issued by any broker.

Like all monthly brokerage account statements, the BLMIS statements were dated, identified the name and address of the broker, included a specific account number corresponding to the named account holder, reflected the purchase and sale of specifically identified securities and stated the price at which they were bought and sold. The statements also provided a summary statement of the market value of all securities held in the account, and a year-to-date summary of cash transactions, income, and sales proceeds. These are the same types of standard details found on any monthly brokerage account statement. The BLMIS statements looked similar to statements issued by any broker.

The 1099s issued by BLMIS also correspond to standard 1099s issued by any bank or broker. Moreover, the fact that BLMIS issued these 1099s was another basis for a customer to feel comfortable that the information they received from BLMIS about their investments was accurate, because 1099s are submitted to and reviewed by the IRS. It would be counter-intuitive to think that that a fraudulent broker would submit false 1099s to the IRS for its review.

It is also my expert opinion that the following facts about BLMIS and Bernard Madoff himself would justify an investor in relying on both the trade confirmations and monthly account statements.

First, the trade confirmations and statements reflected that BLMIS was a member of FINRA, NSX, SIPC, NSCC and DTC. FINRA, discussed earlier, is the largest self-regulatory agency overseeing the financial industry. NSX is the “national stock exchange,” the nation’s first all-electronic stock exchange, and was formerly known as the Cincinnati Stock Exchange. SIPC, the Securities Investor Protection Corporation, is a non-profit corporation that protects customers of member broker-dealers by compensating them when a brokerage firm is closed due to bankruptcy or other financial difficulties and customer assets are compromised. NSCC is the National Securities Clearing Corporation, providing clearing, settlement, risk management and general counterparty services for broker-to-broker trades. DTC, the Depository Trust Company, also provides settlement services for clearing securities trades.

BLMIS’ membership in each of these entities would be expected of a broker-dealer that cleared its own trades. Membership in these organizations conveys that BLMIS was, in fact, a broker-dealer, and would entitle a customer to expect that his trade confirmations and account statements were accurate.

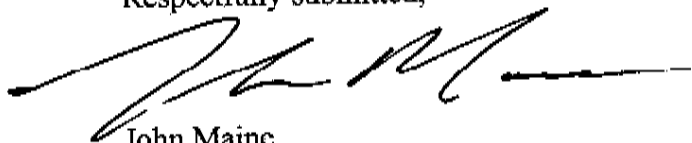
Mr. Madoff’s stature in the financial community was another factor on which investors might legitimately rely when considering whether their trade confirmations and account statements are accurate. Mr. Madoff was a former chairman of the NASDAQ stock market and vice-chairman of the board of governors of the National Association of Securities Dealers. He had many highly sophisticated investors. His prominent place in the financial industry would

further justify a customer's expectation that his confirmations and statements accurately represented his investments.

Moreover, by the time the Madoff fraud was revealed, BLMIS had been in operation for many decades. I have frequently been involved in cases in which a broker was engaged in a Ponzi scheme, and I have never seen one last more than a few years. Obviously, in this case, BLMIS appeared to be performing its obligations to customers for a very long time—apparently buying securities after taking customer funds, recording purchases and sales, and returning funds upon demand. The longevity and apparent normality of BLMIS' business model provides yet another reason for an investor to trust that BLMIS was a legitimate enterprise and that its confirmations and statements were accurate and reliable.

This report sets forth only a summary of the testimony I expect to provide at trial. I reserve the right to supplement or amend this report should additional information become available.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John Maine', with a long horizontal flourish extending to the right.

John Maine

November 22, 2011

EXHIBIT A

JOHN MAINE
EXPERT WITNESS & CONSULTANT – SECURITIES

EDUCATION

B.A. Magna Cum Laude
Dartmouth College

INDUSTRY EXPERIENCE

- Retail Stockbroker
- Institutional Salesperson
- National Institutional Sales Manager – responsible for recruiting and managing a nationwide sales force
- Resident Sales Manager of a 100 person branch office
- Regional Director for a 1,000 person region with revenues in excess of 200 million
- Member of the Board of Directors of Smith Barney and Executive Vice-President of the Firm

EXPERT WITNESS CREDENTIALS

- Retained approximately 1700 times, given testimony on approximately 700 occasions in over 40 states.
- Testified in State and Federal courts in various jurisdictions, in arbitration proceedings, in mediations and in SRO disciplinary hearings.

TOPICS

Alternative Investments

Among the topics qualified to present expert testimony:

Annuities

Auction Rate Securities

Back office procedures

Broker forgivable notes

Churning and excessive trading

Commissions and mark-ups

Damages

Employment issues

Hedge Funds

Hedging strategies for concentrated positions

High Yield Bonds and other complex debt instruments

Inter-firm hiring disputes and raiding

Limited Partnerships

Managed Money

Municipal Bonds

Mutual Funds

Options trading

Private Equity/Private Placements

Registered Investment Advisor issues

Regulatory disciplinary matters

REITs & TICs

Retirement strategies

Rule #144 and other control stock issues

Suitability

Supervision and Compliance

Trading away

U-4 and U-5 filings

This is meant to be a representative list but is not all inclusive

PAST LICENSES HELD

NYSE-Registered Representative

NYSE-Branch Office Manager

ASE, CBT, NASD, NYSE-Registered Options Principal

NASD-General Securities Principal

National Futures Association-Associated Person

References available on request

EXHIBIT B

JOHN MAINE

**CASES AND ARBITRATIONS IN WHICH I HAVE TESTIFIED AS AN
EXPERT WITHIN THE PAST FOUR YEARS**

Court Cases

Vargas v. Kearney
State Court, Placer County, California 2009

Eastburn v. Cole
State Court, Marin County, California 2009

Roberts v. Bisno
State Court, Alameda County, California 2009

Stephens v. Kellett Capital Management
State Court, Marin County, California 2010

State of Colorado v. E*Trade Securities
State Court, Denver, Colorado 2011

Arbitrations

Charter v. Hakim
Dodell v. Tannenbaum
Pelosi v. Barretto
Crowder v. Wells
Swerling v. Stringer
Torina v. Piro
Wagenhals v. Dwyer
Abel v. Lou
Pinazzi v. Norman
Den-Mat v. Zihailo
Simon v. Miller
Dobson v. Clayton
King v. A.G. Edwards
Ludvigson v. Schwarz
Holzberg v. Cameron
Boys v. Buckley
Crusing v. Aldis
Allalouf v. Torvala
Garrett v. Escudero
Moffatt v. Stanford Group
Waldrop v. UBS PaineWebber
Batemen v. Forster
Schultz v. Smith Barney
Chodorow v. Safavi

Stratton v. Richmond
Benci v. Rudningen
Kellman v. Moskowitz
Edward v. UBS
Hayden v. Robertson Stephens
Orourke v. Baylin
Hoover v. Foreman
Weiss v. Berk
Hale v. Horwitz
Brady v. Ygenlasis
Riciputo v. UBS
Wong v. Smith Barney
Stoyanoff v. Leary
Postiglione v. CSFB
Turmon v. Smith
Arner v. UBS
Clark v. Sussman
Hong v. Mullen
Chamberlain v. McMahon
Sage v. Bear Stearns
Weinreb v. Winter
Fitzwilson v. Andrew Chase
Gilliland v. McGeorge
Stroehmann v. Peloquin
Adler v. Selig
Richards v. Forster
Guinn v. Meidell
Colucci v. Burns
Miller Johnson v. Northland
Sessaman v. Easterday
Kramer v. Poutre
Eansor v. Calderone
Benezra v. Chamberlain
Musser v. Vick
Ventura v. Baum
Silva v. Morgan Stanley
Muir v. PSI
Scher v. BofA
McCubbins v. Flanagan
Maltz v. Virnoche
RLR Management v. Garrity
Herta v. Hartwyck
Mayne v. Burke
Hunt v. Jackson
Paul v. Wilmot
Grant v. Wilhite
Elzarka v. Kromholt
Kennedy v. Leach
McElhatton v. Kuhne

Van Hoose v. Markow
Perloff v. Hallman
Micha v. Bank of California
Zuk v. Margolla
DeHaven v. Jackson
Sunde v. Clark
Cohen v. Haas
Tsui v. Bailey
Dickerson v. Bar Lev
Bostian v. Gallo
Spencer v. Santoro
Hokk v. AG Edwards
Winstead v. UBS
Gale v. Stocklan
Jone v. Lee
Palmer v. Coulter
Ramsey v. Bohland
Van Muyden v. Springer
Goldsberry v. Dunas
Berkowitz v. Maegher
Parziale v. Ohanian
Schwab v. Raymond James
Madrid v. Lancaster
Van Order v. Bagocus
Welkom v. Cole
Money Concepts v. ProEquities
Cathcart v. Zinolli
Arenson v. Clark
Weinreb v. Garabedian
Blitz v. Kabarín
Eastburn v. Cole
Beesemeyer v. A.G. Edwards
Melton v. Deutsche Bank
Beesemeyer v. Barniyak
Quinault v. Hoheimer
Reiter v. Weaver
Bloom v. Ross
Thompson v. Urbolic
Brown v. JP Morgan
Sardis v. Frankel
Riverside v. Frankel
Waks v. Goodenough
Roberts v. Jerger
Nielsen v. Schwab
NYSE v. Poock
Smith v. Citigroup
Grymkowski v. Grossblatt
Bernik v. Shemano
Smith v. Schwab

Misha v. Lowi
Brezden v. SunAmerica
Paulson v. Bear Stearns
Nopuenta v. Choy
DeLaura v. Peter
Postigo v. Schwab
Glenn v. UBS
Strand v. Morgan Stanley
Ross v. Schwab
Archer v. Schwab
Greenberg v. Cole
Thompson v. Wesson
A.G. Edwards v. Raymond James
Brown v. Schwab
Kelly v. Schwab
Wilfong v. Morgan Keegan
Lerman v. Daifotis
Edwards v. Shah
Rivkin v. Schwab
Applbaum v. Stone & Youngberg
Robeson v. Schwab
Leone v. WMFS
Goldstein v. Piper Jaffray
Sherman v. Citi
Schweiterman v. Schwab
Neves v. WaMU
Biomemedics v. DB
Mauny v. Schwab
Pelley v. Schwab
Garcia v. Gilford
Erickson v. Schwab
Lovins v. UBS
Hayes v. Schwab
Wachovia v. Stifel
Abramson v. Citi
Virginia Lake v. RBC
Brown v. Finestone
Intervac v. Citigroup
McCray v. Wachovia
Phelan v. KCM
Hougie v. Schwab
Oathout v. Schwab
Matracaria v. Jefferies
Hill v. Schwab
Cooper v. Morgan Keegan
Tripp v. UBS
Aucoin v. UBS
Wells Fargo v. Stifel
Chapman v. Citigroup

Lichtenberg v. JPM
Gordon v. PFS
Empire v. Stockcross
TGS v. Merrill
Cogan v. U.S. Bancorp
Vollstedt v. Schwab
Manley v. Deutsche Bank
Gritz v. Royal Alliance
Wells Fargo v. Stifel Nicholas
Joslen v. Akiyama
Neel v. OPCO
Citigroup v. Perry
Smolensky v. Neuberger Berman
Stirling v. Wells Fargo
Madhok v. Schwab

Exhibit 2

Picard v. Katz, No. 11 Civ. 3605 (JSR)
Rebuttal Report of John Maine

I. Introduction

I have been asked by Davis Polk & Wardwell LLP, counsel for Defendants, to review and comment on the report and conclusions of Dr. Steve Pomerantz (the “Pomerantz Report”), served on November 22, 2011. I provided an initial expert report in this matter on November 22, 2011. This report presents my response to the Pomerantz Report.

The Pomerantz Report is flawed, among other reasons, because it rests on two assumptions, neither of which is correct. First, Dr. Pomerantz ignores the fact that there are many individual Defendants named in this complaint, and instead assumes that the defendant is an institution called “Sterling” that is a sophisticated investor whose investment knowledge and expertise may properly be equated with that of an institutional investor. That assumption is not consistent with the evidence I have reviewed.

Second, the Pomerantz Report lists a number of things that Dr. Pomerantz terms “red flags,” and assumes they would have indicated to an institutional investor that BLMIS was engaged in a fraud, indeed, a Ponzi scheme, and therefore would have indicated the same to Defendants. I do not think even an institutional investor would have reached this conclusion, even if all of these alleged “red flags” had been presented simultaneously to such an investor, which I understand they were not, particularly as Madoff had a thriving business and a fine reputation. In my experience, it is very rare for a broker to engage in a Ponzi scheme, and even more rare for a successful business person to do so. In any event, none of the items listed would have been a “red flag” to a retail brokerage customer, causing that retail customer to conclude his broker was engaged in a Ponzi scheme.

II. Dr. Pomerantz Misinterprets and/or Mischaracterizes the Terms “Sophisticated Investor” and “Institutional Investor”

One key foundation for the Pomerantz Report is the assumption that Defendants were the equivalent of institutional investors. *See, e.g.*, Pomerantz Report ¶ 25. Because that assumption is wrong, the Report is flawed.

Throughout his report, Dr. Pomerantz refers to the Sterling Defendants as “Sterling.” My understanding, based on the information I have reviewed, is that the Defendants include individual partners of Sterling Equities, their children and other family members, partnerships and certain other entities. Investor sophistication, in my view, can only be evaluated on an individualized basis. Therefore, the Pomerantz Report fails to address the securities market sophistication of any particular Defendant. As there is no “Sterling,” the Report is of little value.

Second, I disagree with the characterization of the Defendants as sophisticated investors based on the definitions of “sophisticated investor” employed by the Pomerantz Report. It is my opinion that the Report misinterprets and misapplies that term.

The Pomerantz Report offers three definitions of “sophisticated investor.” Pomerantz Report ¶ 25 & n.21. Two are the SEC’s regulatory definitions of “accredited investors” and “qualified purchasers.” These terms have nothing to do with securities trading knowledge or experience. They define an investor based upon his or her wealth or income and are used in connection with determinations of when issuers or underwriters are required to register securities distributions. They are irrelevant to the consideration of whether a particular individual is so experienced in the securities markets that he may be considered an investment professional, as an institutional investor would be. In my experience, many individuals who would qualify as “accredited investors” or “qualified purchasers” solely on the basis of their wealth are, in fact,

entirely unsophisticated about the securities markets. And Dr. Pomerantz ignores a second step when considering whether a customer is a sophisticated investor—the broker must provide the customer with a suitability questionnaire to see if the customer really is sophisticated. The first step is not sufficient.

The remaining definition is attributed to the Municipal Securities Rulemaking Board, which defines a sophisticated investor as “having sufficient resources, market knowledge, and experience to understand and bear the risks involved in a particular investment.” Like the Municipal Securities Rulemaking Board, it is my opinion that the term “sophisticated investor” implies more than wealth. In order to be a sophisticated investor in the securities markets, as distinct from, for example, real estate or media, an individual would need a substantial education or professional background in the securities markets and securities trading strategies.

From the information I have been provided, Defendants appear to be high net-worth customers, not sophisticated investors, and certainly not institutional investors. They lack the special skills, knowledge and experience in the securities industry that distinguish institutional investors from retail investors. My initial report addressed the many reasons why many wealthy people choose to invest with professional private wealth managers rather than manage their own investments. Typically, these individuals do not have the knowledge, skills and sophistication of professional investors, and generally lack the time or interest to manage their own securities investments.

My conclusion that no Defendant falls into the category of sophisticated or institutional investor is not changed by paragraph 25 of the Pomerantz Report, which lists “facts” supposedly demonstrating that “Sterling” was a sophisticated investor.

First, the list does not identify on the part of any Defendant extensive experience trading securities, or any background giving rise to “market knowledge.” Second, based on the information made available to me, I believe the “facts” to lack any basis. For example, although I would agree that a person with a “deep understanding of hedge funds” would likely be a sophisticated hedge fund investor, having read the testimony of Messrs. Fred Wilpon, Saul Katz and Arthur Friedman, it does not appear that they had such an understanding. Third, being on the board of a financial institution or owning an interest in a hedge fund does not result in securities trading sophistication. Many members of the boards of financial institutions are not themselves sophisticated market participants. Similarly, that an investor would leverage an investment, for example by making investments through a margin account, is of no consequence. Many retail customers have margin accounts.

Finally, ownership of a sports team is obviously irrelevant to stock market sophistication. As I explained in my initial report, the very fact that high net-worth individuals are successful in fields outside of the securities markets implies that they do not have time or expertise to manage their own investments. Therefore, the fact that the Sterling Defendants were successful in businesses unrelated to the securities industry does not support the conclusion that they were sophisticated investors.

No Defendant, based on the facts known to me, was even a financially sophisticated investor, much less an “institutional investor.” My professional experience leads me to a conclusion completely contrary to that expressed in paragraph 26 of the Pomerantz Report, which says:

“In my professional experience, investors with the sophistication of Sterling—similar to many high net worth individuals with which I have worked—behave like institutional investors, for example by performing quantitative and qualitative due diligence and by having a more robust and sophisticated understanding of the

nature of financial markets, as well as understanding warning signs, i.e. red flags.”

In my experience, high net-worth individuals that are not market professionals almost never do any “quantitative and qualitative due diligence.” They pay, and rely on, institutional investors to do whatever is necessary to manage their investments, particularly where they have given their professional advisor discretion to trade for them.

Further, an institutional investor is, by definition, an institution that invests for other people, not a natural person that invests for himself. Institutional investors include pension funds, mutual funds, money managers, insurance companies, investment banks, and hedge funds—not high net-worth individuals or families. Institutional investors usually have extensive training in the financial markets and get paid for making securities investment decisions. Individual investors, even wealthy ones, who invest their own funds do not match the above profile of an institutional investor.

For that reason, Dr. Pomerantz’s argument that the customs and practices of the investment management profession apply to some or all Defendants is, in my view, completely wrong. Pomerantz Report ¶ 27. The customs and practices of institutional investors are intended to set guidelines for investment professionals. Here, it is my understanding that Defendants were making investments *for themselves*, not for others, and not for compensation. They are entitled to invest on any basis they choose; they are not bound by any professional standards applicable to those who invest, as a profession and for compensation, for other people.

III. The Pomerantz Report's Conclusions as to Red Flags Are Either Incorrect or Inapplicable to Retail Investors

Finally, the so-called “red flags” are not the indicia of fraud that Dr. Pomerantz suggests. Pomerantz Report ¶ 27.

To begin with, the Report does not define “red flags.” In the context of retail investing through a broker-dealer, I would define a “red flag” as information available to a retail investor that would justify a concern that the broker might be engaged in suspicious conduct. In my experience, none of the items on the Pomerantz list would be suspicious to a retail investor. For one thing, the Pomerantz list includes many items that no retail investor would know. It is highly unlikely that a single investor would know, for example, that BLMIS was trading at “impossible” volumes. Even if a retail investor were to think of such a thing, he would never have access to the necessary data regarding Madoff’s trades on behalf of other investors in order to reach such a conclusion. In my opinion, it would take an expert, with records regarding the volume of the entirety of BLMIS’s purported trading on behalf of all of his clients and records of total market volumes, to calculate that the volumes he was trading were impossible.

In addition, it is hard to conceive that a retail investor would have any reason to investigate the credentials of a broker’s employees or those of his auditor—especially a broker so apparently successful and renowned as Mr. Madoff was. Rather, a retail investor would more likely rely on informal sources of information in selecting a broker-dealer, such as word-of-mouth recommendations from friends, family, and colleagues, the imprimatur of regulatory agencies such as the SEC, and historical rates of return. Retail customers investing their own money are entitled to rely on the fact that a broker is well-recommended, is registered with the SEC, produces regular reports, and makes payments as required. After a retail customer was sufficiently satisfied to invest, it would be unlikely that he would undertake additional diligence.

In my extensive experience, I have never encountered a retail investor who conducted continuous, complex and detailed investigations of his broker and how his broker managed trading in a discretionary account. Retail customers generally leave that supervision to the regulators.

Further, the Pomerantz Report presents the list of supposed red flags as though all of these random items were simultaneously apparent to “Sterling.” Of course there was no “Sterling.” As I understand it, many individuals made their own independent investments, and none of them knew of all of the “red flags” at the time of any such investment, to the extent they knew of any. Listing random bits of data as if they were communicated at the same time, or as if they all existed in 1985, when I understand the first small investments were made, and suggesting that they were simultaneously known to any Defendant misrepresents the facts. Based on the information I have reviewed, those few of the supposed “red flags” that were communicated to one or another of the Defendants were communicated intermittently over a period of twenty-five years.

I have also read the report provided by Mr. Bruce G. Dubinsky. His report demonstrates that, even after Mr. Madoff confessed, a massive investigation was undertaken before details of the fraud became clear. That investigation disclosed that Mr. Madoff, and a number of others, engaged in strenuous efforts to hide the fraud, including the creation of enormous numbers of reports to customers and to regulators. Mr. Madoff was able to carry on his fraud for an almost incredible number of years because the mechanics of the fraud were so effective. No investor could have begun to replicate Mr. Dubinsky’s efforts, and of course no investor would have had the head start provided by Mr. Madoff’s confession.

IV. Conclusion

This report sets forth only a summary of the testimony I expect to provide at trial. I reserve the right to supplement or amend this report should additional information become available.

Respectfully submitted,



John Maine

December 13, 2011

Exhibit 3

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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,

Videotaped
Deposition of:

Plaintiff,

v.

JOHN D. MAINE

SAUL B. KATZ, et al.,

Defendants.

-----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 Thursday,
January 5, 2012, commencing at 9:39 a.m.

1 A P P E A R A N C E S :

2

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5 New York, New York 10111
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7 MADIHA ZUBERI, ESQ.
8 MARK A. KORNFELD, ESQ.
9 For Plaintiff, Irving Picard, Trustee

6

7

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11 BY: ROBERT F. WISE, JR., ESQ.
12 KAREN E. WAGNER, ESQ.
13 LAUREN HOWARD, ESQ.
14 For Sterling Equities, certain
15 affiliated entities, and the Witness

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13 ALSO PRESENT:

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15 DANIEL McCLUTCHY, Videographer

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Trustee 260	Documents Bates SSKW00012772-893.	120

(Previously marked Exhibits Trustee 34,
Trustee 95, Trustee 110 and Trustee 187
were referred to herein and are attached
to the transcript.)

4			6		
1	THE VIDEOGRAPHER: Good morning. We	09:38:20	1	questions. I'd ask that you verbalize your response	09:41:21
2	are now on the record. My name is Daniel McClutchy	09:39:07	2	because a head nod or whatever could be	09:41:23
3	representing Bendish Reporting. The date today is	09:39:12	3	misinterpreted, so if you verbalize, it makes it	09:41:26
4	January 5th, 2012 and the time is approximately 9:39	09:39:15	4	better.	09:41:26
5	a.m. This deposition is being held at Baker	09:39:20	5	If I have a question that's	09:41:29
6	Hostetler, located at 45 Rockefeller Plaza, New	09:39:24	6	complicated or that you can't understand it, which	09:41:30
7	York, New York. The caption of this case is Irving	09:39:27	7	is probably not unlikely, then that -- I ask you to	09:41:32
8	Picard versus Saul B. Katz, et al. This case is	09:39:30	8	tell me that. I don't want you to guess at what I'm	09:41:35
9	filed in the United States District Court, Southern	09:39:34	9	asking you, whatever, and your counsel may very well	09:41:37
10	District of New York, Case No. 11-CV-03605	09:39:37	10	object in that it's not understandable, and I'll try	09:41:40
11	(JSR)(HBP). The name of the witness is John Maine.	09:39:45	11	to clarify it and make it clear. Okay?	09:41:44
12	At this time the attorneys present	09:39:48	12	A. Yes, sir.	09:41:46
13	will identify themselves for the record and the	09:39:50	13	Q. All right. And, you know, it may	09:41:47
14	parties they represent, and our court reporter,	09:39:53	14	very well be that you want to take a break, because	09:41:47
15	Nancy Bendish, will swear in the witness and we can	09:39:55	15	I sort of get enthusiastic about what we're doing	09:41:50
16	proceed.	09:39:58	16	here and then you decide we're going a little too	09:41:53
17	MR. SHEEHAN: David Sheehan with	09:40:00	17	long, just let me know. And anybody else who needs	09:41:55
18	Baker Hostetler for the Trustee.	09:40:01	18	that, just let me know and we'll take a break. Bio	09:41:58
19	MS. ZUBERI: Madiha Zuberi with Baker	09:40:06	19	breaks are always a good idea and I think it's a	09:42:01
20	Hostetler for the Trustee.	09:40:07	20	good thing that we should have that available. Just	09:42:04
21	MR. KORNFELD: Mark Kornfeld, Baker	09:40:08	21	let me know. Okay?	09:42:06
22	Hostetler for the Trustee.	09:40:10	22	A. Certainly.	09:42:07
23	MR. WISE: It's Bob Wise of Davis	09:40:10	23	Q. Okay. Let me start off by -- do	09:42:07
24	Polk representing the defendants.	09:40:13	24	we have -- by asking, do we have the two reports?	09:42:09
25	MS. HOWARD: Lauren Howard of Davis	09:40:16	25	Okay. Just get those out.	09:42:14
5			7		
1	Polk representing the defendants.	09:40:17	1	The -- I'm going to show you in a	09:42:15
2	MS. WAGNER: Karen Wagner, Davis	09:40:19	2	moment, once we retrieve them, the two reports that	09:42:16
3	Polk, representing the defendants.	09:40:19	3	you've issued in this case, ask you to identify	09:42:19
4		09:40:19	4	them, because that's what we're going to really be	09:42:21
5	JOHN DAVENPORT MAINE, sworn.	09:40:35	5	talking about here today, okay?	09:42:23
6	EXAMINATION BY MR. SHEEHAN:	09:40:35	6	A. Yes, sir.	09:42:25
7	Q. Mr. Maine, I'm going to ask you a few	09:40:37	7	Q. All right. Just by way of	09:42:25
8	questions today about the reports that you've given	09:40:39	8	background, though, while we're digging those out,	09:42:26
9	in this case that we've just talked about here in	09:40:43	9	could you give me the benefit of a description of	09:42:29
10	identifying ourselves. It's actually the Trustee	09:40:47	10	your educational background.	09:42:31
11	versus Mr. Wilpon, Mr. Katz and a number of other	09:40:51	11	A. Yes. I graduated from Dartmouth	09:42:32
12	defendants. And before I do so, I want to ask you a	09:40:53	12	College in 1964 with a degree in history. I	09:42:37
13	question. Have you ever been deposed before?	09:40:55	13	graduated magna cum laude.	09:42:39
14	A. Yes.	09:40:57	14	Q. Okay. And following your graduation	09:42:42
15	Q. How many times?	09:40:57	15	from Dartmouth, did you pursue any other degrees?	09:42:43
16	A. I don't know. 40, 50, something like	09:41:01	16	A. No, sir.	09:42:47
17	that.	09:41:02	17	Q. Other than the Dartmouth education,	09:42:48
18	Q. Okay. I'm going to assume,	09:41:03	18	did you attend any other courses, such as industry	09:42:51
19	therefore, with that experience, that you have some	09:41:05	19	courses that might be related to an industry, such	09:42:56
20	knowledge about the process we're about to engage	09:41:07	20	as the securities industry or anything along those	09:42:59
21	in. But notwithstanding that, I want to just have a	09:41:09	21	lines?	09:43:02
22	couple of ground rules just so we're clear and	09:41:12	22	A. The Wharton Business School ran a	09:43:03
23	Mr. Wise and I are clear on where we're going to be	09:41:15	23	three-year -- a course that went for three years,	09:43:05
24	going here today, okay?	09:41:18	24	but it was, I think, two weeks at a shot for three	09:43:08
25	I'm going to be, as I say, asking you	09:41:18	25	years, so a total of six weeks.	09:43:11

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1	Q.	Okay. And when did you attend that	09:43:13	1	Q.	That's quite all right. Probably	09:45:06
2		course?	09:43:14	2		bother the videographer a lot more than me. But he	09:45:09
3	A.	Sometime in the '70s.	09:43:15	3		looks okay down there, all right.	09:45:13
4	Q.	Okay. And what was the focus of that	09:43:16	4		After you left -- I assume at some	09:45:15
5		course?	09:43:18	5		point you left Smith Barney?	09:45:18
6	A.	Would have been just general	09:43:21	6	A.	Yes, sir.	09:45:20
7		securities, investments, things such as that.	09:43:23	7	Q.	Okay. Where did you go after you	09:45:21
8	Q.	Okay. Other than that course that	09:43:26	8		left Smith Barney?	09:45:23
9		you've just described for us, any other formal or	09:43:29	9	A.	I went to a West Coast-based regional	09:45:25
10		informal education that you may have engaged in?	09:43:33	10		firm named Mitchum, and I'll spell these words as we	09:45:27
11	A.	Well, in the firms I worked for, of	09:43:37	11		go along --	09:45:32
12		course we had a lot of training sessions along the	09:43:39	12	Q.	Yeah, that would be good.	09:45:32
13		way. So that --	09:43:41	13	A.	-- if that's acceptable.	09:45:32
14	Q.	Okay.	09:43:43	14		M-i-t-c-h-u-m, Mitchum, Jones & Templeton,	09:45:35
15	A.	-- would be the other.	09:43:43	15		T-e-m-p-l-e-o-n, in San Francisco and my job there	09:45:40
16	Q.	We're going to talk about your	09:43:45	16		was national institutional sales manager.	09:45:43
17		employment history, so maybe we can cover that then,	09:43:46	17	Q.	Okay. And, again, just for the	09:45:47
18		okay.	09:43:48	18		record, could you give us a description of what your	09:45:49
19		Other than that, is there anything	09:43:49	19		duties were on a regular basis as -- in that	09:45:52
20		else?	09:43:50	20		capacity that you've just described.	09:45:55
21	A.	No, sir.	09:43:50	21	A.	Sure, sure. I set up a regional	09:45:56
22	Q.	Okay, fine.	09:43:52	22		institutionally-based research operation, which	09:46:02
23		So, when you leave Dartmouth, you	09:43:53	23		meant that we researched and wrote analytics on West	09:46:04
24		enjoy -- join the employment world. What was your	09:43:57	24		Coast firms. That would include Bank America,	09:46:10
25		first job?	09:44:00	25		Weyerhaeuser, Boise Cascade, Hewlett Packard, Intel,	09:46:16
			9				11
1	A.	With Smith Barney as a registered	09:44:01	1		companies such as that. And then we marketed this	09:46:20
2		representative.	09:44:04	2		product to institutional investors, professional	09:46:24
3	Q.	And when was that?	09:44:04	3		investors around the country. And I set up five	09:46:27
4	A.	Immediately upon graduation.	09:44:05	4		sales offices, one in San Francisco, one in Los	09:46:31
5	Q.	Okay. And what were your duties as a	09:44:08	5		Angeles, one in Chicago, one in Boston and one in	09:46:34
6		registered representative of Smith Barney?	09:44:10	6		New York.	09:46:38
7	A.	I handled individual accounts for	09:44:13	7	Q.	Since this is a term that we're going	09:46:43
8		private investors.	09:44:16	8		to be talking about, could you give me your	09:46:45
9	Q.	Okay. And could you -- just, I don't	09:44:18	9		definition of what you mean by an institutional	09:46:47
10		want to break this down too much because I realize a	09:44:22	10		investor?	09:46:49
11		lot of people in this room are very knowledgeable	09:44:24	11	A.	Certainly. It's someone who is	09:46:50
12		and that we assume a lot of knowledge, but could you	09:44:26	12		compensated for handling investments, in -- in the	09:46:52
13		just tell me on a day-to-day basis what you would do	09:44:29	13		most simplistic terms.	09:46:58
14		at Smith Barney.	09:44:32	14	Q.	Is that -- is there a basis for that	09:47:01
15	A.	Well, of course it changed over the	09:44:33	15		definition?	09:47:05
16		years, because as I was there, then I accumulated	09:44:35	16	A.	Just industry -- that's just the	09:47:06
17		some institutional accounts.	09:44:38	17		industry terminology. I've never seen it codified	09:47:08
18		But just focusing on the retail side	09:44:40	18		anyplace.	09:47:12
19		of it, I would, first of all, obviously prospect for	09:44:42	19	Q.	Okay. So it's not based on any	09:47:13
20		clients, try and build my client base. And with my	09:44:46	20		literature that you've read or documents you may	09:47:15
21		clients I would identify their needs and objectives	09:44:49	21		have referred to?	09:47:18
22		and then try and match those needs and objectives	09:44:52	22	A.	No. But anyone in the industry would	09:47:19
23		with whatever securities I felt were suitable.	09:44:56	23		give you the same exact definition.	09:47:21
24	Q.	Okay.	09:44:59	24	Q.	Okay. Getting back to the work you	09:47:23
25	A.	Excuse me, I do have a cough.	09:45:04	25		were doing, I think my notes may be wrong, so you	09:47:29

5 (Pages 8 to 11)

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		12			14
1	correct me, but you did research and wrote	09:47:33	1	Q. And again, what were your duties as	09:49:43
2	analytics with regard to specific securities	09:47:35	2	the resident manager of Smith Barney in	09:49:45
3	offerings. Is that a fair statement?	09:47:38	3	Philadelphia?	09:49:48
4	A. The people who reported to me --	09:47:40	4	A. I could simplistically say to manage	09:49:49
5	Q. Oh, did that.	09:47:40	5	the office. But to give you a little bit more	09:49:51
6	A. -- did the research and wrote the	09:47:43	6	color --	09:49:53
7	analytics.	09:47:44	7	Q. No. I assumed you were doing that,	09:49:54
8	Q. Okay.	09:47:45	8	but on your day-to-day basis, what did you do,	09:49:55
9	A. And then we also had a sales force	09:47:46	9	Mr. Maine?	09:49:57
10	that then marketed these products.	09:47:48	10	A. The Philadelphia office was the	09:49:58
11	Q. Well, the analytics, can you tell me	09:47:50	11	largest office in Smith Barney. Smith Barney was	09:50:00
12	what you mean by that?	09:47:52	12	founded in Philadelphia by two old Philadelphia	09:50:03
13	A. Well, sure. You would take a company	09:47:55	13	gentlemen, E.B. Smith and C.D. Barney. And it was	09:50:08
14	such as Hewlett Packard. We would have analysts who	09:47:56	14	the largest office at Smith Barney at that time. We	09:50:11
15	specialized in specific industries so they'd have a	09:48:03	15	had about a hundred folks in the office.	09:50:14
16	broader base of knowledge.	09:48:06	16	We had a combination sales force that	09:50:16
17	So we would have a technical analyst	09:48:08	17	served retail clients, institutional clients. We	09:50:19
18	who would look at Hewlett Packard and Intel and	09:48:10	18	had a fixed income trading desk and we had a taxable	09:50:26
19	technical companies such as that. We might have	09:48:15	19	fixed income trading desk. So taxable and tax-free	09:50:34
20	another Forest products analyst who would look at	09:48:17	20	fixed income trading desk and a sales force that	09:50:38
21	Boise Cascade and Weyerhaeuser and Potlatch Forest.	09:48:20	21	worked with those products.	09:50:39
22	That's P-o-t-l-a-c-h.	09:48:23	22	And my -- my job as the resident	09:50:42
23	And they would look at these	09:48:29	23	manager is similar to running your own business. In	09:50:47
24	companies, do a top-down approach, in other words,	09:48:31	24	other words, I was responsible for sales,	09:50:49
25	where do we think the macro economy is going and	09:48:33	25	compliance, operations, recruiting, personnel,	09:50:52
		13			15
1	then how that will devolve into the individual	09:48:36	1	expense control.	09:50:56
2	industries. And then within the individual	09:48:40	2	(Comments off the record.)	09:51:08
3	industries, which companies seem the best	09:48:42	3	Q. The only one I want you to give me an	09:51:08
4	positioned, which companies seem to be selling at	09:48:47	4	inside into, what did you mean by the term	09:51:11
5	the cheapest price versus their earnings, and which	09:48:49	5	"compliance"?	09:51:14
6	have the best growth prospects, what we think a	09:48:52	6	A. Well, the securities industry is a	09:51:17
7	reasonable price target would be. And that would be	09:48:56	7	highly regulated industry, and by various regulators	09:51:19
8	the analytics.	09:48:58	8	and sub-regulatory organizations. And so compliance	09:51:27
9	Q. Okay. I want to go back to Smith	09:48:59	9	would mean making certain that my brokers and other	09:51:31
10	Barney for just one minute. The customers that you	09:49:01	10	employees complied with various security rules and	09:51:35
11	were, and I'm directing your reference to there,	09:49:08	11	regulations, and in-house rules and regulations.	09:51:40
12	were they retail or institutional customers?	09:49:09	12	Q. In connection with that, did you ever	09:51:43
13	A. Both.	09:49:12	13	deal with complaints about failure to comply with	09:51:46
14	Q. Okay. And how long were you with	09:49:13	14	those regulations?	09:51:49
15	Mitchum?	09:49:15	15	A. Certainly.	09:51:50
16	A. With Mitchum for two years.	09:49:16	16	Q. And who would those complaints be	09:51:50
17	Q. And when that came to an end what, if	09:49:20	17	made by?	09:51:54
18	anything, did you do after that?	09:49:22	18	A. Excuse me down there.	09:51:54
19	A. That was, to put it in time frame,	09:49:24	19	Well, it would depend upon the nature	09:52:00
20	that was in '74. Mitchum went out of business.	09:49:27	20	of a complaint. If it was a -- and in our process,	09:52:03
21	Q. Okay.	09:49:29	21	I'll answer the question and then give you a little	09:52:07
22	A. And I returned to Smith Barney in	09:49:31	22	elucidation --	09:52:10
23	Philadelphia, which is where I had served as a	09:49:34	23	Q. Okay.	09:52:10
24	retail broker, and became the resident manager of	09:49:37	24	A. -- unless you just have me --	09:52:10
25	the Philadelphia office.	09:49:42	25	Q. Sure, sure, absolutely.	09:52:10

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16			18		
1	A. And in the nature -- it would depend	09:52:11	1	of times a client would complain that -- that	09:54:50
2	upon the nature of the complaint. If it was a sales	09:52:16	2	they -- the commission burden was too high on the	09:54:53
3	practice complaint, it would probably be brought by	09:52:18	3	equity account, and that the trading was not in line	09:54:56
4	a customer. If it was a complaint about somebody	09:52:21	4	with their objectives.	09:54:59
5	stealing somebody else's lunch, it might be brought	09:52:26	5	Q. All right. Now, were you ever a	09:55:01
6	by an employee, probably by an employee. That was	09:52:28	6	retail customer?	09:55:03
7	-- they were the most frequent complaints I dealt	09:52:30	7	A. Was I ever a retail customer? Yes.	09:55:06
8	with.	09:52:33	8	Q. Okay. And did you receive	09:55:11
9	And if it was a -- something that was	09:52:35	9	statements?	09:55:14
10	discovered on an office audit by an in-house	09:52:38	10	A. Yes.	09:55:14
11	auditor, that might be brought by -- that might be	09:52:43	11	Q. And the customer who would complain	09:55:16
12	brought to my attention by the firm. In other	09:52:46	12	to you about churning, would that customer be	09:55:19
13	words, if someone was not submitting their	09:52:48	13	receiving statements?	09:55:22
14	correspondence to be initialed or something such as	09:52:50	14	A. Yes.	09:55:23
15	that.	09:52:52	15	Q. And how would they figure out that	09:55:23
16	Q. When you say a sales practice	09:52:53	16	there was churning going on, if you know?	09:55:25
17	complaint by a customer, could you give me an	09:52:56	17	A. I don't know. I mean, it might --	09:55:29
18	example of what those sales practices might be that	09:52:58	18	they might just see the number -- mostly they'd see	09:55:32
19	a customer might complain about?	09:53:01	19	the number of confirmations coming through and say	09:55:35
20	A. Certainly. Recommendations that	09:53:02	20	this is not in line with my objectives.	09:55:37
21	weren't suitable.	09:53:05	21	Q. Well, would -- would the statement	09:55:40
22	Q. Are you familiar with the term	09:53:14	22	reflect the trading activity in the account?	09:55:41
23	"churning"?	09:53:16	23	A. Yes.	09:55:44
24	A. Certainly.	09:53:17	24	Q. All right. Would that statement	09:55:44
25	Q. What do you understand that term to	09:53:17	25	reveal to them the facts that you were suggesting	09:55:46
17			19		
1	mean?	09:53:19	1	would constitute trading?	09:55:49
2	A. Churning means that a broker is doing	09:53:20	2	A. Well, it would reveal -- it would	09:55:50
3	transactions based primarily on generating	09:53:27	3	reveal the number of trades.	09:55:52
4	commissions for him or herself as opposed to the	09:53:33	4	Q. Okay. So when someone came to you	09:55:55
5	best interests of a client. And then there are	09:53:35	5	with a churning complaint, did you ask them how they	09:55:57
6	certain statistical measures that have been applied	09:53:39	6	came to the conclusion that churning was occurring	09:56:01
7	as thresholds, not cut and dried, because every	09:53:44	7	in their account?	09:56:04
8	client's objectives are different. But there are	09:53:47	8	A. No.	09:56:05
9	certain thresholds which commissions relative to	09:53:50	9	Q. Did they tell you?	09:56:05
10	equity need to achieve before it's implied at one	09:53:54	10	A. No. They'd just say looks like	09:56:07
11	level and implied more strongly at another level and	09:53:58	11	there's too much trading.	09:56:10
12	considered a fait accompli at a certain level.	09:54:03	12	Q. And did you then look at the	09:56:12
13	Q. In your experience as the resident	09:54:10	13	accounts?	09:56:14
14	manager at Smith Barney, did you ever encounter a	09:54:11	14	A. Of course.	09:56:14
15	situation where a retail customer complained about	09:54:14	15	Q. And did you discuss those with the	09:56:15
16	churning in his account, or her account?	09:54:17	16	customer as to what was going on in the account?	09:56:17
17	A. Yes.	09:54:20	17	A. Well, I would discuss the customer's	09:56:22
18	Q. And to your knowledge, what was --	09:54:20	18	account with the customer, yes.	09:56:23
19	what would be the nature of that complaint?	09:54:30	19	Q. And in doing so would you go over the	09:56:25
20	A. Well, that there were too many trades	09:54:32	20	statements with the customer?	09:56:27
21	based upon the objectives of the client. There's	09:54:35	21	A. No. We would run analytics. In	09:56:28
22	another measure that goes along with churning which	09:54:37	22	other words, we would be able to look at the	09:56:30
23	is called cost equity, which means the cost of	09:54:39	23	turnover ratio, which is the primary measure. My	09:56:34
24	maintaining the account was an inordinately large	09:54:43	24	compliance department would provide that for me.	09:56:39
25	percent of the equity in the account. And so lots	09:54:47	25	And we'd look at the cost equity ratio, or the	09:56:40

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1	commission equity ratio, there's a little nuance.	09:56:44	1	they don't look at turnover. They look at the	09:59:04
2	And that would be provided by analytics from my	09:56:47	2	bottom line and if they're happy, they don't	09:59:07
3	compliance department.	09:56:51	3	complain.	09:59:09
4	Q. And would you share those analytics	09:56:52	4	If a client is losing money, then	09:59:10
5	with the retail customer?	09:56:55	5	they will focus on the account and they'll say, wow,	09:59:12
6	A. Yes.	09:56:56	6	there's been too much trading or, gee, this stock	09:59:15
7	Q. And it would be your expectation that	09:56:56	7	doesn't look like it fits my investment objectives.	09:59:19
8	the customer would understand those analytics?	09:56:59	8	So generally they're initiated	09:59:22
9	A. Not necessarily. Not necessarily.	09:57:03	9	because, almost universally, because a client has	09:59:24
10	In fact, I don't think they would. I wouldn't	09:57:06	10	lost money. And then I'm trying to figure out	09:59:26
11	expect them to understand that. I'd have to explain	09:57:08	11	whether it's just sour grapes and they were involved	09:59:29
12	it to them.	09:57:10	12	in every decision, and totally aware what was going	09:59:32
13	Q. Okay. And in doing so you'd walk	09:57:11	13	on, or, in fact, whether the broker was doing	09:59:35
14	through the analytics with them?	09:57:13	14	something that he or she shouldn't have been doing.	09:59:37
15	A. Well, I'd say -- it was more	09:57:16	15	So it varied from situation to situation.	09:59:40
16	complicated than that. Because really where we'd	09:57:18	16	Q. In your experience, did you ever	09:59:41
17	start would be with their account objectives. In	09:57:22	17	encounter customers that, you know, retail customers	09:59:46
18	other words, if someone had a municipal bond	09:57:24	18	that never lost money?	09:59:49
19	account, buy and hold municipal bond account, and	09:57:29	19	A. Never? Not one single month?	09:59:53
20	the turnover ratio, which was another thing that we	09:57:31	20	Q. Not -- never lost money.	09:59:56
21	looked at, was four times, which meant that the	09:57:38	21	A. Not one single month?	09:59:57
22	equity in that account was turned over four times on	09:57:40	22	Q. Nope. Every month they won.	09:59:59
23	an annualized basis, that would clearly not be in	09:57:42	23	A. I just never analyzed that.	10:00:01
24	line with the objectives of that client.	09:57:46	24	Q. I'm asking you in your experience,	10:00:03
25	On the other hand, if a client was an	09:57:48	25	people who trade in equities, retail customers in	10:00:05
		21			23
1	aggressive trader and they had a four times turnover	09:57:51	1	your entire experience, have you ever encountered	10:00:08
2	ratio, that trading might be totally suitable.	09:57:55	2	customers, more than one, or even just one, who	10:00:12
3	So, it's not as simple as just saying	09:57:59	3	never lost, every month they were a winner?	10:00:17
4	we'd go over the analytics. But then I'd say I	09:58:02	4	MR. WISE: Object, answered. Asked	10:00:20
5	would get into the costs and other things. We'd	09:58:05	5	and answered.	10:00:21
6	look at, I'd discuss the way the client interacted	09:58:07	6	A. I never looked. I mean, I did not go	10:00:22
7	with the broker. I'd look to see whether the trades	09:58:10	7	through and look at people's accounts. What would	10:00:25
8	were solicited or unsolicited. There would be a	09:58:13	8	float up to me were the people who tripped one of	10:00:28
9	whole panoply of things I would do.	09:58:16	9	our systems, their -- their account statements would	10:00:30
10	Q. And all that panoply would be	09:58:18	10	come to me, or client complaints. But to go through	10:00:34
11	discussed with the customer?	09:58:20	11	and do a study of whether somebody had ever lost	10:00:39
12	A. No. Would be on an account by	09:58:21	12	money would be something that I would never do.	10:00:41
13	account basis, depending upon what was important in	09:58:23	13	Q. Well, then is it your suggestion then	10:00:43
14	that specific situation.	09:58:25	14	that if you didn't get a complaint, that meant that	10:00:46
15	Q. And in your experience in discussing	09:58:28	15	the customer never lost money?	10:00:49
16	these -- these churning complaints that you would	09:58:30	16	MR. WISE: Object to form.	10:00:51
17	receive, what was usually the outcome of those?	09:58:34	17	A. No. Not never lost money. Either	10:00:53
18	A. Oh, it would vary. It would vary all	09:58:38	18	never lost money or the amount of money they lost	10:00:56
19	over the lot. They generally -- they generally	09:58:41	19	didn't seem to bother them, or they took	10:01:01
20	started because the customer had lost money. So	09:58:45	20	responsibility for it. No, it wouldn't be.	10:01:03
21	normally if a customer loses money, they focus on	09:58:47	21	Q. When you were representing customers,	10:01:07
22	their account. If clients -- universally if clients	09:58:53	22	would you look at the customers' accounts as you	10:01:09
23	are making money in their accounts, they're happy.	09:58:57	23	were giving them advice as to what to buy and sell?	10:01:12
24	They look at the bottom line, they don't analyze	09:58:59	24	A. Yes.	10:01:15
25	things, they don't look at specific stock selection,	09:59:01	25	Q. And would you notice whether or not	10:01:15

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1	they were winning or losing?	10:01:17	1	risk?	10:03:11
2	A. With my customers?	10:01:20	2	A. Again, you're using terms which I	10:03:13
3	Q. Yes.	10:01:21	3	really have trouble with, the nature of the game.	10:03:14
4	A. Yes, I would know whether they were	10:01:22	4	If you're in equities, by definition you're always	10:03:16
5	winning.	10:01:23	5	at risk unless you're hedged. But if you're just in	10:03:19
6	Q. And would all of your customers	10:01:24	6	naked equities, you're always at risk. If you hedge	10:03:23
7	always win?	10:01:25	7	it, you're not always at risk.	10:03:26
8	A. No, not my customers.	10:01:26	8	Q. There's no risk whatsoever when you	10:03:28
9	Q. Did they all get exposed to equity	10:01:27	9	hedge?	10:03:30
10	risk?	10:01:30	10	A. Your risk is down to your stop hedge.	10:03:33
11	A. No. I had a lot of, I had a lot of	10:01:31	11	Q. Meaning that you can still lose, but	10:03:35
12	bond accounts.	10:01:34	12	your loss might be less because you've hedged it?	10:03:38
13	Q. And did the bond accounts always win?	10:01:35	13	A. Well, hedged it. But on the other	10:03:42
14	A. You know, you're using terms which	10:01:40	14	hand, if you hedge it properly, for instance, in	10:03:44
15	are difficult to put into an investment context, so	10:01:42	15	something like the split-strike strategy which we're	10:03:47
16	that's why I'm having trouble with your questions --	10:01:45	16	talking about here, if you bring in five or six	10:03:50
17	Q. All right.	10:01:47	17	dollars worth of premium on part of the split that	10:03:54
18	A. -- because over what bond accounts,	10:01:48	18	you've sold, and you pay five or six dollars for the	10:03:57
19	for instance, to answer your question, if you buy	10:01:50	19	insurance that you bought, theoretically you're	10:04:01
20	high quality bonds, they're subject to interim	10:01:52	20	perfectly hedged.	10:04:04
21	interest rate fluctuations. The price of the bond	10:01:56	21	Q. Meaning that you will never lose?	10:04:05
22	will move up or down based upon interest rate	10:01:58	22	A. Shouldn't.	10:04:09
23	fluctuations.	10:02:02	23	Q. So that split-strike conversion, as	10:04:11
24	But when they pay off at maturity,	10:02:03	24	you understand that strategy, will result in -- if	10:04:13
25	that's -- that's what you're looking for. And	10:02:06	25	executed properly as you just described -- in the	10:04:16
		25			27
1	winning in a bond account means that they pay their	10:02:09	1	customer never having a losing month?	10:04:20
2	interest as advertised on a regular basis.	10:02:12	2	A. Well, they may have a losing month.	10:04:23
3	Q. And did you ever have an experience	10:02:14	3	They may have -- then it goes to the skill of the	10:04:25
4	with bond accounts where they didn't pay the	10:02:17	4	person exercising it. Their market feel, how nimble	10:04:28
5	interest as advertised?	10:02:19	5	they are, how they're doing it. But certainly	10:04:32
6	A. No, sir. I always stuck with high	10:02:20	6	people who execute split-strike strategies have	10:04:35
7	quality bonds.	10:02:23	7	varying degrees of success.	10:04:39
8	Q. Okay. Getting back to equities then,	10:02:23	8	Q. Have you ever encountered one where	10:04:41
9	in the equity customers that you represented, was it	10:02:26	9	they never lose? In other words, that every month	10:04:44
10	your experience that all of the equity -- that any	10:02:31	10	their customers always have a positive return.	10:04:47
11	of your equity customers, those you represented,	10:02:34	11	A. I've never analyzed any broad field	10:04:49
12	those accounts you watched, that every month, that	10:02:36	12	of split-strike strategies where they always lose or	10:04:52
13	any of them always had a positive return every	10:02:40	13	always win. It's just not something I've looked at.	10:04:55
14	month?	10:02:43	14	Q. Well, in this case have you looked at	10:04:59
15	A. No. I was an unusually bad stock	10:02:44	15	the performance of Mr. Madoff in his split-strike	10:05:00
16	picker, which is why I went into management.	10:02:48	16	conversion strategy?	10:05:04
17	Q. Okay. But you think it was because	10:02:50	17	A. Not in depth, no. Anecdotally I	10:05:06
18	you're a bad stock picker that --	10:02:53	18	have.	10:05:10
19	A. I do. I do.	10:02:54	19	Q. Tell me what you've looked at	10:05:10
20	Q. Would you --	10:02:54	20	anecdotally.	10:05:12
21	A. My wife would agree with that.	10:02:57	21	A. I've looked at, I believe, something	10:05:14
22	Q. My wife would certainly agree with	10:02:59	22	which showed his year in, year out performance. I	10:05:15
23	that as well. Which is probably, leads to my next	10:03:02	23	haven't seen it month in, month out. Although I	10:05:19
24	question. Isn't that the nature of the game, so to	10:03:05	24	understand that the predominance of the months where	10:05:23
25	speak, that if you are in equities, you're always at	10:03:08	25	-- where he was in the market were profitable.	10:05:25

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1	Q.	And could you identify for me what	10:05:27	1	What happened?	10:07:55
2		document you're speaking of here?	10:05:29	2	A. Well, a couple things happened. I	10:07:57
3	A.	Not specifically. It was just a -- I	10:05:32	3	found a lot of political problems at McCormick. I	10:08:01
4		think a comparison to the, if I remember correctly,	10:05:34	4	was from the north. I was an outsider. I'm not --	10:08:05
5		comparison to the Dow Jones average, and something	10:05:37	5	I'm a pretty easygoing guy. I was not comfortable	10:08:10
6		else.	10:05:39	6	with the political side of it and my family was	10:08:14
7	Q.	Okay. We're a little ahead of	10:05:40	7	hesitant to move to Houston. And so after about	10:08:16
8		ourselves. I want to go back to that later, okay?	10:05:42	8	seven or eight months we parted company on very	10:08:19
9		Let's -- I digressed and I apologize. But let's go	10:05:45	9	friendly terms.	10:08:22
10		back to your employment history here, if we could.	10:05:48	10	Q. Okay. And when you left	10:08:24
11		Let's talk about Smith Barney, you're	10:05:51	11	Mr. McCormick's employ in seven or eight months,	10:08:27
12		the resident manager, I think we've talked about	10:05:53	12	what did you do next?	10:08:30
13		that. How long were you in that position?	10:05:56	13	A. Went back to Smith Barney.	10:08:31
14	A.	Eight years.	10:05:58	14	Q. Okay. In what capacity?	10:08:33
15	Q.	Okay.	10:05:58	15	A. My first role was again managing the	10:08:35
16	A.	Seven or eight years.	10:05:59	16	Philadelphia office. But I was hired back to take	10:08:38
17	Q.	And when did that come to an end?	10:06:01	17	over the northeast region, which I did within a	10:08:41
18	A.	1981. 1982, somewhere in there.	10:06:04	18	matter of months.	10:08:43
19	Q.	And what, if anything, did you do	10:06:09	19	Q. Okay. What did the northeast region	10:08:45
20		after you left Smith Barney?	10:06:11	20	consist of?	10:08:47
21	A.	I went to work in Houston, Texas in	10:06:13	21	A. Consisted of about a third of the	10:08:48
22		the oil business.	10:06:16	22	revenues of Smith Barney at that time. We did	10:08:51
23	Q.	Okay. And that's a fairly large	10:06:22	23	approximately \$250 million in revenues in my region.	10:08:55
24		field, so could you break down for me what you were	10:06:24	24	We had a thousand employees. It was all of the	10:08:58
25		doing in the oil business, Mr. Maine?	10:06:27	25	production units from Virginia north, Ohio east up	10:09:03
		29			31	
1	A.	Certainly.	10:06:27	1	through New England. So, for instance, I had five	10:09:07
2	Q.	Sure.	10:06:29	2	offices in New York, I had two offices in Boston,	10:09:11
3	A.	I was the assistant to the chairman	10:06:29	3	two offices in Washington.	10:09:14
4		of an independent oil and gas producer named	10:06:31	4	Q. And again, I may have missed this,	10:09:17
5		McCormick, that's M-c C-o-r-m-i-c-k, Oil & Gas.	10:06:35	5	did you have a title when you were running this	10:09:19
6	Q.	And what did you do for	10:06:41	6	regional northeast region?	10:09:21
7		Mr. McCormick?	10:06:44	7	A. Yes, I did. I was the regional	10:09:26
8	A.	Mr. McCormick had had a very	10:06:46	8	director.	10:09:28
9		successful drilling company and he thought -- and he	10:06:50	9	Q. Okay.	10:09:28
10		and I had been friends for many years. And he felt	10:06:54	10	A. And I was senior vice president of	10:09:29
11		that this was a -- going back, interrupting myself.	10:06:58	11	the firm.	10:09:31
12		The early '80s were a time of tremendous	10:07:04	12	Q. Okay. In this capacity as regional	10:09:32
13		fluctuations in the energy markets, and he felt that	10:07:07	13	director, did you have any direct interactions with	10:09:42
14		there was a business that could be built where	10:07:16	14	either retail or institutional customers?	10:09:46
15		exploration companies linked up with end users such	10:07:21	15	A. Yes.	10:09:48
16		as McCormick Oil & Gas and Brooklyn Union Gas, to	10:07:26	16	Q. Okay. With both?	10:09:49
17		take a local company. And they would provide	10:07:32	17	A. Yes.	10:09:51
18		drilling funds, but would have a call on the product	10:07:34	18	Q. And how did that come about?	10:09:51
19		that we found.	10:07:38	19	A. Well, being a regional director is	10:09:58
20		So it would be sort of a joint	10:07:39	20	sort of like being a glorified branch manager in	10:09:59
21		venture with the two. So they could ensure their	10:07:41	21	that things drift up to you that the branch manager	10:10:03
22		source of supply and get some sort of price	10:07:43	22	wants advice on. Either interface with very	10:10:09
23		stability because they controlled the product. We	10:07:47	23	substantial accounts in relationship building, both	10:10:15
24		would get money to drill.	10:07:49	24	retail and institutional. All too often problem	10:10:18
25	Q.	Sounds like it should have worked.	10:07:53	25	solving with accounts, both institutional and retail	10:10:23

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1	where some problem had developed in the	10:10:25	1	A. Look at cases, try and help people	10:13:11
2	relationship. A regional director is the ultimate	10:10:29	2	value cases one way or another. And sometimes if	10:13:13
3	person in a region in terms of compliance,	10:10:32	3	that doesn't work out, then it turns into expert	10:13:19
4	supervision, personnel, hiring, firing. So it's --	10:10:37	4	testimony.	10:13:22
5	again, it's the jobs that you did as a branch	10:10:43	5	Q. Okay.	10:13:23
6	manager except it's the areas where the branch	10:10:46	6	A. I've also acted as an arbitrator and	10:13:24
7	manager wants additional input.	10:10:49	7	a mediator, and I've given in-house compliance	10:13:29
8	Q. Okay. And in that role, as you say,	10:10:52	8	seminars to a San Francisco firm. For a San	10:13:35
9	came up from the branch manager for your assistance	10:10:56	9	Francisco firm.	10:13:41
10	in problem solving, I think is how you put it?	10:11:00	10	Q. Let's talk a little bit about each.	10:13:41
11	A. Yes, sir. Also development. There's	10:11:02	11	And I ask this just so I understand	10:13:45
12	problem solving and business development.	10:11:04	12	it. So that in your capacity dealing as a	10:13:52
13	Q. Business development. And would you	10:11:06	13	consultant, it's -- is it always or usually in the	10:13:56
14	deal directly with the customers at that point?	10:11:08	14	case of an adversary type of position? Do you	10:13:58
15	A. Often.	10:11:10	15	understand what I mean by that?	10:14:05
16	Q. Okay, fine. How long were you in the	10:11:10	16	What I'm asking is this: When you're	10:14:07
17	regional director position?	10:11:14	17	asked to consult, is it always in a situation where	10:14:09
18	A. Well, my position kind of morphed in	10:11:16	18	there's a complaint on one side or the other of a	10:14:11
19	1985, I went on the board of directors and I was	10:11:20	19	transaction and you're consulting trying to help	10:14:14
20	promoted to executive vice president of the firm.	10:11:24	20	resolve?	10:14:16
21	But I continued to be the regional director until I	10:11:27	21	A. No, not necessarily.	10:14:17
22	retired from Smith Barney in 1990.	10:11:30	22	Q. Okay. Well, explain to me what you	10:14:18
23	Q. Okay. 1990 you retire. What did you	10:11:34	23	mean when you say you're consulting in sort of a	10:14:20
24	do next?	10:11:52	24	pretrial capacity.	10:14:23
25	A. I moved back to the West Coast, where	10:11:53	25	A. Well, not the wordsmith, but when you	10:14:26
		33			35
1	I'd always wanted to live, and I really didn't have	10:11:56	1	said in terms of some sort of a transaction --	10:14:31
2	any clear idea of what I wanted to do at that time.	10:11:59	2	Q. Right.	10:14:35
3	And actually my first business was trying to raise	10:12:05	3	A. -- or something else, I do -- a fair	10:14:38
4	trout on my place in Idaho. That didn't work out	10:12:09	4	amount of my work is in personnel, a fair amount of	10:14:40
5	very well. And my trout herd swam away one morning,	10:12:12	5	my work is in inner firm raiding, r-a-i-d-i-n-g. A	10:14:43
6	but...	10:12:18	6	fair amount of my work is in note collection. So	10:14:51
7	Q. I hate when that happens.	10:12:18	7	it's not all transaction-based. I didn't --	10:14:56
8	A. It ruins the whole night.	10:12:21	8	Q. Okay. That's very helpful, thank	10:14:58
9	Q. Right, exactly. Collision at sea.	10:12:23	9	you.	10:15:01
10	There you go.	10:12:27	10	A. Okay.	10:15:02
11	A. But everybody else up and down the	10:12:27	11	Q. I think I understand the first two,	10:15:03
12	river was happy.	10:12:29	12	I'm not so sure what you meant by note collection.	10:15:04
13	Q. I'm sure they were.	10:12:30	13	Could you expand upon that for me?	10:15:07
14	A. All these dumb hatchery-raised fish	10:12:33	14	A. Certainly. The industry has	10:15:10
15	just eating anything that came along.	10:12:36	15	developed over the years a process by which they	10:15:13
16	So, I gave up that venture. But some	10:12:40	16	recruit brokers and give them what are called	10:15:16
17	folks were nice enough to ask me to do some	10:12:42	17	forgivable notes, which is upfront money and in the	10:15:19
18	consulting work and that's what I've done ever	10:12:45	18	form of a loan to be forgiven over a period of	10:15:24
19	since, an expert witness in securities.	10:12:47	19	years. And some brokers become anxious and leave	10:15:33
20	Q. Okay, let's break that down. You say	10:12:49	20	before the note has extinguished and then the firms	10:15:36
21	consulting work in -- I'm not so sure I quote this	10:12:52	21	will try and collect that money from the brokers.	10:15:39
22	correctly, but expert testimony, is that what you...	10:12:56	22	Q. In addition to the personnel issues,	10:15:44
23	A. Well, I do a lot of consulting that	10:12:58	23	inter-firm raiding and note collection, are there	10:15:47
24	is pretrial consulting.	10:13:06	24	situations where you will also act as a consultant	10:15:51
25	Q. Okay.	10:13:09	25	in connection with the trading activities that might	10:15:54

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1	take place at a brokerage house?	10:15:57	1	either one of us will clean that up if that happens.	10:18:02
2	A. Yeah, and the other -- to be	10:16:00	2	In how many of those instances, 40 of	10:18:05
3	complete --	10:16:02	3	those, was testimony provided in a proceeding such	10:18:07
4	Q. Sure.	10:16:02	4	as this one?	10:18:12
5	A. -- the other area that I also do a	10:16:02	5	A. You'll have to be...	10:18:13
6	fair amount of work in is in disciplinary	10:16:05	6	Q. Okay. What I mean by that is, is	10:18:15
7	proceedings brought by SROs against brokers.	10:16:09	7	that you do all this other work and you've been	10:18:16
8	Q. Give me an example of an SRO that	10:16:16	8	deposed 40 times.	10:18:19
9	you're speaking of.	10:16:19	9	A. Right.	10:18:21
10	A. The New York Stock Exchange, now	10:16:20	10	Q. And in those 40 cases, how many of	10:18:21
11	FINRA.	10:16:22	11	those were situations where what you were doing was	10:18:24
12	Q. Right.	10:16:23	12	providing expert testimony on behalf of a party in	10:18:26
13	A. SEC was not an SRO, but was a	10:16:28	13	connection with a dispute over a securities	10:18:30
14	regulatory.	10:16:31	14	transaction?	10:18:32
15	Q. It might become an SRO the way it's	10:16:31	15	A. And the 40 was my best guess.	10:18:35
16	going. But in any event, take away all the funding,	10:16:34	16	Q. Yeah, yeah, sure.	10:18:37
17	they'll be out of business.	10:16:38	17	A. But I would say, again, it would be	10:18:40
18	Let me go back to what you were	10:16:39	18	more than half. And the reason I hesitate on that	10:18:42
19	doing, or what you're doing as a consultant.	10:16:42	19	is that most pure brokerage situations are subject	10:18:46
20	A. Excuse me.	10:16:49	20	to arbitration agreements signed by the client.	10:18:52
21	Q. Today you're here in behalf of the	10:16:50	21	Most arbitrations don't have depositions. But there	10:18:57
22	defendants and acting in a capacity that all of us	10:16:52	22	are fairly frequent times where the side -- not	10:19:05
23	in this room understand. How much of that type of	10:16:55	23	frequent times, but there are times when the panel,	10:19:09
24	work is what you have been doing over the last 21	10:16:58	24	for instance, may want or grant depositions even in	10:19:13
25	years?	10:17:00	25	their arbitration. So, there's some there.	10:19:19
37			39		
1	A. Gosh, I've never broken it down.	10:17:06	1	Triple A or JAMS appearances that	10:19:23
2	Never broken it down.	10:17:08	2	I've done, they lots of times will have depositions	10:19:28
3	Q. Okay. How many -- well, maybe we can	10:17:09	3	and the rest, of course, will be court proceedings	10:19:34
4	try to quantify it a little bit differently. How	10:17:11	4	where the parties have not signed an arbitration	10:19:37
5	many cases, whether they be arbitrations, mediations	10:17:15	5	agreement. And many of those will be, for instance,	10:19:41
6	or litigations, have you been involved in where	10:17:17	6	registered investment advisory relationships where	10:19:44
7	there has been a dispute, hard to say similar to	10:17:20	7	the client and the adviser haven't signed a	10:19:47
8	this one, but a dispute involving a securities	10:17:25	8	relationship.	10:19:51
9	transaction where you've been called in to provide	10:17:28	9	Q. FINRA used to be called the NASD. Do	10:19:56
10	expert testimony?	10:17:32	10	you remember that?	10:20:00
11	A. I would say that that would be more	10:17:33	11	A. Well, half of FINRA used to be called	10:20:01
12	than half of the work I do.	10:17:34	12	the NASD.	10:20:03
13	Q. Okay. And --	10:17:36	13	Q. Right. And there is such a thing as	10:20:04
14	A. It varies. It varies. But I would	10:17:38	14	an NASD arbitration. Are you familiar with that?	10:20:06
15	say if you looked at my career, it would be more	10:17:41	15	A. Yes, sir.	10:20:09
16	than half of the work that I do.	10:17:44	16	Q. Okay. Have you appeared as a witness	10:20:09
17	Q. Okay. And at the outset I asked you	10:17:45	17	in any NASD arbitrations?	10:20:10
18	how many times you've been deposed and you gave us a	10:17:47	18	A. Yes, sir.	10:20:13
19	ballpark of 40 I think or somewhere in --	10:17:49	19	Q. How many times?	10:20:14
20	A. Yeah.	10:17:53	20	A. I don't know.	10:20:15
21	Q. -- that range.	10:17:53	21	Q. Once?	10:20:16
22	A. I'm sorry, I interrupted you.	10:17:55	22	A. No. I don't want to play games here.	10:20:16
23	Q. No, that's all right. That's all	10:17:57	23	Q. No, I don't either. That's why I'm	10:20:18
24	right. Doesn't matter. It's only important if we	10:17:58	24	just trying to get a ballpark. I'm not going to	10:20:20
25	can't understand what's on the record and I'm sure	10:18:00	25	hold you to it.	10:20:22

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1	A.	It would be the bulk of -- prior to	10:20:23	1	Davis Polk.	10:23:00	
2		New York Stock Exchange and the NASD merging their	10:20:26	2	Q.	And who do you understand your client	10:23:01
3		arbitration forums, the NASD was the predominant	10:20:32	3		to be?	10:23:04
4		arbitration forum. So I believe that perhaps the	10:20:36	4	A.	Gosh, I haven't given it any thought.	10:23:08
5		bulk of my arbitrations and the bulk of my testimony	10:20:38	5		I would imagine it's the defendants.	10:23:10
6		took place in NASD forums.	10:20:43	6	Q.	I think so. And have you met any of	10:23:14
7	Q.	And would that be hundreds of	10:20:46	7		the defendants?	10:23:16
8		arbitrations?	10:20:48	8	A.	No.	10:23:17
9	A.	Yes.	10:20:49	9	Q.	And just for the record, have you	10:23:25
10	Q.	More than 500?	10:20:51	10		entered into a retainer agreement in connection with	10:23:27
11	A.	I don't know, but that would -- 500	10:20:57	11		this testimony you're giving here today?	10:23:30
12		would probably be a reasonable guess.	10:20:59	12	A.	I'm not sure.	10:23:32
13	Q.	Okay.	10:21:02	13	Q.	We're about to get into that area	10:23:42
14		This litigation that we're involved	10:21:08	14		which gets a little dicey. I'm only asking for who	10:23:44
15		in here is in the United States District Court.	10:21:11	15		here, all right. Who at Davis Polk did you talk to?	10:23:47
16		Have you appeared before as a witness in any	10:21:14	16	A.	At what time?	10:23:50
17		proceeding involving the United States District	10:21:16	17	Q.	In connection with your retention.	10:23:51
18		Court?	10:21:19	18	A.	Well, I spoke with Mr. Wise and Ms.	10:23:56
19	A.	Yes.	10:21:20	19		Wagner. And at various points then I've also spoken	10:24:00
20	Q.	And how many times have you done	10:21:20	20		with Ms. Howard.	10:24:07
21		that?	10:21:22	21	Q.	Outside of those three individuals,	10:24:10
22	A.	I don't know.	10:21:22	22		did you speak to anyone else in connection with your	10:24:13
23	Q.	More than once?	10:21:24	23		retention here?	10:24:15
24	A.	More than once.	10:21:26	24	A.	With just, strictly with my	10:24:19
25	Q.	Less than a hundred?	10:21:27	25		retention? Or in general?	10:24:23
		41			43		
1	A.	Less than a hundred.	10:21:29	1	Q.	Well, I'm using that term kind of	10:24:25
2	Q.	Less than 50?	10:21:30	2		broadly, so I apologize. I don't just mean your	10:24:27
3	A.	I would say, again cut to the chase,	10:21:32	3		actual retention, like, John, will you testify in	10:24:29
4		I would say probably, I can't remember any, but I	10:21:34	4		this case, but in terms of your -- your role in this	10:24:32
5		would guess it's probably around five. I appeared	10:21:38	5		case, all right. Between the time you first got	10:24:35
6		in the Martha Stewart trial, for instance, so. And	10:21:40	6		contacted and today, besides these three folks that	10:24:39
7		there are probably a handful of others.	10:21:44	7		are here today, who else have you talked to about	10:24:43
8	Q.	Did you make it into James Stewart's	10:21:49	8		your retention, the work you're doing here, et	10:24:45
9		book? Do you know the book?	10:21:53	9		cetera? Who else have you talked to?	10:24:47
10	A.	No, sir.	10:21:54	10	A.	The only other -- I still don't 100	10:24:49
11	Q.	Okay, fine. He wrote a book and in	10:21:55	11		percent understand your question, but the only other	10:24:52
12		it it's about the Martha Stewart trial. Part of it	10:22:01	12		person I've spoken to at Davis Polk is an attorney	10:24:54
13		is, anyway.	10:22:04	13		named Seth, and we really have not had any	10:24:58
14	A.	I probably didn't make it.	10:22:07	14		substantive conversations, and I've also forgotten	10:25:01
15	Q.	I'm going to have to check now.	10:22:10	15		his last name.	10:25:05
16	A.	I was a very minor witness. My	10:22:13	16	Q.	That's fine, I'm sure we can figure	10:25:06
17		mother was so disappointed my picture was never	10:22:15	17		that out. Let me ask you this, and I'm not trying	10:25:07
18		taken.	10:22:18	18		to -- I'm just asking poor questions, so let me try	10:25:10
19	Q.	Oh, well. All right.	10:22:19	19		to clean it up.	10:25:13
20		(Comments off the record.)	10:22:19	20		What I'm looking for is this, all	10:25:14
21	Q.	Let's talk a little bit about what	10:22:44	21		right, is that in preparing for your testimony and	10:25:17
22		you did to prepare for today, okay? Or actually,	10:22:46	22		preparing for your reports, outside of talking to	10:25:20
23		more importantly, for your reports. So let me ask	10:22:50	23		people at Davis Polk, who we've already identified,	10:25:23
24		you, first of all, by whom were you retained?	10:22:53	24		have you talked to anybody else in connection with	10:25:26
25	A.	I was retained by the attorneys from	10:22:58	25		preparing your report or your testimony here today?	10:25:28

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1	A.	No.	10:25:31	1	since 1990 in your retirement from Smith Barney?	10:40:27	
2	Q.	Okay.	10:25:31	2	A.	No.	10:40:34
3	A.	My wife knows it. She always likes	10:25:33	3	Q.	Let's turn back to --	10:40:36
4		to know where I am, so she knows I'm here.	10:25:36	4	MR. SHEEHAN:	What's that number	10:40:37
5	Q.	As far as I know she's not a	10:25:39	5		again, 254?	10:40:41
6		defendant, is she?	10:25:41	6	THE REPORTER:	Yes.	10:40:42
7	A.	I slipped that I was here today.	10:25:41	7	MR. SHEEHAN:	All right. Thanks.	10:40:46
8	Q.	All right, good. All right.	10:25:48	8	Q.	I direct your attention, if you	10:40:46
9		Now, let me do -- let's now mark the	10:25:50	9		could, to the first page, Roman Numeral III, "Facts	10:40:48
10		reports, okay? Thanks.	10:25:52	10		and Data Relied Upon." Do you see that?	10:40:53
11		This is Trustee Exhibit 254.	10:25:52	11	A.	Yes.	10:40:55
12		(Exhibit Trustee 254, Expert Report	10:26:25	12	Q.	Okay, fine. I want to go through	10:40:56
13		of John Maine, marked for identification.)	10:26:37	13		each of these and just have you explain in a little	10:41:03
14	Q.	Let's go through the identification	10:26:37	14		bit more detail, if you could, what exactly you	10:41:07
15		process. You've been shown Trustee Exhibit 254. Do	10:26:39	15		looked at here.	10:41:09
16		you identify -- can you identify that document for	10:26:42	16		Let's start with, you say you	10:41:11
17		us, please.	10:26:44	17		reviewed sample account documents and you identify	10:41:14
18	A.	It appears to be my report.	10:26:44	18		those as trade confirmations. Let's start with	10:41:17
19	Q.	Okay. And separate, in terms of	10:26:50	19		that. Do you recall what period of time, how many	10:41:20
20		physically they're separate, there's a couple other	10:26:52	20		you looked at? Could you just give me an insight	10:41:23
21		documents that we've also handed you. Could you	10:26:54	21		into that?	10:41:26
22		identify those for us, please.	10:26:57	22	A.	I looked at a -- a handful of them.	10:41:29
23	A.	Yes. Exhibit A is my CV. Exhibit B	10:26:59	23		I didn't look at a tremendous number. I think some	10:41:33
24		is a list of cases within approximately the last	10:27:09	24		of them were relatively old. And the reason I'm	10:41:37
25		four years.	10:27:13	25		being a little less than exact here is some things I	10:41:42
45			47				
1		MR. SHEEHAN: Okay. I'm going to	10:27:14	1		know I looked at in connection with your expert	10:41:45
2		take a break because I need a bio break.	10:27:16	2		reports. They would have exemplars of various	10:41:47
3		(Comments off the record.)	10:27:25	3		things and all. So some of them I may have seen	10:41:51
4		THE VIDEOGRAPHER: Going off the	10:27:28	4		there. But in terms of trade confirmations, I	10:41:54
5		record, the time is 10:27. This is the end of disk 1.	10:27:29	5		probably saw eight or ten. The same would probably	10:41:57
6		(Recess taken.)	10:28:12	6		be true of monthly statements.	10:42:01
7		THE VIDEOGRAPHER: We are back on the	10:39:31	7	MR. SHEEHAN:	You know, I'm probably	10:42:04
8		record. The time is 10:39. This is disk number 2.	10:39:41	8		missing this because I'm in and out here, to be	10:42:05
9		BY MR. SHEEHAN:	10:39:47	9		honest. Have we asked for these documents and are	10:42:08
10	Q.	Of course when we were off the record	10:39:48	10		you guys producing them and do we have them?	10:42:12
11		it got suggested I ask you a couple of questions I'd	10:39:51	11		Lauren? I'm asking the one person in the room that	10:42:21
12		forgotten. And one of them was when actually were	10:39:53	12		might know the answer to that question.	10:42:22
13		you actually retained for this case?	10:39:56	13	MS. HOWARD:	They have all already	10:42:22
14	A.	Well, again, since I don't remember	10:39:58	14		been produced, so we submitted a list with	10:42:25
15		signing a retention letter, because I generally	10:40:00	15		production numbers --	10:42:26
16		don't sign retention letters --	10:40:02	16	MR. SHEEHAN:	Okay, fine. All right.	10:42:29
17	Q.	Sure.	10:40:05	17		So we already have all those. Okay, all right,	10:42:30
18	A.	-- but the answer to your question is	10:40:06	18		fine.	10:42:33
19		I think the first conversation was a couple of	10:40:08	19	BY MR. SHEEHAN:		10:42:35
20		months ago, maybe November. Late October, November,	10:40:11	20	Q.	When you looked at the trade	10:42:35
21		something like that.	10:40:15	21		confirmations, based on your experience, did	10:42:37
22	Q.	Thank you. And the other question	10:40:15	22		anything on them appear unusual to you?	10:42:39
23		was other than your excursion into the trout	10:40:20	23	A.	Something appeared old-fashioned.	10:42:43
24		industry and the consulting we've been talking about	10:40:23	24	Q.	And what was that?	10:42:45
25		here this morning, have you done any other work	10:40:24	25	A.	Well, old-fashioned brokers, in other	10:42:47

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1	words, sometimes will put on the trade confirmation	10:42:52	1	A. Just again, a handful, and I forget	10:44:48
2	"we sold," which means we sold to the customer.	10:42:55	2	whose they were.	10:44:52
3	Now, now most people use "customer bought" if the	10:42:59	3	Q. Then you refer to the broker check	10:44:54
4	customer bought as opposed to "we sold."	10:43:04	4	report prepared by FINRA.	10:44:57
5	Q. All right. And did -- was that on	10:43:07	5	A. Yes, sir.	10:45:01
6	all of the -- on all trade confirmations you looked	10:43:09	6	Q. Okay. Did you obtain that yourself?	10:45:02
7	at?	10:43:15	7	A. Yes, sir.	10:45:04
8	A. I always hesitate to say all --	10:43:16	8	Q. And you say you -- is it fair to say	10:45:05
9	Q. Right.	10:43:16	9	you found it on the FINRA website?	10:45:08
10	A. -- but it's my memory that it was.	10:43:18	10	A. Yes, sir.	10:45:10
11	But I'm not sure.	10:43:21	11	Q. Okay. And why did you look at the	10:45:12
12	Q. And I don't want to keep repeating	10:43:23	12	broker check report?	10:45:16
13	this, so I'm going to just ask it here once, just to	10:43:26	13	A. I was curious.	10:45:17
14	make it clear for the record.	10:43:29	14	Q. About what?	10:45:17
15	Did you speak to anybody at -- any of	10:43:30	15	A. Well, I was just curious about the	10:45:19
16	the defendants about these trade confirmations?	10:43:35	16	compliance history of the Madoff firm.	10:45:22
17	A. No, sir.	10:43:37	17	Q. And what did it reveal to you?	10:45:24
18	Q. And just for the record so I won't	10:43:37	18	A. An exceedingly clean compliance	10:45:25
19	keep asking it, it's fair to say that you spoke to	10:43:40	19	history. Virtually, I was shocked that a firm could	10:45:28
20	no defendants about any of the documents that you	10:43:43	20	be in business that long through the period of time	10:45:31
21	reviewed in preparation for this report; is that	10:43:45	21	and -- and have as few entries on the broker check	10:45:36
22	correct?	10:43:47	22	report. Because as you know, broker check reports	10:45:40
23	A. That's correct.	10:43:47	23	report things, whether they have any validity or	10:45:46
24	Q. All right, good.	10:43:48	24	not, so, and then they stay on the broker check	10:45:51
25	You also said that you looked at the	10:43:52	25	report.	10:45:53
		49			51
1	monthly statements. Again, could you give me a	10:43:54	1	Q. Well, just for the record, what --	10:45:53
2	sense of how many those were and what you looked at?	10:43:56	2	what does a brokerage check report consist of? What	10:45:57
3	A. Again, probably eight or ten. I	10:43:59	3	does it reveal?	10:45:59
4	didn't -- I didn't count them up, and again, some of	10:44:02	4	A. A broker check report is a report	10:46:01
5	them I saw as exemplars to your experts' reports, or	10:44:04	5	which the SROs have made available to the public in	10:46:04
6	sections of them.	10:44:10	6	response to a perceived need for the public to be	10:46:09
7	Q. Do you remember what specific	10:44:11	7	able to get some sort of a feeling as to the	10:46:16
8	defendants were involved in either the confirmations	10:44:12	8	compliance history of both a firm and a broker.	10:46:19
9	or the statements?	10:44:14	9	So you can do a broker check report	10:46:22
10	A. I think Mr. Wilpon was one that I	10:44:17	10	on the Madoff firm, or you can do a broker check on	10:46:24
11	looked at.	10:44:19	11	Merrill Lynch and then pick a specific Merrill Lynch	10:46:27
12	Q. Any other recollection?	10:44:21	12	broker and do a broker check on that broker, or the	10:46:30
13	A. No, I didn't really focus on the	10:44:22	13	whole firm. And it shows -- and this would not be a	10:46:33
14	names, I'm sorry.	10:44:24	14	complete list -- but it shows the states in which	10:46:37
15	Q. That's okay. Then you also said the	10:44:25	15	the firm is licensed to do business, other	10:46:41
16	1099s.	10:44:30	16	background information on the firm, and then it	10:46:45
17	A. No, I didn't say the 1099s, I'm	10:44:31	17	shows if there are any client complaints about the	10:46:47
18	sorry.	10:44:33	18	firm or the broker.	10:46:51
19	Q. Well, I'm sorry. I'm quoting your	10:44:34	19	Q. Based upon your review of the record	10:46:54
20	report, not what you testified to.	10:44:36	20	that you've looked at here, do you understand BLMIS	10:46:59
21	A. Oh, right, okay, yeah.	10:44:38	21	to be acting as a broker-dealer in this case?	10:47:05
22	Q. Sorry about that. Now, continuing	10:44:40	22	A. Yes, I think they were a	10:47:11
23	after "Monthly statements," it says you also	10:44:42	23	broker-dealer, yes. I know they later in 2006	10:47:12
24	reviewed some 1099s. Same question: Would you look	10:44:44	24	registered as an RIA. But in this case, dealing	10:47:15
25	at how many --	10:44:47	25	with these clients, it acted as a broker-dealer.	10:47:18

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1	Q.	And why do you say that?	10:47:24	1	A. Yes.	10:50:06
2	A.	Well, they maintained regular stock	10:47:25	2	Q. Are there other criteria besides just	10:50:07
3		accounts, individual accounts. They received	10:47:27	3	assets under management that would cause you to be	10:50:10
4		individual statements. They were not pooled. They	10:47:33	4	required to register as an investment adviser?	10:50:13
5		could take money in or out of their accounts at	10:47:37	5	A. I'm not aware one way or another.	10:50:15
6		will. They received -- just a normal brokerage	10:47:41	6	Q. Okay. Do you know whether that was a	10:50:18
7		relationship.	10:47:47	7	factor, assets under management, in Madoff	10:50:21
8	Q.	And you testified that they, in 2006,	10:47:48	8	registering as an investment adviser in 2006?	10:50:24
9		registered as an investment adviser. Do you have	10:47:50	9	A. I don't know.	10:50:27
10		any understanding as to why that happened?	10:47:53	10	Q. Okay. Then lastly, just for the sake	10:50:52
11	A.	There was a -- not specifically.	10:48:00	11	of completeness, there's the last sentence in your	10:50:54
12	Q.	What is your understanding, if any?	10:48:01	12	facts and data relied upon where you referred to a	10:50:56
13	A.	Well, during the 2000s, there was a	10:48:03	13	number of items that are actually filed in this	10:50:59
14		pressure by the regulators for all firms, whether it	10:48:09	14	lawsuit. Do you see those?	10:51:01
15		was UBS or Smith Barney or Madoff Securities, to	10:48:14	15	A. Yes, sir.	10:51:03
16		register as broker-dealers and -- as registered	10:48:21	16	Q. Okay. And is it -- let me just ask	10:51:03
17		investment advisers. So I assumed that that's why	10:48:25	17	you. Did you in fact read each of these items?	10:51:06
18		they did it.	10:48:28	18	A. I did.	10:51:08
19	Q.	What is your understanding of what a	10:48:29	19	Q. You read the amended complaint?	10:51:09
20		registered investment adviser is?	10:48:30	20	A. Yes, sir.	10:51:11
21	A.	It's an entity that's registered with	10:48:33	21	Q. Okay. When you said the memoranda of	10:51:14
22		the SEC. Or it can be registered with the state,	10:48:36	22	law with respect to defendants' motion to dismiss,	10:51:16
23		and not the SEC.	10:48:41	23	did you read the memorandum submitted by the	10:51:19
24	Q.	Is it registered for a specific	10:48:42	24	Trustee?	10:51:24
25		purpose?	10:48:44	25	A. I believe so. I'm not sure. I know	10:51:27
53			55			
1	A.	Well, it's registered in that being	10:48:50	1	I read something that -- yes, I believe I did. I'm	10:51:29
2		registered, it therefore has to file form ADVs and	10:48:51	2	not sure, though.	10:51:32
3		they fall under the scrutiny of the SEC. In other	10:48:55	3	Q. Okay. Does the term "double-up" mean	10:51:33
4		words, a regular broker-dealer, while the SEC has	10:48:59	4	anything to you?	10:51:56
5		ultimate responsibility for anybody operating within	10:49:04	5	A. It didn't until this, this	10:51:56
6		the securities industry, day-in/day-out supervision	10:49:08	6	proceeding.	10:51:58
7		generally falls to NASD, FINRA, New York Stock	10:49:12	7	Q. Really? And what does it mean to you	10:51:58
8		Exchange, various people such as that.	10:49:17	8	in the context of this proceeding?	10:52:00
9		When you register with the SEC or a	10:49:19	9	A. It means somebody -- somebody who's	10:52:01
10		state registration, smaller RIAs, and the number has	10:49:21	10	not sophisticated in securities, and I guess it's	10:52:06
11		changed of assets under management which allows you	10:49:28	11	the defendants, calling what's a traditional margin	10:52:11
12		to only register with the state, then becomes	10:49:31	12	account or loan account a double-up account. That's	10:52:16
13		(indiscernible) by either the state regulators or	10:49:37	13	why I'd never -- it's really just a simple old	10:52:17
14		the SEC.	10:49:38	14	margin account.	10:52:19
15	Q.	You mentioned assets under	10:49:39	15	Q. And how did you come to understand	10:52:21
16		management. Is there certain criteria that when	10:49:42	16	that there were double-ups being used by the	10:52:22
17		they're met it triggers a requirement under the	10:49:44	17	defendants here?	10:52:26
18		regulations to register as an investment adviser?	10:49:47	18	A. From the depositions.	10:52:27
19	A.	When you say assets under management,	10:49:52	19	Q. And was there a specific deposition	10:52:33
20		I'm unclear what --	10:49:53	20	that you spoke of?	10:52:35
21	Q.	Well, I was referring to as perhaps,	10:49:55	21	A. No. I think they -- I know	10:52:38
22		and I'm suggesting to you, is -- is the amount of	10:49:57	22	Mr. Friedman spoke of them I believe in his	10:52:38
23		assets under management, is that a factor in whether	10:50:00	23	deposition, and I think several of the other	10:52:40
24		or not you have to register as an investment	10:50:03	24	defendants spoke of them in their depositions. I	10:52:43
25		adviser?	10:50:06	25	just forget exactly which ones, but it was a	10:52:45

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1	commonly used term in the depositions.	10:52:47	1	institutional investors?	10:55:26
2	Q. And do you understand how the	10:52:50	2	A. Yes.	10:55:27
3	double-ups functioned in the context of what the	10:52:52	3	Q. And what is that opinion?	10:55:27
4	defendants did?	10:52:54	4	A. No, they're not institutional	10:55:29
5	A. Yes.	10:52:55	5	investors.	10:55:30
6	Q. And how did they function?	10:52:55	6	Q. And what is that based upon?	10:55:31
7	A. The defendants used Madoff	10:52:57	7	A. 40 years of experience in the	10:55:34
8	investments as collateral for bank loans with Fleet,	10:53:02	8	industry, reading the depositions. They could not	10:55:35
9	later Fleet/B of A, and borrowed against those and	10:53:06	9	in any stretch of the imagination be considered	10:55:39
10	then invested the proceeds of the loan in additional	10:53:11	10	institutional investors.	10:55:43
11	investments with Madoff.	10:53:15	11	Q. I want to show you -- I don't know if	10:55:48
12	Q. And who is the obligor on the bank	10:53:16	12	this has been marked. Exhibit 255.	10:55:51
13	loan?	10:53:20	13	(Exhibit Trustee 255, FINRA Customer	10:56:10
14	A. I've never seen the paperwork.	10:53:21	14	Account Information, marked for identification.)	10:56:19
15	Q. Do you know who the obligor was on	10:53:23	15	Q. Mr. Maine, I'm showing you Exhibit	10:56:19
16	the bank loan?	10:53:25	16	255. First of all, have you ever seen this document	10:56:22
17	A. I hate to confess this, but you'll	10:53:29	17	before?	10:56:26
18	have to tell me, the obligor is the?	10:53:30	18	A. Yes.	10:56:27
19	Q. The person who owed the bank the	10:53:33	19	Q. The contents of this document.	10:56:27
20	money.	10:53:35	20	A. Yes.	10:56:31
21	A. I would assume, I don't know, but I	10:53:37	21	Q. Okay. What do you understand it to	10:56:31
22	would assume it would be the defendants.	10:53:40	22	be?	10:56:32
23	Collateralized by the -- again, I don't know, but I	10:53:45	23	A. It's a -- it's a FINRA document that	10:56:33
24	would assume it would be whoever borrowed the money	10:53:48	24	talks about information about clients and what's	10:56:36
25	collateralized by whatever collateral they put up.	10:53:51	25	needed to be retained.	10:56:38
		57			59
1	Q. Are you guessing?	10:53:54	1	Q. Okay. I direct your attention	10:56:40
2	A. I said I assume. That's a guess.	10:53:55	2	towards the bottom quarter of it where there's a	10:56:42
3	Q. Okay. If I were to tell you it was	10:53:58	3	paren, B, close paren, lower case B; do you see	10:56:46
4	Sterling Equities was the obligor, would you be able	10:54:01	4	that?	10:56:50
5	to contradict that?	10:54:05	5	A. Yes.	10:56:51
6	A. No.	10:54:07	6	Q. Then underneath that there's C, it	10:56:51
7	Q. Assume Sterling Equities, assume that	10:54:08	7	says, "For purposes of this rule." Do you see that?	10:56:53
8	there's evidence in this record that Sterling	10:54:12	8	A. Yes.	10:56:57
9	Equities is the obligor, would that have any impact	10:54:14	9	Q. And I'm going to read this into the	10:56:57
10	on the opinions you've expressed in this case?	10:54:18	10	record and going to ask you a few questions about	10:57:00
11	A. None.	10:54:22	11	it, okay?	10:57:03
12	Q. Let's -- I want to start in this	10:54:41	12	A. Certainly.	10:57:03
13	specific area, so let me tell you what it is and	10:54:45	13	Q. It reads, paren, C, close paren:	10:57:04
14	then we can get the ground rules right.	10:54:47	14	"For purposes of this rule, the term 'institutional	10:57:07
15	As I understand it, based on your	10:54:50	15	account' shall mean the account of," colon. I'm	10:57:09
16	review of the record here, it's your opinion that	10:54:53	16	dropping down to paren, 3, close paren: "Any other	10:57:13
17	the defendants were retail brokerage customers; is	10:54:55	17	person, whether a natural person, corporation,	10:57:17
18	that a fair statement?	10:55:00	18	partnership, trust or otherwise, with total assets	10:57:20
19	A. That's an accurate statement.	10:55:02	19	of at least \$50 million."	10:57:23
20	Q. Okay. And what is that based upon?	10:55:03	20	Do you see that?	10:57:26
21	A. Well, it's based upon my review of	10:55:04	21	A. Yes.	10:57:27
22	the depositions, my review of the monthly statements	10:55:07	22	Q. Is it your understanding that none of	10:57:27
23	and trade confirmations.	10:55:13	23	the defendants here have personal assets of \$50	10:57:30
24	Q. Do you have an opinion as to whether	10:55:19	24	million?	10:57:32
25	or not they are -- any of the defendants are	10:55:22	25	A. No. I believe they do.	10:57:33

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1	Q. All right. And does that -- does	10:57:34	1	takes the money in from the foundation and sends it	10:59:44
2	this definition in any way affect your opinion then	10:57:36	2	out to JPMorgan to be managed. That clerk is not an	10:59:46
3	that they are institutional investors?	10:57:39	3	institutional investor. The account at JPMorgan	10:59:51
4	A. Not from a functional standpoint.	10:57:43	4	could be an institutional account. I hope I made	10:59:55
5	Maybe from some sort of a heading standpoint, but	10:57:45	5	that clear.	10:59:59
6	not from a functional standpoint. In other words,	10:57:48	6	Q. But if the person who has the account	11:00:00
7	they're not institutional investors as that term	10:57:50	7	is the same as the person that has the \$50 million	11:00:05
8	would be understood in the trade.	10:57:53	8	in assets, would that make them an institutional	11:00:08
9	Q. Okay. Based on your expertise, why	10:57:54	9	investor?	11:00:11
10	then does FINRA suggest that somebody that has \$50	10:57:58	10	A. Well, the -- the foundation in this	11:00:12
11	million of assets is an institutional investor?	10:58:01	11	instance has the account. But they're not an	11:00:14
12	MR. WISE: Object to the form of the	10:58:04	12	institutional investor. The institutional investor	11:00:17
13	question.	10:58:06	13	refers to the person who actually is a professional	11:00:20
14	A. I have absolutely no idea, but	10:58:07	14	money manager who's handling the money. This refers	11:00:24
15	they're not institutional investors.	10:58:08	15	to a pool of assets. It's totally different.	11:00:27
16	Q. FINRA is suggesting that if you have	10:58:10	16	Q. If someone has -- so to the broker --	11:00:46
17	\$50 million in assets that you are an institutional	10:58:13	17	Mr. Wilpon has an account, it's an institutional	11:00:51
18	investor.	10:58:16	18	account because he's worth more than \$50 million.	11:00:54
19	MR. WISE: Object to the form of the	10:58:16	19	Can we agree on that?	11:00:57
20	question. That's not what it says.	10:58:19	20	A. Under this definition.	11:00:59
21	MR. SHEEHAN: Thank you.	10:58:21	21	Q. Okay. What are the obligations of	11:01:00
22	Q. Rule -- I'm going to read the rule	10:58:23	22	the broker-dealer in dealing with an institutional	11:01:03
23	again. The rule says: "For purposes of this rule,	10:58:25	23	account?"	11:01:05
24	the term 'institutional account,'" thank you, "shall	10:58:29	24	A. That's such a vague question, I can't	11:01:09
25	mean the account of any other person, whether a	10:58:33	25	answer it.	11:01:11
61			63		
1	natural person, with total assets of at least \$50	10:58:37	1	Q. Well, in other words, FINRA has a	11:01:11
2	million." Do you see that?	10:58:41	2	purpose presumably in establishing a rule in	11:01:14
3	A. Yes.	10:58:43	3	defining what an institutional account is. What are	11:01:16
4	Q. All right. Do you have any	10:58:43	4	the implications for an account being denominated as	11:01:20
5	understanding -- that's my question -- do you have	10:58:44	5	institutional?	11:01:23
6	any understanding of why FINRA suggests that \$50	10:58:47	6	A. I have no --	11:01:25
7	million in assets constitutes an institutional	10:58:50	7	MR. WISE: Object, object to the form	11:01:26
8	account of a person?	10:58:54	8	of the question.	11:01:27
9	A. No. It must have something to do	10:58:56	9	A. I'm sorry. I have no idea what FINRA	11:01:28
10	with the internal -- the bookkeeping or the way the	10:58:57	10	had in their mind, in this or many things that FINRA	11:01:30
11	firm accounts for it. But they're not an	10:59:00	11	does, I don't know what --	11:01:33
12	institutional investor. An institutional investor	10:59:03	12	Q. What does the term "institutional	11:01:33
13	is different than an institutional account.	10:59:06	13	account" mean to you based on your experience and	11:01:35
14	Q. Well, what's the difference?	10:59:09	14	expertise?	11:01:39
15	A. Well, an institutional investor is a	10:59:11	15	A. I would relate it back to an	11:01:40
16	paid person who is paid to manage money. Their	10:59:13	16	institutional investor managing an account. I don't	11:01:42
17	purpose in life, one of the ways in which they're	10:59:17	17	believe that the sheer size of an account, whether	11:01:47
18	judged is the management of money. They're	10:59:19	18	it's \$50 million, or it's a little old lady with	11:01:50
19	compensated for it. That's an institutional	10:59:21	19	\$100 million, she is not an institutional investor.	11:01:54
20	investor.	10:59:23	20	She may have for some purpose that FINRA has a	11:01:57
21	An institutional account, according	10:59:24	21	definition of an institutional account. Maybe --	11:02:03
22	to FINRA, is an account that's over \$50 million.	10:59:27	22	maybe there's some recordkeeping requirement; I'm	11:02:06
23	I'll give you an example. Let's say	10:59:30	23	not aware of it. But, again, the lady that inherits	11:02:09
24	you have a foundation and the person who's in charge	10:59:33	24	\$100 million does not become an institutional	11:02:13
25	of the money at that foundation is a clerk who just	10:59:38	25	investor.	11:02:16

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1	Q. Okay. One moment, please.	11:02:17	1	rule." Do you see that?	11:06:15
2	MR. SHEEHAN: I'm sorry, I'm going to	11:02:54	2	A. Yes, sir.	11:06:16
3	go off the record just for a second because I'm	11:02:57	3	Q. And now I'm referring to, "The term	11:06:17
4	looking for something.	11:02:59	4	'institutional account' shall mean account of," and	11:06:18
5	THE VIDEOGRAPHER: Going off the	11:03:00	5	then it says, "2, an investment adviser registered	11:06:20
6	record, the time is 11:02.	11:03:01	6	either with the SEC under 203 of the Investment	11:06:25
7	(Pause in proceedings.)	11:03:59	7	Advisers Act or with a state securities commission,"	11:06:28
8	THE VIDEOGRAPHER: We are back on the	11:03:59	8	paren, "or any agency or office performing like	11:06:32
9	record. The time is 11:04.	11:04:10	9	functions," paren, and then it's "or any other	11:06:34
10	A. I actually had a chance, while you	11:04:18	10	person," and then it goes into the \$50 million. Do	11:06:37
11	were looking for something, to completely read this	11:04:19	11	you see that?	11:06:42
12	document, which I should have done before. But if	11:04:21	12	A. Yes.	11:06:42
13	you look at subheading number 2, it says:	11:04:23	13	Q. All right. Is it your understanding,	11:06:43
14	"For each account other than an	11:04:27	14	based upon reading that, that institutional account	11:06:46
15	institutional account, and accounts in which the	11:04:29	15	and investment adviser are the same?	11:06:48
16	investments are limited to transactions in	11:04:32	16	A. No. I believe what it's saying is	11:06:52
17	open-ended investment company shares that are not	11:04:35	17	that for the purposes of the exclusion above, that	11:06:55
18	recommended by the member or its associated person,	11:04:37	18	an investment adviser falls under that exclusion.	11:07:00
19	each member shall also make reasonable efforts to	11:04:39	19	Q. Isn't -- isn't it saying -- a fair	11:07:07
20	obtain, prior to settlement of the initial	11:04:43	20	reading is that the term "institutional account" is	11:07:10
21	transaction in the account, the following	11:04:46	21	an account of an investment adviser?	11:07:14
22	information to the extent it is applicable to the	11:04:50	22	A. No. I think what it's saying, I	11:07:18
23	account." And then it lists the customer's tax ID	11:04:52	23	think what it's saying is that you can open, from a	11:07:20
24	number --	11:04:55	24	functional standpoint you can open an account for an	11:07:23
25	Q. Right.	11:04:56	25	investment adviser without getting all the requisite	11:07:26
65			67		
1	A. -- the occupation and whether the	11:04:56	1	information that's up under subheading 2 above.	11:07:30
2	customer is an associated person.	11:04:58	2	Q. Okay. Now, in connection with your	11:07:34
3	So, again, I don't know what FINRA is	11:05:01	3	review of the documents that you did review in	11:07:48
4	doing for sure because I can't read their mind, but	11:05:05	4	connection with this case, did you do any	11:07:49
5	it appears to me here that this definition of	11:05:08	5	qualitative analysis? And do you understand what I	11:07:51
6	institution provides a safe harbor for the broker	11:05:13	6	mean by qualitative analysis?	11:07:57
7	opening an account of a certain size not to have to	11:05:15	7	A. I understand the term. I'm not sure	11:07:59
8	get tax ID numbers, not to have to get occupation,	11:05:19	8	what you mean in connection with this case.	11:08:01
9	and whether the person is an associated member. And	11:05:24	9	Q. Well, in connection with this case	11:08:02
10	this would seem to be an extrapolation of a merged	11:05:27	10	and looking at these accounts, did you do a	11:08:05
11	rule, New York Stock Exchange 405, which mandated	11:05:31	11	qualitative analysis of the investment?	11:08:07
12	that a customer -- a brokerage firm know certain	11:05:36	12	A. No.	11:08:09
13	preliminary information about every customer and	11:05:40	13	Q. Okay. And did you do -- same	11:08:11
14	every order entered, and I think this provides an	11:05:43	14	question. Did you do any analysis -- a quantitative	11:08:14
15	exclusion to that for very large pools of money.	11:05:46	15	analysis of any of the accounts in connection with	11:08:17
16	Q. Sticking with the document, looking	11:05:53	16	the investment?	11:08:19
17	at, as you just did, looking at other portions of	11:05:58	17	A. No.	11:08:21
18	it. Let's go back to subparagraph C.	11:06:00	18	Q. Do you know what the purpose is to be	11:08:26
19	MR. WISE: There are a number of	11:06:03	19	served by doing either a qualitative or quantitative	11:08:33
20	subparagraph C's.	11:06:06	20	analysis of an investment?	11:08:36
21	MR. SHEEHAN: You're right. Thank	11:06:08	21	A. That's, I'm sorry, that's so broad I	11:08:40
22	you, Mr. Wise.	11:06:09	22	can't...	11:08:42
23	Q. I'm going back to the one we were	11:06:09	23	Q. Well, if you were going to try to	11:08:44
24	talking about earlier down at the last quarter of	11:06:11	24	assess the risk associated with a particularly -- an	11:08:46
25	the page where it starts, "For the purposes of the	11:06:13	25	equity investment with a particular institutional	11:08:50

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1	adviser, how would you go about doing that?	11:08:53		1	A. He cleared his own trades.	11:11:25	
2	A. You would do an analysis of the	11:08:59		2	Q. All right. And my question remains:	11:11:27	
3	account.	11:09:00		3	Is there a risk associated in dealing with a broker	11:11:28	
4	Q. Okay. And did you -- would it be	11:09:01		4	who clears his own trades?	11:11:31	
5	fair to say, then, that you have not determined in	11:09:04		5	A. I'm not aware of any, unless the	11:11:35	
6	this case the risk associated in investing with	11:09:07		6	broker becomes insolvent.	11:11:37	
7	Mr. Madoff?	11:09:10		7	Q. Now, in your --	11:12:10	
8	A. You mean before the end? Because we	11:09:13		8	MR. SHEEHAN: Let's -- did we mark	11:12:13	
9	know that there was --	11:09:15		9	the second report? Let's do that.	11:12:15	
10	Q. Well, we know the outcome. I'm	11:09:16		10	MS. ZUBERI: 256.	11:12:53	
11	talking about whether or not you, having not done a	11:09:17		11	(Exhibit Trustee 256, Rebuttal Report	11:12:53	
12	quantitative or qualitative analysis, that you're	11:09:22		12	of John Maine, marked for identification.)	11:12:54	
13	not in a position to assess the risk associated	11:09:25		13	Q. Mr. Maine, I've asked the reporter to	11:12:54	
14	prior to the demise of investing with Mr. Madoff.	11:09:27		14	mark the next exhibit as 256 and it's been handed to	11:12:57	
15	A. If I understand your -- your	11:09:33		15	you. Can you identify it for us for the record?	11:13:01	
16	question, I -- I did not do any analysis of the	11:09:34		16	A. Yes. This is my rebuttal report.	11:13:03	
17	account, so I could not render an opinion in that	11:09:37		17	Q. Okay. And I want to walk through	11:13:06	
18	regard.	11:09:41		18	some of this, if we could.	11:13:07	
19	Q. Okay. Just in that regard, turn, if	11:09:41		19	Starting on the first page, and one	11:13:11	
20	you would, to page 10 of your report.	11:09:57		20	of the criticisms -- I'm going to characterize it	11:13:14	
21	A. I'm there.	11:10:11		21	and then you can correct me if I mischaracterize it.	11:13:17	
22	Q. For some reason I'm not there. Sorry	11:10:13		22	One of your criticisms of Dr. Pomerantz's report is	11:13:20	
23	about that.	11:10:19		23	that he is referring to the defendants in sort of an	11:13:24	
24	A. It's between 9 and 11.	11:10:23		24	institutional way as Sterling. Do you recall that?	11:13:27	
25	Q. Your expertise is just overwhelming	11:10:24		25	A. Yes, sir.	11:13:29	
			69				71
1	me.	11:10:27		1	Q. Okay. And rather than have me	11:13:31	
2	In any event... let me just ask the	11:10:30		2	articulate it, could you explain to me what your	11:13:32	
3	question because I can't find it in your report.	11:10:38		3	criticism is of Dr. Pomerantz there?	11:13:35	
4	You speak in your report of the fact	11:10:40		4	A. Yes. Because these were individual	11:13:39	
5	that Mr. Madoff cleared his own trades. Do you	11:10:42		5	accounts. There was no -- I mean, Sterling may well	11:13:42	
6	remember that?	11:10:45		6	have had an account. But the accounts in question,	11:13:47	
7	A. Yeah.	11:10:46		7	I believe, are the accounts -- and maybe Sterling is	11:13:49	
8	Q. Is there any risk in your experience	11:10:46		8	one of the accounts in question, but we're talking	11:13:52	
9	with dealing with a broker who clears his own	11:10:49		9	about Mr. Katz, Mr. Wilpon, Mr. David Katz, all	11:13:54	
10	trades?	11:10:53		10	those other people, they were individual brokerage	11:13:56	
11	A. When you say cleared their own	11:10:55		11	accounts similar to the millions and millions of	11:13:59	
12	trades, exactly what do you mean by that?	11:10:57		12	other individual brokerage accounts that are opened.	11:14:02	
13	Q. Let me ask you that. What do you	11:10:59		13	And it appeared to me that Dr. Pomerantz seemed	11:14:04	
14	mean by clearing your own trades?	11:11:00		14	unclear about that.	11:14:10	
15	A. Well, it can mean either processing	11:11:02		15	Q. In what sense?	11:14:12	
16	the trades or paying for the trades or -- can mean	11:11:03		16	A. Well, that he kept referring to them	11:14:14	
17	various things.	11:11:08		17	as sort of an institutional entity, a combined	11:14:16	
18	Q. Doesn't clearing the trade have a	11:11:08		18	entity as opposed to the individually maintained	11:14:19	
19	very traditional meaning in your industry?	11:11:10		19	classic brokerage accounts, which these were.	11:14:22	
20	A. Yes, that's what I just said. But it	11:11:14		20	Q. And how did you come to that	11:14:25	
21	can mean several things; the processing of the	11:11:16		21	conclusion, that that's what they were?	11:14:27	
22	trade, the clearing of the trade, the communications	11:11:18		22	A. Well, from reading the deposition	11:14:29	
23	with the DTC.	11:11:20		23	testimony and looking at the confirmations and trade	11:14:31	
24	Q. Taking all that into account, what	11:11:21		24	tickets.	11:14:34	
25	did Mr. Madoff do?	11:11:24		25	Q. Just so we can get some clarity here,	11:14:36	

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1	can you tell me what you understand Sterling	11:14:44	1	I could see which would show that these investors,	11:17:32
2	Equities to be?	11:14:46	2	who I just ran through, in any way would qualify to	11:17:37
3	A. Sterling Equities I'm not 100 percent	11:14:48	3	be investment professionals. And I thought that was	11:17:42
4	sure what it was, but I believe it was an entity	11:14:52	4	a real lack in the reports, that they made these	11:17:44
5	that the partners used in certain transaction --	11:14:54	5	allegations, but really backed it up with no	11:17:48
6	transactional functions.	11:14:59	6	training, with no prior expertise.	11:17:51
7	Q. And what transactional functions	11:15:02	7	Q. Was it your understanding based on	11:17:53
8	would those be, if you know?	11:15:05	8	reading the depositions you've spoken of that each	11:17:55
9	A. I'm not 100 percent clear how they	11:15:06	9	of the defendants dealt directly with Mr. Madoff?	11:17:57
10	use it. But what I focused on Sterling Equities was	11:15:08	10	A. No. I don't believe that -- I don't	11:18:03
11	not as much from a functional standpoint as a	11:15:12	11	believe some of them interfaced directly with	11:18:06
12	staffing standpoint, an expertise standpoint,	11:15:16	12	Mr. Madoff.	11:18:08
13	whether they -- whether housed in Sterling was any	11:15:20	13	Q. Do you know how many, if any, of the	11:18:08
14	invest -- equity investment expertise,	11:15:26	14	defendants interfaced with Mr. Madoff in connection	11:18:11
15	decision-making, research capability. Those types	11:15:29	15	with all of these accounts?	11:18:13
16	of things. Because I was trying to ferret out	11:15:34	16	A. When you say interfaced, do you mean	11:18:16
17	whether there in fact was a professional investor	11:15:36	17	met him -- met him, or talked to him about the	11:18:19
18	involved with Sterling.	11:15:39	18	accounts? In other words --	11:18:22
19	Q. And did you reach a conclusion as to	11:15:41	19	Q. All of the above.	11:18:23
20	whether or not there was such an investor?	11:15:43	20	A. Well, I think more met him in terms	11:18:25
21	A. Yes.	11:15:44	21	of just social interaction. But I think the only	11:18:27
22	Q. And what is that conclusion?	11:15:45	22	ones that I really could say spoke to him about the	11:18:34
23	A. That there was not.	11:15:46	23	accounts were Mr. Friedman and perhaps Mr. Saul	11:18:38
24	Q. And what is the basis for that	11:15:47	24	Katz. I don't think many of them had substantive	11:18:46
25	opinion?	11:15:49	25	conversations about the accounts.	11:18:49
73			75		
1	A. The basis for that opinion would be	11:15:50	1	Q. Do you know, based on your reading of	11:18:51
2	the deposition testimony, the way, it's my	11:15:53	2	this record that you've spoken of, whether any of	11:18:56
3	understanding, that the assets were handled, that	11:15:59	3	the defendants, other than the ones you've	11:18:58
4	there was no one in-house except from a ministerial	11:16:03	4	identified, were permitted to talk to Mr. Madoff?	11:19:00
5	standpoint at Sterling who was running, to use that	11:16:07	5	A. I don't know one way or another.	11:19:06
6	term, or managing the assets.	11:16:10	6	Q. So as far as you know, they could	11:19:08
7	Q. What specifically are you referring	11:16:21	7	have been told they can't talk to Mr. Madoff?	11:19:10
8	to as deposition testimony? Can you enlighten us?	11:16:23	8	A. I knew that certain outside	11:19:16
9	A. Yeah. I read the depositions of	11:16:27	9	investors, if you were one of the outside accounts,	11:19:18
10	Mr. Wilpon, Mr. Fred Katz, Mr. David Katz,	11:16:29	10	so to speak, that I think they were encouraged not	11:19:21
11	Mr. Peskin, Mr. Stamos, Mr. Friedman, Ms. Rongierio	11:16:34	11	to speak to Mr. Madoff. Whether Mr. David Katz or	11:19:27
12	(phonetic). I think I said Mr. Chachra, I think I	11:16:41	12	Mr. Michael Katz or somebody could pick up the phone	11:19:31
13	said Mr. Stamos before. Let me think, are there	11:16:44	13	and call Mr. Madoff, I don't know. I didn't see any	11:19:36
14	any -- those would be ones that would bear on --	11:16:53	14	of them saying I was precluded from calling, that I	11:19:39
15	there may be another one or two, but those would be	11:16:59	15	remember.	11:19:42
16	the ones that would bear on the question on the	11:17:02	16	Q. What do you mean by outside accounts?	11:19:42
17	table.	11:17:05	17	A. Well, there seem to have been other	11:19:45
18	Q. And what specifically in their	11:17:06	18	investors who wished to get into investments with	11:19:48
19	testimony led you to your conclusion that there was	11:17:07	19	Mr. Madoff, and friends, family of the Wilpon/Katz	11:19:53
20	no professional investor involved?	11:17:09	20	group, who were facilitated in doing that by being	11:20:02
21	A. I saw no indication there or, for	11:17:13	21	directed to Mr. Friedman. And in instances where	11:20:12
22	that matter, the other thing which would be	11:17:16	22	they did not have what I believe was a two million	11:20:15
23	important, would be in your expert reports. They	11:17:18	23	dollar minimum, they could be linked up with another	11:20:21
24	referred in broad generalities to investment	11:17:22	24	investor or group to make that minimum.	11:20:25
25	expertise, but they never isolated one instance that	11:17:27	25	Q. And is it your understanding that	11:20:31

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1	those outside accounts, as you've just described	11:20:33	1	Turning to the first page, do you see	11:23:48
2	them, would deal with Mr. Madoff through	11:20:36	2	the email that's there?	11:23:51
3	Mr. Friedman?	11:20:38	3	A. Yes, sir, I do.	11:23:54
4	A. That's my understanding, yes.	11:20:40	4	Q. And have you had a chance to read it?	11:23:55
5	Q. Okay. And that in certain instances	11:20:42	5	A. Now I have.	11:24:06
6	some of those outside accounts would be aggregated	11:20:46	6	MR. SHEEHAN: Now I need a moment.	11:24:18
7	to add up to two million dollar minimums that	11:20:48	7	Let's go off the record.	11:24:20
8	Mr. Madoff required?	11:20:52	8	THE VIDEOGRAPHER: Going off the	11:24:21
9	A. That's my understanding.	11:20:53	9	record, the time is 11:24.	11:24:22
10	(Comments off the record.)	11:21:45	10	(Pause in proceedings.)	11:24:45
11	Q. For the record, what I've just handed	11:22:01	11	THE VIDEOGRAPHER: We are back on the	11:24:45
12	to the witness through the reporter is an exhibit	11:22:04	12	record, the time is 11:24.	11:24:46
13	that's been previously marked as Trustee Exhibit	11:22:06	13	BY MR. SHEEHAN:	11:24:49
14	110. It was previously marked on December 15th of	11:22:10	14	Q. Actually, I misspoke. We're only	11:24:49
15	last year. And it is a document that was produced	11:22:13	15	going to look at one page of this. So let's look at	11:24:51
16	by Sterling Stamos as revealed by the Bates stamp	11:22:17	16	page 6761, which is about four or five pages from	11:24:54
17	that's on here. And it's presented to you, just so	11:22:21	17	the back. It's entitled "The Sterling Stamos	11:25:01
18	you understand, Mr. Maine, as the document -- the	11:22:26	18	Difference."	11:25:08
19	way we received the document as it was produced to	11:22:29	19	MS. ZUBERI: It's 6781.	11:25:10
20	us. All right?	11:22:32	20	MR. SHEEHAN: 6781.	11:25:13
21	A. Yes, sir.	11:22:33	21	MR. WISE: 6761 is something else.	11:25:13
22	Q. All right. Having done that prelude,	11:22:33	22	MR. SHEEHAN: Sorry, sorry about	11:25:15
23	my question to you is have you seen this document	11:22:36	23	that.	11:25:16
24	before today?	11:22:38	24	MR. WISE: You now have us at 6781.	11:25:16
25	A. No, sir.	11:22:39	25	MR. SHEEHAN: Yup.	11:25:19
		77			79
1	Q. Okay. I want you to take a few	11:22:40	1	MR. WISE: All right.	11:25:22
2	minutes, just to take a look through it in fairness,	11:22:42	2	MR. SHEEHAN: Thank you.	11:25:22
3	because I'm going to ask you a number of questions	11:22:44	3	BY MR. SHEEHAN:	11:25:40
4	about it, and I realize it's fairly extensive, so	11:22:46	4	Q. Now directing your attention, if I	11:25:40
5	take whatever time you need.	11:22:50	5	could, to the second paragraph; do you see that?	11:25:45
6	MR. WISE: Well, I'll just note for	11:22:59	6	A. Yes, sir.	11:25:49
7	the record that the document is, I don't know, it's,	11:23:01	7	Q. I'm going to read that into the	11:25:50
8	based on the Bates numbers, it appears to be almost	11:23:07	8	record and then ask you a few questions. It's	11:25:51
9	30 pages.	11:23:09	9	entitled "Internal Due Diligence Network," and it	11:25:54
10	MR. SHEEHAN: Yeah, it is long.	11:23:10	10	reads:	11:25:58
11	MR. WISE: Want him to sit here and	11:23:14	11	"Sterling Stamos leverages the	11:25:59
12	study this 30-page document.	11:23:16	12	business expertise of its 50 percent partner,	11:26:00
13	MR. SHEEHAN: That's a very fair	11:23:18	13	Sterling Equities. Founded over 30 years ago by the	11:26:03
14	document, Mr. Wise, and I appreciate that. Thank	11:23:19	14	Wilpon and Katz families, Sterling Equities has	11:26:07
15	you.	11:23:21	15	developed deep expertise in hedge funds, private	11:26:11
16	Q. Why don't I try to shorten it up	11:23:21	16	equity, and real estate. In addition to providing a	11:26:14
17	then, okay. But in fairness, then, if I do ask you	11:23:24	17	perspective that only experience can generate, the	11:26:20
18	something, I think Mr. Wise's admonition is indeed	11:23:28	18	Wilpon and Katz networks also provide unique	11:26:22
19	wise, and we will not go through the entire	11:23:32	19	proprietary sourcing and due diligence	11:26:25
20	document. I will direct you to certain portions of	11:23:32	20	capabilities."	11:26:28
21	it. But in fairness to you, if you need more time,	11:23:33	21	Now, had you seen this prior to	11:26:32
22	because I'm moving around the document, feel free to	11:23:36	22	today?	11:26:34
23	tell me. Okay?	11:23:38	23	A. No.	11:26:34
24	A. I appreciate that.	11:23:38	24	Q. Does this in any way alter your	11:26:34
25	Q. That's good.	11:23:40	25	opinion as to the sophistication of Mr. Katz and	11:26:36

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1	Mr. Wilpon?	11:26:39	1	And what I'd like to do is to walk	11:31:10
2	A. No.	11:26:39	2	you through some of the pages here, if I may.	11:31:12
3	Q. And why not?	11:26:40	3	A. My copy has red tabs. Should I just	11:31:17
4	A. Well, because I put this in the	11:26:41	4	go to --	11:31:20
5	context of a couple of things. First of all, the 30	11:26:42	5	Q. Does it have red tabs? That's great.	11:31:20
6	years of deep expertise in hedge funds, I think I've	11:26:47	6	MR. WISE: I think we all got them.	11:31:22
7	seen that referred to as their investment with	11:26:52	7	MR. SHEEHAN: Good. Solves the	11:31:24
8	Madoff, which they incorrectly or which Mr. Stamos	11:26:58	8	problem.	11:31:27
9	put in here as investment in a hedge fund. I've	11:27:02	9	(Comments off the record.)	11:31:31
10	seen no other evidence that they invested in any	11:27:07	10	Q. So the first tab should be 5450?	11:31:31
11	other hedge funds. There may be some, but I haven't	11:27:09	11	A. It is.	11:31:36
12	seen any that they invested in any hedge funds. And	11:27:12	12	Q. Okay, thank you.	11:31:36
13	in reading Mr. Stamos' deposition, he -- he said	11:27:16	13	And directing your attention, take a	11:31:37
14	that this was a puff piece and meant as a marketing	11:27:21	14	look at, if you look, it's the firm background	11:31:39
15	piece, and this, and in other areas, which I may be	11:27:26	15	paragraph and I'm looking at paragraph number 3.	11:31:45
16	questioned about later --	11:27:33	16	A. Yes.	11:31:48
17	Q. Sure.	11:27:34	17	Q. And I'm directing your attention to	11:31:51
18	A. -- they, shall we say, took literary	11:27:35	18	Saul Katz and David Katz in that paragraph and their	11:31:53
19	license with the backgrounds and that this was -- he	11:27:40	19	identification as general partners in Sterling	11:31:58
20	did not believe that the Wilpon/Katzes were	11:27:44	20	Stamos and as portfolio and business advisers. Do	11:32:02
21	sophisticated equity investors with a deep history	11:27:48	21	you see that?	11:32:10
22	in classic hedge funds, equity private equity.	11:27:51	22	A. Yes.	11:32:11
23	Although they had done some private equity in a	11:27:56	23	Q. Do you consider this also to just be	11:32:11
24	couple of, I forget, it was network something or	11:27:59	24	puffery?	11:32:14
25	other, they'd done a little bit of that, and this	11:28:02	25	A. Well, this is not an advertising	11:32:15
81			83		
1	was just basically a puff piece.	11:28:09	1	piece. This is a due diligence background, so it's	11:32:17
2	Q. Okay. Let's go to the next exhibit	11:28:13	2	-- it's a different document.	11:32:19
3	then.	11:28:15	3	Q. So, when they say here that they're	11:32:20
4	(Exhibit Trustee 257, Email, Bates	11:29:25	4	portfolio and business advisers, what does that mean	11:32:24
5	SSMT01855447-584, marked for identification.)	11:29:39	5	to you?	11:32:27
6	(Comments off the record.)	11:29:39	6	A. I really don't know what they meant	11:32:32
7	Q. Mr. Maine, sorry about that, the	11:30:14	7	by this business. I can tell you what came out of	11:32:33
8	reporter has handed you an Exhibit 2 -- that's been	11:30:16	8	Mr. Stamos' deposition as to how he instructed, but	11:32:36
9	marked as 257. It's a very extensive document. I	11:30:19	9	just looking at the words I can't give you an	11:32:39
10	am going to direct your attention to about three or	11:30:24	10	interpretation.	11:32:41
11	four pages on it. Have you seen it prior to today?	11:30:27	11	Q. Yeah, I understand that. Just	11:32:42
12	A. No, sir.	11:30:30	12	putting aside Mr. Stamos, because we're familiar	11:32:43
13	Q. Okay. Clearly for purposes of	11:30:30	13	with him, and your understanding of that is not what	11:32:46
14	identification, because I'm certainly not a witness,	11:30:32	14	I'm looking for.	11:32:48
15	but the cover page here, at least, purports to be an	11:30:34	15	A. Okay.	11:32:49
16	email from a person apparently at Merrill Lynch, all	11:30:40	16	Q. You're reading what, as you say, this	11:32:50
17	right, private equity group. It's to an individual	11:30:45	17	document identifies these people as key principals	11:32:57
18	that, as I understand it, is associated with the	11:30:48	18	in connection with Sterling Stamos. Do you see	11:32:59
19	government of Qatar. And it's enclosing a series of	11:30:51	19	that?	11:33:01
20	documents in connection with a presentation being	11:30:56	20	A. Yes.	11:33:02
21	made to the government of Qatar, with regard to a	11:30:59	21	Q. And based on your years of	11:33:02
22	potential investment. That's not, obviously,	11:31:03	22	experience -- and you've seen documents like this	11:33:05
23	testimony, but that's what we understand that to be.	11:31:05	23	before, have you not?	11:33:06
24	A. Fine.	11:31:09	24	A. Yes, sir.	11:33:08
25	Q. All right, fine.	11:31:09	25	Q. All right. Did you put together	11:33:09

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1	documents like this?	11:33:10	1	your fund of funds?	11:35:16
2	A. No, sir.	11:33:11	2	A. Well, professional training. In	11:35:17
3	Q. All right. But when you examined	11:33:12	3	other words, if you look at the background of	11:35:18
4	them in the past, would you look at who the key	11:33:14	4	Mr. Chachra, for instance, he was a hands-on fund	11:35:21
5	principals are as a basis for making your	11:33:17	5	manager. These people, if you read the depositions,	11:35:24
6	investment?	11:33:19	6	they really did not participate -- and this would	11:35:27
7	A. Yes.	11:33:20	7	come from Mr. Stamos' deposition, Mr. Chachra's	11:35:30
8	Q. And would you expect, based on your	11:33:20	8	deposition and the Katzes' deposition, they didn't	11:35:33
9	experience, that the people listed were people who	11:33:23	9	participate in the due diligence. They were	11:35:36
10	were sophisticated with regard to the nature of	11:33:26	10	presented with the end product and decided in some	11:35:39
11	Sterling Stamos' business?	11:33:29	11	cases whether that sounded like an agreeable money	11:35:42
12	A. The nature of their business?	11:33:32	12	manager.	11:35:45
13	Q. Yeah. What they did.	11:33:33	13	Q. All right, fine. Let's go to the	11:35:46
14	A. As opposed to -- well, an investment	11:33:34	14	next page, if we could.	11:35:49
15	manager does a lot of things. They run a business,	11:33:37	15	A. Okay. It isn't the next page --	11:35:53
16	they prospect for new clients, they have personnel,	11:33:39	16	MR. WISE: The next page or the next	11:35:53
17	they have offices, they have staffing. And then	11:33:43	17	one that's tabbed?	11:35:54
18	they have other people who you see identified as	11:33:46	18	MR. SHEEHAN: The next one that's	11:35:55
19	portfolio managers who run the portfolios.	11:33:48	19	tabbed. Well, mine was the next page.	11:35:57
20	Q. That's right. So you would therefore	11:33:50	20	MR. WISE: Mine too. Okay. I didn't	11:36:04
21	understand those people to be -- have the capability	11:33:53	21	see it.	11:36:18
22	to run a portfolio?	11:33:55	22	Q. Okay. I'm directing your attention	11:36:18
23	A. Yes. Mr. Chachra and Ms. Horing.	11:33:56	23	again, this is still under -- this is under Roman	11:36:22
24	Q. And also Mr. Katz?	11:33:59	24	Numeral II, investment strategy, it's, again,	11:36:27
25	A. No, Mr. Katz is a portfolio and	11:34:01	25	paragraph 3 and directing your attention to	11:36:28
		85			87
1	business adviser.	11:34:03	1	"Internal Due Diligence Network," which I don't know	11:36:30
2	Q. And what would you understand that to	11:34:05	2	if it's word for word the same, Mr. Maine, but it's	11:36:32
3	be?	11:34:07	3	very similar to what I showed you earlier in terms	11:36:36
4	A. That's some sort of an overall	11:34:08	4	of the due diligence capabilities of Sterling	11:36:38
5	supervisory role. But the business adviser would	11:34:10	5	Equities. Do you see that?	11:36:41
6	mean that -- the Katzes would be more involved with	11:34:12	6	A. Yes.	11:36:43
7	the business end of the business. In other words,	11:34:15	7	Q. All right. I could read this, starts	11:36:44
8	making decisions as to how much space to occupy, how	11:34:17	8	out, "Sterling Stamos leverages the business	11:36:46
9	many people to hire, how much advertising to do,	11:34:24	9	experience --" "-- expertise of its 50 percent	11:36:49
10	things such as that.	11:34:28	10	partner, Sterling Equities." That's what I'm	11:36:51
11	Q. What about the first half, portfolio	11:34:29	11	referring to.	11:36:54
12	adviser, what would that entail?	11:34:32	12	A. Yes.	11:36:55
13	A. Well, I really don't -- the words	11:34:34	13	Q. All right. Is it your testimony that	11:36:55
14	speak for themselves. It would assume -- I would	11:34:38	14	as it appears here it's still puffery?	11:36:56
15	assume that at some level they would give advice on	11:34:40	15	A. Yes. I think it's poetic license	11:36:59
16	macro portfolio things. In other words, maybe	11:34:45	16	because, again, their deep expertise in hedge funds	11:37:02
17	listen to a presentation from a money manager and	11:34:48	17	was their investment which -- with Madoff, which	11:37:07
18	make a decision. Remembering that this is a fund of	11:34:50	18	actually wasn't a hedge fund, but that's what the	11:37:12
19	funds, make a decision whether that fund manager was	11:34:56	19	testimony in depositions says that this refers to.	11:37:14
20	somebody that should be included in the portfolio to	11:34:59	20	And the private equity I believe were a couple of	11:37:18
21	be managed by the other people. But this is a fund	11:35:02	21	individual companies which they had made equity	11:37:22
22	of funds, which is very different than a money	11:35:07	22	investments in, which is stretching the term	11:37:27
23	manager.	11:35:11	23	"private equity" which involves -- which implies	11:37:30
24	Q. What would it take to make that	11:35:11	24	that you're a BlackRock or a TPG Group or somebody	11:37:32
25	assessment that somebody should be a fund manager in	11:35:13	25	whose business is assessing private equity	11:37:36

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1	opportunities. So...	11:37:39	1	THE VIDEOGRAPHER: We are back on the	11:54:12
2	Q. Okay. So let's flip this around now.	11:37:40	2	record. The time is 11:54. This is disk number 3.	11:54:14
3	You're now, using your expertise, you're sitting	11:37:43	3	MR. SHEEHAN: Which number is this?	11:54:21
4	there and this is presented to you. You haven't	11:37:46	4	258. Okay.	11:54:24
5	read the Stamos deps, you haven't done any of that.	11:37:48	5	(Exhibit Trustee 258, Emails and	11:54:34
6	You're in your capacity as in your earlier roles in	11:37:52	6	Presentation to Dupont, Bates SSMT01238214-266,	11:54:34
7	the securities industry; this is presented to you	11:37:54	7	marked for identification.)	11:54:34
8	and you read this. What would it mean to you?	11:37:57	8	BY MR. SHEEHAN:	11:54:34
9	A. Well, this would be a starting place	11:38:00	9	Q. For the record again, Mr. Maine, I've	11:54:44
10	and then you'd talk to -- if this passed the smell	11:38:01	10	handed you a document that's been marked by the	11:54:46
11	test, this whole document, then you'd get in-depth	11:38:06	11	reporter as Trustee Exhibit 258 which, again, is a	11:54:48
12	as to what their expertise was, and I think what	11:38:09	12	multi-page document. Again, we have tabbed it so	11:54:52
13	would come out would be exactly what I've said.	11:38:12	13	that we won't have to worry about where we're going.	11:54:57
14	Q. Okay. Let's go I guess to the next	11:38:15	14	But, again, just for purposes of the record, again	11:55:00
15	tab, which I guess is 5537?	11:38:21	15	what this -- the initial page of this is a document	11:55:04
16	A. Yes.	11:38:27	16	that again was produced by Sterling Stamos, and it	11:55:09
17	Q. Directing your attention to the last	11:38:43	17	references a meeting for a presentation to Dupont,	11:55:16
18	entry which is Saul Katz.	11:38:46	18	and people that are attendees are listed here and	11:55:21
19	A. Yes.	11:38:47	19	attached to it is what purports to be a presentation	11:55:25
20	Q. Do you see that? And it starts off	11:38:48	20	put together in December of 2004. That's on page	11:55:34
21	with, and this is what I'm focusing on, is	11:38:51	21	8219 which is where the emails stop and the document	11:55:44
22	actively -- "Mr. Katz is a general partner of	11:38:55	22	begins. Do you see that?	11:55:52
23	Sterling Stamos and actively involved in the	11:38:57	23	A. Yes.	11:55:53
24	investment decisions, as well as the management of	11:39:00	24	Q. Okay. Again, just do me a favor.	11:55:54
25	Sterling Stamos." Do you see that?	11:39:04	25	Take a quick look at this document in its entirety,	11:55:59
		89			91
1	A. Yes.	11:39:06	1	if you would. I don't mean for you to read it, but	11:56:02
2	Q. And what would you understand that to	11:39:08	2	in your experience in the industry, what do you	11:56:05
3	mean in terms of him being involved in investment	11:39:11	3	understand this document to be? Starting at that	11:56:08
4	decisions?	11:39:15	4	page, Sterling Stamos presentation.	11:56:10
5	A. Just what the words say, they're	11:39:16	5	(Witness examining document.)	11:57:51
6	implying that he was involved in the investment	11:39:18	6	A. Okay. And your question was what do	11:58:11
7	decisions.	11:39:21	7	I understand this document to be.	11:58:14
8	Q. Okay, fine. Let's just go to the	11:39:22	8	Q. Yeah.	11:58:16
9	next page, which will be the last question. Do you	11:39:28	9	A. It appears to be -- I was just	11:58:17
10	see "David Katz"?	11:39:31	10	restating your question.	11:58:18
11	A. Yes, sir.	11:39:32	11	Q. Yeah, sure.	11:58:19
12	Q. And would your answer be the same,	11:39:33	12	A. It appears to be a background	11:58:21
13	that when it talks about his being involved in	11:39:35	13	marketing document by Sterling Stamos.	11:58:25
14	investment decisions, it simply means what it	11:39:37	14	Q. Okay. And I'm just going to walk	11:58:27
15	implies, that he's involved in investment decisions?	11:39:40	15	through a couple of those tabs. Let's go to the	11:58:29
16	A. Yes, sir.	11:39:45	16	first one, if we could. It's 8226. Do you see	11:58:33
17	Q. All right. Let's go to the next one.	11:39:48	17	that?	11:58:36
18	THE WITNESS: I'm going to take you	11:39:51	18	A. Yes, sir.	11:58:36
19	up on one of your short breaks.	11:39:52	19	Q. I should have asked you this but, I	11:58:38
20	MR. SHEEHAN: Sure. Take your time.	11:39:54	20	think -- have you ever seen this document before	11:58:41
21	Let's try to get back here at ten to. Ten minutes	11:39:57	21	today?	11:58:43
22	good?	11:40:00	22	A. No, sir.	11:58:44
23	THE VIDEOGRAPHER: Going off the	11:40:01	23	Q. Okay, fine.	11:58:45
24	record, the time is 11:40. This ends disk 2.	11:40:06	24	So, directing your attention to page	11:58:46
25	(Recess taken.)	11:40:15	25	8226, and it's entitled at the top, "Security Fund,	11:58:47

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1	Overview - Differentiating Characteristics of the	11:58:52	1	people that we talked about earlier. The document	12:00:52
2	Security Fund." Do you see that?	11:58:57	2	showed them just before.	12:00:54
3	A. Yes.	11:59:00	3	MR. SHEEHAN: Okay, fine. All right.	12:00:55
4	Q. And I'm specifically identifying	11:59:01	4	Q. I direct your attention to Saul Katz	12:00:57
5	the -- or directing your attention to the second	11:59:03	5	and David Katz. Do you see them?	12:00:58
6	entry there, "Access to Sterling Equities'	11:59:05	6	A. Yes.	12:01:00
7	Experience and Unique Proprietary Sourcing." Do you	11:59:08	7	Q. They purport here to be members of	12:01:00
8	see that?	11:59:11	8	the senior investment team. Based on your	12:01:02
9	A. Yes.	11:59:12	9	experience again, looking at this document, what	12:01:04
10	Q. And then it says, "Sterling Stamos is	11:59:12	10	would you understand their role to be?	12:01:07
11	able to leverage Sterling Equities' 40 years of	11:59:15	11	A. They would not look to me to be part	12:01:09
12	alternative investment experience." Do you see	11:59:17	12	of the investment group because if you notice	12:01:11
13	that?	11:59:21	13	Mr. Chachra is a portfolio manager, Ms. Horing is a	12:01:15
14	A. Yes.	11:59:21	14	portfolio manager, and these guys are part of the	12:01:18
15	Q. Based on your background, what would	11:59:22	15	ownership group of Sterling Stamos and general	12:01:24
16	that have meant to you when you read that?	11:59:24	16	partner. So it does not imply any investment role	12:01:30
17	A. Well, that they had alternative	11:59:28	17	except at the top where it says "senior investment	12:01:34
18	investments other than stocks.	11:59:30	18	team."	12:01:37
19	Q. Right.	11:59:31	19	The other thing I focus on is if you	12:01:37
20	A. So it could be an asset class such as	11:59:32	20	look at the backgrounds and experience of the two	12:01:39
21	real estate. So, in other words, they had -- real	11:59:35	21	people identified as portfolio managers, Morgan	12:01:41
22	estate is an -- in modern portfolio theory real	11:59:37	22	Stanley, Chase Securities and then you've got	12:01:44
23	estate is an alternative to asset class, so it means	11:59:41	23	Highgate, Gabelli, Weiss, Peck, Greer, which is a	12:01:46
24	something like real estate, could be private equity.	11:59:44	24	brokerage firm, and Merrill Lynch.	12:01:52
25	Something such as that.	11:59:48	25	So, clearly these people, there are	12:01:52
		93			95
1	Q. Okay, fine.	11:59:49	1	certain people who are the investment people and	12:01:55
2	Let's go to the next entry.	11:59:51	2	there are other people who are the executives. Why	12:01:56
3	A. Next tab?	11:59:55	3	they're listed under senior investment team, I don't	12:01:59
4	Q. Yeah, next tab, I'm sorry.	11:59:56	4	know, but it's not borne out by the titles, the	12:02:01
5	Apologize.	11:59:59	5	functional titles after their names.	12:02:04
6	And I believe that's page 8242.	11:59:59	6	Q. Okay. Let's go to the next one.	12:02:25
7	A. Yes.	12:00:04	7	This is page 8244. Do you see that?	12:02:31
8	Q. It lists "Professionals, Senior	12:00:05	8	A. Yes, sir.	12:02:39
9	Investment Team." Do you see that?	12:00:08	9	Q. Just to move this along a little more	12:02:44
10	A. Yes.	12:00:10	10	quickly, the only entry I'm interested in is	12:02:46
11	Q. This lists on this page five people,	12:00:11	11	obviously the one at the top, Fred Wilpon. Do you	12:02:49
12	Mr. Stamos, Mr. Chachra, Mr. Wong -- or Ms. Wong,	12:00:15	12	see that?	12:02:52
13	Saul Katz and David Katz. Do you see that?	12:00:20	13	A. Yes, sir.	12:02:52
14	A. Yes. Ms. Wong, you said?	12:00:23	14	Q. This is on the category of other	12:02:54
15	Q. I thought -- well, I'm pronouncing	12:00:25	15	investment professionals and they're listing Mr.	12:02:56
16	that...	12:00:27	16	Wilpon as a part of that group. Do you see that?	12:02:58
17	MR. WISE: It's Ms. Horing.	12:00:31	17	A. Yes.	12:03:00
18	MR. SHEEHAN: Horing? I can't even	12:00:36	18	Q. If you'd have seen this, again in	12:03:01
19	see it.	12:00:37	19	your experience, what would your reaction have been	12:03:02
20	MR. WISE: Horing. It's Ellen	12:00:37	20	to seeing Mr. Wilpon as another investment	12:03:04
21	Horing.	12:00:38	21	professional?	12:03:06
22	MR. SHEEHAN: Oh, good. Well, my	12:00:39	22	A. The same that I said for the Katzes.	12:03:06
23	copy I couldn't get it, but appreciate the	12:00:42	23	Q. Well, here it says that he is the --	12:03:09
24	correction for the record, thank you.	12:00:44	24	his background is that he's at Bear Stearns on the	12:03:12
25	MR. WISE: Well, they're the same	12:00:51	25	board, Lowes Corporation on the board. Would that	12:03:17

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1	impact your opinion in any way?	12:03:19	1	next document. Thanks.	12:05:54
2	A. No.	12:03:21	2	(Comments off the record.)	12:06:09
3	Q. Did you -- do you know what	12:03:22	3	MS. ZUBERI: This has been marked	12:06:23
4	Mr. Wilpon did when he was on the board at Bear	12:03:24	4	before, so it's 187.	12:06:25
5	Stearns?	12:03:27	5	Q. Okay, Mr. Maine, you've been handed	12:06:57
6	A. No.	12:03:28	6	an exhibit that's been previously marked as Trustee	12:06:59
7	Q. Okay. Let's go to what's called the	12:03:35	7	Exhibit 187, which purports to be a Sterling Stamos	12:07:01
8	"Executive Summary" on page 8255. And again, I	12:03:39	8	company overview discussion with Merrill Lynch. I'm	12:07:07
9	think we're familiar with this language. Do you see	12:04:05	9	just reading, again not testifying, as to what the	12:07:10
10	it? I'm directing your attention to access to	12:04:07	10	document purports to be. Do you see that?	12:07:14
11	investment expertise and experience of Sterling	12:04:09	11	A. Yes, sir.	12:07:16
12	Equities. Do you see that?	12:04:12	12	Q. Have you seen this document before	12:07:17
13	A. Yes, I do.	12:04:13	13	today?	12:07:18
14	Q. Okay. The fact that it's in this	12:04:14	14	A. No, sir, I have not.	12:07:18
15	context, a marketing document, does it change in any	12:04:15	15	Q. All right, fine.	12:07:20
16	way your opinion of what this purports to be?	12:04:18	16	Again, what you did a moment ago for	12:07:21
17	A. No.	12:04:20	17	me would be helpful. Could you just take a quick	12:07:24
18	Q. Do you still see this as just mere	12:04:20	18	look at this and then, based on your experience in	12:07:27
19	puffery?	12:04:23	19	the industry, what would you understand this	12:07:29
20	A. Well, no, this is functionally close	12:04:23	20	document to be?	12:07:30
21	to accurate in that they did -- their investment	12:04:29	21	(Witness examining document.)	12:10:18
22	with Madoff was not in a hedge fund, but they were,	12:04:34	22	A. The question was, what did I	12:11:35
23	I believe from testimony that's what this is	12:04:39	23	understand this document to be, and it appears to be	12:11:38
24	referring to, the hedge funds. Private equity were	12:04:41	24	a profile of Sterling Stamos.	12:11:41
25	companies that they bought, with the view toward	12:04:44	25	Q. Have you seen this document prior to	12:11:56
		97			99
1	operating. So not a classic private equity thing,	12:04:48	1	today?	12:11:57
2	but they did do some private equity investments, and	12:04:51	2	A. No.	12:11:58
3	real estate. So, there's really no change.	12:04:54	3	Q. Okay, fine. Again, directing your	12:11:58
4	Q. Okay. Let's go to the last entry	12:04:58	4	attention to the first tab --	12:12:02
5	here. And actually you have to go to the page just	12:05:00	5	A. I don't have any tabs.	12:12:09
6	prior to that, if you would, that's page 8261 and	12:05:11	6	Q. Oh, you don't have any tabs this	12:12:10
7	the title of this is "Sterling Stamos Senior	12:05:15	7	time. I apologize.	12:12:12
8	Investment Team." Do you see that?	12:05:18	8	A. I'm tabless.	12:12:14
9	A. Yes.	12:05:20	9	Q. Let me tell you all the pages.	12:12:15
10	Q. And it lists Mr. Stamos, Mr. Chachra,	12:05:21	10	A. Bait and switching here.	12:12:17
11	Ellen Horing, H-o-r-i-n-g.	12:05:24	11	Q. I apologize.	12:12:19
12	A. Right.	12:05:24	12	If you look down, there's an SE	12:12:20
13	Q. Is that correct?	12:05:27	13	number. Do you see that, in the -- if you hold it	12:12:22
14	A. Yes, sir.	12:05:28	14	this way, in the lower right-hand corner?	12:12:25
15	Q. And then the next page it carries	12:05:29	15	A. Yes, sir, I do.	12:12:27
16	over and again has Saul Katz and David Katz. Do you	12:05:31	16	MR. WISE: And if you've got really	12:12:28
17	see that?	12:05:33	17	good eyes.	12:12:29
18	A. Yes.	12:05:34	18	MR. SHEEHAN: Yeah, I know.	12:12:30
19	Q. And what would that have meant to you	12:05:37	19	Q. 4281. And, actually, it's page 8, I	12:12:33
20	if you'd seen this as a marketing document in your	12:05:39	20	just realized that, they're actually paginated.	12:12:37
21	experience?	12:05:42	21	Wow. So it's page 8.	12:12:43
22	A. Well, in other words, they're just	12:05:44	22	A. Yes.	12:12:45
23	part of the -- that's what the word says, they're	12:05:48	23	Q. And the title of this page is simply	12:12:48
24	part of the investment team.	12:05:51	24	"Advantages." And there's a listing of items under	12:12:51
25	Q. Okay, all right. Let's go to the	12:05:52	25	"Advantages." Directing your attention to the --	12:12:55

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1	this is speaking again of Sterling Stamos.	12:12:59	1	discussion with Merrill Lynch. And it talks about	12:15:29
2	A. Right.	12:13:01	2	20 years experience investing in hedge funds. Do	12:15:32
3	Q. As you understand it. Let me stop	12:13:01	3	you see that?	12:15:35
4	right there.	12:13:04	4	A. Yes.	12:15:36
5	MR. WISE: I'm not sure that's	12:13:06	5	Q. And it says, "Over \$600 million of	12:15:36
6	correct. You want to take a look at that more	12:13:07	6	principals' capital invested." Do you see that?	12:15:39
7	closely?	12:13:09	7	A. Yes.	12:15:42
8	MR. SHEEHAN: Okay. Well, I was	12:13:10	8	Q. Would that indicate to you that that	12:15:43
9	basing that, Mr. Wise, on the fact that it's	12:13:13	9	experience demonstrated a degree of sophistication	12:15:47
10	Sterling Stamos company overview. So -- and then it	12:13:16	10	on the part of Sterling Stamos?	12:15:49
11	talks about the background of Sterling Stamos, is	12:13:23	11	A. No. There's a big difference in	12:15:52
12	what I thought it did. So if I'm wrong about that,	12:13:25	12	investing in hedge funds and running a hedge fund.	12:15:55
13	I'd rather have the record clear.	12:13:30	13	I invest -- have invested in the same hedge fund for	12:15:59
14	MR. WISE: I only say that because	12:13:32	14	ten years. I have no idea how he makes and loses	12:16:03
15	looking at the -- looking at the page, it says 40	12:13:34	15	money for me.	12:16:06
16	years experience. Well, Sterling Stamos was only	12:13:38	16	Q. Um-hum.	12:16:07
17	formed in 2003, so I can't -- that can't possibly be	12:13:41	17	A. So, it's different in managing a fund	12:16:08
18	referring to Sterling Stamos.	12:13:46	18	rather than just owning a fund. And I think this	12:16:11
19	MR. SHEEHAN: I think what they're	12:13:47	19	does relate to the Madoff, Madoff thing because they	12:16:14
20	referring to there, because they then had 20 years	12:13:48	20	started investing in hedge funds in '84, which is I	12:16:18
21	experience, I think obviously -- Mr. Maine, this	12:13:51	21	think when they started investing with Madoff. If	12:16:21
22	little colloquy with counsel here -- I think what	12:13:54	22	you look at the next page.	12:16:24
23	we're talking about here is that if you combine what	12:13:56	23	Q. Right. So, is your testimony based	12:16:26
24	Sterling brought and what Stamos brings, these are	12:13:58	24	on your personal experience then? Because you don't	12:16:29
25	the advantages. I think that's what this -- I'm not	12:14:01	25	know what your hedge fund does, you assume everybody	12:16:33
		101			103
1	testifying, again, that's what I understand the	12:14:04	1	else doesn't know what their hedge fund does?	12:16:35
2	document to be. So what Sterling had was 40 years	12:14:05	2	A. No. I don't -- I make no assumptions	12:16:37
3	of experience in real estate, 20 years experience in	12:14:09	3	about that. What I'm saying --	12:16:39
4	hedge funds, many years in private equity.	12:14:12	4	Q. (Inaudible.)	12:16:41
5	MR. WISE: I think we can agree on	12:14:17	5	A. -- I'm saying it's not conclusiary	12:16:41
6	this: It's not clear from the face of the page	12:14:18	6	that if you engage in a hedge fund -- if you buy a	12:16:43
7	itself what the -- who they're referring to there,	12:14:21	7	hedge fund, that you know anything about hedge	12:16:46
8	although I think you and I can agree they're	12:14:23	8	funds. You may know everything about a hedge fund,	12:16:47
9	obviously not referring to Sterling Stamos. They	12:14:25	9	but it's not -- ownership doesn't connote knowledge.	12:16:50
10	must be referring to something, Sterling Equities or	12:14:28	10	It just connotes ownership. Knowledge is a separate	12:16:54
11	something else. I think the record is pretty clear	12:14:32	11	thing.	12:16:58
12	that Sterling Stamos only started in 2003.	12:14:35	12	Q. Well, if you're putting this in a	12:16:58
13	MR. SHEEHAN: That's true. And I	12:14:38	13	document for having a discussion with a potential	12:17:00
14	don't think anyone disagrees with that.	12:14:40	14	investor in your fund, what would you understand,	12:17:03
15	MR. WISE: Mr. Stamos I think was --	12:14:49	15	based on your experience, the purpose for putting	12:17:06
16	how old is Mr. Stamos? Peter Stamos?	12:14:50	16	that in there?	12:17:08
17	MS. WAGNER: I don't know what he is	12:14:54	17	A. I think it's just giving their	12:17:09
18	but I think he's...	12:14:55	18	background and, again, if you go to the very back of	12:17:11
19	MR. WISE: I don't know that he's	12:14:57	19	this document, you'll see that when they put in the	12:17:15
20	been around 40 years. But anyway...	12:14:58	20	selected biographies they don't list the Katzes and	12:17:18
21	BY MR. SHEEHAN:	12:15:17	21	Mr. Wilpon as part of their real investment	12:17:22
22	Q. Okay. With that background, let's	12:15:17	22	management team, if you go to the very back.	12:17:27
23	just deal with it this way, Mr. Maine, all right.	12:15:19	23	So I think they do, in that regard,	12:17:29
24	This is a document, at least appears from the cover	12:15:24	24	sort of separate the importance of the various	12:17:33
25	of it, put together by Sterling Stamos for a	12:15:26	25	people in terms of what they do because at the back	12:17:36

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1	they give selected biographies of the investment	12:17:38	1	Q. All right. It's the lawyer thing, is	12:19:51
2	people.	12:17:41	2	he dead yet. I apologize. But we do get carried	12:19:53
3	Q. I want to go back to your earlier	12:17:42	3	away and thank you for pointing it out.	12:19:58
4	testimony where you said you're clueless with regard	12:17:44	4	All right. Let's go to the next	12:20:11
5	to what your hedge fund does. Is that a fair	12:17:48	5	page. Oh, they're not tabbed, I forgot. It's 13.	12:20:14
6	statement?	12:17:50	6	A. 13 was not my next page. 13 is	12:20:25
7	A. Well, no, I know he invests in small	12:17:52	7	Sterling Stamos people. Is that --	12:20:28
8	cap value stocks.	12:17:54	8	Q. Yeah, Sterling Stamos people, 13.	12:20:30
9	Q. Um-hum.	12:17:58	9	A. Yeah, that's it. It wasn't the next	12:20:33
10	A. But I have no idea which stocks he's	12:17:59	10	page.	12:20:34
11	investing in. He also has the ability to go short.	12:18:02	11	Q. I'm using next in the sense of tab.	12:20:34
12	I have no idea on an ongoing basis how much he's	12:18:06	12	Apologize.	12:20:38
13	short and how much he's long. So I know the basic	12:18:10	13	And you see that it lists here the	12:20:41
14	overview, very similar to, say, Madoff investors	12:18:13	14	investment professionals, including Mr. Katz,	12:20:43
15	knew what he did, but they didn't know what the	12:18:17	15	Mr. Wilpon and David Katz? Do you see that?	12:20:47
16	secret sauce was. I know what Arnie Schneider does,	12:18:19	16	A. I see that.	12:20:50
17	but I don't know what his secret sauce is.	12:18:23	17	Q. All right. And then I'm going to go	12:20:51
18	Q. Well, then is it your testimony that	12:18:26	18	to the -- I don't know if I skipped a page or not?	12:20:52
19	you would know what he does but -- what's the secret	12:18:28	19	I might have. Hang on a second here.	12:20:56
20	sauce, by the way?	12:18:33	20	Q. Just for sake of completeness, and	12:21:07
21	A. In other words, how -- somebody can	12:18:33	21	I'm going to ask you some other questions about it,	12:21:09
22	say, for instance, that they are a split-strike	12:18:36	22	but on page 10, if you go back, I did skip a page.	12:21:11
23	manager or a small cap value manager. But then how	12:18:38	23	I'm directing your attention to origins of Sterling	12:21:14
24	they then manipulate that, what they do is up to the	12:18:43	24	Stamos. Do you see that?	12:21:18
25	manager how to go from there.	12:18:49	25	A. Yes, sir.	12:21:21
105			107		
1	Q. Would a hedge fund investor -- in	12:18:51	1	Q. It talks about the Katz, Wilpon and	12:21:22
2	your experience now, your own included -- understand	12:18:53	2	Stamos families jointly -- I'm reading now. "Katz	12:21:24
3	what a short sale is?	12:18:57	3	Wilpon and Stamos families jointly invest in hedge	12:21:26
4	A. Well, they might or they might not.	12:19:02	4	funds, public equities and private equities." Do	12:21:29
5	In other words, I --	12:19:04	5	you see that?	12:21:33
6	Q. Well, in your experience would it	12:19:06	6	A. Yes.	12:21:33
7	more likely be that a hedge fund investor would know	12:19:07	7	Q. Now, if you were to read those two	12:21:34
8	what a short sale is?	12:19:10	8	pages together, the origins of Sterling Stamos, Katz	12:21:35
9	A. I would think they might. I just	12:19:12	9	and Wilpon, and then see Fred, Saul and David Katz	12:21:38
10	don't -- I don't know. I mean, I've never seen a	12:19:15	10	listed as investment professionals, based on your	12:21:42
11	survey, I've never queried people about that, so I	12:19:17	11	experience, what would that mean to you?	12:21:46
12	don't know. I do know what a short sale is. You	12:19:20	12	A. That they invest -- this is what	12:21:51
13	said in my experience. I do know what a short sale	12:19:23	13	Sterling Stamos does, it invests in hedge funds,	12:21:54
14	is.	12:19:25	14	public equities and private equities. I mean, it's	12:21:57
15	Q. Let me ask you that question: Are	12:19:25	15	just the words.	12:21:59
16	you aware of any studies in which an analysis has	12:19:28	16	Q. Would it suggest to you that	12:22:00
17	been made of what knowledge hedge fund investors	12:19:32	17	Mr. Wilpon, Mr. Stamos -- or, no, Mr. Saul Katz,	12:22:01
18	have with regard to their investments?	12:19:36	18	Mr. Fred Wilpon and David Katz have expertise with	12:22:04
19	A. No.	12:19:39	19	regard to investing in hedge funds?	12:22:09
20	Q. Have you ever done such a study?	12:19:39	20	A. No. I don't think -- again, I don't	12:22:12
21	A. No.	12:19:41	21	think making an investment connotes knowledge one	12:22:15
22	Q. Have you ever consulted anything	12:19:41	22	way or another. In other words, private equity, you	12:22:18
23	like -- a study like that?	12:19:43	23	might think somebody has expertise in investing in	12:22:22
24	A. Well, if I didn't know of a study	12:19:45	24	private equity, which I see defined in here as	12:22:25
25	then, I mean, it's tautology.	12:19:48	25	Sterling American partnerships. Private equity, you	12:22:29

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1	know, you might have to have more expertise there	12:22:34	1	A. Yes, sir.	01:13:16
2	because it's more of a hands-on thing. But hedge	12:22:39	2	Q. Okay. Prior to today, had you seen	01:13:17
3	fund is just looking at somebody's records, at its	12:22:42	3	this document?	01:13:19
4	very basic level, listening to a description of how	12:22:45	4	A. No, sir.	01:13:20
5	they invest their money, and then saying, I'll go	12:22:48	5	Q. All right. I'm only going to ask a	01:13:21
6	with it. Because by their nature hedge funds are	12:22:50	6	couple of questions about it, but if you could	01:13:22
7	opaque. That's one of the drawbacks of investing in	12:22:53	7	turn -- is this tabbed? It is.	01:13:27
8	hedge funds. They don't give you much information	12:22:58	8	A. Yes, it is.	01:13:29
9	about what's going on, they don't give you	12:23:01	9	Q. Good. So if you could go to the	01:13:29
10	statements or confirmations about what's happening.	12:23:03	10	first tab, and I'm directing your attention to C.	01:13:32
11	Q. Okay.	12:23:07	11	Do you see that?	01:13:51
12	I'm going to start a new line; I want	12:23:08	12	A. Yes, sir.	01:13:52
13	to break for lunch here, okay? Okay, good. Thanks.	12:23:11	13	Q. And it identifies the employer as	01:13:53
14	THE VIDEOGRAPHER: Going off the	12:23:14	14	Sterling Equities Associates?	01:13:55
15	record, the time is 12:23.	12:23:16	15	A. Yes.	01:13:57
16	(Luncheon recess taken.)	12:23:20	16	Q. And then E identifies the employer as	01:13:58
17	THE VIDEOGRAPHER: We are back on the	01:11:10	17	the plan administrator; do you see that?	01:14:01
18	record. The time is 1:11.	01:11:15	18	A. Yes.	01:14:06
19	BY MR. SHEEHEN:	01:11:19	19	Q. If you turn the page, just one last	01:14:06
20	Q. Just a couple of other questions	01:11:21	20	item, you'll see that G says the trustees are Arthur	01:14:09
21	before I get into some more documents, Mr. Maine.	01:11:22	21	Friedman and Michael Katz. Do you see that?	01:14:13
22	A. Okay.	01:11:25	22	A. Yes, sir.	01:14:15
23	Q. One of them is this, is that -- what	01:11:25	23	Q. Do you have any understanding who	01:14:16
24	is your understanding, if any, of the relationship	01:11:28	24	Arthur Friedman is?	01:14:18
25	of Sterling partners to Sterling Stamos?	01:11:31	25	A. Yes, sir.	01:14:20
109			111		
1	A. I really don't -- I've never looked	01:11:38	1	Q. And what is your understanding?	01:14:21
2	at the structure. I have no understanding.	01:11:40	2	A. Mr. Friedman, I believe, is a partner	01:14:24
3	Q. If I were to suggest to you	01:11:43	3	of Sterling, and that's my understanding.	01:14:27
4	something, and just exploring this, that Sterling	01:11:46	4	Q. What about Mr. Michael Katz; do you	01:14:35
5	partners are in fact general partners of Sterling	01:11:51	5	have an understanding of who he is?	01:14:37
6	Stamos, would that mean anything to you?	01:11:53	6	A. Same understanding.	01:14:38
7	A. No. Again, I don't have any -- I	01:11:55	7	Q. When you say Sterling, do you mean	01:14:39
8	couldn't say yes or no.	01:11:59	8	Sterling Equities?	01:14:41
9	Q. Okay. Do you have any understanding	01:11:59	9	A. Again, I never really delved into the	01:14:42
10	of any compensation that the Sterling partners may	01:12:02	10	corporate structure because it wasn't of particular	01:14:45
11	derive from their being general partners in Sterling	01:12:06	11	interest to me.	01:14:47
12	Stamos?	01:12:11	12	Q. So your understanding, it could be	01:14:48
13	A. No, I don't.	01:12:12	13	either one, Sterling Stamos or Sterling Equities?	01:14:49
14	MR. SHEEHAN: All right.	01:12:12	14	A. Yes, sir.	01:14:52
15	Let's go to this.	01:12:20	15	Q. Okay, thanks.	01:14:54
16	MS. ZUBERI: Trustee Exhibit 95.	01:12:20	16	Let's go to the next one. It's been	01:15:01
17	MR. SHEEHAN: 95.	01:12:20	17	marked. 34.	01:15:04
18	A. Thank you.	01:12:47	18	MS. ZUBERI: Trustee 34.	01:15:05
19	Q. Mr. Maine, the reporter has handed	01:12:53	19	Q. Mr. Maine, you've now been handed	01:15:25
20	you an exhibit previously marked as Trustee 95, and	01:12:56	20	Trustee Exhibit 34 that's been previously marked.	01:15:28
21	for purposes of identification only, I'll read the	01:12:59	21	The first two pages were attached to this exhibit	01:15:32
22	face page which says, "Sterling Equities Associates,	01:13:03	22	when it was produced, but we're not interested in	01:15:35
23	Sterling Equities Associates Employees Retirement	01:13:08	23	that today, so you can disregard that. What I would	01:15:37
24	Plan, Summary Plan Description," and it's dated	01:13:11	24	ask you to take a brief look at is the pages that	01:15:40
25	January 1, 2003. Do you see that?	01:13:14	25	follow, up through and including, I'll give you the	01:15:45

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1	Bates number -- well, it's the next-to-last page.	01:15:49	1	Sterling Equities partners are suggesting in this	01:19:11
2	If you would look at that, I think the last page is	01:15:52	2	write-up that we see here that they've had many	01:19:17
3	actually sort of blank. It's not really blank,	01:15:55	3	years of success with Mr. Madoff be viewed, from	01:19:20
4	it's --	01:15:59	4	your professional experience, as an endorsement of	01:19:23
5	A. No, I mean -- I'm sorry. I was	01:15:59	5	that investment over any other investment?	01:19:26
6	starting to read. You want me to read everything --	01:16:00	6	A. I think they're just giving	01:19:30
7	Q. No, no. I don't just want you to	01:16:05	7	background. I don't know whether -- because they	01:19:32
8	read it. I just want you to get familiar enough	01:16:07	8	give the records of the others and since Madoff	01:19:36
9	with it that if I start asking you questions, you'll	01:16:08	9	doesn't have a published record, they're giving	01:19:39
10	feel comfortable.	01:16:11	10	their experience with it as, I would think and,	01:19:42
11	(Witness examining document.)	01:16:59	11	again, I don't know, but I think that would be for	01:19:45
12	A. Okay, I've...	01:17:18	12	employees to judge some of the other records of the	01:19:48
13	Q. Prior to today, did you have any	01:17:22	13	other choices within the plan.	01:19:51
14	understanding that Sterling Equities had a 401(k)	01:17:24	14	Q. If the facts were that the vast	01:19:53
15	plan?	01:17:26	15	majority of investors did indeed invest in the	01:19:56
16	A. Yes.	01:17:27	16	Madoff option, would that in any way affect the	01:20:00
17	Q. Okay. What was your understanding	01:17:27	17	opinion you just expressed?	01:20:03
18	with regard to that plan?	01:17:29	18	A. No.	01:20:10
19	A. Just that they had a plan, and it was	01:17:32	19	Q. I've got to go back to the beginning,	01:20:18
20	trusted by the two gentlemen that we looked at a	01:17:35	20	didn't ask some foundation questions here. I	01:20:19
21	second ago, Mr. Friedman and Mr. Michael Katz.	01:17:39	21	thought I did ask, but I guess I didn't.	01:20:21
22	Q. Did you have any understanding of the	01:17:42	22	Prior to today had you ever seen	01:20:24
23	nature of the investments that were offered to plan	01:17:44	23	Exhibit Trustee 34?	01:20:26
24	participants?	01:17:46	24	A. No, sir.	01:20:28
25	A. Only that I think at some point an	01:17:47	25	Q. Okay. So therefore it wasn't part of	01:20:31
		113			115
1	investment in Madoff became part of the investment	01:17:48	1	your -- it wasn't anything that you considered in	01:20:33
2	mix.	01:17:50	2	rendering your opinion in your two reports?	01:20:35
3	Q. Okay. Does the fact that Madoff	01:17:52	3	A. No, sir.	01:20:38
4	became part of the investment mix in any way affect	01:17:56	4	Q. Okay.	01:20:39
5	your testimony as to whether or not Mr. Katz,	01:17:58	5	Mr. Maine, are you familiar with the	01:20:51
6	Mr. Wilpon or any of the defendants were acting in	01:18:03	6	term "hell sheets"?	01:20:53
7	an institutional capacity?	01:18:05	7	A. Yes.	01:20:54
8	A. No, sir.	01:18:08	8	Q. What does that term mean to you?	01:20:55
9	Q. What do you understand -- and I'm not	01:18:09	9	A. There was a woman in -- somewhere in	01:20:59
10	asking you a legal question here, all right -- but	01:18:14	10	the Madoff structure -- in the Sterling structure	01:21:02
11	what do you understand the obligation of the	01:18:16	11	whose first name, I believe, was Helene or something	01:21:05
12	trustees to be in offering various investment	01:18:21	12	such as that, and it's my understanding that she,	01:21:08
13	vehicles to employees?	01:18:24	13	for a period of time, I think she's now retired, she	01:21:13
14	A. That's not really an area of my	01:18:27	14	for a period of time put together sheets which would	01:21:17
15	expertise.	01:18:29	15	show, I believe the monthly performance. I haven't	01:21:20
16	Q. Okay, fine. And this may be beyond	01:18:30	16	seen these, but from reading deposition testimony,	01:21:23
17	it too, but if it falls within it you'll tell me.	01:18:39	17	would show the monthly performance of select Madoff	01:21:26
18	Is it -- does the fact that Sterling Equities	01:18:45	18	accounts. I think they took a large account and a	01:21:30
19	partners had investments in Madoff in any way, and	01:18:47	19	smaller account, and they were known as the hell	01:21:33
20	from your point of view, in your experience, seem	01:18:53	20	sheets. And then I think they were picked up by	01:21:37
21	out of the ordinary that it would be offered as part	01:18:56	21	somebody else within the organization.	01:21:40
22	of the 401(k) plan?	01:18:59	22	MS. ZUBERI: Exhibit 259.	01:21:49
23	A. I don't really have any basis to say	01:19:03	23	(Exhibit Trustee 259, Sterling	01:22:03
24	anything one way or another.	01:19:05	24	Equities Investments 12/31/07, Bates SE_T579076,	01:22:03
25	Q. Okay. Would the fact that the	01:19:08	25	marked for identification.)	01:22:16

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1	MR. WISE: My goodness.	01:22:16	1	MS. ZUBERI: Right.	01:24:14
2	MR. SHEEHEN: It's a test.	01:22:18	2	MR. WISE: Was this printed from a,	01:24:15
3	MR. WISE: Well, I flunked.	01:22:20	3	what do you call it, native file, spreadsheet?	01:24:17
4	THE WITNESS: You've got it upside	01:22:22	4	MS. ZUBERI: Yes.	01:24:20
5	down.	01:22:24	5	MR. WISE: I see. And were the	01:24:21
6	Q. Mr. Maine, while you're doing this,	01:22:29	6	yellow stripes on -- is that something that you all	01:24:22
7	let me just ask, for the record, again not	01:22:31	7	put on there?	01:24:25
8	testifying, just identifying, I've handed you	01:22:35	8	MS. ZUBERI: I don't know.	01:24:26
9	Exhibit 259. Do you see that?	01:22:40	9	MR. WISE: You don't know where those	01:24:27
10	A. Yes, sir.	01:22:42	10	came from?	01:24:29
11	Q. This is, as I understand it, is a	01:22:43	11	MS. ZUBERI: No.	01:24:30
12	document that constitutes one of the hell sheets	01:22:46	12	MR. WISE: Okay. I just wanted to	01:24:31
13	that was prepared for Sterling Equities investments?	01:22:49	13	clarify what we were looking at. So this is a	01:24:33
14	A. I guess.	01:22:55	14	printout from a native file prepared two days ago,	01:24:35
15	Q. Okay. Again, I'm not testifying.	01:22:56	15	and you can't tell us whether the highlighting that	01:24:38
16	A. Oh, okay.	01:22:56	16	appears on the document was put there by somebody	01:24:41
17	Q. It's my understanding that that's	01:22:59	17	from Baker Hostetler or whether that was in the	01:24:43
18	what this is and I'm representing to you for	01:23:00	18	native file?	01:24:46
19	purposes of your testimony here that you consider it	01:23:03	19	MS. ZUBERI: Yeah.	01:24:47
20	as such.	01:23:05	20	MR. WISE: Okay. No problem.	01:24:49
21	A. Okay.	01:23:06	21	MR. SHEEHEN: Just to complete that,	01:24:58
22	Q. So, my first question would be, have	01:23:06	22	though, at least as I understand looking at the	01:25:00
23	you ever seen it prior to today?	01:23:08	23	document, I certainly didn't ask for the yellow	01:25:02
24	A. I'm not certain because I may have	01:23:11	24	markings, is that this was a Sterling Equities	01:25:04
25	seen -- it looks vaguely familiar. I certainly	01:23:14	25	document that was produced to us.	01:25:06
117			119		
1	never studied it or never analyzed it, but whether	01:23:19	1	MR. WISE: I think we produced the	01:25:07
2	it's part of something that your experts produced or	01:23:23	2	native file.	01:25:09
3	excerpted in one of their reports, it's possible. I	01:23:26	3	MR. SHEEHEN: Right, exactly.	01:25:10
4	just -- I may have seen it, but I don't remember.	01:23:31	4	MR. WISE: And then of course what	01:25:11
5	Q. This is stretching it a bit, but I'm	01:23:34	5	you do with it --	01:25:12
6	going to ask you anyway.	01:23:36	6	MR. SHEEHEN: We can create whatever	01:25:13
7	At the time that you may have seen	01:23:38	7	document.	01:25:16
8	it, do you recall having any discussions with	01:23:39	8	MR. WISE: Right. I just don't know.	01:25:16
9	anybody about it?	01:23:40	9	MR. SHEEHAN: Okay.	01:25:25
10	A. I would recall that I have not had	01:23:41	10	THE WITNESS: The more I look at	01:25:25
11	any discussions.	01:23:43	11	this, the less familiar it becomes.	01:25:26
12	Q. All right, fine.	01:23:44	12	BY MR. SHEEHEN:	01:25:35
13	MR. WISE: Could I ask this --	01:23:47	13	Q. Do you know how often this was	01:25:35
14	MR. SHEEHEN: Go right ahead.	01:23:49	14	prepared?	01:25:37
15	MR. WISE: As a point of information,	01:23:52	15	A. No, sir.	01:25:38
16	Mr. Sheehan. Again, my eyes are struggling here a	01:23:53	16	Q. Do you know who prepared it?	01:25:39
17	little bit. The typing is very small. It appears	01:23:59	17	A. Well, that woman Helene did and then	01:25:42
18	in the upper right-hand corner of the first page, I	01:23:59	18	I think it probably would have -- and this is not a	01:25:44
19	see a date of 1/3/2012, which would be the day	01:24:01	19	guess but my assumption, but not certainty, is that	01:25:49
20	before yesterday. Is that right?	01:24:06	20	somebody under Mr. Friedman prepared it and then I	01:25:53
21	MS. ZUBERI: The print date.	01:24:09	21	think that probably was Ms. Rongione, but I'm not	01:25:57
22	MR. WISE: I'm sorry, what?	01:24:09	22	certain, toward the end.	01:26:01
23	MS. ZUBERI: Printed.	01:24:10	23	Q. Do you know what was done with this	01:26:02
24	MR. WISE: Oh, so that was when this	01:24:10	24	document once it was prepared?	01:26:04
25	was printed?	01:24:13	25	A. No.	01:26:05

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1	Q.	Do you know whether it was ever	01:26:06	1	Q.	No. My first question will be, have	01:29:36
2		circulated to the Sterling Equities partners?	01:26:08	2		you ever seen it before today?	01:29:38
3	A.	That would be my assumption. I don't	01:26:11	3	A.	No, sir, I have not.	01:29:40
4		know for sure. That would be my assumption.	01:26:13	4	Q.	All right. And did you consider --	01:29:41
5	Q.	Do you know the purpose for which	01:26:15	5		you know, this is one of those lawyer questions, but	01:29:45
6		this document was prepared?	01:26:17	6		did you consider it in connection with rendering	01:29:46
7	A.	I don't know.	01:26:21	7		your report in this case?	01:29:48
8	Q.	Okay. I think we're done with that	01:26:37	8	A.	No, sir.	01:29:49
9		document.	01:26:41	9	Q.	All right, fine.	01:29:52
10		I'm eliminating stuff.	01:27:09	10		I'm going to direct your attention,	01:29:53
11		I've got one last document here.	01:27:29	11		if I may, to page 3, and under Roman Numeral II	01:29:55
12		(Comments off the record.)	01:27:46	12		where it says, "Exclusion of sophisticated	01:30:03
13		MS. ZUBERI: Exhibit 260.	01:27:54	13		investors." Do you see that?	01:30:07
14		(Exhibit Trustee 260, Documents Bates	01:28:04	14	A.	Yes.	01:30:08
15		SSKW00012772-893, marked for identification.)	01:28:04	15	Q.	All right. And I'm going to direct	01:30:09
16	MR. SHEEHAN:	This is a compilation	01:28:12	16		your attention to the last sentence of the first	01:30:11
17		of a number of documents, only one of which I want	01:28:13	17		paragraph under Roman II, and I'm going to read it	01:30:15
18		to ask you a couple of questions about. It's a	01:28:16	18		into the record and ask you a question. It reads:	01:30:18
19		document -- as a matter of fact, it's got the	01:28:23	19		"In line with the Commission's stated	01:30:20
20		letterhead of the law firm of Davis Polk & Wardell	01:28:26	20		objective of monitoring the retailization of hedge	01:30:22
21		on it.	01:28:30	21		fund investors, we believe that the Commission	01:30:26
22	MR. WISE:	Wardwell.	01:28:31	22		should exclude from the proposed rule hedge fund	01:30:30
23	MS. ZUBERI:	The number is on the	01:28:34	23		advisers that provide advice primarily to wealthy,	01:30:33
24		bottom.	01:28:35	24		sophisticated investors that are well positioned to	01:30:38
25	MR. SHEEHEN:	Wardwell. How many	01:28:32	25		safeguard their own interests."	01:30:41
121			123				
1		people make that mistake?	01:28:37	1		My question simply is: Do you agree	01:30:43
2	MR. WISE:	You'd be surprised.	01:28:38	2		with that statement?	01:30:45
3	MR. SHEEHEN:	I apologize to	01:28:40	3	A.	I don't even know what it means.	01:30:46
4		Mr. Wardwell.	01:28:42	4	Q.	It was clearly written by a lawyer.	01:30:49
5	MR. WISE:	He's a very nice	01:28:44	5		That's the problem. With all due respect to my	01:30:52
6		gentleman.	01:28:46	6		colleagues across the table here.	01:30:54
7	THE WITNESS:	Can you give me a clue	01:28:52	7	A.	And I'm not trying to be obtuse.	01:30:56
8		as to --	01:28:54	8	Q.	No, no. Why don't you reread it and	01:30:58
9	MR. WISE:	It's three documents in.	01:28:54	9		if you don't understand, that's your answer, but if	01:31:00
10		(Multiple speakers.)	01:28:54	10		you could reread it, rather than have me read it out	01:31:02
11	MR. WISE:	Take the clip off. Now go	01:28:58	11		loud to you, might be better.	01:31:05
12		by the staples, it's about three documents in.	01:29:02	12	A.	Okay. I think I understand it.	01:31:25
13		(Comments off the record.)	01:29:02	13	Q.	You understand now? Maybe it would	01:31:26
14	MR. SHEEHAN:	This is 250 what --	01:29:14	14		be good if you told me what your understanding of it	01:31:28
15		260. Well, can we -- you guys all right with making	01:29:17	15		is before you tell me whether you agree with it or	01:31:31
16		this 260A so that we can talk about it as a separate	01:29:21	16		not.	01:31:34
17		document? Is that all right?	01:29:24	17	A.	Yes. I may understand but it may not	01:31:34
18	MR. WISE:	Sure.	01:29:25	18		be the correct...	01:31:38
19	BY MR. SHEEHAN:		01:29:26	19		In the last ten years or so, in	01:31:39
20	Q.	Okay. So we're going to call this	01:29:26	20		response to demand, the securities industry has	01:31:44
21		260A, Mr. Maine.	01:29:28	21		developed hedge fund type products that are	01:31:52
22	A.	Okay.	01:29:30	22		available to a broader array of investors than	01:31:57
23	Q.	And my first question to you is --	01:29:30	23		traditionally, where they were only for qualified	01:32:03
24		well, have you had a chance to look at it?	01:29:32	24		investors or whatever it might be, Reg D investors.	01:32:07
25	A.	Do you want me to read it?	01:29:35	25		So, in line with that, in an effort	01:32:12

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1	to try and monitor that because some of these folks	01:32:15	1	A. Yes, sir. And it's also based on my	01:34:38
2	might be unsuitable, and the people selling them the	01:32:18	2	interpretation of this, which I -- may be incorrect,	01:34:43
3	product might not be properly schooled, the SEC	01:32:21	3	but that's...	01:34:48
4	encouraged the brokerage firms -- or the SROs, they	01:32:25	4	Q. Okay.	01:34:50
5	encouraged FINRA to put out a series of rules and	01:32:29	5	A. ...just my best horseback guess, so	01:34:51
6	regulations and guidelines for those firms who would	01:32:35	6	to speak.	01:34:54
7	be selling more of a retail product. They had to	01:32:38	7	Q. Let me turn your attention to the	01:34:55
8	perform a basic suitability that this product would	01:32:43	8	next page. It's the second full paragraph. Again,	01:34:57
9	be suitable for anybody. Then you had to	01:32:46	9	for sake of the record, I'll read it in but you take	01:35:00
10	do whatever was suitable for that specific investor,	01:32:49	10	your time and read it yourself. It reads:	01:35:03
11	and whether the broker properly -- you had to have,	01:32:53	11	"We note that sophisticated investors	01:35:08
12	the firm had to have a reasonable basis that the	01:32:57	12	frequently undertake an extensive due diligence	01:35:10
13	broker selling the product understood the product	01:32:59	13	process prior to investing with a hedge fund	01:35:13
14	that he or she was selling.	01:33:02	14	adviser. This due diligence tends to address many	01:35:17
15	So I think that's what it's talking	01:33:04	15	of the concerns identified by the Commission, such	01:35:19
16	about when it says this word in quotes,	01:33:05	16	as valuation of assets and disclosures of conflict	01:35:22
17	"retailization" of hedge fund investors. And then I	01:33:08	17	of interest."	01:35:26
18	guess what the law firm is saying, that the	01:33:12	18	My question again is, do you agree	01:35:28
19	Commission should exclude from any of these rules	01:33:14	19	with that statement?	01:35:29
20	advisers that provide advice primarily to wealthy,	01:33:20	20	A. They may or they may -- I don't know.	01:35:37
21	sophisticated investors.	01:33:26	21	They may have done some study when they used the	01:35:39
22	I think what they're doing here is	01:33:27	22	word "frequently."	01:35:42
23	trying to shear out from this group not as much the	01:33:29	23	Q. Right.	01:35:43
24	investors but the firms, the boutique firms that	01:33:34	24	A. I don't know what statistically	01:35:43
25	only cater to a certain group of investors in	01:33:38	25	frequently would be. Some may or some may not.	01:35:44
125			127		
1	selling hedge funds.	01:33:43	1	Q. Right.	01:35:48
2	Q. And that group would be?	01:33:44	2	A. I just -- I don't have any basis to	01:35:49
3	A. Well, I don't know. It says --	01:33:47	3	agree or disagree.	01:35:52
4	Q. Well, it says wealthy, sophisticated	01:33:49	4	Q. Okay.	01:35:53
5	investors.	01:33:52	5	MR. SHEEHEN: I think I'm done. I	01:35:57
6	A. Yeah, primarily. No, but -- I'm	01:33:53	6	just need to consult with my colleagues.	01:35:59
7	terribly sorry, I interrupted you.	01:33:54	7	MR. WISE: Sure.	01:36:01
8	Q. No, no. Is that your understanding?	01:33:57	8	MR. SHEEHAN: All right? Thanks.	01:36:01
9	I'm not trying to...	01:34:00	9	THE VIDEOGRAPHER: Going off the	01:36:01
10	A. I think what they were trying to do	01:34:01	10	record, the time is 1:35.	01:36:02
11	was exclude advisers that provide.	01:34:02	11	(Recess taken.)	01:36:06
12	Q. Services to who?	01:34:07	12	THE VIDEOGRAPHER: We are back on the	01:41:38
13	A. To wealthy investors. In other	01:34:08	13	record. The time is 1:41.	01:41:39
14	words, saying that they would not have to have the	01:34:11	14	MR. SHEEHEN: Thank you, Mr. Maine,	01:41:42
15	same group of guidelines since it was assumed that	01:34:13	15	we're done today.	01:41:44
16	since that's what they did, they were already going	01:34:19	16	THE WITNESS: Pleasure.	01:41:44
17	through those steps. This was for the new entrants	01:34:23	17	MR. WISE: Thank you.	01:41:46
18	into the field as opposed to the people who had been	01:34:26	18	THE VIDEOGRAPHER: Going off the	01:41:46
19	doing it forever.	01:34:28	19	record, the time is 1:41.	01:41:46
20	Q. And is your testimony based on the	01:34:30	20	(Deposition concluded.)	01:41:50
21	history that you just related to us in your	01:34:31	21	-o0o-	
22	testimony a moment ago?	01:34:34	22		
23	A. Yes.	01:34:35	23		
24	Q. Of what -- how the industry has	01:34:35	24		
25	evolved?	01:34:37	25		

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1 CHANGES AND SIGNATURE

2

3 WITNESS NAME: JOHN D. MAINE

4

5 PAGE/LINE	6 CHANGE	7 REASON
8	_____	_____
9	_____	_____
10	_____	_____
11	_____	_____
12	_____	_____
13	_____	_____
14	_____	_____
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21	_____	_____
22	_____	_____
23	_____	_____
24	_____	_____
25	_____	_____

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1 REPORTER'S CERTIFICATION

2

3 I, NANCY C. BENDISH, a Certified Court

4 Reporter and Notary Public of the States of New York

5 and New Jersey, do hereby certify that prior to the

6 commencement of the aforementioned examination, JOHN

7 D. MAINE, was sworn by me to testify the truth, the

8 whole truth and nothing but the truth.

9 I DO FURTHER CERTIFY that the

10 foregoing is a true and accurate transcript of the

11 testimony as taken stenographically by and before me

12 at the time, place, and on the date hereinbefore set

13 forth.

14 I DO FURTHER CERTIFY that I am neither

15 a relative nor employee nor attorney nor counsel of

16 any party in this action and that I am neither a

17 relative nor employee of such attorney or counsel,

18 and that I am not financially interested in the

19 event nor outcome of this action.

20

21 _____

22 Notary Public of the State of New York

23

24 Dated: January 6, 2012

25

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1 I, JOHN D. MAINE, have read the foregoing

2 deposition and hereby affix my signature that same

3 is true and correct, except as noted above.

4

5 _____

6 JOHN D. MAINE

7

8 THE STATE OF _____

9 COUNTY OF _____

10

11 Before me, _____, on this day

12 personally appeared JOHN D. MAINE, known to me (or

13 proved to me on the oath of or through _____

14 (description of identity card or other document) to

15 be the person whose name is subscribed to the

16 foregoing instrument and acknowledged to me that

17 he/she executed the same for the purpose and

18 consideration therein expressed.

19 Given under my hand and seal of office on this

20 _____ day of _____, ____.

21

22 _____

23 NOTARY PUBLIC IN AND FOR

24 THE STATE OF _____

25 My Commission Expires: _____.

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Exhibit 4

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

----- X
IRVING H. PICARD, :
 :
 Plaintiff, :
 :
 - against - : 11-CV-03605 (JSR)
 :
 SAUL B. KATZ, et al., :
 :
 Defendants. :
 :
----- X

ANSWER

Each of the Defendants in the above-captioned matter (“Defendants”), by and through their undersigned counsel, hereby states his, her, or its Answer and Defenses to the amended complaint (“Complaint”), dated March 18, 2011, as follows:

GENERAL RESPONSE

Each Defendant hereby answers the Complaint in its entirety, notwithstanding that the Court’s September 27, 2011 opinion and order dismissed nine of the Complaint’s eleven counts and rendered many of the Complaint’s allegations irrelevant. With respect to the table of contents, headings, subheadings, unnumbered paragraphs, appendices, exhibits, and requests for relief following paragraph 1402 of the Complaint, no response to such material is required. To the extent any response is required, any such averments are denied. Any allegation in the Complaint not specifically admitted is denied. Unless otherwise defined, all capitalized terms have the same meaning as in the Complaint.

SPECIFIC RESPONSES

1. Deny, except aver that each of the Defendants is one of the thousands of victims of Madoff’s massive Ponzi scheme, and also deny footnote 1.
2. Deny.
3. Deny, except admit that Sterling is a closely-held family business and that various Sterling Partners and related entities are involved in real estate, professional baseball, and private equity businesses, including ownership of the New York Mets baseball franchise.

4. Deny, except admit that approximately 483 1KW BLMIS accounts were opened by various individuals and entities, some of which are Sterling Partners and/or Sterling-related entities, over the course of twenty-five years, and that Sterling Partner Arthur Friedman provided administrative assistance with respect to the majority of the 1KW BLMIS accounts.

5. Deny.

6. Deny.

7. Deny.

8. Deny, except admit that debt of various Sterling-related entities was restructured following revelation of Madoff's fraud.

9. Deny.

10. Deny.

(a) Deny.

(b) Deny.

(c) Deny.

(d) Deny.

(e) Deny.

(f) Deny.

(g) Deny.

(h) Deny.

11. Deny.

12. Deny.

13. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except refer to the Complaint for the proceeding's purported purpose.

14. Admit, except deny that this adversary proceeding is now proceeding before the Bankruptcy Court because the reference has been withdrawn.

15. Admit.

16. Admit.

17. Admit.

18. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except refer to the SEC complaint against BLMIS and Madoff for its content, and footnote 2 alleges conclusions of law to which no response is required.

19. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except refer to the December 12, 2008 order for its content.

20. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except refer to the referenced SIPC application for its content.

21. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except refer to the December 15, 2008 Protective Decree for its content.

(a) Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except refer to the December 15, 2008 Protective Decree for its content.

(b) Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except refer to the December 15, 2008 Protective Decree for its content.

(c) Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except refer to the December 15, 2008 Protective Decree for its content.

22. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except refer to the referenced orders for their content.

23. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit, upon information and belief, that Madoff entered a guilty plea and refer to the transcript of his allocution for its content.

24. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit, upon information and belief, that DiPascali entered a guilty plea and refer to the transcript of his allocution for its content.

25. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

26. This paragraph alleges conclusions of law to which no response is required.

27. This paragraph alleges conclusions of law to which no response is required.

28. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny these allegations.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny these allegations.

(b) Deny.

(c) Deny that any BLMIS customer was injured as a result of any Defendant's alleged conduct.

(d) This paragraph alleges conclusions of law to which no response is required.

(e) Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

(f) This paragraph alleges conclusions of law to which no response is required.

(g) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

(h) This paragraph alleges conclusions of law to which no response is required.

(i) This paragraph alleges conclusions of law to which no response is required.

29. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that BLMIS was founded by Bernard L. Madoff, was a SEC-registered broker dealer and member of SIPC, and was comprised of at least the three business units alleged.

30. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Madoff ascribed the success of his investment advisory business to his use of his split-strike conversion strategy.

31. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Defendants received monthly statements from BLMIS, in addition to trade confirmations and quarterly reports.

32. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

33. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

34. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

35. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except aver that payments to investors were legally required.

36. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

37. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

38. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

39. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

40. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

41. Lack knowledge or information sufficient to form a belief as to the truth of the allegations and refer to this and other complaints for their purported purposes.

42. This paragraph alleges conclusions of law to which no response is required.

43. Deny, except admit that Sterling Equities Associates is a general partnership, the partners of which own various entities that own and operate different businesses and invest in varied asset classes that include real estate, professional baseball, sports media, and private equity.

44. Admit, except deny that Leonard Schreier is a general partner.

45. Deny.

46. Deny, except admit that the Sterling Partners and their family members each held interests in different BLMIS accounts and at times in different capacities.

47. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

48. Deny and refer to Appendix I, Exhibit A for its content.

49. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix I, Exhibit B for its content. Defendants further deny footnote 3 and refer to Appendix I, Exhibit B for its content.

50. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

51. Deny and refer to Appendix II, Exhibit A for its content.

52. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

53. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix II, Exhibit B for its content.

54. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations, deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise, and refer to Appendix II, Exhibit B, Column 4 for its content.

55. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix II, Exhibit C for its content.

56. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

57. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to the Complaint for its content.

58. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

59. Admit.

60. Admit.

61. Deny, except admit that Saul Katz co-founded Sterling Equities in or around 1972 with his brother-in-law, Fred Wilpon, currently serves as Sterling's President and Chief Operating Officer and as President of the New York Mets and the Brooklyn Cyclones, is a Certified Public Accountant ("CPA"), has responsibility for Sterling's asset-based investments, is involved in strategic planning, and sits on the Board of Directors of Sterling Stamos.

62. Deny, except admit that Saul Katz was a customer of the IA business and opened his first account with BLMIS in or around October 1985.

63. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Saul Katz held interests in different BLMIS accounts.

64. Refer to the Complaint for its content.

65. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

66. Admit.

67. Admit.

68. Deny, except admit that Fred Wilpon co-founded Sterling Equities in or around 1972 with his brother-in-law, Saul Katz, currently serves as Sterling's Chairman of the Board and Chief Executive Office of the New York Mets and Chairman of the Brooklyn Cyclones.

69. Deny, except admit that Fred Wilpon was a customer of the IA business and opened his first account with BLMIS in or around October 1985.

70. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Fred Wilpon held interests in different BLMIS accounts.

71. Refer to the Complaint for its content.

72. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

73. Admit, except deny that Richard Wilpon maintains his residence in Port Washington, New York.

74. Admit.

75. Deny, except admit that Richard Wilpon joined Sterling in or around 1972, became a partner shortly thereafter, currently serves as Sterling's Senior Executive Vice President, is primarily involved in the real estate side of Sterling's business, is currently Co-Chief Executive Officer of SAP, where he manages its investments and oversees its real estate acquisitions and dispositions and is a Board member of the New York Mets.

76. Deny, except admit that Richard Wilpon was a customer of the IA business and opened his first account with BLMIS in or around December 1986.

77. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Richard Wilpon held interests in different BLMIS accounts.

78. Refer to the Complaint for its content.

79. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

80. Admit.

81. Admit.

82. Deny, except admit that Michael Katz joined Sterling in or around 1973, became a partner shortly thereafter, is a CPA, currently serves as Sterling's Senior Executive Vice President and, up until 2001, was Sterling's Chief Financial Officer, is primarily involved in the real estate side of Sterling's business, is currently Co-Chief Executive Officer of SAP where he is responsible for the day-to-day management of its investments, and is also a Board member of the New York Mets.

83. Deny, except admit that Michael Katz was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Michael Katz opened his first BLMIS account.

84. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Michael Katz held interests in different BLMIS accounts.

85. Refer to the Complaint for its content.

86. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

87. Admit.

88. Admit.

89. Deny, except admit that Jeffrey Wilpon joined Sterling in or around 1986 and became a partner thereafter, currently serves as Sterling's Senior Executive Vice President, and as Chief Operating Officer, Senior Executive Vice President, and Board member of the New York Mets, is the Senior Executive Vice President and Chief Operating Officer of the Brooklyn Cyclones, and is primarily responsible for overseeing the day-to-day baseball and business operations of the New York Mets.

90. Deny, except admit that Jeffrey Wilpon was a customer of the IA business and opened his first account with BLMIS in or around October 1987.

91. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Jeffrey Wilpon held interests in different BLMIS accounts.

92. Refer to the Complaint for its content.

93. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

94. Admit.
95. Admit.
96. Deny, except admit that David Katz joined Sterling in 1987 and became a partner thereafter, currently serves as Sterling's Executive Vice President and is a Board member of the New York Mets, holds responsibilities within Sterling's real estate business and private equity investments, and previously served as a board member of Sterling Stamos.
97. Deny, except admit that David Katz was a customer of the IA business and opened his first BLMIS account in or around December 1989.
98. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that David Katz held interests in different BLMIS accounts.
99. Refer to the Complaint for its content.
100. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.
101. Admit.
102. Admit.
103. Deny, except admit that Gregory Katz joined Sterling in 2001 and became a partner thereafter, currently serves as Sterling's Vice President and focuses on the real

estate aspect of Sterling's business where he acquires multi-family, commercial and retail real estate properties and arranges financing for SAP.

104. Deny, except admit that Gregory Katz was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Gregory Katz opened his first BLMIS account.

105. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Gregory Katz held interests in different BLMIS accounts.

106. Refer to the Complaint for its content.

107. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

108. Admit.

109. Admit.

110. Deny, except admit that Arthur Friedman is a CPA and holds a law degree, joined Sterling in or around 1986 and became a partner shortly thereafter, currently serves as Sterling's Senior Vice President and Board member of the Mets and, from the time he joined Sterling through December 11, 2008, provided administrative assistance with respect to the majority of the 1KW BLMIS accounts.

111. Deny, except admit that Arthur Friedman was a customer of the IA business and opened his first account with BLMIS in or around December 1986.

112. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Arthur Friedman held interests in different BLMIS accounts.

113. Refer to the Complaint for its content.

114. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

115. Admit.

116. Admit.

117. Deny, except admit that Thomas Osterman joined Sterling in or around 1975 and became a partner thereafter, currently serves as Sterling's Executive Vice President, is responsible for overseeing the development of Sterling's commercial and residential properties in Manhattan, as well as for the strategic management of SAP's real estate assets, and is also a Board member of the New York Mets.

118. Deny, except admit that Thomas Osterman was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Thomas Osterman opened his first BLMIS account.

119. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Thomas Osterman held interests in different BLMIS accounts.

120. Refer to the Complaint for its content.

121. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

122. Admit.

123. Admit.

124. Deny, except admit that Marvin Tepper joined Sterling in or around 1990 as general counsel and partner after serving as Sterling's outside counsel, retired from Sterling in or around 2005, retained (and currently retains) his partnership interests in Sterling and related entities, and remains listed as a partner on Sterling's website.

125. Deny, except admit that Marvin Tepper was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Marvin Tepper opened his first BLMIS account.

126. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Marvin Tepper held interests in different BLMIS accounts.

127. Refer to the Complaint for its content.

128. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

129. Admit.

130. Deny, except admit that Leonard Schreier served as a Sterling Partner until his death in 2001 and after his death, his partnership interests in Sterling and related entities were held and maintained by the Estate of Leonard Schreier by co-executors Fred Wilpon and Jason Bacher and that Leonard Schreier remains listed as a partner on Sterling's website.

131. Admit.

132. Deny, except admit that Leonard Schreier was a customer of the IA business and opened his first account with BLMIS in or around June 1987.

133. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Leonard Schreier held interests in different BLMIS accounts.

134. Refer to the Complaint for its content.

135. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

136. Admit.

137. Deny, except admit that Sterling Mets LP and Mets Limited Partnership are held by intermediate LLCs and partnerships that are ultimately owned by the Sterling Partners.

138. Admit, except deny that Marvin Tepper is a member of the Board of Directors of the Mets.

139. Deny, except admit that Mets Limited Partnership is a limited partnership formed under the laws of the state of Delaware and its principal place of business is located courtesy of the general partner, 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

140. Admit.

141. Admit.

142. Admit, except deny that Fred Wilpon is the managing partner.

143. Admit, except deny that Fred Wilpon and Arthur Friedman are the managing partners.

144. Deny.

145. Deny, except admit that Mets Limited Partnership was a customer of the IA business and opened its first account with BLMIS in or around December of 1990.

146. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

147. Deny, except admit that Mets Limited Partnership is a limited partnership formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

148. Admit.

149. Admit.

150. Admit.

151. Admit.

152. Admit, except deny that Fred Wilpon is the managing partner.

153. Admit, except deny that Fred Wilpon and Arthur Friedman are the managing partners.

154. Deny.

155. Deny, except admit that Sterling Mets LP was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Sterling Mets LP opened its first BLMIS account.

156. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

157. Deny, except admit that Sterling Mets Associates is a general partnership formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

158. Admit.

159. Deny.

160. Deny, except admit that Sterling Mets Associates was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Sterling Mets Associates opened its first BLMIS account.

161. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

162. Deny, except admit that Sterling Mets Associates II is a general partnership formed under the laws of the state of New York and its principal place of business is located at 575 Fifth Avenue, New York, New York 10017.

163. Admit, except deny that the “Thomas Osterman Family Trust” is a general partner and that Fred Wilpon and Arthur Friedman are the managing partners.

164. Deny.

165. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

166. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

167. Deny, except admit that Mets One LLC is a limited liability company formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

168. Admit.

169. Admit, except deny that Fred Wilpon is the managing partner.

170. Deny.

171. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

172. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

173. Deny, except admit that Mets II LLC is a limited liability company formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

174. Admit.

175. Admit.

176. Deny.

177. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

178. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

179. Deny, except admit that Mets Partners, Inc. is a corporation formed under the laws of the state of New York and that its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

180. Deny, except admit that Fred Wilpon is the sole shareholder of Mets Partners, Inc.

181. Deny.

182. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

183. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

184. Deny, except admit that C.D.S. Corp. is a corporation formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

185. Admit.

186. Deny.

187. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

188. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

189. Deny, except admit that Coney Island Baseball Holding Company L.L.C. is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

190. Admit.

191. Admit.

192. Admit.

193. Deny.

194. Deny.

195. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

196. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

197. Deny, except admit that Brooklyn Baseball Company L.L.C. is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

198. Admit.

199. Deny, except admit that FS Company LLC is a member of Coney Island Baseball LLC.

200. Admit.

201. Admit.

202. Deny.

203. Deny, except admit that Brooklyn Baseball Company L.L.C. was a customer of the IA business and opened its first account with BLMIS in February of 2001.

204. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

205. Deny, except admit that FS Company L.L.C. is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

206. Admit.

207. Admit.

208. Deny.

209. Deny.

210. Deny, except admit that FS Company L.L.C. was a customer of the IA business and opened its first account with BLMIS in October of 2001.

211. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

212. Deny, except admit that 157 J.E.S. LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

213. Deny, except admit that the members of 157 J.E.S. LLC are Fred Wilpon, Saul Katz, Richard Wilpon, Michael Katz, Thomas Osterman, Arthur Friedman, Jeffrey Wilpon and David Katz.

214. Deny.

215. Deny, except admit that 157 J.E.S. LLC was a customer of the IA business and opened its first account with BLMIS in October of 2001.

216. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

217. Deny, except admit that Air Sterling LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

218. Admit.

219. Admit.

220. Deny.

221. Deny, except admit that Air Sterling LLC was a customer of the IA business and opened its first account with BLMIS in March of 2001.

222. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

223. Deny, except admit that BAS Aircraft LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

224. Admit.

225. Deny.

226. Deny, except admit that BAS Aircraft LLC was a customer of the IA business and opened its first account with BLMIS in March of 2001.

227. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

228. Deny, except admit that Bon-Mick Family Partners LP is a limited partnership formed under the laws of the state of Delaware and its principal place of business is located at 575 Fifth Avenue, New York, New York 10017.

229. Admit, except deny that Arthur Friedman is the sole shareholder of Bon Mick, Inc.

230. Admit.

231. Deny.

232. Deny, except admit that Bon-Mick Family Partners LP was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Bon-Mick Family Partners LP opened its first BLMIS account.

233. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

234. Deny, except admit that Bon Mick, Inc. is a corporation formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

235. Admit, except deny that Arthur Friedman is the sole shareholder.

236. Deny.

237. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

238. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

239. Deny, except admit that Charles 15 Associates is a general partnership formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

240. Admit.

241. Admit.

242. Admit.

243. Admit, except deny that the Estate of Leonard Schreier is a shareholder.

244. Admit.

245. Admit.

246. Admit.

247. Admit.

248. Admit.

249. Deny.

250. Deny, except admit that Charles 15 Associates was a customer of the IA business and opened its first account with BLMIS in January of 1995.

251. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

252. Deny, except admit that Charles 15 LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

253. Admit.

254. Admit.

255. Admit.

256. Admit.

257. Admit.

258. Deny.

259. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

260. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

261. Deny, except admit that Charles Sterling LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

262. Admit.

263. Admit.

264. Admit.

265. Deny.

266. Deny, except admit that Charles Sterling LLC was a customer of the IA business and opened its first account with BLMIS in August of 2001.

267. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

268. Deny, except admit that Charles Sterling Sub LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

269. Admit.

270. Admit.

271. Admit.

272. Admit.

273. Deny.

274. Deny, except admit that Charles Sterling Sub LLC was a customer of the IA business and opened its first account with BLMIS in October of 2004.

275. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

276. Deny, except admit that College Place Enterprises LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

277. Admit.

278. Deny.

279. Deny, except admit that College Place Enterprises LLC was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when College Place Enterprises LLC opened its first BLMIS account.

280. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

281. Deny, except admit that FFB Aviation LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

282. Admit.

283. Deny.

284. Deny, except admit that FFB Aviation LLC was a customer of the IA business and opened its first account with BLMIS in May of 2006.

285. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

286. Admit.

287. Deny.

288. Deny, except admit that Iris J. and Saul B. Katz Family Foundation, Inc. was a customer of the IA business and opened its first account with BLMIS in July of 1990.

289. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

290. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

291. Admit.

292. Deny.

293. Deny, except admit that Judy and Fred Wilpon Family Foundation, Inc. was a customer of the IA business and opened its first account with BLMIS in February of 1989

294. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

295. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

296. Deny, except admit that Red Valley Partners is a general partnership formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

297. Admit.

298. Deny.

299. Deny, except admit that Red Valley Partners was a customer of the IA business and opened its first account with BLMIS in August of 1997.

300. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

301. Admit.

302. Admit.

303. Admit.

304. Deny.

305. Deny, except admit that Saul Katz, Fred Wilpon, Richard Wilpon, Michael Katz, Arthur Friedman, Jeffrey Wilpon, David Katz, and Thomas Osterman are the shareholders of Sterling Argent, Inc.

306. Deny.

307. Deny, except admit that Robbinsville Park LLC was a customer of the IA business and opened its first account with BLMIS in October of 2001.

308. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

309. Deny, except admit that Ruskin Gardens Apts. L.L.C. is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

310. Admit.

311. Deny.

312. Deny, except admit that Ruskin Garden Apartments LLC was a customer of the IA business and opened its first account with BLMIS in June of 1997.

313. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

314. Deny, except admit that SEE HoldCo LLC is a limited liability company formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

315. Admit.

316. Deny, except admit that SEE Management LLC is a Delaware limited liability company whose members and managers are Fred Wilpon and Saul Katz.

317. Deny, except admit that SEE Holdings I is a New York general partnership whose partners are Fred Wilpon, Jeffrey Wilpon, Saul Katz, Scott Wilpon, Richard Wilpon, Michael Katz, Marvin Tepper, Thomas Osterman, Arthur Friedman, Gregory Katz, the Estate of Leonard Schreier, the Fred Wilpon Family Trust, and the Saul B. Katz Family Trust.

318. Deny, except admit that the partners of SEE Holding II are Fred Wilpon, Jeffrey Wilpon, Saul Katz, David Katz, Marvin Tepper, Thomas Osterman, Arthur Friedman, the Thomas Osterman 2002 Grantor Trust, the Fred Wilpon Family Trust, the Saul B. Katz Family Trust, the Wilpon 2002 Descendants' Trust, and the Katz 2002 Descendants' Trust.

319. Deny.

320. Deny, except admit that SEE HoldCo LLC was a customer of the IA business and opened its first account with BLMIS in January of 2007.

321. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

322. Deny, except admit that SEE Holdings I is a general partnership formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

323. Deny, except admit that the partners of SEE Holdings I are Fred Wilpon, Jeffrey Wilpon, Saul Katz, Scott Wilpon, Richard Wilpon, Michael Katz, Marvin Tepper, Thomas Osterman, Arthur Friedman, Gregory Katz, the Estate of Leonard Schreier, the Fred Wilpon Family Trust, and the Saul B. Katz Family Trust.

324. Deny.

325. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

326. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

327. Deny, except admit that SEE Holdings II is a general partnership formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

328. Deny, except admit that the partners of SEE Holding II are Fred Wilpon, Jeffrey Wilpon, Saul Katz, David Katz, Marvin Tepper, Thomas Osterman, Arthur Friedman, the Thomas Osterman 2002 Grantor Trust, the Fred Wilpon Family Trust, the Saul B. Katz Family Trust, the Wilpon 2002 Descendants' Trust, and the Katz 2002 Descendants' Trust.

329. Deny.

330. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

331. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

332. Deny, except admit that Sterling 10 LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

333. Admit.

334. Admit.

335. Deny.

336. Deny, except admit that Sterling 10 LLC was a customer of the IA business and opened its first account with BLMIS in September of 2003.

337. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

338. Deny, except admit that Sterling 15C L.L.C. is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

339. Admit.

340. Deny.

341. Deny.

342. Deny, except admit that Sterling 15C L.L.C. was a customer of the IA business and opened its first account with BLMIS in March of 1996.

343. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

344. Deny, except admit that Sterling 20 LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

345. Deny, except admit that the members of Sterling 20 LLC include Fred Wilpon, Saul Katz, Richard Wilpon, Michael Katz, Thomas Osterman, Arthur Friedman, Jeffrey Wilpon, Marvin Tepper, Elise C. Tepper, David Katz, and the Fred Wilpon Family Trust.

346. Deny, except admit that Fred Wilpon, Saul Katz, Richard Wilpon, and Michael Katz are among the managing members of Sterling 20 LLC.

347. Deny.

348. Deny, except admit that Sterling 20 LLC was a customer of the IA business and opened its first account with BLMIS in February of 2002.

349. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

350. Deny, except admit that Sterling American Advisors II LP is a limited partnership formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

351. Deny, except admit that the partners of Sterling American Advisors II LP include Sterling R. I. II LLC and Sterling Internal II LLC, among others not listed as defendants in this action.

352. Deny.

353. Deny.

354. Admit.

355. Admit, except deny that Leonard Schreier is a member.

356. Deny.

357. Deny, except admit that Sterling American Advisors II LP was a customer of the IA business and opened its first account with BLMIS in September of 2006.

358. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

359. Deny, except admit that Sterling Brunswick Corporation is a corporation formed under the laws of the state of New Jersey and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

360. Admit.

361. Deny, except admit that Michael Katz is an officer of Sterling Brunswick Corporation.

362. Deny.

363. Deny, except admit that Sterling Brunswick Corporation was a customer of the IA business and opened its first account with BLMIS in March of 2000.

364. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

365. Deny, except admit that Sterling Brunswick Seven LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

366. Admit.

367. Admit.

368. Admit.

369. Deny.

370. Deny, except admit that Sterling Brunswick Seven LLC was a customer of the IA business and opened its first account with BLMIS in March of 2005.

371. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

372. Deny, except admit that Sterling DIST Properties LLC is a limited liability company formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

373. Admit.

374. Admit.

375. Deny.

376. Deny, except admit that Sterling DIST Properties LLC was a customer of the IA business and opened its first account with BLMIS in June of 2008.

377. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

378. Deny, except admit that Sterling Equities is a general partnership formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

379. Admit, except deny that Leonard Schreier's partnership interests are held by his estate.

380. Deny.

381. Deny, except admit that the Sterling Partners are general partners of Sterling Equities Associates.

382. Deny, except admit that Sterling Equities was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Sterling Equities opened its first BLMIS account.

383. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

384. Deny, except admit that Sterling Equities Associates is a general partnership formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

385. Admit.

386. Deny.

387. Deny, except admit that Sterling Equities Associates was a customer of the IA business and opened its first account with BLMIS in July of 2000.

388. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

389. Deny, except admit that Sterling Equities Investors is a general partnership formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

390. Admit.

391. Deny.

392. Deny, except admit that Sterling Equities Investors was a customer of the IA business and opened its first account with BLMIS in February of 1997.

393. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

394. Deny, except admit that Sterling Heritage L.L.C. is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

395. Admit.

396. Admit.

397. Deny.

398. Deny, except admit that Sterling Heritage L.L.C. was a customer of the IA business and opened its first account with BLMIS in May of 2000.

399. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

400. Deny, except admit that Sterling Internal V LLC is a limited liability company formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

401. Admit.

402. Deny.

403. Deny, except admit that Sterling Internal V LLC was a customer of the IA business and opened its first account with BLMIS in July of 2006.

404. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

405. Admit

406. Admit.

407. Deny.

408. Deny, except admit that Sterling Jet Ltd. was a customer of the IA business and opened its first account with BLMIS in May of 1999.

409. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

410. Admit.

411. Admit.

412. Deny.

413. Deny, except admit that Sterling Jet II Ltd. was a customer of the IA business and opened its first account with BLMIS in May of 1999.

414. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

415. Admit.

416. Admit.

417. Deny.

418. Deny, except admit that Sterling PathoGenesis Company was a customer of the IA business and opened its first account with BLMIS in November of 1996.

419. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

420. Deny, except admit that Sterling Third Associates was a general partnership formed under the laws of the state of New York and its principal place of business was 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

421. Deny.

422. Deny.

423. Deny.

424. Deny, except admit that Sterling Third Associates was a customer of the IA business and opened its first account with BLMIS in May of 1986.

425. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

426. Deny, except admit that Sterling Thirty Venture LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

427. Admit.

428. Admit.

429. Admit.

430. Deny.

431. Deny, except admit that Sterling Thirty Venture LLC was a customer of the IA business and opened its first account with BLMIS in November of 2000.

432. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

433. Deny, except admit that Sterling Tracing LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

434. Deny, except admit that the members of Sterling Tracing LLC are Michael Katz, Richard Wilpon, Gregory Katz, Scott Wilpon, Jeffrey Wilpon, Thomas Osterman and Arthur and Ruth Friedman as joint tenants

435. Deny.

436. Deny, except admit that Sterling Tracing LLC was a customer of the IA business and opened its first account with BLMIS in April of 2007.

437. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

438. Deny, except admit that Sterling Twenty Five LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

439. Admit, except deny that Arthur and Ruth Friedman are members as joint tenants.

440. Admit.

441. Deny.

442. Deny, except admit that Sterling Twenty Five LLC was a customer of the IA business and opened its first account with BLMIS in January of 2007.

443. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

444. Deny, except admit that Sterling VC IV LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

445. Admit, except deny that Natalie Katz O'Brien and Heather Katz Knopf are members.

446. Deny.

447. Deny, except admit that Sterling VC IV LLC was a customer of the IA business and opened its first account with BLMIS in June of 2008.

448. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

449. Deny, except admit that Sterling VC V LLC is a limited liability company formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021 and it accepts service of process courtesy of Sterling Equities at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

450. Admit.

451. Admit.

452. Deny.

453. Deny, except admit that Sterling VC V LLC was a customer of the IA business and opened its first account with BLMIS in June of 2008.

454. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

455. Deny.

456. Deny.

457. Deny.

458. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

459. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

460. Admit, except note that David Katz, Natalie Katz and Heather Katz Knopf are among the beneficiaries of the Saul B. Katz Family Trust.

461. Deny, except admit that the Saul B. Katz Family Trust was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when the Saul B. Katz Family Trust opened its first BLMIS account.

462. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that the Saul B. Katz Family Trust held interests in different BLMIS accounts.

463. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

464. Admit, except note that Jeffrey Wilpon, Bruce N. Wilpon, MINOR 1, MINOR 2, Robin Wilpon Wachtler, and Kimberly Wilpon Wachtler are among the beneficiaries of the Fred Wilpon Family Trust.

465. Deny, except admit that the Fred Wilpon Family Trust was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when the Fred Wilpon Family Trust opened its first BLMIS account.

466. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that the Fred Wilpon Family Trust held interests in different BLMIS accounts.

467. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

468. Admit, except note that Dayle Katz, Gregory Katz, Howard Katz and Todd Katz are among the beneficiaries of the Katz 2002 Descendants Trust.

469. Deny, except admit that the Katz 2002 Descendants' Trust was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when the Katz 2002 Descendants' Trust opened its first BLMIS account.

470. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that the Katz 2002 Descendants Trust. held interests in different BLMIS accounts.

471. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

472. Admit, except note that Debra Wilpon is also a beneficiary.

473. Admit.

474. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that the Wilpon 2002 Descendants Trust. held interests in different BLMIS accounts.

475. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

476. Admit.

477. Admit.

478. Deny, except admit that Iris Katz was a customer of the IA business, and lack knowledge or information sufficient to form a belief as to the when Iris Katz opened her first BLMIS account.

479. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Iris Katz held interests in different BLMIS accounts

480. Refer to the Complaint for its content.

481. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

482. Admit.

483. Admit.

484. Deny, except admit that Judith Wilpon was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Judith Wilpon opened her first BLMIS account.

485. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Judith Wilpon held interests in different BLMIS accounts.

486. Refer to the Complaint for its content.

487. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

488. Admit.

489. Admit.

490. Deny, except admit that Dayle Katz was a customer of the IA business and opened her first account with BLMIS in or around December of 1986.

491. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Dayle Katz held interests in different BLMIS accounts.

492. Refer to the Complaint for its content.

493. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

494. Admit, except deny that Debra Wilpon maintains her residence in Port Washington, New York.

495. Admit.

496. Deny, except admit that Debra Wilpon was a customer of the IA business and opened her first account with BLMIS in or around December 1986.

497. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Debra Wilpon held interests in different BLMIS accounts

498. Refer to the Complaint for its content.

499. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

500. Admit.

501. Admit.

502. Deny, except admit that Valerie Wilpon was a customer of the IA business.

503. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Valerie Wilpon held interests in different BLMIS accounts.

504. Refer to the Complaint for its content.

505. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

506. Admit.

507. Admit.

508. Deny, except admit that Amy Beth Katz was a customer of the IA business and opened her first account with BLMIS in October 2001.

509. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Amy Beth Katz held interests in different BLMIS accounts.

510. Refer to the Complaint for its content.

511. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

512. Admit.

513. Admit.

514. Deny, except admit that Heather Katz Knopf was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Heather Katz Knopf opened her first BLMIS account.

515. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Heather Katz Knopf held interests in different BLMIS accounts.

516. Refer to the Complaint for its content.

517. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

518. Admit.

519. Admit.

520. Deny, except admit that Howard Katz was a customer of the IA business, and lack knowledge or information sufficient to form a belief as to when Howard Katz opened his first BLMIS account.

521. Deny, except admit that Howard Katz was a customer of the IA business, and lack knowledge or information sufficient to form a belief as to when Howard Katz opened his first BLMIS account.

522. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Howard Katz held interests in different BLMIS accounts.

523. Refer to the Complaint for its content.

524. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

525. Admit.

526. Admit.

527. Deny, except admit that Natalie Katz O'Brien was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Natalie Katz O'Brien opened her first BLMIS account.

528. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Natalie Katz O'Brien held interests in different BLMIS accounts.

529. Refer to the Complaint for its content.

530. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

531. Admit.

532. Admit.

533. Deny, except admit that Todd Katz was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Todd Katz opened his first BLMIS account.

534. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Todd Katz held interests in different BLMIS accounts.

535. Refer to the Complaint for its content.

536. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

537. Admit.

538. Admit.

539. Deny, except admit that Bruce N. Wilpon was a customer of the IA business and opened his first BLMIS account or such account was opened on his behalf in or around February 1994.

540. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Bruce N. Wilpon held interests in different BLMIS accounts.

541. Refer to the Complaint for its content.

542. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

543. Admit.

544. Admit.

545. Deny, except admit that Daniel Wilpon was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when he opened his first BLMIS account.

546. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Daniel Wilpon held interests in different BLMIS accounts.

547. Refer to the Complaint for its content.

548. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

549. Admit.

550. Admit.

551. Deny, except admit that Jessica Wilpon was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Jessica Wilpon opened her first BLMIS account.

552. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Jessica Wilpon held interests in different BLMIS accounts.

553. Refer to the Complaint for its content.

554. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

555. Admit.

556. Admit.

557. Deny, except admit that Robin Wilpon Wachtler was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Robin Wilpon Wachtler opened her first BLMIS account.

558. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Robin Wilpon Wachtler held interests in different BLMIS accounts.

559. Refer to the Complaint for its content.

560. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

561. Admit.

562. Admit.

563. Deny, except admit that Philip Wachtler was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Philip Wachtler opened his first BLMIS account.

564. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Philip Wachtler held interests in different BLMIS accounts.

565. Refer to the Complaint for its content.

566. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

567. Admit.

568. Admit.

569. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Kimberly Wachtler held interests in different BLMIS accounts.

570. Refer to the Complaint for its content.

571. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

572. Admit.

573. Admit.

574. Deny, except admit that Scott Wilpon was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Scott Wilpon opened his first BLMIS account.

575. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Scott Wilpon held interests in different BLMIS accounts.

576. Refer to the Complaint for its content.

577. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

578. Admit.

579. Admit.

580. Deny, except admit that MINOR 1 was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when a BLMIS account was first opened on MINOR 1's behalf.

581. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that MINOR 1 held interests in different BLMIS accounts.

582. Refer to the Complaint for its content.

583. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

584. Admit.

585. Admit.

586. Deny, except admit that MINOR 2 was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when a BLMIS account was first opened on MINOR 2's behalf.

587. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that MINOR 2 held interests in different BLMIS accounts.

588. Refer to the Complaint for its content.

589. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

590. Admit.

591. Admit.

592. Deny, except admit that Ruth Friedman was a customer of the IA business and opened her first account with BLMIS in or around May 1991.

593. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Ruth Friedman held interests in different BLMIS accounts.

594. Refer to the Complaint for its content.

595. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

596. Admit.

597. Admit.

598. Deny, except admit that Phyllis Rebell Osterman was a customer of the IA business and opened her first account in or around October 1999.

599. Admit.

600. Refer to the Complaint for its content.

601. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

602. Admit.

603. Admit.

604. Deny, except admit that Elise C. Tepper was a customer of the IA business and opened her first account with BLMIS in December 1990.

605. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Elise C. Tepper held interests in different BLMIS accounts.

606. Refer to the Complaint for its content.

607. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

608. Admit.

609. Admit.

610. Deny, except admit that Jacqueline G. Tepper was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Jacqueline G. Tepper opened her first BLMIS account.

611. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Jacqueline G. Tepper held interests in different BLMIS accounts.

612. Refer to the Complaint for its content.

613. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

614. Admit, except deny that Edward M. Tepper maintains his residence in Madison, New Jersey.

615. Admit.

616. Deny, except admit that Edward M. Tepper was a customer of the IA business and lack knowledge or information sufficient to form a belief as to when Edward M. Tepper opened his first BLMIS account.

617. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Edward M. Tepper held interests in different BLMIS accounts.

618. Refer to the Complaint for its content.

619. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

620. Admit.

621. Admit.

622. Deny, except admit that Deyva Schreier Arthur was a customer of the IA business and opened her first account with BLMIS, or such account was opened on her behalf in December 1991.

623. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Deyva Schreier Arthur held interests in different BLMIS accounts.

624. Refer to the Complaint for its content.

625. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

626. Admit.

627. Admit.

628. Deny, except admit that Michael Schreier was a customer of the IA business and opened his first account with BLMIS, or such account was opened on his behalf in or around December 1991.

629. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Michael Schreier held interests in different BLMIS accounts.

630. Refer to the Complaint for its content.

631. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

632. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

633. Admit.

634. Admit.

635. Deny.

636. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

637. Deny, except admit that Sterling Acquisitions LLC is a general partnership formed under the laws of the state of New York and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

638. Admit, except note that Heather Katz Knopf and Dan Knopf are members as tenants-in-common, and further note that Thomas Osterman, Scott Wilpon, Jessica Wilpon, Daniel Wilpon and the Iris J. and Saul B. Katz Family Foundation are also members.

639. Deny.

640. Deny.

641. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

642. Deny, except admit that Sterling American Property III LP is a limited partnership formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

643. Admit.

644. Deny.

645. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

646. Deny, except admit that Sterling American Property IV LP is a limited partnership formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

647. Admit.

648. Deny.

649. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

650. Deny, except admit that Sterling American Property V LP is a limited partnership formed under the laws of the state of Delaware and its principal place of business is located at 111 Great Neck Road, Suite 408, Great Neck, New York 11021.

651. Admit.

652. Deny.

653. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

654. Deny, except admit that Sterling Equities is a general partnership that was founded in or around 1972 as a partnership by brothers-in-law Saul Katz, a certified public accountant (“CPA”), and Fred Wilpon to manage and acquire real estate, that Richard Wilpon and Michael Katz, a CPA who also holds a master’s degree in business administration, joined the partnership a year later, and that these four partners have been with Sterling since its inception and have extensive business experience.

655. Admit, except deny that all of the “next generation of Katz-Wilpon family members” joined the partnership in or around 1986.

656. Deny, except admit that the Sterling Partners and various Sterling-related entities own and operate a number of businesses and invest in asset classes that include real estate, professional baseball, sports media, and private equity. Defendants further admit that these businesses involve, among other things, the purchase, development, and management of commercial and residential real estate, both directly and through the Sterling American Property (“SAP”) funds, ownership of the New York Mets baseball franchise, a majority ownership interest in SportsNet New York (“SNY”), private equity and venture capital investments, and a passive ownership interest in Sterling Stamos Partners. Defendants admit the first sentence of footnote 4 and lack knowledge or information sufficient to form a belief as to the truth of the remaining allegations in footnote 4.

657. Deny.

658. Deny.

659. Deny.

660. Deny.

661. Deny.

662. Deny.

663. Deny.

664. Deny.

665. Deny, except admit that Sterling's principal business has been, and continues to be, real estate, including the purchase, development, and management of commercial and residential real estate, both directly and through the SAP funds.

666. Deny, except admit that Richard Wilpon, Michael Katz, and Thomas Osterman are the Sterling Partners most closely involved in Sterling's real estate business.

667. Deny, except admit that the relationship between the Sterling Partners and American Securities started in or around 1990 and that Sterling-related entities partnered with American Securities over time to establish five SAP real estate funds.

668. Deny, except admit that Richard Wilpon, Michael Katz, and Thomas Osterman are the Sterling Partners most closely involved in Sterling's real estate business, including with respect to the SAP funds.

669. Deny, except admit that each of the Sterling Partners has held an interest in the Mets since 1980 when they initially shared ownership with Nelson Doubleday, that in 2002 the Partners and other related entities acquired full ownership of the Mets, and that a Sterling-related entity owns the Mets' Class A affiliate, the Brooklyn Cyclones.

670. Deny, except admit that Fred Wilpon, Jeffrey Wilpon, and Saul Katz are the Sterling Partners most closely involved in the business operations of the New York Mets.

671. Admit.

672. Deny, except admit that Fred Wilpon, Jeffrey Wilpon, and Saul Katz are the Sterling Partners most closely involved with the business operations of SNY.

673. Deny, except admit that each of the Sterling Partners and/or Sterling-related entities held or hold interests in private equity ventures, including Changing World Technologies, PathoGenesis, and Twistage.

674. Deny, except admit that Saul Katz and David Katz are the Sterling Partners most closely involved with private equity ventures.

675. Deny.

676. Deny.

677. Deny, except admit that a few Sterling Partners began investing with Madoff in 1985 and that many accounts of the Sterling Partners or related persons or entities were identified by a “KW” prefix followed by three distinct digits.

678. Deny and refer to Appendix I, Exhibit A for its content.

679. Deny.

680. Deny.

681. Deny, except admit that Arthur Friedman provided administrative assistance with respect to the majority of 1KW BLMIS accounts, which included communicating transaction and other requests of 1KW BLMIS customers to BLMIS, maintaining BLMIS paperwork, including regularly issued monthly account statements, and monitoring BLMIS account balances.

682. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as the truth of the allegations, except admit that some accounts held by some Sterling Partners and/or their family members were held individually or structured as joint tenancies or tenancies-in-common.

683. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

684. Deny.

685. Deny.
686. Deny.
687. Deny.
688. Deny.
689. Deny, except admit that certain accounts were opened by limited liability corporations in which one or more of the Sterling Partners held an interest.
690. Deny.
691. Deny.
692. Deny.
693. Deny.
694. Deny, except admit that Sterling Internal V LLC opened a BLMIS account.
695. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Ruth Madoff and Peter Madoff were limited partner investors in the SAP funds.
696. Deny, except admit that Mets-related entities and the Brooklyn Cyclones held different BLMIS accounts over time.

697. Deny.

698. Deny.

699. Deny.

700. Deny, except admit that Sterling Pathogenesis held a BLMIS account and that Sterling PathoGenesis used the securities in its BLMIS account as collateral to borrow funds to invest with BLMIS.

701. Deny.

702. Deny, except admit that Sterling Stamos was created as a partnership between Peter Stamos and the Sterling Partners, in which a Sterling-related entity holds a passive ownership interest.

703. Deny, except admit that a reason Sterling Stamos was formed was to provide the Sterling Partners with an alternative to investing with Madoff for diversification purposes.

704. Deny, except admit that the Sterling Partners, family members, and related entities had in the aggregate hundreds of millions of dollars of investments with BLMIS and with Sterling Stamos in 2008.

705. Deny.

706. Deny, except admit that Sterling Partner David Katz expressed concerns to the other Sterling Partners about the concentration of their respective securities investments with a single investment manager.

707. Deny.

708. Deny, except admit that Sterling Stamos was created as a hedge fund of funds operated and headed by Peter Stamos and refer to the deposition testimony of Peter Stamos taken by counsel for the Trustee with respect to footnote 5.

709. Admit.

710. Deny.

711. Deny, except admit that Sterling Stamos was formed as a partnership between Peter Stamos and the Sterling Partners and that the Sterling Partners had a 50% passive ownership interest in Sterling Stamos at its inception.

712. Deny, except admit that each of the Sterling Partners provided start-up capital for the venture.

713. Deny, except admit that each of the Sterling Partners individually was a limited partner in different Sterling Stamos funds and that some of each Partner's BLMIS holdings could have been a source of funding for these investments.

714. Deny, except admit that Sterling Stamos' offices were located at 575 Fifth Avenue in its early stages.

715. Deny, except admit that Chuck Klein worked for American Securities and admit, upon information and belief, that Ezra Merkin managed his own investment funds.

716. Deny, except admit that some Sterling Stamos investors were also customers of BLMIS, including the Sterling Partners.

717. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

718. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Merrill Lynch ultimately acquired an interest in Sterling Stamos, including 25% of the passive ownership interest held collectively by the Sterling Partners.

719. Deny.

720. Deny.

721. Deny.

722. Deny.

723. Deny and refer to the document for its content.

724. Deny and refer to the document for its content.

725. Deny.

726. Deny.

727. Deny.
728. Deny.
729. Deny.
730. Deny.
731. Deny.
732. Deny, except admit that Fred Wilpon met Madoff through their children and that Fred and Judith Wilpon became friendly with Madoff and his wife.
733. Deny, except admit that Fred Wilpon was a BLMIS customer and that Ruth Madoff was a limited partner, either directly or indirectly, in Sterling American Property funds.
734. Deny, except admit that, on occasion, Madoff was invited to and attended family events of the Katz and Wilpon families and that Madoff, on occasion, invited the Katz and Wilpon families to family celebrations.
735. Deny, except admit that Madoff and his wife accompanied Saul Katz and Fred Wilpon to Japan when the Mets played an exhibition game there.
736. Deny, except admit that Sterling was involved in development of the “Lipstick” building.

737. Deny, except admit that Fred Wilpon was a board member of “Gift of Life” and that the charity held a board meeting at BLMIS’ offices on December 8, 2008.

738. Deny.

739. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

740. Deny.

741. Deny, except admit that Fred Wilpon and Saul Katz met with Madoff in his office approximately once a year.

742. Deny.

743. Deny, except admit that each of Fred Wilpon, Saul Katz, and SEF opened a BLMIS account in or around 1985.

744. Deny, except admit that additional 1KW accounts were opened by different customers following the accounts that were opened in or around 1985.

745. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

746. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

747. Deny.

748. Deny.
749. Deny, except refer to the testimony of Arthur Friedman and Fred Wilpon regarding outside investor accounts for its content.
750. Deny.
751. Deny.
752. Deny, except admit that Sterling sponsored a self-directed 401(k) retirement plan and that BLMIS was one of the investment options offered to plan participants.
753. Deny.
754. Deny, except admit that Arthur Friedman provided administrative assistance with respect to the majority of the 1KW BLMIS accounts.
755. Deny, except admit that Arthur Friedman provided administrative assistance with respect to the majority of 1KW BLMIS accounts, which included communicating transaction and other requests of 1KW BLMIS customers to BLMIS, often by letter, maintaining BLMIS paperwork, including regularly issued monthly account statements, and monitoring BLMIS account balances.
756. Deny, except admit that Arthur Friedman provided administrative assistance with respect to the majority of 1KW BLMIS accounts, which included communicating transaction and other requests of 1KW BLMIS customers to BLMIS,

often by letter, maintaining BLMIS paperwork, including regularly issued monthly account statements, and monitoring BLMIS account balances.

757. Deny, except admit that Arthur Friedman provided administrative assistance with respect to the majority of 1KW BLMIS accounts, which included communicating transaction and other requests of 1KW BLMIS customers to BLMIS, often by letter, maintaining BLMIS paperwork, including regularly issued monthly account statements, and monitoring BLMIS account balances.

758. Deny, except admit that Arthur Friedman provided administrative assistance with respect to the majority of 1KW BLMIS accounts, which included communicating transaction and other requests of 1KW BLMIS customers to BLMIS, often by letter, maintaining BLMIS paperwork, including regularly issued monthly account statements, and monitoring BLMIS account balances.

759. Deny, except admit that Arthur Friedman generally was responsible for reporting on BLMIS' performance at Sterling Partner meetings.

760. Admit, except deny that Arthur Friedman calculated "purported equity in BLMIS."

761. Deny, except admit that the Partnership Accounting Department created a "Hell" sheet that reflected BLMIS account balances for certain 1KW BLMIS accounts and allocation of those balances among account interest holders where appropriate.

762. Deny, except admit that BLMIS provided tax-related information for the 1KW BLMIS accounts.

763. Deny, except admit that Arthur Friedman, from time to time, analyzed an “efficiency” factor for some 1KW accounts.

764. Deny, except admit that Arthur Friedman tried to replicate Madoff’s strategy on paper and viewed the exercise a success.

765. Deny.

766. Deny, except admit that the Sterling Partners and their family members created tenancies-in-common (“TICs”), which invested with BLMIS.

767. Deny.

768. Deny, except admit that Arthur Friedman verified that BLMIS was a member of SIPC and that SIPC protected joint and TIC accounts and refer to the document for its content.

769. Deny and refer to the documents for their content.

770. Deny, except admit that the allegations purport to describe a memorandum from Arthur Friedman and refer to that document for its content.

771. Deny.

772. Deny, except admit that Madoff was offered an opportunity to invest in certain Sterling real estate deals and business ventures.

773. Deny, except admit that investments in certain Sterling real estate deals and business ventures were made in the name of Ruth Madoff.

774. Deny, except admit that Madoff declined an opportunity to invest in the Mets in or around 2002.

775. Deny, except admit that an investment in SAP I in the name of Ruth Madoff was made through an entity called Madoff Realty Associates.

776. Deny, except admit that an investment in SAP II in the name of Ruth Madoff was made through an entity called Realty Assoc Madoff II” and that investments in SAP III, IV, and V were made in the name of Ruth Madoff.

777. Admit.

778. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

779. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that investments were made in the name of Ruth Madoff in Sterling Acquisitions, Sterling Carl Marks Capital, and Sterling Vessels.

780. Deny, except admit that the described investments were held in Ruth Madoff’s name and that any dealings concerning those investments were with Madoff.

781. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

782. Deny.

783. Deny.

784. Deny.

785. Deny.

786. Deny.

787. Deny, except admit that some Sterling-related entities that held BLMIS accounts used funds from those accounts for business purposes and that some Sterling-related entities were created for the purpose of investing in BLMIS.

788. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

789. Deny.

790. Deny, except admit that the losses caused by Madoff's fraud required the restructuring of certain Sterling-related borrowers' debt.

791. Deny.

792. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

793. Deny, except admit that funds from BLMIS accounts opened by Mets-related entities at times were used to fund Mets operations.

794. Deny, except admit that deposits and withdrawals by the Mets from BLMIS accounts opened by Mets-related entities were consistent with the baseball season.

795. Deny.

796. Deny.

797. Deny.

798. Deny.

799. Deny, except admit that a Sterling-related entity made a capital commitment to SAP V of \$150 million.

800. Deny.

801. Deny.

802. Deny, except admit that Sterling Internal V LLC borrowed \$75 million from Bank of America. Defendants lack knowledge or information sufficient to form a belief as to what, if anything, influenced Bank of America.

803. Deny, except admit that that, in or around June 2006, Sterling Internal V opened a 1KW BLMIS account and that it withdrew funds that it legally was owed to service its debt and meet certain SAP V capital calls.

804. Deny.

805. Deny.

806. Deny, except admit that Sterling collected approximately \$9 million in SAP V management fees in 2009.

807. Deny, except admit that SEF functions as an internal bank at Sterling for cash management purposes.

808. Deny, except admit that SEF funds were used for different business purposes.

809. Deny, except admit that SEF's credit lines were generally available to the Sterling Partners and certain Sterling-related entities so that they could conveniently borrow funds when necessary.

810. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

811. Deny.

812. Deny, except admit that SEF at times endorsed BLMIS checks made payable to tenancies-in-common when those TICs did not have a bank account.

813. Deny.

814. Deny, except admit that SEF did loan money to individual Sterling Partners or Sterling-related entities and that each such Partner or entity would repay SEF from sources that could include a Partner's or entity's BLMIS account.

815. Deny, except admit that certain Sterling-related individuals and entities borrowed funds to invest with BLMIS.

816. Admit.

817. Deny, except admit that certain Sterling-related individuals or entities borrowed funds pursuant to credit agreements with Fleet National Bank or Bank of America.

818. Deny, except admit that Madoff preferred that Fleet National Bank serve as the lender for funds to be invested in accounts at BLMIS.

819. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

820. Deny, except admit that certain Sterling-related individuals or entities borrowed funds to deposit into their BLMIS accounts for purposes of investment and that at least some Sterling-related individuals referred to such accounts as "double up" accounts.

821. Deny, except admit that some Sterling Partners and related entities were members of Sterling 20 LLC, an entity created for the purposes of investing with BLMIS.

822. Deny, except admit that this paragraph purports to describe pledged collateral account control agreements and refer to those documents for their content.

823. Deny.

824. Deny, except admit that Judith Wilpon and Iris Katz entered into loan agreements with Fleet National Bank, which were secured by certain of their BLMIS accounts, and deposited funds in certain of their accounts at BLMIS.

825. Deny, except admit that the listed entities held BLMIS accounts.

826. Deny, except admit that certain Sterling-related individuals and entities borrowed funds from Fleet National Bank and later Bank of America, which were secured by certain BLMIS accounts, and deposited borrowed funds in their accounts at BLMIS.

827. Deny.

828. Deny, except admit that Sterling Partners generally served as officers or directors or were members of these entities.

829. Deny.

830. Admit.

831. Deny, except admit that those Sterling-related individuals and entities that borrowed funds to deposit into BLMIS accounts entered into credit agreements with lenders and refer to these agreements for their terms.

832. Deny.

833. Deny.

834. Deny.

835. Deny.

836. Deny.

837. Deny.

838. Deny.

839. Deny.

840. Deny, except admit that certain Sterling-related entities pledged their BLMIS accounts as collateral for loans, the proceeds of which were used for purposes other than investment with BLMIS.

841. Deny.

842. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

843. Deny, except admit that the alleged entities were borrowers on loans collateralized by their respective parent entity's BLMIS account.

844. Deny, except admit that the referenced entities entered into loan agreements that provided for investment with BLMIS as an approved use of proceeds and refer to those agreements for their terms.

845. Deny.

846. Deny.

847. Deny.

848. Deny.

849. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

850. Deny.

851. Deny and refer to quoted document for its content.

852. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

853. Deny.

854. Deny, except admit that the Sterling Partners and related individuals and entities were harmed by BLMIS' fraud.

855. Deny.

856. Deny.

857. Deny, except admit that new credit facilities were put into place after disclosure of BLMIS' fraud and refer to the documentation of those facilities for its content.

858. Deny, except admit that new credit facilities were put into place after disclosure of BLMIS' fraud and refer to the documentation of those facilities for its content.

859. Deny, except admit that new credit facilities were put into place after disclosure of BLMIS' fraud and refer to the documentation of those facilities for its content.

860. Deny, except admit that new credit facilities were put into place after disclosure of BLMIS' fraud and refer to the documentation of those facilities for its content.

861. Deny, except admit that new credit facilities were put into place after disclosure of BLMIS' fraud and refer to the documentation of those facilities for its content.

862. Deny, except admit that new credit facilities were put into place after disclosure of BLMIS' fraud and refer to the documentation of those facilities for its content.

863. Deny.

864. Deny.

865. Deny.

866. Deny.

867. Deny.

868. Deny, except admit that Sterling Stamos was formed as a partnership between Stamos and the Sterling Partners.

869. Deny.

870. Deny.

871. Deny.

872. Deny, except refer to the quoted email dated December 12, 2008 for its content.

873. Deny, except refer to the quoted email dated December 13, 2008 for its content.

874. Deny, except refer to the quoted email dated December 15, 2008 for its content.

875. Deny.

876. Deny.

877. Deny, except admit that at least some of the Sterling Partners at times compared the performance of BLMIS to that of Sterling Stamos.

878. Deny, except admit that at least some of the Sterling Partners at times discussed the comparison.

879. Deny, except admit that Sterling Stamos's rates of return generally differed from BLMIS's rate of return.

880. Deny.

881. Deny and refer to the deposition of Peter Stamos taken by counsel for the Trustee for its content.

882. Deny and refer to the deposition of Peter Stamos taken by counsel for the Trustee for its content.

883. Deny and refer to the deposition of Peter Stamos taken by counsel for the Trustee for its content.

884. Deny and refer to the deposition of Peter Stamos taken by counsel for the Trustee for its content.

885. Deny.

886. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

887. Deny and refer to the deposition of Peter Stamos taken by counsel for the Trustee for its content.

888. Deny.

889. Deny.

890. Deny.

891. Deny and refer to the deposition of Peter Stamos taken by counsel for the Trustee for its content. Defendants also lack knowledge or information sufficient to form a belief as to the truth of the allegations in footnote 6.

892. Deny.

893. Deny, except admit that certain Sterling personnel communicated with BLMIS' auditor in 2008 concerning the Sterling-related investments held in Ruth Madoff's name.

894. Deny and refer to the deposition of Peter Stamos taken by counsel for the Trustee for its content.

895. Deny.

896. Deny.

897. Deny.

898. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

899. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

900. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that Merrill Lynch acquired a 50% interest in Sterling Stamos in or around July 2007.

901. Deny.

902. Deny.

903. Deny.

904. Deny.

905. Deny.

906. Deny, except lack knowledge or information sufficient to form a belief as to the truth of the allegations concerning Merrill Lynch.

907. Deny.

908. Deny.

909. Deny.
910. Deny and refer to the deposition of Peter Stamos taken by counsel for the Trustee for its content.
911. Deny.
912. Deny.
913. Deny.
914. Deny, except admit that at least one bank declined to act as custodian for Sterling's 401(k) plan.
915. Deny.
916. Lack knowledge or information sufficient to form a belief about the truth of the allegations.
917. Lack knowledge or information sufficient to form a belief about the truth of the allegations.
918. Lack knowledge or information sufficient to form a belief about the truth of the allegations.
919. Deny, except admit that David Katz, Saul Katz and Ivy representatives met in or around 2002 in connection with the creation of Sterling Stamos.
920. Deny.

921. Deny, except refer to the quoted email dated December 13, 2008 for its content.

922. Deny.

923. Admit.

924. Lack knowledge or information sufficient to form a belief as to the truth of the allegations in this paragraph and in footnote 7, except admit that the Saul Katz Family Foundation made a donation to Brooklyn College Foundation.

925. Deny and refer to the May 2001 articles from MAR/Hedge and Barron's for their content.

926. Deny and refer to the May 2001 articles from MAR/Hedge and Barron's for their content and admit that the articles were circulated to the Sterling Partners.

927. Deny, except admit that the articles could have been discussed by or among the Sterling Partners.

928. Deny and refer to the May 2001 articles from MAR/Hedge and Barron's for their content.

929. Deny and refer to the May 2001 articles from MAR/Hedge and Barron's for their content and admit that at least one of the Sterling Partners believed that Madoff charged something similar to a commission on trades.

930. Deny.

931. Deny.
932. Deny.
933. Deny, except lack knowledge or information sufficient to form a belief as to the truth of the allegation concerning “financial professionals.”
934. Deny, except refer to the quoted October 30, 2000 fax for its content.
935. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.
936. Deny, except admit that at least one Sterling Partner maintained copies of select articles discussing Madoff and BLMIS and refer to those documents for their content.
937. Deny.
938. Lack knowledge or information sufficient to form a belief as to the truth of the allegations concerning American Securities’ founding, except admit that Sterling and American Securities have a business relationship dating back to the early 1990s.
939. Lack knowledge or information sufficient to form a belief as to the truth of the allegations concerning American Securities’ growth, except admit that Sterling Partners and related entities have invested in American Securities’ private equity funds.

940. Lack knowledge or information sufficient to form a belief as to the truth of the allegations concerning Chuck Klein's role with American Securities affiliates, except admit that Chuck Klein is a managing director at American Securities.

941. Deny, except admit that Chuck Klein was a trusted advisor to the Sterling Partners and that they informally consulted him in connection with the creation of Sterling Stamos.

942. Deny.

943. Deny.

944. Deny, except admit that Chuck Klein suggested that Mr. Katz look into certain insurance.

945. Deny, except refer to the quoted February 26, 2001 memorandum for its content.

946. Deny, except refer to the quoted June 13, 2001 memorandum for its content.

947. Deny, except refer to the quoted Arthur Friedman notes and Arthur Friedman's testimony for their content.

948. Deny, except admit that the Sterling Partners did not purchase fraud insurance.

949. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

950. Deny and refer to the March 19, 2011 declaration of Saul B. Katz (“Katz Declaration”) filed in support of Defendants’ motion to dismiss or, in the alternative, for summary judgment dismissing the Complaint.

951. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

952. Deny and refer to the Katz Declaration filed in support of Defendants’ motion to dismiss or, in the alternative, for summary judgment dismissing the Complaint.

953. Deny and refer to the Katz Declaration filed in support of Defendants’ motion to dismiss or, in the alternative, for summary judgment dismissing the Complaint.

954. Deny and refer to the Katz Declaration filed in support of Defendants’ motion to dismiss or, in the alternative, for summary judgment dismissing the Complaint.

955. Deny.

956. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

957. Deny and refer to the depositions of Saul Katz, David Katz, and Peter Stamos taken by counsel for the Trustee for their content.

958. Deny.

959. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

960. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

961. Deny, except admit that Sterling Stamos moved its offices to 450 Park Avenue.

962. Lack knowledge or information sufficient to form a belief as to the truth of the allegations and refer to the deposition testimony of Peter Stamos taken by counsel for the Trustee for its content.

963. Lack knowledge or information sufficient to form a belief as to the truth of the allegations and refer to the deposition testimony of Peter Stamos taken by counsel for the Trustee for its content.

964. Lack knowledge or information sufficient to form a belief as to the truth of the allegations and refer to the deposition testimony of Peter Stamos taken by counsel for the Trustee for its content.

965. Deny and refer to the Katz Declaration filed in support of Defendants' motion to dismiss or, in the alternative, for summary judgment dismissing the Complaint.

966. Deny.

967. Deny.

968. Deny.
969. Deny.
970. Deny and refer to the Sterling Partner meeting agendas and minutes for their content.
971. Deny.
972. Deny.
973. Deny.
974. Deny.
975. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.
976. Deny.
977. Deny and refer to the quoted Arthur Friedman notes and Arthur Friedman's deposition testimony for their content.
978. Deny, except admit that Mr. Madoff was consulted with regard to the description of the BLMIS investment option offered to 401(k) plan participants and refer to the documents reflecting that description for their content.

979. Deny, except admit that Sterling maintained a description of the BLMIS investment option for the 401(k) plan between 1997 and 2008 and refer to that document for its content.

980. Deny.

981. Deny and refer to the quoted email dated April 28, 2005 for its content.

982. Deny, except admit that the description of the BLMIS investment option for Sterling's 401(k) plan was modified on at least one occasion after 2005.

983. Deny, except refer to the testimony of Arthur Friedman and Fred Wilpon regarding outside investor accounts.

984. Deny.

985. Deny, except admit that it was Saul Katz's understanding that Madoff did not accept investments from registered investment advisors.

986. Deny.

987. Deny, except admit that Madoff preferred using Fleet National Bank and later Bank of America as lenders for loans secured by BLMIS accounts because of his existing relationship with the institution.

988. Deny.

989. Deny.

990. Deny.
991. Deny and refer to the deposition testimony of Fred Wilpon, Saul Katz, and Arthur Friedman for their content.
992. Deny and refer to the deposition testimony of Fred Wilpon, Saul Katz, and Arthur Friedman for their content.
993. Deny, except admit that on or about May 26, 2004, Madoff wired \$54 million to a Sterling-related bank account.
994. Admit.
995. Deny, except admit that on or about May 27, 2004, \$54 million was returned to Madoff.
996. Deny and refer to the May 25, 2004 letter for its content.
997. Admit.
998. Deny and refer to the May 25, 2004 letter for its content.
999. Deny and refer to the May 25, 2004 letter for its content.
1000. Deny and refer to the May 25, 2004 letter for its content.
1001. Lack knowledge or information sufficient to form a belief as to the truth of the allegations concerning Ruth Madoff's signature, except admit that the May 25, 2004 letter was signed by Fred Wilpon and Saul Katz.

1002. Deny.

1003. Deny, except admit that neither Fred Wilpon nor Saul Katz had discussions with Ruth Madoff concerning a potential investment related to SNY and refer to the May 25, 2004 letter for its content.

1004. Deny.

1005. Deny.

1006. Deny.

1007. Deny.

1008. Deny and refer to the July 6, 2000 letters for their content.

1009. Deny and refer to the July 6, 2000 letters for their content.

1010. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1011. Deny and refer to the August 21, 2000 letter for its content.

1012. Deny and refer to the August 21, 2000 letter for its content.

1013. Deny and refer to the August 21, 2000 letter for its content.

1014. Deny and refer to the July 20, 2000 letter for its content.

1015. Deny and refer to the July 20 and 2000 August 21, 2000 letters for their content.

1016. Deny.

1017. Deny and refer to the deposition testimony of Peter Stamos taken by counsel for the Trustee for its content.

1018. Deny.

1019. Deny.

1020. Lack knowledge or information sufficient to form a belief as to the truth of the allegations and refer to the deposition testimony of Peter Stamos taken by counsel for the Trustee for its content.

1021. Deny and refer to the deposition testimony of Peter Stamos taken by counsel for the Trustee for its content.

1022. Deny.

1023. Deny.

1024. Deny.

1025. Deny.

1026. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1027. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1028. Deny.

1029. Lack knowledge or information sufficient to form a belief as to the truth of the allegations and refer to the deposition testimony of Peter Stamos and Ashok Chachra taken by counsel for the Trustee for their content.

1030. Deny.

1031. Lack knowledge or information sufficient to form a belief as to the truth of the allegations and refer to the deposition testimony of Peter Stamos and Ashok Chachra taken by counsel for the Trustee for their content.

1032. Lack knowledge or information sufficient to form a belief as to the truth of the allegations and refer to the deposition testimony of Peter Stamos and Ashok Chachra taken by counsel for the Trustee for their content.

1033. Lack knowledge or information sufficient to form a belief as to the truth of the allegations and refer to the deposition testimony of Peter Stamos and Ashok Chachra taken by counsel for the Trustee for their content.

1034. Deny, except admit that certain of the Sterling Partners believed that “style drift” was the reason for Sterling Stamos’ Bayou redemption.

1035. Deny, except admit that certain of the Sterling Partners believed that “style drift” was the reason for Sterling Stamos’ Bayou redemption and refer to the deposition testimony of Peter Stamos and Ashok Chachra taken by counsel for the Trustee for their content.

1036. Deny, except admit that certain of the Sterling Partners believed that “style drift” was the reason for Sterling Stamos’ Bayou redemption and refer to the deposition testimony of Peter Stamos and Ashok Chachra taken by counsel for the Trustee for their content.

1037. Deny.

1038. Deny and refer to the Sterling Partner meeting minutes and agendas for their content.

1039. Deny.

1040. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1041. Deny.

1042. Deny, except admit that \$22 million was invested in 1KW427 on or about November 30, 2005.

1043. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1044. Deny and refer to the deposition testimony of Arthur Friedman for its content.

1045. Deny.

1046. Deny.

1047. Deny and refer to the quoted December 12, 2008 email for its content.

1048. Deny.

1049. Deny and lack knowledge or information sufficient to form a belief as to the truth of the allegations in the second sentence.

1050. Deny, except refer to the January 6, 2004 memorandum for its content.

1051. Deny.

1052. Deny.

1053. Deny, except admit that the Sterling Partners monitored the performance of their BLMIS investments and that BLMIS' performance was discussed at Sterling Partner meetings.

1054. Deny and refer to the November 2005 documents for their content.

1055. Deny.

1056. Deny.

1057. Deny.

1058. Deny.

1059. Deny.

1060. Deny.

1061. Deny.

1062. Deny.

1063. Deny and refer to the referenced documents for their content.

1064. Deny.

1065. Deny.

1066. Deny and refer to the entirety of the presentation for its content.

1067. Deny.

1068. Deny.

1069. Deny, except admit that Sterling Stamos generally provided performance results to Saul Katz or David Katz.

1070. Deny, except admit that Saul Katz and David Katz at times compared Sterling Stamos' performance to Madoff's performance and discussed those comparisons with Sterling Stamos personnel.

1071. Deny and refer to the deposition testimony of Peter Stamos taken by counsel for the Trustee for its content.

1072. Deny.

1073. Deny.

1074. Deny.

1075. Deny, except admit that the Sterling Partners have active business interests in real estate, professional baseball and sports media, and private equity.

1076. Deny.

1077. Deny.

1078. Deny.

1079. Deny.

1080. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1081. Deny.

1082. Deny.

1083. Deny.

1084. Deny.

1085. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1086. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1087. Deny.

1088. Deny.

1089. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1090. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1091. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1092. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1093. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1094. Deny.

1095. Deny.

1096. Deny.

1097. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1098. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1099. Deny and refer to the deposition testimony of Arthur Friedman for its content.

1100. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1101. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1102. Lack knowledge or information sufficient to form a belief as to the truth of the allegations, except admit that some Defendants maintained different BLMIS accounts and refer to Appendix I, Exhibit A for its content.

1103. Admit.

1104. Deny, except admit that many of the Defendants each deposited money with BLMIS and withdrew funds from his, her, or its respective BLMIS account(s) and refer to the BLMIS Account Agreements for their content.

1105. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1106. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1107. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1108. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1109. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information

sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1110. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1111. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1112. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix I, Exhibit A for its content.

1113. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix I, Exhibit B for its content.

1114. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix II, Exhibit A for its content.

1115. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix II, Exhibits B and C for their content.

1116. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix II, Exhibits B for its content.

1117. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix II, Exhibit B, column 4 for its content.

1118. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix II, Exhibit C for its content.

1119. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix II, Exhibits B and C for their content.

1120. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to Appendix II, Exhibits B and C for their content.

1121. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to the Complaint for its content.

1122. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to the Complaint for its content.

1123. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to the Complaint and Appendix II, Exhibit C for their content.

1124. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1125. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information

sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1126. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1127. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1128. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1129. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(d) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1130. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1131. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(d) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1132. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1133. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1134. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1135. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1136. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1137. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1138. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1139. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1140. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1141. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(d) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1142. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1143. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(d) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1144. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1145. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1146. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1147. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1148. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1149. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1150. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1151. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1152. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1153. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1154. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1155. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1156. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1157. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1158. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1159. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1160. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1161. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1162. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1163. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1164. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1165. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1183. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

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1184. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1185. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are

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1186. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1187. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1188. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1189. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1190. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1191. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are avoidable or recoverable under the Bankruptcy Code or otherwise.

1192. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(d) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1193. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1194. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1195. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1196. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1197. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1198. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1199. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1200. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1201. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1202. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1203. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1204. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1205. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1206. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1207. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1208. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1210. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1211. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1212. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1213. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1214. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1215. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1216. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1217. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1218. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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1220. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

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(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1316. Lack knowledge or information sufficient to form a belief as to the truth of the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1317. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1318. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1319. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1320. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

(a) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(b) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

(c) This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the amount of the transfers alleged and deny that the

transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1321. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to the Complaint and Appendix II, Exhibit B for their content.

1322. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to the Complaint and Appendix II, Exhibit B for their content.

1323. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to the Complaint and Appendix II, Exhibit B for their content.

1324. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to the Complaint and Appendix II, Exhibit B for their content.

1325. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny that the transfers are

Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise and refer to the Complaint and Appendix II, Exhibit C for their content.

1326. Admit that a number of Defendants and other Sterling-related individuals and entities filed claims against the BLMIS estate with the Trustee and refer to the Complaint and Appendix II, Exhibit D for their content.

1327. Refer to Appendix II, Exhibit D for its content.

1328. Refer to the Claims Procedure Order for its content and lack knowledge or information sufficient to form a belief as to the truth of the Trustee's alleged intentions.

1329. Deny that the Customer Claims can be disallowed under the Bankruptcy Code or otherwise and refer to the Complaint and Appendix II, Exhibit D for their content.

1330. Incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1331. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1332. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1333. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1334. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1335. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1336. Consistent with Judge Rakoff's opinion and order of September 27, 2011, Count Two has been dismissed, and no response is required. To the extent a response is required, Defendants incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1337. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1338. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1339. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1340. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1341. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1342. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1343. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1344. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1345. Consistent with Judge Rakoff's opinion and order of September 27, 2011, Count Three has been dismissed, and no response is required. To the extent a response is required, Defendants incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1346. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1347. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1348. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1349. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1350. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1351. Consistent with Judge Rakoff's opinion and order of September 27, 2011, Count Four has been dismissed, and no response is required. To the extent a response is required, Defendants incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1352. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1353. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1354. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1355. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1356. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1357. Consistent with Judge Rakoff's opinion and order of September 27, 2011, Count Five has been dismissed, and no response is required. To the extent a response is required, Defendants incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1358. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1359. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1360. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1361. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1362. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1363. Consistent with Judge Rakoff's opinion and order of September 27, 2011, Count Six has been dismissed, and no response is required. To the extent a response were required, Defendants incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1364. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1365. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1366. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1367. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1368. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1369. Consistent with Judge Rakoff's opinion and order of September 27, 2011, Count Seven has been dismissed, and no response is required. To the extent a response is required, Defendants incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1370. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1371. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1372. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1373. Deny.

1374. Deny.

1375. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1376. Consistent with Judge Rakoff's opinion and order of September 27, 2011, Count Eight has been dismissed, and no response is required. To the extent a response is required, Defendants incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1377. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations, except admit that each Defendant/Customer was and is a creditor of BLMIS.

1378. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1379. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1380. Admit that all transfers to Defendants were made for or on account of an antecedent debt owed by BLMIS before such transfer was made.

1381. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1382. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1383. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1384. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1385. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1386. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1387. Consistent with Judge Rakoff's opinion and order of September 27, 2011, Count Nine has been dismissed, and no response is required. To the extent a response is required, Defendants incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1388. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1389. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1390. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1391. Lack knowledge or information sufficient to form a belief as to the truth of the allegations.

1392. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny

that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1393. Consistent with Judge Rakoff's opinion and order of September 27, 2011, Count Ten has been dismissed, and no response is required. To the extent a response is required, Defendants incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1394. Admit that certain Defendants filed Customer Claims in the SIPA proceeding that either have not yet been determined or are the subject of timely filed objections and refer to Appendix II, Exhibits D and E for their content.

1395. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations and deny that the transfers are Customer Property or are avoidable or recoverable under the Bankruptcy Code or otherwise.

1396. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations in the second sentence of the paragraph and admit the existence of the Claims Procedures Order and refer to that document for its content.

1397. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1398. Incorporate by reference the responses contained in the previous paragraphs of this Answer as if fully rewritten herein.

1399. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1400. Deny.

1401. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

1402. This paragraph alleges conclusions of law to which no response is required. To the extent a response is required, Defendants deny the allegations.

AFFIRMATIVE DEFENSES

In further answer to the Amended Complaint, and without assuming any burden of proof that would otherwise fall on the Trustee, Defendants state that the Trustee's claims are barred in whole or in part by the following affirmative or other defenses. Defendants reserve their right to assert additional defenses if and when they become appropriate.

FIRST AFFIRMATIVE DEFENSE

The Amended Complaint and each of its counts fail to state a claim on which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, by applicable statutes of limitations.

THIRD AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, because no Defendant was willfully blind to Madoff's fraud or scheme, and every Defendant acted in good faith and without fraudulent intent.

FOURTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, because each Defendant received every transfer for value, in good faith, and without knowledge of any voidability of such transfer.

FIFTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, because the debtor did not receive less than reasonably equivalent value in exchange for any transfer to any Defendant.

SIXTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, because each transfer to a Defendant was made for value and fair consideration.

SEVENTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, because each transfer to each Defendant was a transfer on account of an antecedent debt.

EIGHTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, by the single satisfaction rule set forth in Section 550(d) of the Bankruptcy Code.

NINTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, under Section 546(e) of the Bankruptcy Code.

TENTH AFFIRMATIVE DEFENSE

The Trustee's states no claim for assignment of Defendants' tax refunds.

ELEVENTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, because the Trustee has not demonstrated that he will not recover enough property to satisfy customer claims.

TWELFTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, by the doctrine of set-off.

THIRTEENTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, because the Trustee has failed to show that any transfer received by any Defendant was made in furtherance of a fraudulent scheme rather than because it was legally mandated.

FOURTEENTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, because the Trustee has failed to show that any transfer received by any Defendant was made with the actual intent to hinder, delay, or defraud any creditor rather than because it was legally mandated .

FIFTEENTH AFFIRMATIVE DEFENSE

The Trustee's claims are barred, in whole or in part, because the Trustee has failed to state any claim for imputation, veil-piercing, alter ego, or equitable ownership.

SIXTEENTH AFFIRMATIVE DEFENSE

Defendants hereby assert all defenses available under federal law and under any applicable state law. Additional facts may be revealed in discovery or otherwise that support additional defenses presently available, but unknown, to Defendants. Defendants therefore reserve their right to assert additional defenses in the event discovery or investigation reveals additional defenses.

WHEREFORE, Defendants respectfully request that the Court deny the relief requested in the Complaint, and that the Court grant Defendants such other and further relief as the Court deems just and proper, including reasonable attorneys' fees and costs.

Dated: New York, New York
October 11, 2011

DAVIS POLK & WARDWELL LLP

By: /s/ Karen E. Wagner

Karen E. Wagner
Dana M. Seshens
450 Lexington Avenue
New York, New York 10017
Telephone: (212) 450-4000
Facsimile: (212) 701-5800

Of Counsel:
Robert B. Fiske, Jr.
Robert F. Wise, Jr.

Attorneys for Defendants

Exhibit 5

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C O N F I D E N T I A L

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
ADV. PRO. NO. 08-01789 (BRL)

-----x
SECURITIES INVESTOR PROTECTION
CORPORATION,

Videotaped

Plaintiff-Applicant,
v.

Rule 2004
Examination of:

BERNARD L. MADOFF INVESTMENT
SECURITIES, LLC,
Defendant.

ARTHUR FRIEDMAN

(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,
June 22, 2010, commencing at 10:11 a.m.

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1 A. I really don't recollect exactly.

2 Q. Did you check all of the trades for
3 all of the accounts at that, whatever time period
4 you were doing it, or did you just pick one account?

5 A. No, I checked -- no, not all of the
6 accounts because everything was a mirror image.

7 Q. Fair enough.

8 A. In other words, he would buy seven --
9 if he bought seven securities, it would be seven
10 securities in each account. So I only had to do one
11 account. I wouldn't have done every other account.

12 Q. But you would have done --

13 A. I would have done every trade, yes.

14 Q. So, you indicated that you attempted
15 to replicate Madoff's strategy. What did you do?
16 Tell me.

17 A. Trying to recollect exactly what I
18 did.

19 I would take the stocks that he
20 purchased, and I believe what I did was to follow
21 the strategy. What I'd want to see is I wasn't
22 testing what he did that he's giving us accurate
23 numbers, but if I utilize his strategy, let's say
24 when I got the slips that said this is what he
25 bought, I would take that information and then try

1 to enact it on my own account. Different
2 quantities, didn't matter the quantity, but just to
3 take what to buy, but I would always be lagging
4 behind him. Just to get a general idea of how I
5 would do, and I found that he did, I'm making up,
6 say 15 percent. I did more like six percent. I
7 made a profit. I determined in my own mind that the
8 strategy was good, it worked, but not to the extent
9 that it worked for him.

10 One of the major reasons was the
11 commission. When I did the strategy I determined
12 somehow what the commission would be, what I'd have
13 to pay if I did this on my own. Whereas he had
14 little or no commission, and that made a big
15 difference when you're dealing with, just looking to
16 try to make one percent a month, that made a
17 difference.

18 Q. So your understanding was that the
19 difference between the -- I know you made these
20 numbers up, but your six percent return that you
21 were able to accomplish and his 14 or 16, whatever
22 you said, was primarily driven by the absence of
23 commission costs?

24 MS. SESHENS: Objection to the form.

25 A. That was one of --

1 MS. SESHENS: Sorry. Go ahead.

2 A. That was one major factor. It could
3 also -- again, I'm doing it after the fact, just
4 using his information, that could change my result
5 either way. I mean, if the next day or two days
6 later using his strategy the market -- I was able to
7 make a better purchase than he did, then, you know,
8 it could have gone either way.

9 Q. If Madoff wasn't charging a
10 commission, is that what you told me? Your
11 understanding was he wasn't charging you a
12 commission?

13 A. My understanding was that he was
14 making a market in some or all of these stocks and
15 he was making money but he determined the price. If
16 he could buy it at one and sell it to us, in effect,
17 at one-and-1/16th, but the one-and-1/16th was
18 certainly a fair price and certainly it traded
19 during the day well above one-and-1/16th -- these
20 are all examples, of course -- he was making a
21 commission or a substitute for commission, the
22 1/16th. But I would actually have to go and buy it
23 at whatever price, one-and-1/16th, and then pay a
24 commission on top of that.

25 Q. If you bought it from someone other

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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,	Rule 2004
v.	Examination of:
BERNARD L. MADOFF INVESTMENT SECURITIES, LLC,	ARTHUR FRIEDMAN
Defendant.	(Volume II)

-----x
In Re:
BERNARD L. MADOFF,
Debtor.
-----x

TRANSCRIPT of videotaped testimony as taken by
and before PATRICIA MULLIGAN CARRUTHERS, Certified
Court Reporter, RPR, RMR, RDR, 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, June 23, 2010,
commencing at 10:07 a.m.

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www.bendish.com

1 break, that is the hell sheet. Correct?

2 A. That is correct.

3 Q. What is the hell sheet intended to
4 be? What does it represent? What's shown on that
5 document?

6 A. It's all of the accounts listed
7 numerically. The 1KW numbers. The name of the
8 account, the total amount on -- in the account as of
9 the date in question spread across the top by who
10 the owners are. So allocating their percentage
11 times the total, the numbers will equal that total
12 column when you add them up.

13 Q. Okay. And as we talked about before,
14 the way this printed out, you would actually have to
15 take the page where the control number ends with 266
16 and line that up next to the first page of the
17 printout which is Control 260, right, because
18 there's more things going out this way to the right.

19 A. Uh-huh.

20 Q. Is that correct? Because you'll note
21 the account numbers repeat themselves. They start
22 over at one.

23 So what was the -- Was this done
24 every month?

25 A. Yes.

1 Q. By you or your staff?

2 A. Yes.

3 Q. What was this used for each month, if
4 anything?

5 A. Well, the -- seeing how we did on a
6 month-to-month basis percentagewise, what was the
7 profit, and for each individual account holder, each
8 partner would get an idea or check the amount in
9 particular accounts, but it was a reference to the
10 balances in every account.

11 Q. Okay. Now, when you say "every
12 account," would this -- this would include then
13 the -- what you call "the outsiders"?

14 A. Yes.

15 Q. And why were they included, if they
16 were outsiders, in the totals?

17 A. Well, it was a separate total, but I
18 personally would use them because I would have
19 questions, people calling, What is the -- how did we
20 do this month or what's the balance in my account or
21 I would like to withdraw a certain amount or the
22 efficiency factor, whatever it might be. I had a
23 reference that I used on a monthly basis.

24 Q. Okay. And you mentioned "efficiency
25 factor." What was that?

Exhibit 6

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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.

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Litigation Support Services
877.404.2193
www.bendish.com

1 Q. In the few?

2 A. Investors.

3 Q. Mr. Katz, are you familiar with the
4 term "double-up" in the context of Sterling's Madoff
5 investments?

6 A. Sure.

7 Q. What does that term mean to you?

8 A. That's when you borrow money on one
9 of Bernie's investments.

10 Q. Can you explain a little bit more to
11 me what that means.

12 A. Sure. You borrow money at a five
13 percent and you'd make 10 percent. You'd make a
14 vig, as my father would say, on the Bernie's
15 investment.

16 Q. You'd make a vague?

17 A. Vig, vig, vigorous.

18 Q. Oh, vig as is v-i --

19 A. Oh, don't even ask. Sorry.

20 Q. What does that mean?

21 A. You make a profit, you know, a fee.

22 Q. Is it your understanding the profit
23 was the difference between Bernie's returns and the
24 interest rate on the loans?

25 A. Correct.

1 Q. Is it your understanding that --
2 would you call it a double-up strategy or how would
3 you characterize it?

4 A. Yeah, double-up I think was probably
5 most.

6 Q. And with the double-ups did Sterling
7 use the Madoff accounts as collateral for the loans?

8 A. I believe so.

9 Q. In general, do you have an
10 understanding as to how Sterling would make
11 withdrawals from any particular Madoff accounts that
12 were double-ups?

13 A. I think so.

14 Q. Okay. Can you tell me what your
15 understanding is?

16 A. Like whenever there was enough money
17 to cover the loan, they'd sweep it. That means to
18 take that money out. Sometimes not as much as
19 others; sometimes they'd leave it in.

20 Q. When you say there was enough money
21 to cover the loan --

22 A. Um-hum.

23 Q. -- what do you mean by that?

24 A. For the double-up. There was enough
25 money there for the bank.

Exhibit 7

Part 1 of 2

From: Novick, Steven (IBK EMEA) [Steven_Novick@ml.com]
Sent: Thursday, December 08, 2005 2:33:24 PM
To:
Subject: Sterling Stamos Due Diligence

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Attachments: 1.2 Due Diligence Questionnaire.doc; Sterling Stamos Due Diligence Package.zip;
Investment Universe Page 10-10-05 - Sterling Stamos.pdf; Sterling Stamos
Performance Estimates - November 2005.pdf; Investment Team Firm Bios 12 08.doc

Adam,

Thanks again for making the time to talk with Peter this morning.

As promised on this morning's call, attached is the following due diligence information on Sterling Stamos:

1. Due Diligence Questionnaire

<<1.2 Due Diligence Questionnaire.doc>>

2. Due Diligence Pack

<<Sterling Stamos Due Diligence Package.zip>>

3. List of Sterling Stamos Funds

<<Investment Universe Page 10-10-05 - Sterling Stamos.pdf>>

4. Capacity on each open Sterling Stamos Fund

- Security Offshore (\$300-500 million over the coming year)
- Security Select Offshore (\$100-\$200 million over the coming year)
- Growth and Acceleration (less than \$50 million)
- Private Equity will close on April 1st (about \$10-\$20 million in capacity left)
- Real Assets (Real Estate, Natural Resources, and Operating Assets) has about \$150 million in capacity remaining (to close on September 1, 2006).

5. Most Recent Performance Estimates (for November)

<<Sterling Stamos Performance Estimates - November 2005.pdf>>

6. Bios of each of the investment professionals

<<Investment Team Firm Bios 12 08.doc>>

If you or Gavin have any questions, please feel free to call me (including on Saturday and Sunday when I will also be in the office).

Regards,

Steve

Steven Novick
Merrill Lynch Private Equity Group
2 King Edward Street
London EC1A 1HQ
Phone +44 20 7996 2391
Mobile +44 7740 840 651
Fax +44 20 7995 2768
steven_novick@ml.com



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DUE DILIGENCE QUESTIONNAIRE

- I. Firm Background**
- II. Investment Strategy**
- III. Legal & Regulatory**
- IV. Operations & Client Service**

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

I Firm Background																			
1. Name and address of the Firm.	Sterling Stamos 575 Fifth Avenue, 40 th Floor New York, NY 10017 Tel: (212) 485-4370 Fax: (212) 485-4371 Contact: Scott Whitcher, Investor Relations																		
2. What year was the firm founded?	The firm was founded in July 2002 and officially opened to outside investors in October 2002.																		
3. Who are the key principals, their year of affiliation, and responsibilities?	<table border="1"> <thead> <tr> <th>Name</th> <th>Year</th> <th>Responsibilities</th> </tr> </thead> <tbody> <tr> <td>Peter S. Stamos</td> <td>2002</td> <td>General Partner, Chairman & CEO</td> </tr> <tr> <td>Ashok Chachra</td> <td>2002</td> <td>Partner, Senior Portfolio Manager</td> </tr> <tr> <td>Ellen Horing</td> <td>2002</td> <td>Partner, Portfolio Manager</td> </tr> <tr> <td>Saul B. Katz</td> <td>2002</td> <td>General Partner, Portfolio & Business Advisor</td> </tr> <tr> <td>David Katz</td> <td>2002</td> <td>General Partner, Portfolio & Business Advisor</td> </tr> </tbody> </table>	Name	Year	Responsibilities	Peter S. Stamos	2002	General Partner, Chairman & CEO	Ashok Chachra	2002	Partner, Senior Portfolio Manager	Ellen Horing	2002	Partner, Portfolio Manager	Saul B. Katz	2002	General Partner, Portfolio & Business Advisor	David Katz	2002	General Partner, Portfolio & Business Advisor
Name	Year	Responsibilities																	
Peter S. Stamos	2002	General Partner, Chairman & CEO																	
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Ellen Horing	2002	Partner, Portfolio Manager																	
Saul B. Katz	2002	General Partner, Portfolio & Business Advisor																	
David Katz	2002	General Partner, Portfolio & Business Advisor																	
4. Describe the ownership structure of the firm.	<table border="1"> <thead> <tr> <th>Ownership Structure</th> <th>Ownership %</th> </tr> </thead> <tbody> <tr> <td>Sterling Partners</td> <td>50%</td> </tr> <tr> <td>Stamos Partners</td> <td>50%</td> </tr> </tbody> </table>	Ownership Structure	Ownership %	Sterling Partners	50%	Stamos Partners	50%												
Ownership Structure	Ownership %																		
Sterling Partners	50%																		
Stamos Partners	50%																		
5. What percentage of the key principals' liquid net worth is invested in the Fund?	Approximately 20% of the key principals' liquid net worth is invested in the Fund.																		
6. Please provide the current number of employees in each of the following categories. Each employee should only be counted in their primary role for the purposes herein.	<table border="1"> <tbody> <tr> <td>Total # of Employees</td> <td>23</td> </tr> <tr> <td>Portfolio Managers</td> <td>3</td> </tr> <tr> <td>Research Analysts</td> <td>5</td> </tr> <tr> <td>Operations</td> <td>11</td> </tr> <tr> <td>Other</td> <td>4</td> </tr> </tbody> </table>	Total # of Employees	23	Portfolio Managers	3	Research Analysts	5	Operations	11	Other	4								
Total # of Employees	23																		
Portfolio Managers	3																		
Research Analysts	5																		
Operations	11																		
Other	4																		
7. Where are your principal offices? Are there branch offices? Please list the number of employees at each site.	<table border="1"> <thead> <tr> <th>Office Type</th> <th>Location</th> <th>Employees</th> </tr> </thead> <tbody> <tr> <td>Principal</td> <td>New York, NY</td> <td>19</td> </tr> <tr> <td>Branch</td> <td>Menlo Park, CA</td> <td>4</td> </tr> </tbody> </table>	Office Type	Location	Employees	Principal	New York, NY	19	Branch	Menlo Park, CA	4									
Office Type	Location	Employees																	
Principal	New York, NY	19																	
Branch	Menlo Park, CA	4																	
8. What are the other areas of business that Sterling Equities is involved with?	<table border="1"> <tbody> <tr> <td>Sterling Equities</td> <td>Real Estate Development</td> </tr> <tr> <td>Sterling American Properties</td> <td>Real Estate Funds</td> </tr> <tr> <td>American Securities Capital Partners</td> <td>Private Equity Funds</td> </tr> <tr> <td>New York Mets and Brooklyn Cyclones</td> <td>Sports and Entertainment</td> </tr> </tbody> </table>	Sterling Equities	Real Estate Development	Sterling American Properties	Real Estate Funds	American Securities Capital Partners	Private Equity Funds	New York Mets and Brooklyn Cyclones	Sports and Entertainment										
Sterling Equities	Real Estate Development																		
Sterling American Properties	Real Estate Funds																		
American Securities Capital Partners	Private Equity Funds																		
New York Mets and Brooklyn Cyclones	Sports and Entertainment																		

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Due Diligence Guide

Sterling Stamos Security Fund, L.P.

I. Investment Strategy	
1.	<p>What benchmark is appropriate for the Fund and why?</p> <p>The Fund has been structured primarily to generate moderate absolute returns, regardless of equity and fixed income market conditions. Many investors view the Fund as an alternative, or complement, to fixed income exposure. Given that the Fund has been constructed to be absolute return oriented, it maybe true that no ideal "benchmark" exists. However, one possible benchmark may be the Fund is the HFRI Fund-of-Funds Conservative Index ("HFRI FOF: Conservative Index"). This index is used due to its emphasis on conservative hedge fund strategies that seek to generate consistent returns regardless of equity or fixed income market conditions. Primary sub-strategies include market neutral, fixed income arbitrage, convertible arbitrage, and other conservative absolute return strategies.</p> <p>For those investors that view the Fund as an alternative, or complement, to fixed income, the Lehman Brothers Aggregate Bond Index may also be an appropriate benchmark.</p>
2.	<p>Please describe your risk and reward objectives?</p> <p>Target Return 8% - 10%</p> <p>Target Standard Deviation 2% - 4%</p>
3.	<p>How does the Fund differentiate itself from others in the strategy?</p> <p>The Fund seeks to differentiate itself from other fund of funds via the following:</p> <p><u>Meaningful Access</u></p> <p>The Wilpon and Katz families have been active hedge fund investors for 20 years. Sterling Stamos leverages these existing relationships to selectively access and secure capacity with hedge funds that are often otherwise closed to new capital. In terms of direct value added, Dr. Peter Stamos, the CEO of Sterling Stamos, offers macroeconomic insights to underlying hedge fund managers, the sharing of which further enhances the ability of Sterling Stamos to access exclusive hedge funds.</p> <p><u>Internal Due Diligence Network</u></p> <p>Sterling Stamos leverages the business expertise of its fifty percent partner, Stedling Equities. Founded over 30 years ago by the Wilpon and Katz families, Sterling Equities has developed deep expertise in hedge funds, private equity, and real estate. In addition to providing a perspective that only experience can generate, the Wilpon and Katz networks also provide unique proprietary sourcing and due diligence capabilities.</p> <p><u>Unique Macro Perspective</u></p> <p>The CEO Dr. Peter Stamos, an Oxford-trained economist, serves in various board and advisory roles to elite academic, political, and philanthropic institutions. These forums and the access they provide enable Dr. Stamos to engage in conversations with many of the most progressive and influential thinkers of our time on macro- and micro-economic issues that effect the investments industry. Dr. Stamos' informed macro view is integrated into the construction and active management of the Fund.</p> <p><u>Alignment of Interests</u></p>

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Due Diligence Guide

Sterling Stamos Security Fund, L.P.

		<p>The General Partners intend to maintain fund investments of approximately 25% of the total firm assets under management.</p> <p>Opportunistic The deep, liquid resources of the GP, combined with the commitment of the GP, creates the unique ability to both take advantage of unforeseen opportunities that arise as well as to provide greater portfolio flexibility through rebalancing.</p> <p>Equal Treatment All LPs are treated the same. No LP benefits from any preferential terms (i.e. fees and liquidity).</p> <p>Stability of Assets The large commitment of the GP, coupled with the GP's strong relationships with its LPs creates a stable asset environment.</p> <p>Higher Level of Transparency Sterling Stamos has trust-based relationships with its LPs, and as such, openly shares all appropriate underlying hedge fund manager information with its LPs.</p>
4.	How are asset allocation decisions made?	<ol style="list-style-type: none"> 1 Macro Economic Analysis Identify key macroeconomic trends based upon fundamental analysis, technical analysis, and liquidity trends. 2 Sector Analysis Determine portfolio concentrations to specific hedge fund strategies based on macroeconomic opportunity set and risk analysis. 3 Sourcing Identify "best-in-class" fund managers and gain access and capacity with "closed" fund managers. 4 Risk/Portfolio Management Assess portfolio exposure limits by sector, strategy, and fund manager. 5 Investment Allocation Finalize allocation to each strategy, allocate by sub-strategy, and then by manager. All allocation decisions are made by consensus, with Peter Stamos as the final decision maker.
5.	How many analysts do you employ?	There are currently a total of 3 portfolio managers and 5 research analysts responsible for sourcing, due diligence, and monitoring managers.
6.	What is the ratio of sub advisors to analysts?	5-to-1
7.	How often do you rebalance?	The portfolio is rebalanced on a monthly basis.
8.	Describe your due diligence resources and process?	<ol style="list-style-type: none"> 1 Sourcing The following resources are used to gather information in the due diligence process: personal and firm networks, current investors, existing

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

	<p>managers, industry publications and events, investment bank prime brokerage contacts, private databases, and public databases.</p> <p>2 Analytics Prior to an initial meeting with a prospective fund manager, the due diligence process starts by gathering information on the fund-specific strategy, including monthly returns, performance attribution, legal documents, audited financials, proof of experience, and references for each manager. Performance, liquidity, and correlations between proposed fund managers and existing fund managers in the portfolio are analyzed to identify whether or not follow-up interviews should be scheduled.</p> <p>3 Interviews Phone interviews and on-site visits are used to gain an understanding of strategy information such as investment idea generation, philosophy of investing, investment strategy outlook, portfolio construction, differentiating factors from peer group, position-level data, decision-making rules, execution process of trades, quality of team members, portfolio pricing, and risk management procedures.</p> <p>4 Operational/ Business Due Diligence Significant emphasis is placed on operational due diligence, which includes infrastructure quality, risk management protocol, compensation structure, appropriate amount of assets under management, portfolio liquidity, reference checks, prime brokerage relationships, credit lines, etc.</p> <p>5 Monitoring The asset class and strategy associated with the underlying fund manager is monitored on an on-going basis to determine market opportunities and key events. Weekly performance from fund managers is compared with the performance of associated market/asset class to monitor their performance against the opportunity set. Regression analysis estimates style drift and Value-at-Risk on both the portfolio and manager level.</p>
<p>9. What are your minimum transparency requirements necessary for a manager to</p>	<p>In order for managers to be considered, they must provide the following information: identification on a monthly basis of top five largest risk positions, monthly core investment themes,</p>

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

	receive an investment from the Fund?	monthly written and/or oral dialogue, monthly and/or weekly performance information.
10.	What is the minimum length of track record necessary for a manager to receive an investment from the Fund?	There is no specific minimum track record for a manager to be considered. However, a manager must have a multi-year personal track record at a reputable institution (buy side, hedge fund, investment bank) if they are starting their own investment vehicle.
11.	Please describe the strengths and risks of the Fund's strategy, including a market description of conditions that would be considered advantageous/disadvantageous for this strategy.	The Fund's strategy performs well in markets that are trending within a range, either up or down, with historical movements in volatility. Markets that are flat or excessively volatile are not advantageous for the Fund. The major risks to the portfolio and strategy include a liquidity crisis, a major geopolitical event, a rapid decline in interest rates, and a rapid widening of credit spreads.
12.	Does the Fund have a high water mark?	Yes.
13.	Does the Fund have a hurdle rate?	Yes, 5%.
14.	On average, how many separate sub-advisors does the Fund invest in?	On average, the Fund invests in approximately 30 different managers.
15.	Does the Fund avoid any sectors and/or strategies?	The Fund generally avoids Commodity Trading Advisors (CTAs) and pure short sellers. In addition, the Fund limits its exposure to mortgage backed arbitrage funds, and sector-based long/short equity funds in binary outcome industries (e.g. biotech and technology). The view of the firm is that generally, the volatility of these strategies is too high, and thus not appropriate for investment in the Fund.
16.	What has the turnover been of managers in the Fund over the previous 5 years?	The approximate turnover in managers in the portfolio has been 10%.
17.	How are investment decision made?	The Portfolio Team, led by Ashok Chachra, develops strategy, sub-strategy, and manager allocation recommendations. The team is responsible for portfolio construction, risk management, and the due diligence process. Investment decisions are made by team consensus, with Peter Stamos holding final decision-making authority. An informal investment committee meets quarterly to discuss the market environment and portfolio allocations.
18.	Please provide an example of what you consider to be one of your better investment decisions and how the investment was realized.	One of the better investment decisions in the Fund was the allocation to credit related strategies. In late 2002, post the WorldCom, Enron, and Adelphia scandals, credit spreads had reached historically wide levels. The macro perspective of the Fund was that there were opportunities to capitalize on the excessive selling in the high yield and distressed market. The decision was made to invest in credit strategies that were well positioned to capitalize on the tightening of credit spreads, while having the ability to short credit when appropriate. During the same time period of October 2002 to December 2003, credit spreads between Single B rated industrial bonds and the 10-year Treasury tightened from a high of 878 to 405 basis points. As a result, the two managers that were included in the portfolio were two of the best performing managers in the portfolio for the year.
19.	Please provide an example of what you consider to be one of your weaker	One of the weaker investment decisions was made in a long/short equity manager that had an extensive 10-year track

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

	Investment decisions and how the investment was exited.	record of strong performance. The investment fund, which came highly recommended by close advisors, made off balance sheet loans to a private, self-affiliated, entity that was not disclosed in any of its position-level data, quarterly letters, or SEC filings. The company eventually went bankrupt and was unable to pay back the loan. As a result, the fund was forced to liquidate its portfolio and return the remaining capital.
20.	How do you identify and quantify risk?	<p>Risk is monitored through qualitative and quantitative analysis. The major qualitative risk (business and operational risk) is identified through numerous face-to-face due diligence interviews with fund managers and through reference checks with the broker-dealer community and other industry specialists.</p> <p>Quantitative risk is analyzed using a broad set of risk management tools as part of the ongoing monitoring process. A sample of the quantitative elements of risk management utilized by the investment team are described below:</p> <p>Portfolio Optimization: A modified mean-variance optimization framework by strategy and Portfolio Manager utilizing historical monthly performance data.</p> <p>Time Series Analysis: Covariance and correlation analysis is performed to compare the returns of a Portfolio Manager to its peer group, Portfolio Manager to strategy, and Portfolio Manager to the overall market. A distribution curve is created to measure skewness and kurtosis of the performance return stream (a non-normal distribution). Finally, drawdown attribution and downside deviation/recovery analysis is performed to determine the Portfolio Manager's ability to recover from losses.</p> <p>Portfolio Value-at-Risk: Allocation range limits are set by sub-strategy and Portfolio Manager. These limits are designed to provide a two to three standard deviation adverse move cushion, assuming normal market conditions. Loss probabilities are determined through historical simulation as well as parametric methods such as Monte Carlo simulation.</p> <p>Stress / Scenario Testing: Worst case scenario analysis is developed through straining the covariance matrix, as well as through analysis of historical returns and factor observation outliers. Qualitative case studies of high volatility periods and adverse moves in key asset classes (e.g., Russian default, WorldCom) are reviewed to build "what if" scenario testing capabilities.</p> <p>Style Analysis: Style drift and asset allocation analyses help quantify the Portfolio Manager's performance attribution to the stated strategy and asset class. Factor sensitivities and factor tilt analysis is performed to determine underlying drivers of a specific fund manager's performance at different points in time.</p>
21.	How do you manage and control risk?	Risk is managed through diversification across strategy, sub-strategy, and fund manager. In addition, risk is managed through close monitoring of managers and peer group analysis.

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

22.	How quickly and by what methods do you deploy capital additions?	Initial investment allocations are typically a fraction of our expected long-term position size. Average initial investments are made around 1% of the portfolio and can grow up to 10%. Position sizes are increased or decreased depending on market opportunities, comfort level with managers, and overall strategy allocation limits.										
23.	Does the Fund employ leverage?	No.										
24.	What are the limitations on the Fund's use of leverage?	Not applicable.										
25.	What are the Fund's concentration limitations?	<table border="1"> <thead> <tr> <th>Concentration</th> <th>Limitations</th> </tr> </thead> <tbody> <tr> <td>Single Manager Allocation</td> <td>10%</td> </tr> <tr> <td>Strategy Allocation</td> <td>20%</td> </tr> <tr> <td>Sector Allocation</td> <td>Not applicable</td> </tr> <tr> <td>Net Market Exposure</td> <td>Range: (10%) - 40%</td> </tr> </tbody> </table>	Concentration	Limitations	Single Manager Allocation	10%	Strategy Allocation	20%	Sector Allocation	Not applicable	Net Market Exposure	Range: (10%) - 40%
Concentration	Limitations											
Single Manager Allocation	10%											
Strategy Allocation	20%											
Sector Allocation	Not applicable											
Net Market Exposure	Range: (10%) - 40%											
26.	Discuss diversification of sub-advisors?	Diversification is a key component in the portfolio construction process. The Fund is diversified across strategy, sub-strategy, and managers. The average position size is 3.1% and the largest position is 8.5%.										
27.	Discuss correlation of sub-advisors to each other and to market indices?	Correlation of managers within the portfolio and against each benchmark asset class is monitored on a monthly basis.										

III. Legal & Regulatory		
1.	Is your firm or any affiliate involved with its hedge fund business a Registered Investment Advisor? If an affiliate is a Registered Investment Advisor, please give the name of the affiliate.	Sterling Stamos is currently in the process of becoming a Registered Investment Advisor. The firm intends to complete the registration process by the end of the year 2004.
2.	Is your firm affiliated with a broker/dealer? If so what is the name of the broker/dealer and is it a member of the NASD? Describe the nature of your firm's relationship with the broker/dealer.	Sterling Stamos is not affiliated with a broker/dealer.
3.	Is your firm or any affiliate involved with your hedge fund business registered with any other regulatory agencies or a member of any other self-regulatory organization?	Sterling Stamos is not registered with any regulatory agencies. The General Partner and Management Company are exempt from registration as a Commodity Pool Operator with the Commodity Futures Trading Commission under Rule 4.13(a) 3 and 4.13(a) 4.
4.	Please describe any litigation, complaints, arbitration, regulatory action, or dispute involving your firm or its employees in the past 5 years, irrespective of whether involved parties are still employed by your firm or not. Include the nature of the action and its outcome if resolved.	Neither Sterling Stamos nor its employees have been involved with litigation, complaints, arbitration, regulatory action, or disputes in the past 5 years.
5.	Describe any significant outside activities, including associated time commitments of each of the principals to any outside funds.	Ellen Horing, Senior Portfolio Advisor and Partner, separately manages a small fund-of-funds on behalf of her family.

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

6.	Briefly describe any past, current, pending or threatened litigation (including, but not limited to, any SEC or other regulatory investigations, audits, or consent decrees), which involves any of the key individuals of the General Partner, the General Partner itself, or any affiliated entities.	There is no current, pending, or threatened litigation involving key members of the General Partner, the General Partner itself, or any affiliated entities.
7.	Have any of the key individuals, the General Partner, or any affiliated entities ever (i) filed for bankruptcy or (ii) had any judgments entered against them? If yes, please describe the circumstances. Also describe settlements or expiration of legal actions commenced involving the General Partner, individual General Partners, or any affiliates.	No.
8.	Identify and discuss potential conflicts of interest that may arise among the various individuals and organizations comprising the General Partner or any affiliated entities.	Certain inherent conflicts of interest may arise as the General Partner and the Management Company provide investment management and other services to other investment Partnerships operated by the Firm. In addition, Ellen Horing provides investment management services to her own fund of funds. Such other accounts may have investments with certain Portfolio Managers utilized by the Partnership. To the extent that such Portfolio Managers limit the amount of assets and accounts that they will manage, Sterling Stamos may be required to choose between the Partnership and such other clients in allocating assets to such Portfolio Managers. In addition, one or more of the Portfolio Managers may be affiliated with the General Partner.
9.	List any additions and departures to professional staff during the past five years. Please provide contact information for all departures: name, position, start date, termination date, and reason for departures	Derek S. Darcy (January 2003 – October 2003) Position: General Counsel, Partner. Reason for departure: Pursue personal interests outside of the Firm. Tom Olds (June 2002 – August 2002) Position: Manager. Reason for departure: Pursue personal interests outside of the Firm. Noreen Harrington (October 2002 – July 2003). Position: Chief Investment Officer. Reason for departure: Pursue personal interests outside of the Firm. Contact information available upon request.
10.	Does the firm carry Errors & Omissions (E&O) insurance and in what amounts and with whom?	No.

IV. Operations and Client Services

1.	Who acts as the custodian for the Fund's assets?	Citibank maintains the assets held by the partnership prior to an investment with an underlying fund manager. The custodian for each underlying fund manager holds the actual securities.
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**Sterling
Stamos**

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

2.	Does the Fund have an administrator? If so, who?	RK Consulting, LLC, a Delaware limited liability company, serves as the Fund's administrator under the overall direction of the General Partner. As Administrator, RK Consulting, LLC performs certain administrative tasks on behalf of the Fund, including (i) accounting, (ii) maintenance of the Fund's books and records, (iii) processing subscription applications, (iv) ensuring appropriate documentation has been provided by investors in compliance with anti-money laundering regulations, (v) preparation of reports and accounts, (vi) calculation of estimated net asset value and fees, and (vii) issuance of communications with limited partners.												
3.	Does the administrator calculate the NAV?	Yes, the independent administrator calculates the final capital account balances for the Fund and each limited partner on a monthly basis.												
4.	Does an outside firm audit the financial statements of the Fund? If so, what is the name of the auditing firm, and when did this relationship begin?	The Fund retained Ernst & Young LLP as its independent auditors since inception of the firm. Limited Partners will receive annual audited financial reports audited by the Partnership's independent public accountants, typically within 120 days after the end of the fiscal year.												
5.	Please describe your disaster recovery plan.	The disaster recovery plan is designed to sustain and recover highly critical books and records of the Fund. All books and records of the Fund are held at the principal place of business in New York, as well as with the Fund's outside administrator. The computer network has been structured with redundant architecture for all servers and power supplies, all of which is held at an IBM facility in the Tri-State Area. In addition, all data are backed up on a nightly basis on magnetic tapes, which are then stored with Iron Mountain, outside the Tri-state area.												
6.	Do you provide clients with:	<table border="0"> <tr> <td>Monthly performance statements</td> <td>Yes</td> </tr> <tr> <td>Monthly commentaries</td> <td>No</td> </tr> <tr> <td>Quarterly letters</td> <td>Yes</td> </tr> <tr> <td>Quarterly conference calls</td> <td>No</td> </tr> <tr> <td>Annual partners meeting</td> <td>Yes</td> </tr> <tr> <td>Access to information by website</td> <td>Will be available by 2005</td> </tr> </table>	Monthly performance statements	Yes	Monthly commentaries	No	Quarterly letters	Yes	Quarterly conference calls	No	Annual partners meeting	Yes	Access to information by website	Will be available by 2005
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Sterling Stamos Investment Universe

Merrill Lynch
Distributed: October 11, 2005

	Capital Preservation			Capital Appreciation			Capital Opportunity				
	RESERVE CASH MANAGEMENT	LIQUIDITY FUND	SECURITY FUND	SECURITY SELECT FUND	LEVERED FUND	GROWTH FUND	ACCELERATION FUND	LEGACY FUND	REAL ASSETS FUND	PRIVATE EQUITY FUND	VENTURE CAPITAL FUND
Target Annual Net Returns											
Estimated Annual Volatility											
Management Fee											
Hurdle Return											
Performance Fee											
Domestic Funds											
Launch Date		Jul-04		Jul-05		Oct-03		Apr-05		Jan-05	
Status		Open		Open		Closing Jan-05		Open		Closing Jan-05	
Offshore Funds											
Launch Date		Jan-05		Jul-05		Jan-04		N/A		N/A	
Status		Open		Open		Closing Jan-05		N/A		N/A	

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- The Reserve Cash Management product is available to investors through managed accounts.
- Proposed Venture Capital Fund terms.
- Investors in the Security Select Funds must indicate in their subscription materials whether they intend to subscribe to Class A, B, or C limited partnership interests or shares (collectively, the "Interests"). Class B Interests will only be available to investors who have contributed at least \$50 million to the Select Fund and Class C Interests will only be available to investors who have contributed at least \$100 million to the Select Fund. The Interests are identical in terms except with respect to the management fees, incentive allocations/fees, the length of the applicable lock-up period, the frequency of permitted withdrawals and the prior notice required for withdrawals. Specifically: Class A - Management Fee 1%, Incentive Allocation/Fee 5%, Lock-Up Period of 2 years, Annual Withdrawals/Redemptions, and 185 days prior notice for Withdrawals/Redemptions; Class B - Management Fee 1%, Incentive Allocation/Fee 5%, Lock-Up Period of 1 year, Semi-Annual Withdrawals/Redemptions, and 90 days prior notice for Withdrawals/Redemptions; and Class C - The lesser of (x) Management Fee 1% and Incentive Fee/Allocation 5% and (y) Management Fee 0.5% and Incentive Allocation 10% (provided that the total Management Fees and Incentive Allocation/Fee payable by an investor for a fiscal year will be capped at 1.75% of the Net Asset Value of such investor's Capital Account/Interests), Lock-Up Period of 1 year, Semi-Annual Withdrawals/Redemptions, and 90 days prior notice for Withdrawals/Redemptions.
- Investors in the Legacy Fund must indicate in their subscription materials whether they intend to subscribe to Class A, B, or C limited partnership interests (collectively, the "Interests"). The Interests are identical in terms except with respect to the Management Fee and the length of Lock-Up Period applicable to each such class, as follows: Class A - Lock-Up Period of 1 year, Management Fee 1%; Class B - Lock-Up Period of 3 years, Management Fee 0.9%; and Class C - Lock-Up Period of 5 years, Management Fee 0.75%.
- Projected launch data.
- The Levered Fund is closed to new investors. A waiting list for open capacity is available.



10/11/05

Memill Lynch
Distributed: October 11, 2005

IMPORTANT DISCLOSURE INFORMATION

This presentation shall not constitute an offer to sell or the solicitation of any offer to buy which may only be made at the time a qualified investor receives (i) a final confidential memorandum (the "Memorandum") and a Limited Partnership Agreement (the "Partnership Agreement") describing our domestic funds or (ii) a Memorandum describing our offshore funds (together with our domestic funds, our "Funds"). The Partnership Agreement and each of the Memoranda are referred to collectively as the "Fund Documents." In the event of any inconsistency between this presentation and the Fund Documents, the Fund Documents will govern. This presentation and its contents are strictly confidential and are not to be provided to any person without the prior written approval of (i) SSP Associates GP, LLC (the "General Partner") with respect to investors in our domestic funds or (ii) Sterling Stamos Capital Management, L.P. (the "Investment Manager") with respect to investors in our offshore funds. An investment in the Funds may involve significant risks including the risk that such an investment, in particular an investment in the Sterling Stamos Private Equity Fund, is illiquid and the risk of loss of the amount invested. In addition, certain investment practices employed by the underlying fund managers including leverage, short selling and engaging in futures and options trading, may potentially increase the adverse impact on the Funds' portfolios. While the utilization of a multi-manager/fund of funds structure may reduce the level of risk through diversification, such a structure will result in our Funds and indirectly investors in our Funds bearing multiple management fees and incentive allocations. Although this presentation has been prepared from public and private sources and data that the General Partner and/or the Investment Manager believes to be reliable, neither the General Partner nor the Investment Manager makes any representation as to its accuracy or completeness. The performance results shown in this presentation are net of the Funds' performance allocation and management fees and include the reinvestment of all income. In considering the prior performance information contained herein, investors should bear in mind that past performance is no guarantee of future results and there can be no assurance that the Funds will achieve comparable results. There can be no assurance that any target or estimated returns contained in this Presentation will be realized or that actual results will not be materially lower than those estimated.

10:03



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Sterling Stamos Performance Estimates – November 2005

Below is a preliminary estimate of our month-to-date, quarter-to-date, and year-to-date performance (net of all fees and expenses) through November 30, 2005:

Capital Preservation Funds*

Fund	Month-to-Date	Q1-05	Q2-05	Q3-05	Quarter-to-Date	Year-to-Date	Status
Reserve Cash Management†							
Liquidity (Domestic)							
Liquidity (Offshore)							
Friends & Family (Domestic)							
Security (Domestic)							
Security (Offshore)							
Security Select (Domestic)							
Security Select (Offshore)							
Levered (Offshore)§							

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Capital Appreciation Funds

Fund	Month-to-Date	Q1-05	Q2-05	Q3-05	Quarter-to-Date	Year-to-Date	Status
Growth (Domestic)							
Growth (Offshore)							
Acceleration (Domestic)							
Acceleration (Offshore)							
Legacy (Domestic)							

Capital Opportunity Funds†

Fund	Month-to-Date	Q1-05	Q2-05	Q3-05	Quarter-to-Date	Year-to-Date	Status
Real Assets							
Private Equity							

2005 Market Review

HFRX Relative Value Arbitrage
HFRX Absolute Return
HFRX Equity Hedge
1-Month LIBOR
Lehman Aggregate Bond Index
Dow Jones Industrial Average
S&P 500-stock Index†
Nasdaq Composite
Russell 2000

If you have any questions, please contact Kevin O'Connell at (212) 267-2900, rstockton@sterlingstamos.com or Rick Stockton at (212) 287-2800, rstockton@sterlingstamos.com

* Capital Preservation Funds: Sterling Stamos Liquidity Fund, L.P. ("Liquidity (Domestic)"), Sterling Stamos Liquidity (Offshore) Fund, Ltd. ("Liquidity (Offshore)"), Sterling Stamos Security Fund – Friends & Family, L.P. ("Friends & Family (Domestic)"), Sterling Stamos Security Fund, L.P. ("Security (Domestic)"), Sterling Stamos Security (Offshore) Fund, Ltd. ("Security (Offshore)"), Sterling Stamos Security Fund – Select, L.P. ("Security Select (Domestic)"), Sterling Stamos Security (Offshore) Fund – Select, Ltd. ("Security Select (Offshore)"), Sterling Stamos Levered (Offshore) Fund, Ltd. ("Levered (Offshore)")

† Reserve Cash Management is a compilation of managed accounts which trade under a single investment program. The performance estimates provided above reflect an annual management fee of 0.35%. Reserve Cash Management was launched in August 2005, therefore third quarter figures represent returns only for August and September 2005 and year-to-date figures represent returns only for August through November 2005.

§ The Levered (Offshore) Fund includes investments from US taxable investors.

|| Capital Appreciation Funds: Sterling Stamos Growth Fund, L.P. ("Growth (Domestic)"), Sterling Stamos Growth (Offshore) Fund, Ltd. ("Growth (Offshore)"), Sterling Stamos Acceleration Fund, L.P. ("Acceleration (Domestic)"), Sterling Stamos Acceleration (Offshore) Fund, Ltd. ("Acceleration (Offshore)"), Sterling Stamos Legacy Fund, L.P. ("Legacy (Domestic)")

¶ Capital Opportunity Funds: Sterling Stamos Real Assets Fund, L.P. ("Real Assets"), Sterling Stamos Private Equity Fund I, L.P. ("Private Equity")

Returns for the S&P 500-stock Index do not include dividend payouts.



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PERFORMANCE ESTIMATE NOTES

The above numbers are based on unaudited preliminary estimates provided by our underlying fund managers and are subject to change. Individual investor performance percentages will vary depending on the date of investment. All estimated performance figures are net of all underlying manager and Sterling Stamos fees and expenses. Quarter-to-date and year-to-date performance figures are based on actual performance through October 31, 2005 and estimated performance from November 1 to 30, 2005. Monthly estimates may not include all underlying managers in each fund. Underlying fund managers who have not reported as of the sending of this email are allocated a zero percent return and their actual returns may materially change our performance estimates. Investors will receive an unaudited final capital account statement generally by month end. The Monthly Market Review is listed for informational purposes only and is not intended as investment advice.

IMPORTANT DISCLOSURE INFORMATION

This email shall not constitute an offer to sell or the solicitation of any offer to buy which may only be made at the time a qualified investor receives (i) a final confidential memorandum (the "Memorandum") and a Limited Partnership Agreement (the "Partnership Agreement") describing our domestic funds or (ii) a Memorandum describing our offshore funds (together with our domestic funds, our "Funds"). The Partnership Agreement and each of the Memoranda are referred to collectively as the "Fund Documents." In the event of any inconsistency between this email and the Fund Documents, the Fund Documents will govern. This email and its contents are strictly confidential and are not to be provided to any person without the prior written approval of (i) SSP Associates GP, LLC (the "General Partner") with respect to investors in our domestic funds or (ii) Sterling Stamos Capital Management, L.P. (the "Investment Manager") with respect to investors in our offshore funds. An investment in the Funds may involve significant risks including the risk that such an investment, in particular an investment in the Sterling Stamos Private Equity Fund, is illiquid and the risk of loss of the amount invested. In addition, certain investment practices employed by the underlying fund managers including leverage, short selling and engaging in futures and options trading, may potentially increase the adverse impact on the Funds' portfolios. While the utilization of a multi-manager/fund of funds structure may reduce the level of risk through diversification, such a structure will result in our Funds and indirectly investors in our Funds bearing multiple management fees and incentive allocations. Any indices and other financial benchmarks shown are provided for illustrative purposes only, are unmanaged, reflect reinvestment of income and dividends and may not reflect the impact of fees. Investors cannot invest directly in an index. Comparisons to indices have limitations because indices have volatility and other material characteristics that may differ from a particular hedge fund. For example, a hedge fund may typically hold substantially fewer securities than are contained in an index. Indices also may contain securities or types of securities that are not comparable to those traded by a hedge fund. Therefore, a hedge fund's performance may differ substantially from the performance of an index. Because of these differences, indices should not be relied upon as an accurate measure of comparison. Although this email has been prepared from public and private sources and data that the General Partner and/or the Investment Manager believes to be reliable, neither the General Partner nor the Investment Manager makes any representation as to its accuracy or completeness. The performance results shown in this email are net of the Funds' performance allocation and management fees and include the reinvestment of all income. In considering the prior performance information contained herein, investors should bear in mind that past performance is no guarantee of future results and there can be no assurance that the Funds will achieve comparable results. There can be no assurance that any estimated returns contained in this email will be realized or that actual results will not be materially lower than those estimated.

Sterling Stamos Employee Biographies
(As of December 8, 2005)

Peter S. Stamos is the Chairman and CEO of Sterling Stamos Capital Management, L.P. Mr. Stamos is ultimately responsible for all investment decisions for the firm. Before founding Sterling Stamos, Mr. Stamos was the CEO of SAI (a Perot Systems company), a Principal with Booz Allen & Hamilton, and as Senior Management Consultant with McKinsey & Company. He also served as Chief of Staff and Chief Economist for U.S. Senator Bill Bradley and continues to be an economic advisor to several leaders in Washington, D.C.

In addition to his private and public sector work, Mr. Stamos taught Economics at *Harvard University*, where he received the Allyn Young Award for Teaching Excellence. Mr. Stamos serves on several boards and is currently Chairman of the Investment Committee and a member of the Finance Committee for the Board of Stanford University Hospital and Clinics.

Mr. Stamos earned a BA in Economics and Political Science from Stanford University, where he was a Truman Scholar, received the Sterling Award, and graduated *Phi Beta Kappa* with Honors and Distinction. Mr. Stamos holds a JD from Harvard Law School with Honors and a doctorate from Oxford University, where he was a Rhodes Scholar.

Ashok Chachra is the Senior Portfolio Manager of Sterling Stamos. He is responsible for portfolio manager sourcing, due diligence, risk management, and ongoing portfolio monitoring. Prior to joining Sterling Stamos, he was a Senior Business Analyst with McKinsey & Company, focusing on assignments in the financial services and healthcare industry sectors.

Mr. Chachra earned a BS in Business Administration with University Honors from Carnegie Mellon University.

Michael Kastner, Managing Director, Fixed Income, has 18 years of investment management experience and is responsible for management and oversight of the firm's fixed income platform. Previously, Mr. Kastner spent seven years with Deutsche Bank, New York as Head of Taxable Fixed Income Portfolio Management and an Investment Policy Committee Member. While in those roles, he actively managed approximately \$12 billion in assets and chaired the Fixed Income Strategy Group. He was also Director of Fixed Income and Foreign Exchange, Americas Region at NatWest-Coutts & Co. Mr. Kastner's previous experience also includes positions with Société Générale and Chicago Research and Trading. He has been recognized for his work by leading industry publications and is a published author of several articles on fixed income management technique. Mr. Kastner is frequently quoted in leading financial publications, including the *Wall Street Journal* and the *Financial Times* and has appeared on CNBC and Bloomberg Television and Radio.

**Sterling Stamos Employee Biographies
(As of December 8, 2005)**

Mr. Kastner earned an MBA in Finance from George Washington University and a BA in Business and English from Towson University. He is a Chartered Financial Analyst, President of the Treasury Securities Luncheon Club, member of the Socially Responsible Investing committee of the New York Society of Security Analysts, and a member of the Educational Advisory Board of the International Securities Market Association, London.

David G. Hood is Managing Director, Real Assets, for Sterling Stamos, and is jointly responsible for all fundraising, operating and investment activities of the Fund. Prior to joining Sterling Stamos, Mr. Hood was an investment partner with Seagate Properties, a Bay Area real estate investor. In 2002, Mr. Hood joined Carmel Partners as a Principal, primarily responsible for capital formation and investor relations, where he successfully helped launch and raise a \$215 million institutional real estate fund. Prior to his tenure at Carmel, Mr. Hood co-founded Rosenberg Hood Ventures ("RHV"), a San Francisco-based commercial real estate investment entity that acquired and developed over 750,000 square feet of San Francisco office/parking complexes.

From 1994 to 1997, Mr. Hood was a partner at Lone Star Opportunity Fund, where he helped in the company's fundraising, acquisition, financing, and asset management, of over \$1 billion in real estate assets. Mr. Hood was also a member of Lone Star's predecessor company, Brazos Fund; a Robert M. Bass sponsored investment entity that, together with its related entities, acquired over \$3 billion in real estate assets. From 1985 to 1992, Mr. Hood worked as a Partner at several real estate development companies including Trammell Crow, Hillman Properties and Barker Interests. A Trustee of Sunny Hills Children's Garden and Marin Primary & Middle School, David also serves on the Advisory Committee of the City of Hope and Omega Boys Club. Mr. Hood holds a BA from Stanford University and an MBA from Harvard Business School.

Verna Kuo is Managing Director, Real Assets. Ms. Kuo is jointly responsible for operations, staffing, and acquisitions, as well as directing and arranging investment capital for all investment activities in the Sterling Stamos Real Asset Fund. Prior to joining Sterling Stamos, Ms. Kuo co-managed the \$2-3 billion global real estate and natural resources portfolio for Stanford University's endowment at the Stanford Management Company. At Stanford, Ms. Kuo developed and executed an asset class strategic plan and sourced, underwrote, and managed Stanford's investments in all sectors of real estate and natural resources, including public REITS, direct real estate assets, commingled funds, and direct oil and gas assets.

Ms. Kuo has served on multiple fund advisory boards and is an active member of the Pension Real Estate Association ("PREA") and the Urban Land Institute ("ULI"). She was the 2002 Annual PREA Conference Co-Chair and the 2004 and 2005 NMS Real Assets Roundtable Co-Chair. Prior to working for Stanford, Ms. Kuo was actively involved in international and domestic politics and nonprofit management. In particular, she worked for the National Democratic Institute in Nepal, the Clinton-Gore

Sterling Stamos Employee Biographies
(As of December 8, 2005)

campaign, and as a founding program officer at the United States Corporation for National Service. Ms. Kuo holds a BA and an MBA from Stanford University.

Catherine Lee is the Director, Private Equity at Sterling Stamos. Ms. Lee has seven years of private equity experience, during which she was a Principal at Stadium Capital Management, private equity and small-cap investment fund. She has also held positions at Bain & Company, Delta Air Lines, and Booz Allen & Hamilton.

Ms. Lee earned her MBA at Harvard Graduate School of Business and her BS and MS in Civil Engineering at the University of Kansas and MIT, respectively. She serves on the board of Big Brothers Big Sisters San Francisco.

Joanna Strober is a Director of Private Equity Fund at Sterling Stamos. Before joining Sterling Stamos, Ms. Strober was Managing Director at Pacific Community Ventures, a \$30 million small-market buyout and growth capital fund. Prior to Pacific Community Ventures, she was Managing Director at Symphony Technology Group, \$100 million growth capital fund that had an emphasis on software and software services. She was also previously a Partner at Bessemer Venture Partners, where she led Bessemer's Software and Internet Group on the West Coast.

Ms. Strober earned her BA in Political Science from University of Pennsylvania, where she graduated *Phi Beta Kappa*, and her JD from the University of California at Los Angeles.

Rohit Kumar is the Manager, Risk Management. He is responsible for portfolio risk management and due diligence efforts for all the Sterling Stamos funds. His previous experience includes the Analytical Fixed Income Division of Citigroup, distressed debt research with Professor Edward I. Altman at the Salomon Center at New York University, distressed debt restructuring in India, and business development and operations management in the IT consulting industry in California.

Mr. Kumar received his MBA from New York University Stern School of Business. He also received a degree in Management from Xavier Institute of Management and his undergraduate degree from the Institute of Technology, Banaras Hindu University.

John Lee is the Manager, Capital Preservation Funds at Sterling Stamos. Before joining Sterling Stamos, Mr. Lee was a Department Head at Visa USA, leading strategy and operations for their Authentication and Authorizations Technology Services group. He also spent six years at Charles Schwab, managing a team in the company's Electronic Brokerage Technology Enterprise. His experience also includes stints at several Silicon Valley startup ventures, including Guru.com. Mr. Lee received his BA from Stanford University.

Sterling Stamos Employee Biographies
(As of December 8, 2005)

Cathy Tse is the Manager, Capital Appreciation Funds, at Sterling Stamos. She is responsible for the day-to-day management of the team, as well as having portfolio management responsibilities. Prior to working with Sterling Stamos, she spent nearly five years as a trader in the International Equities Division for Merrill Lynch in New York. Her previous experience includes positions with the Equity Derivatives Controllers Group at Goldman Sachs and the Financial Institutions Group at Arthur Andersen.

Ms. Tse received her MBA from The Wharton School. She received her undergraduate degree in Business from New York University.

Deanna Ho is the Manager, Real Assets and Private Equity, with the Investment Team responsible for research and analysis for the Real Assets, Private Equity, and Capital Preservation funds. Her previous positions include Senior Manager at Deloitte & Touche LLP, as part of the restructuring group, and Vice President at J.P. Morgan Securities Inc., where she worked in various areas, including early stage private equity investing, private equity capital raising, and equity capital markets. Before J.P. Morgan, Ms. Ho worked in the Telecom, Media & Technology Investment Banking Group at Merrill Lynch where she focused primarily on equity transactions. She began her career with Chemical Bank, where she completed the credit training program. She holds a BS degree from Cornell University.

Angella Rainford is a Senior Associate with the Investment Team, responsible for conducting manager due diligence interviews and portfolio monitoring. Before joining Sterling Stamos, Ms. Rainford worked in the Financial Institutions and Media/Entertainment practices at McKinsey & Company in its New York and Atlanta offices. She also worked in the Public Finance Department at Salomon Smith Barney.

Ms. Rainford graduated from Harvard University, *magna cum laude*, with degrees in Politics and Biochemical Sciences. She received her MPhil from the University of Cambridge in England in Economics for Developing Countries.

Courtney Kramer is a Senior Associate in the Investments Group at Sterling Stamos. Prior to working with Sterling Stamos, she worked at Ortelius Capital Partners, a long/short equity and event driven New York based hedge fund of funds. Previous work experience includes two years in the investment banking division at Rothschild & Co. in London covering financial institutions. She was also an investment banking analyst in the global industries group at Merrill Lynch in New York. Ms. Kramer received her MBA from The Wharton School and her BA in Psychology from Yale University.

Saleemah H. Ahmed is a Senior Associate in the Investments Group at Sterling Stamos. She has more than six years of corporate transactional experience, including public and

**Sterling Stamos Employee Biographies
(As of December 8, 2005)**

private mergers and acquisitions, joint ventures, secured lending, as well as Leveraged Buyouts and turnarounds. Ms. Ahmed's prior work experience includes positions at American Express Bank Ltd., Morrison Cohen LLP, Shearman & Sterling, in addition to time spent as a business manager with the Columbia University Translating and Tutoring Agency (CUTTA). Ms. Ahmed received a joint J.D./M.B.A. with concentration in Finance from Columbia University School of Law and Business. She graduated with honors and Phi Beta Kappa from the University of California, San Diego with a B.A. in Economics.

Ashok Raju is an Associate with the Investment Team, focusing primarily on the Opportunity Fund along with related research and analysis. Prior to joining Sterling Stamos, Mr. Raju worked in equity capital markets, specifically in convertible and equity derivative origination, as well as equity research, at Deutsche Bank Securities in New York. Mr. Raju graduated from the University of Notre Dame with a BA in Pre-Professional Studies and History

Michelle Ruvolo is an Analyst with the Investment Team, focused on risk management, specifically researching the risk parameters of the firm's investments and designing, executing, and tracking hedge overlay strategies. She was previously in the Assistant Trader Program working in equity options at Susquehanna International Group.

Ms. Ruvolo earned a BA from Stanford University with Honors in Comparative Literature with a minor in Mathematics. She earned her MA in Humanities with focus in Philosophy from the University of Chicago.

1. DUE DILIGENCE QUESTIONNAIRE



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DUE DILIGENCE QUESTIONNAIRE

- I. Firm Background**
- II. Investment Strategy**
- III. Legal & Regulatory**
- IV. Operations & Client Service**

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

I. Firm Background																			
1. Name and address of the Firm.	<p>Sterling Stamos 575 Fifth Avenue, 40th Floor New York, NY 10017 Tel: (212) 485-4370 Fax: (212) 485-4371 Contact: Scott Whitcher, Investor Relations</p>																		
2. What year was the firm founded?	The firm was founded in July 2002 and officially opened to outside investors in October 2002.																		
3. Who are the key principals, their year of affiliation, and responsibilities?	<table border="1"> <thead> <tr> <th>Name</th> <th>Year</th> <th>Responsibilities</th> </tr> </thead> <tbody> <tr> <td>Peter S. Stamos</td> <td>2002</td> <td>General Partner, Chairman & CEO</td> </tr> <tr> <td>Ashok Chachra</td> <td>2002</td> <td>Partner, Senior Portfolio Manager</td> </tr> <tr> <td>Ellen Horing</td> <td>2002</td> <td>Partner, Portfolio Manager</td> </tr> <tr> <td>Saul B. Katz</td> <td>2002</td> <td>General Partner, Portfolio & Business Advisor</td> </tr> <tr> <td>David Katz</td> <td>2002</td> <td>General Partner, Portfolio & Business Advisor</td> </tr> </tbody> </table>	Name	Year	Responsibilities	Peter S. Stamos	2002	General Partner, Chairman & CEO	Ashok Chachra	2002	Partner, Senior Portfolio Manager	Ellen Horing	2002	Partner, Portfolio Manager	Saul B. Katz	2002	General Partner, Portfolio & Business Advisor	David Katz	2002	General Partner, Portfolio & Business Advisor
Name	Year	Responsibilities																	
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David Katz	2002	General Partner, Portfolio & Business Advisor																	
4. Describe the ownership structure of the firm.	<table border="1"> <thead> <tr> <th>Ownership Structure</th> <th>Ownership %</th> </tr> </thead> <tbody> <tr> <td>Sterling Partners</td> <td>50%</td> </tr> <tr> <td>Stamos Partners</td> <td>50%</td> </tr> </tbody> </table>	Ownership Structure	Ownership %	Sterling Partners	50%	Stamos Partners	50%												
Ownership Structure	Ownership %																		
Sterling Partners	50%																		
Stamos Partners	50%																		
5. What percentage of the key principals' liquid net worth is invested in the Fund?	Approximately 20% of the key principals' liquid net worth is invested in the Fund.																		
6. Please provide the current number of employees in each of the following categories. Each employee should only be counted in their primary role for the purposes herein.	<table border="1"> <thead> <tr> <th>Total # of Employees</th> <th></th> </tr> </thead> <tbody> <tr> <td>Portfolio Managers</td> <td>3</td> </tr> <tr> <td>Research Analysts</td> <td>5</td> </tr> <tr> <td>Operatives</td> <td>11</td> </tr> <tr> <td>Other</td> <td>4</td> </tr> </tbody> </table>	Total # of Employees		Portfolio Managers	3	Research Analysts	5	Operatives	11	Other	4								
Total # of Employees																			
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Research Analysts	5																		
Operatives	11																		
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7. Where are your principal offices? Are there branch offices? Please list the number of employees at each site.	<table border="1"> <thead> <tr> <th>Office Type</th> <th>Location</th> <th>Employees</th> </tr> </thead> <tbody> <tr> <td>Principal</td> <td>New York, NY</td> <td>19</td> </tr> <tr> <td>Branch</td> <td>Menlo Park, CA</td> <td>4</td> </tr> </tbody> </table>	Office Type	Location	Employees	Principal	New York, NY	19	Branch	Menlo Park, CA	4									
Office Type	Location	Employees																	
Principal	New York, NY	19																	
Branch	Menlo Park, CA	4																	
8. What are the other areas of business that Sterling Equities is involved with?	<table border="1"> <tbody> <tr> <td>Sterling Equities</td> <td>Real Estate Development</td> </tr> <tr> <td>Sterling American Properties</td> <td>Real Estate Funds</td> </tr> <tr> <td>American Securities Capital Partners</td> <td>Private Equity Funds</td> </tr> <tr> <td>New York Mets and Brooklyn Cyclones</td> <td>Sports and Entertainment</td> </tr> </tbody> </table>	Sterling Equities	Real Estate Development	Sterling American Properties	Real Estate Funds	American Securities Capital Partners	Private Equity Funds	New York Mets and Brooklyn Cyclones	Sports and Entertainment										
Sterling Equities	Real Estate Development																		
Sterling American Properties	Real Estate Funds																		
American Securities Capital Partners	Private Equity Funds																		
New York Mets and Brooklyn Cyclones	Sports and Entertainment																		

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II. Investment Strategy						
1.	<p>What benchmark is appropriate for the Fund and why?</p>	<p>The Fund has been structured primarily to generate moderate absolute returns, regardless of equity and fixed income market conditions. Many investors view the Fund as an alternative, or complement, to fixed income exposure. Given that the Fund has been constructed to be absolute return oriented, it maybe true that no ideal "benchmark" exists. However, one possible benchmark may be the Fund is the HFRI Fund-of-Funds Conservative Index ("HFRI FOF: Conservative Index"). This index is used due to its emphasis on conservative hedge fund strategies that seek to generate consistent returns regardless of equity or fixed income market conditions. Primary sub-strategies include market neutral, fixed income arbitrage, convertible arbitrage, and other conservative absolute return strategies.</p> <p>For those investors that view the Fund as an alternative, or complement, to fixed income, the Lehman Brothers Aggregate Bond Index may also be an appropriate benchmark.</p>				
2.	<p>Please describe your risk and reward objectives?</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Target Return</td> <td style="text-align: right;">8% - 10%</td> </tr> <tr> <td style="padding-left: 20px;">Target Standard Deviation</td> <td style="text-align: right;">2% - 4%</td> </tr> </table>	Target Return	8% - 10%	Target Standard Deviation	2% - 4%
Target Return	8% - 10%					
Target Standard Deviation	2% - 4%					
3.	<p>How does the Fund differentiate itself from others in the strategy?</p>	<p>The Fund seeks to differentiate itself from other fund of funds via the following:</p> <p><u>Meaningful Access</u></p> <p>The Wilpon and Katz families have been active hedge fund investors for 20 years. Sterling Stamos leverages these existing relationships to selectively access and secure capacity with hedge funds that are often otherwise closed to new capital. In terms of direct value added, Dr. Peter Stamos, the CEO of Sterling Stamos, offers macroeconomic insights to underlying hedge fund managers, the sharing of which further enhances the ability of Sterling Stamos to access exclusive hedge funds.</p> <p><u>Internal Due Diligence Network</u></p> <p>Sterling Stamos leverages the business expertise of its fifty percent partner, Sterling Equities. Founded over 30 years ago by the Wilpon and Katz families, Sterling Equities has developed deep expertise in hedge funds, private equity, and real estate. In addition to providing a perspective that only experience can generate, the Wilpon and Katz networks also provide unique proprietary sourcing and due diligence capabilities.</p> <p><u>Unique Macro Perspective</u></p> <p>The CEO Dr. Peter Stamos, an Oxford-trained economist, serves in various board and advisory roles to elite academic, political, and philanthropic institutions. These forums and the access they provide enable Dr. Stamos to engage in conversations with many of the most progressive and influential thinkers of our time on macro- and micro-economic issues that effect the investments industry. Dr. Stamos' informed macro view is integrated into the</p>				

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

		<p>construction and active management of the Fund.</p> <p>Alignment of Interests The General Partners intend to maintain fund investments of approximately 25% of the total firm assets under management.</p> <p>Opportunistic The deep, liquid resources of the GP, combined with the commitment of the GP, creates the unique ability to both take advantage of unforeseen opportunities that arise as well as to provide greater portfolio flexibility through rebalancing.</p> <p>Equal Treatment All LPs are treated the same. No LP benefits from any preferential terms (i.e. fees and liquidity).</p> <p>Stability of Assets The large commitment of the GP, coupled with the GP's strong relationships with its LPs creates a stable asset environment.</p> <p>Higher Level of Transparency Sterling Stamos has trust-based relationships with its LPs, and as such, openly shares all appropriate underlying hedge fund manager information with its LPs.</p>										
4.	How are asset allocation decisions made?	<table border="0"> <tr> <td data-bbox="784 972 950 1052">1 Macro Economic Analysis</td> <td data-bbox="966 972 1307 1052">Identify key macroeconomic trends based upon fundamental analysis, technical analysis, and liquidity trends.</td> </tr> <tr> <td data-bbox="784 1087 950 1140">2 Sector Analysis</td> <td data-bbox="966 1087 1307 1192">Determine portfolio concentrations to specific hedge fund strategies based on macroeconomic opportunity set and risk analysis.</td> </tr> <tr> <td data-bbox="784 1207 950 1234">3 Sourcing</td> <td data-bbox="966 1207 1307 1312">Identify "best-in-class" fund managers and gain access and capacity with "closed" fund managers.</td> </tr> <tr> <td data-bbox="784 1327 950 1379">4 Risk/Portfolio Management</td> <td data-bbox="966 1327 1307 1379">Assess portfolio exposure limits by sector, strategy, and fund manager.</td> </tr> <tr> <td data-bbox="784 1394 950 1446">5 Investment Allocation</td> <td data-bbox="966 1394 1307 1518">Finalize allocation to each strategy, allocate by sub-strategy, and then by manager. All allocation decisions are made by consensus, with Peter Stamos as the final decision maker.</td> </tr> </table>	1 Macro Economic Analysis	Identify key macroeconomic trends based upon fundamental analysis, technical analysis, and liquidity trends.	2 Sector Analysis	Determine portfolio concentrations to specific hedge fund strategies based on macroeconomic opportunity set and risk analysis.	3 Sourcing	Identify "best-in-class" fund managers and gain access and capacity with "closed" fund managers.	4 Risk/Portfolio Management	Assess portfolio exposure limits by sector, strategy, and fund manager.	5 Investment Allocation	Finalize allocation to each strategy, allocate by sub-strategy, and then by manager. All allocation decisions are made by consensus, with Peter Stamos as the final decision maker.
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5 Investment Allocation	Finalize allocation to each strategy, allocate by sub-strategy, and then by manager. All allocation decisions are made by consensus, with Peter Stamos as the final decision maker.											
5.	How many analysts do you employ?	There are currently a total of 3 portfolio managers and 5 research analysts responsible for sourcing, due diligence, and monitoring managers.										
6.	What is the ratio of sub advisors to analysts?	5-to-1										
7.	How often do you rebalance?	The portfolio is rebalanced on a monthly basis.										
8.	Describe your due diligence resources and process?	<table border="0"> <tr> <td data-bbox="784 1749 950 1776">1 Sourcing</td> <td data-bbox="966 1749 1307 1776">The following resources are used to</td> </tr> </table>	1 Sourcing	The following resources are used to								
1 Sourcing	The following resources are used to											

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

	gather information in the due diligence process: personal and firm networks, current investors, existing managers, industry publications and events, investment bank prime brokerage contacts, private databases, and public databases.
2 Analytics	Prior to an initial meeting with a prospective fund manager, the due diligence process starts by gathering information on the fund-specific strategy, including monthly returns, performance attribution, legal documents, audited financials, proof of experience, and references for each manager. Performance, liquidity, and correlations between proposed fund managers and existing fund managers in the portfolio are analyzed to identify whether or not follow-up interviews should be scheduled.
3 Interviews	Phone interviews and on-site visits are used to gain an understanding of strategy information such as investment idea generation, philosophy of investing, investment strategy outlook, portfolio construction, differentiating factors from peer group, position-level data, decision-making rules, execution process of trades, quality of team members, portfolio pricing, and risk management procedures.
4 Operational/ Business Due Diligence	Significant emphasis is placed on operational due diligence, which includes infrastructure quality, risk management protocol, compensation structure, appropriate amount of assets under management, portfolio liquidity, reference checks, prime brokerage relationships, credit lines, etc.
5 Monitoring	The asset class and strategy associated with the underlying fund manager is monitored on an on-going basis to determine market opportunities and key events. Weekly performance from fund managers is compared with the performance of associated market/asset class to monitor their performance against the opportunity set. Regression analysis estimates style drift and Value-at-Risk on both the portfolio and manager level.

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

9.	What are your minimum transparency requirements necessary for a manager to receive an investment from the Fund?	In order for managers to be considered, they must provide the following information: identification on a monthly basis of top five largest risk positions, monthly core investment themes, monthly written and/or oral dialogue, monthly and/or weekly performance information.
10.	What is the minimum length of track record necessary for a manager to receive an investment from the Fund?	There is no specific minimum track record for a manager to be considered. However, a manager must have a multi-year personal track record at a reputable institution (buy side, hedge fund, investment bank) if they are starting their own investment vehicle.
11.	Please describe the strengths and risks of the Fund's strategy, including a market description of conditions that would be considered advantageous/disadvantageous for this strategy.	The Fund's strategy performs well in markets that are trending within a range, either up or down, with historical movements in volatility. Markets that are flat or excessively volatile are not advantageous for the Fund. The major risks to the portfolio and strategy include a liquidity crisis, a major geopolitical event, a rapid decline in interest rates, and a rapid widening of credit spreads.
12.	Does the Fund have a high water mark?	Yes.
13.	Does the Fund have a hurdle rate?	Yes, 5%.
14.	On average, how many separate sub-advisors does the Fund invest in?	On average, the Fund invests in approximately 30 different managers.
15.	Does the Fund avoid any sectors and/or strategies?	The Fund generally avoids Commodity Trading Advisors (CTAs) and pure short sellers. In addition, the Fund limits its exposure to mortgage backed arbitrage funds, and sector-based long/short equity funds in binary outcome industries (e.g. biotech and technology). The view of the firm is that generally, the volatility of these strategies is too high, and thus not appropriate for investment in the Fund.
16.	What has the turnover been of managers in the Fund over the previous 5 years?	The approximate turnover in managers in the portfolio has been 10%.
17.	How are investment decision made?	The Portfolio Team, led by Ashok Chachra, develops strategy, sub-strategy, and manager allocation recommendations. The team is responsible for portfolio construction, risk management, and the due diligence process. Investment decisions are made by team consensus, with Peter Stamos holding final decision-making authority. An informal investment committee meets quarterly to discuss the market environment and portfolio allocations.
18.	Please provide an example of what you consider to be one of your better investment decisions and how the investment was realized.	One of the better investment decisions in the Fund was the allocation to credit related strategies. In late 2002, post the WorldCom, Enron, and Adelphia scandals, credit spreads had reached historically wide levels. The macro perspective of the Fund was that there were opportunities to capitalize on the excessive selling in the high yield and distressed market. The decision was made to invest in credit strategies that were well positioned to capitalize on the tightening of credit spreads, while having the ability to short credit when appropriate. During the same time period of October 2002 to December 2003, credit spreads between Single B rated industrial bonds and the 10-year Treasury tightened from a high of 878 to 405 basis points. As a result, the two managers that were included in the

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

		portfolio were two of the best performing managers in the portfolio for the year.
19.	Please provide an example of what you consider to be one of your weaker investment decisions and how the investment was exited.	One of the weaker investment decisions was made in a long/short equity manager that had an extensive 10-year track record of strong performance. The investment fund, which came highly recommended by close advisors, made off balance sheet loans to a private, self-affiliated, entity that was not disclosed in any of its position-level data, quarterly letters, or SEC filings. The company eventually went bankrupt and was unable to pay back the loan. As a result, the fund was forced to liquidate its portfolio and return the remaining capital.
20.	How do you identify and quantify risk?	<p>Risk is monitored through qualitative and quantitative analysis. The major qualitative risk (business and operational risk) is identified through numerous face-to-face due diligence interviews with fund managers and through reference checks with the broker-dealer community and other industry specialists.</p> <p>Quantitative risk is analyzed using a broad set of risk management tools as part of the ongoing monitoring process. A sample of the quantitative elements of risk management utilized by the investment team are described below:</p> <p>Portfolio Optimization: A modified mean-variance optimization framework by strategy and Portfolio Manager utilizing historical monthly performance data.</p> <p>Time Series Analysis: Covariance and correlation analysis is performed to compare the returns of a Portfolio Manager to its peer group, Portfolio Manager to strategy, and Portfolio Manager to the overall market. A distribution curve is created to measure skewness and kurtosis of the performance return stream (a non-normal distribution). Finally, drawdown attribution and downside deviation/recovery analysis is performed to determine the Portfolio Manager's ability to recover from losses.</p> <p>Portfolio Value-at-Risk: Allocation range limits are set by sub-strategy and Portfolio Manager. These limits are designed to provide a two to three standard deviation adverse move cushion, assuming normal market conditions. Loss probabilities are determined through historical simulation as well as parametric methods such as Monte Carlo simulation.</p> <p>Stress / Scenario Testing: Worst case scenario analysis is developed through straining the covariance matrix, as well as through analysis of historical returns and factor observation outliers. Qualitative case studies of high volatility periods and adverse moves in key asset classes (e.g., Russian default, WorldCom) are reviewed to build "what if" scenario testing capabilities.</p> <p>Style Analysis: Style drift and asset allocation analyses help quantify the Portfolio Manager's performance attribution to the stated strategy and asset class. Factor sensitivities and factor tilt analysis is performed to determine underlying drivers of a specific fund manager's</p>

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

		performance at different points in time.										
21.	How do you manage and control risk?	Risk is managed through diversification across strategy, sub-strategy, and fund manager. In addition, risk is managed through close monitoring of managers and peer group analysis.										
22.	How quickly and by what methods do you deploy capital additions?	Initial investment allocations are typically a fraction of our expected long-term position size. Average initial investments are made around 1% of the portfolio and can grow up to 10%. Position sizes are increased or decreased depending on market opportunities, comfort level with managers, and overall strategy allocation limits.										
23.	Does the Fund employ leverage?	No.										
24.	What are the limitations on the Fund's use of leverage?	Not applicable.										
25.	What are the Fund's concentration limitations?	<table border="1"> <thead> <tr> <th>Concentration</th> <th>Limitations</th> </tr> </thead> <tbody> <tr> <td>Single Manager Allocation</td> <td>10%</td> </tr> <tr> <td>Strategy Allocation</td> <td>20%</td> </tr> <tr> <td>Sector Allocation</td> <td>Not applicable</td> </tr> <tr> <td>Net Market Exposure</td> <td>Range: (10%) - 40%</td> </tr> </tbody> </table>	Concentration	Limitations	Single Manager Allocation	10%	Strategy Allocation	20%	Sector Allocation	Not applicable	Net Market Exposure	Range: (10%) - 40%
Concentration	Limitations											
Single Manager Allocation	10%											
Strategy Allocation	20%											
Sector Allocation	Not applicable											
Net Market Exposure	Range: (10%) - 40%											
26.	Discuss diversification of sub-advisors?	Diversification is a key component in the portfolio construction process. The Fund is diversified across strategy, sub-strategy, and managers. The average position size is 3.1% and the largest position is 8.5%.										
27.	Discuss correlation of sub-advisors to each other and to market indices?	Correlation of managers within the portfolio and against each benchmark asset class is monitored on a monthly basis.										

III Legal & Regulatory		
1.	Is your firm or any affiliate involved with its hedge fund business a Registered Investment Advisor? If an affiliate is a Registered Investment Advisor, please give the name of the affiliate.	Sterling Stamos is currently in the process of becoming a Registered Investment Advisor. The firm intends to complete the registration process by the end of the year 2004.
2.	Is your firm affiliated with a broker/dealer? If so what is the name of the broker/dealer and is it a member of the NASD? Describe the nature of your firm's relationship with the broker/dealer.	Sterling Stamos is not affiliated with a broker/dealer.
3.	Is your firm or any affiliate involved with your hedge fund business registered with any other regulatory agencies or a member of any other self-regulatory organization?	Sterling Stamos is not registered with any regulatory agencies. The General Partner and Management Company are exempt from registration as a Commodity Pool Operator with the Commodity Futures Trading Commission under Rule 4.13(a) 3 and 4.13(a) 4.
4.	Please describe any litigation, complaints, arbitration, regulatory action, or dispute involving your firm or its employees in the past 5 years, irrespective of whether involved	Neither Sterling Stamos nor its employees have been involved with litigation, complaints, arbitrage, regulatory action, or disputes in the past 5 years.

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

	parties are still employed by your firm or not. Include the nature of the action and its outcome if resolved.	
5.	Describe any significant outside activities, including associated time commitments of each of the principals to any outside funds.	Ellen Horing, Senior Portfolio Advisor and Partner, separately manages a small fund-of-funds on behalf of her family.
6.	Briefly describe any past, current, pending or threatened litigation (including, but not limited to, any SEC or other regulatory investigations, audits, or consent decrees), which involves any of the key individuals of the General Partner, the General Partner itself, or any affiliated entities.	There is no current, pending, or threatened litigation involving key members of the General Partner, the General Partner itself, or any affiliated entities.
7.	Have any of the key individuals, the General Partner, or any affiliated entities ever (i) filed for bankruptcy or (ii) had any judgments entered against them? If yes, please describe the circumstances. Also describe settlements or expiration of legal actions commenced involving the General Partner, individual General Partners, or any affiliates.	No.
8.	Identify and discuss potential conflicts of interest that may arise among the various individuals and organizations comprising the General Partner or any affiliated entities.	Certain inherent conflicts of interest may arise as the General Partner and the Management Company provide investment management and other services to other investment Partnerships operated by the Firm. In addition, Ellen Horing provides investment management services to her own fund of funds. Such other accounts may have investments with certain Portfolio Managers utilized by the Partnership. To the extent that such Portfolio Managers limit the amount of assets and accounts that they will manage, Sterling Stamos may be required to choose between the Partnership and such other clients in allocating assets to such Portfolio Managers. In addition, one or more of the Portfolio Managers may be affiliated with the General Partner.
9.	List any additions and departures to professional staff during the past five years. Please provide contact information for all departures: name, position, start date, termination date, and reason for departures	Derek S. Daley (January 2003 – October 2003) Position: General Counsel, Partner. Reason for departure: Pursue personal interests outside of the Firm. Tom Olds (June 2002 – August 2002) Position: Manager. Reason for departure: Pursue personal interests outside of the Firm. Noreen Harrington (October 2002 – July 2003). Position: Chief Investment Officer. Reason for departure: Pursue personal interests outside of the Firm. Contact information available upon request.
10.	Does the firm carry Errors & Omissions (E&O) insurance and in what amounts and with whom?	No.

Due Diligence Guide

Sterling Stamos Security Fund, L.P.

IV. Operations and Client Services													
1. Who acts as the custodian for the Fund's assets?	Citibank maintains the assets held by the partnership prior to an investment with an underlying fund manager. The custodian for each underlying fund manager holds the actual securities.												
2. Does the Fund have an administrator? If so, who?	RK Consulting, LLC, a Delaware limited liability company, serves as the Fund's administrator under the overall direction of the General Partner. As Administrator, RK Consulting, LLC performs certain administrative tasks on behalf of the Fund, including (i) accounting, (ii) maintenance of the Fund's books and records, (iii) processing subscription applications, (iv) ensuring appropriate documentation has been provided by investors in compliance with anti-money laundering regulations, (v) preparation of reports and accounts, (vi) calculation of estimated net asset value and fees, and (vii) issuance of communications with limited partners.												
3. Does the administrator calculate the NAV?	Yes, the independent administrator calculates the final capital account balances for the Fund and each limited partner on a monthly basis.												
4. Does an outside firm audit the financial statements of the Fund? If so, what is the name of the auditing firm, and when did this relationship begin?	The Fund retained Ernst & Young LLP as its independent auditors since inception of the firm. Limited Partners will receive annual audited financial reports audited by the Partnership's independent public accountants, typically within 120 days after the end of the fiscal year.												
5. Please describe your disaster recovery plan.	The disaster recovery plan is designed to sustain and recover highly critical books and records of the Fund. All books and records of the Fund are held at the principal place of business in New York, as well as with the Fund's outside administrator. The computer network has been structured with redundant architecture for all servers and power supplies, all of which is held at an IBM facility in the Tri-State Area. In addition, all data are backed up on a nightly basis on magnetic tapes, which are then stored with Iron Mountain, outside the Tri-state area.												
6. Do you provide clients with:	<table border="0"> <tr> <td>Monthly performance statements</td> <td>Yes</td> </tr> <tr> <td>Monthly commentaries</td> <td>No</td> </tr> <tr> <td>Quarterly letters</td> <td>Yes</td> </tr> <tr> <td>Quarterly conference calls</td> <td>No</td> </tr> <tr> <td>Annual partners meeting</td> <td>Yes</td> </tr> <tr> <td>Access to information by website</td> <td>Will be available by 2005</td> </tr> </table>	Monthly performance statements	Yes	Monthly commentaries	No	Quarterly letters	Yes	Quarterly conference calls	No	Annual partners meeting	Yes	Access to information by website	Will be available by 2005
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Monthly commentaries	No												
Quarterly letters	Yes												
Quarterly conference calls	No												
Annual partners meeting	Yes												
Access to information by website	Will be available by 2005												

SterlingStamos

Manager List Assets

A	B	C	D	E	F	G	H
1							
2	Sterling Stamos						
3	Security Fund, L.P.						
4							
5							
6							
7							
8					SP Security Fund	Assets	
9	Strategy/ Sub-Strategy	Portfolio Manager	Portfolio Manager Status	Inception Date	Allocation (\$ in Millions)	Under Mgmt (\$ in Millions)	Annualized Return ¹
10							
11							
12	Market Neutral						
13	Options Arb	Manager A	Closed	1993		1,000	
14	Convertible Arb	Manager A	Open	1998		1,350	
15	Convertible Arb	Manager B	Closed	1992		1,800	
16	Asset Backed	Manager A	Closed	1996		300	
17	Asset Backed	Manager B	Limited	1997		350	
18	Asset Backed	Manager C	Open	2001		100	
19	Asset Backed	Manager D	Closed	2002		1,200	
20	Fixed Income Arb	Manager A	Closed	1999		100	
21	Fixed Income Arb	Manager B	Open	2001		600	
22	Fixed Income Arb	Manager C	Open	1999		58	
23	MBS Arb	Manager A	Open	1998		1,000	
24	Stal Arb	Manager A	Closed	2001		4,600	
25	Multi-Strategy	Manager A	Open	1993		1,500	
26	Multi-Strategy	Manager B	Limited	2002		350	
27	Multi-Strategy	Manager C	Open	1994		3,200	
28	Multi-Strategy	Manager D	Closed	2003		330	
29	Multi-Strategy	Manager E	Open	1997		300	
30	Cap Struct Arb	Manager A	Limited	2002		60	
31	Event Driven						
32	Distressed	Manager A	Limited	1993		600	
33	Distressed	Manager B	Closed	1999		4,000	
34	Distressed	Manager C	Open	1999		142	
35	L/S Credit	Manager A	Closed	2002		600	
36	Merger Arb	Manager A	Open	1995		325	
37	Event	Manager A	Open	2000		120	
38	Event	Manager B	Open	2001		650	
39	Event	Manager C	Closed	1998		6,200	
40	Equity Hedged						
41	L/S Generalist	Manager A	Closed	1993		200	
42	L/S Value	Manager A	Closed	1999		2,500	
43	L/S Multi	Manager A	Limited	2002		200	
44	L/S Multi	Manager B	Limited	2003		675	
45	Global						
46	Emerging Markets	Manager A	Closed	1993		900	
47	Macro	Manager A	Limited	2001		260	
48	Cash						
49	Liquidity	Manager A	Open	2004		675	
50	Total						
51	Total Fund Assets						
52	Notes						
53	1. Since each individual Portfolio Manager's inception date through June 2004						
54							
55							

Manager List Assets

	I	J
1		
2		(AutoDate)
3		
4		
5		
6		
7		
8	Standard	Sharpe
9	Deviation	Ratio
10		
11		
12		
13	3.1%	2.8
14	5.9%	1.0
15	4.1%	3.8
16	2.4%	2.6
17	1.9%	4.3
18	4.4%	2.5
19	0.9%	9.7
20	3.5%	3.2
21	2.0%	1.7
22	2.2%	3.3
23	9.5%	0.8
24	6.8%	1.8
25	2.8%	1.7
26	5.4%	1.9
27	6.7%	1.9
28	3.4%	-0.3
29	11.4%	1.1
30	8.1%	2.2
31		
32	5.4%	0.9
33	4.6%	1.7
34	6.7%	1.6
35	7.2%	1.9
36	3.5%	0.9
37	9.8%	1.5
38	6.8%	2.2
39	6.8%	1.9
40		
41	13.9%	0.4
42	9.3%	1.1
43	3.9%	2.2
44	2.1%	1.9
45		
46	14.1%	0.5
47	8.8%	0.5
48		
49	0.6%	2.0
50		
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2. INVESTMENT PERFORMANCE



CONFIDENTIAL

SSMT01855481
SSMSAA1855481

Security Fund – Historical and Pro Forma Performance

SECURITY FUND MONTHLY PERFORMANCE ¹
(Net of All Fees & Expenses)
Unaudited net returns

	1998	1999	2000	2001	2002	2003	2004
January							
February							
March							
April							
May							
June							
July							
August							
September							
October							
November							
December							
YTD							

CONFIDENTIAL

Source: Sterling Stamos analysis.

1. Monthly performance prior to October 2002 is generated using pro forma data based on the October 2004 portfolio allocation. Pro forma monthly performance is net of all underlying manager fees and estimated Sterling Stamos fees. Allocations to managers with inception dates subsequent to 1998 are distributed proportionally to existing fund managers.
2. October 2002 marks the official offering to the public.

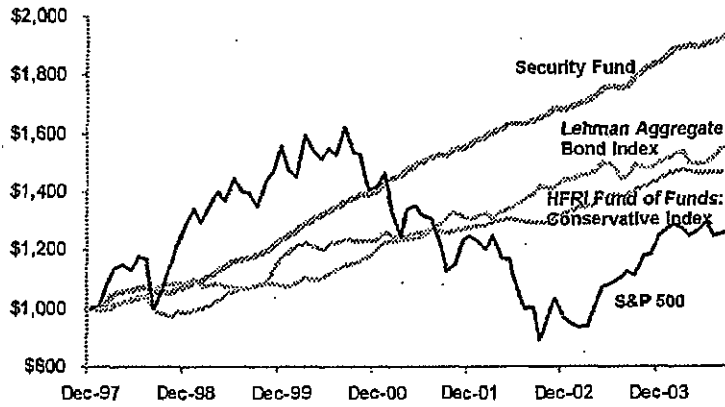


SECURITY FUND | 0

CONFIDENTIAL

SSMT01855482
 SSMSAA1855482

Security Fund – Historical and Pro Forma Performance



Pro Forma Statistics

Average Monthly Return

Average Annualized Return

Monthly Standard Deviation

Annualized Standard Deviation

Sharp Ratio

0
1
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SECURITY FUND | 1

CONFIDENTIAL

SSMT01855483
SSMSAA1855483

Sheet

	A	B	C	D	E	F	G	H	I
1	Sterling Sarnos								
2	Security Fund, LP								
3									
4	Strategy / Sub-Strategy Allocations Since Inception								
5									
6									
7									
8	Strategy / Sub-Strategy	Oct-02	Jan-03	Apr-03	Jul-03	Oct-03	Jan-04	April-04	Jul-04
9									
10									
11	Market Neutral Total								
12	Options Arbitrage								
13	Convertible Arbitrage								
14	Asset Backed								
15	Equity Market Neutral								
16	Mortgage Backed								
17	Fixed Income Arbitrage								
18	Stat Arbitrage								
19	Multi-Strategy								
20	Currency								
21	Capital Structure Arbitrage								
22									
23	Event Driven								
24									
25	Equity Hedged								
26									
27	Global Macro								
28									
29	Cash								
30									
31	Total								
32									

CONFIDENTIAL

Security Fund

1	A	B	C
2	SP CAPITAL SECURITY FUND ATTRIBUTION ANALYSIS BY MANAGER - JULY 2004 GROSS PERFORMANCE		
3			
4			FUND MANAGER
5			
6	MARKET NEUTRAL		Manager # 1
7			Manager # 2
8			Manager # 3
9			Manager # 4
10			Manager # 5
11			Manager # 6
12			Manager # 7
13			Manager # 8
14			Manager # 9
15			Manager # 10
16			Manager # 11
17			Manager # 12
18			Manager # 13
19			Manager # 14
20			Manager # 15
21			Manager # 16
22			Manager # 17
23			Manager # 18
24			
25			
26	EVENT DRIVEN		Manager # 19
27			Manager # 20
28			Manager # 21
29			Manager # 22
30			Manager # 23
31			Manager # 24
32			Manager # 25
33			Manager # 26
34			
35			
36	EQUITY HEDGED		Manager # 27
37			Manager # 28
38			
39			Manager # 30
40			Manager # 31
41			Manager # 32

Security Fund

	D	E	F	G	H	I	J	K	L	M
1										
2										
3										
4	SHARE OF FUND	SHARE OF RETURN	STRATEGY	MONTHLY RETURN	MONTHLY ATTRIBUTION					
5										
6			Options Arb							
7			Convert Arb							
8			Asset Backed							
9			Convert Arb							
10			Asset Backed							
11			FI Arb							
12			MBS Arb							
13			FI Arb							
14			Equity Stat Arb							
15			FI Arb							
16			Multi-strategy							
17			Equity MN							
18			Multi-strategy							
19			Cap Structure Arb							
20			Asset Backed							
21			Multi-strategy							
22			FI Arb							
23			Multi-strategy							
24										
25										
26			Distressed							
27			High Grade Spreads							
28			Distressed/Merger							
29			Merger Arb							
30			Event							
31			US Distressed							
32			Event							
33			Event							
34										
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Security Fund

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3. PORTFOLIO MANAGER DESCRIPTIONS



SECURITY FUND OVERVIEW

December 2004
Confidential Presentation



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SSMT01855490
SSMSAA1855490

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- » Portfolio Review
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This document does not constitute an offer to sell, or a solicitation of an offer to buy the limited partnership interests described herein. No such offer or solicitation will be made prior to the delivery of a definitive offering memorandum and other materials relating to the matters herein. Before making an investment decision with respect to the partnership, potential investors are advised to read carefully the offering memorandum, the limited partnership agreement and the related subscription documents, and to consult with their tax, legal, and financial advisors.

This document contains a preliminary summary of the purpose and principal business terms of the partnership; this summary does not purport to be complete and is qualified in its entirety by reference to the more detailed discussion contained in the private offering memorandum and the actual text of the limited partnership agreement. The General Partner has the ability in its sole discretion to change the strategy described herein.

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Investment Objective

- **As an alternative to fixed income, the Security Fund is a multi-manager portfolio of hedge funds that seeks to achieve the following objectives:**

Moderate absolute returns 8 – 10%

Low volatility 2 – 4 %



INVESTMENT OBJECTIVE | 2

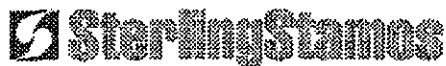
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Security Fund – Portfolio Review

STRATEGY	SUB-STRATEGY	FUND MANAGER	FUND STATUS	INCEPTION DATE	AUM	INVESTMENT CAPACITY	ANNUALIZED RETURN	STANDARD DEVIATION	SHARPE RATIO ²
Market Neutral	Options Arb	A	Closed	1993	1,000 MM	50 MM			2.9
	Convert Arb	A	Open	1963	1,350 MM	Open			1.0
		B	Closed	1992	1,800 MM	25 MM			3.7
Asset Backed		A	Closed	1976	300 MM	10 MM			2.9
		B	Limited	1997	350 MM	25 MM			4.3
		C	Open	2001	100 MM	25 MM			2.6
		D	Open	2004	200 MM	Open			N/A
FI Arb		B	Closed	2002	1,200 MM	10 MM			10.6
		A	Closed	1999	100 MM	0 MM			2.8
		B	Open	2001	500 MM	Open			1.6
MBS Arb		C	Open	1999	58 MM	Open			3.1
		A	Open	1996	1,000 MM	Open			0.6
		A	Closed	2001	4,600 MM	50 MM			1.8
Multi-Strategy		A	Open	1993	1,500 MM	Open			1.6
		B	Open	2001	3,200 MM	Open			1.8
		C	Closed	2001	350 MM	25 MM			N/A
Equity M/N		D	Closed	1990	9,856 MM	Closed			2.8
		A	Open	1977	300 MM	Open			1.1
Cap Struct Arb		A	Limited	2002	500 MM	50 MM			2.3

Source: Sterling Stamos analysis.



Security Fund – Portfolio Review

STRATEGY	SUB-STRATEGY	FUND MANAGER	FUND STATUS	INCEPTION DATE	AUM	INVESTMENT CAPACITY	ANNUALIZED RETURN	STANDARD DEVIATION	SHARPE RATIO ²
Event Driven	Distressed	A	Limited	1993	500 MM	50 MM			0.9
		B	Closed	1993	4,000 MM	10 MM			1.6
		C	Open	1993	142 MM	Open			1.6
		D	Open	2004	220 MM	Open			N/A
	L/S Credit	A	Closed	2012	600 MM	50 MM			2.1
		B	Closed	2004	3,700 MM	Closed			4.9
	Merger Arb	A	Open	1995	325 MM	Open			0.9
	Event	A	Open	2003	120 MM	Open			1.4
		B	Open	2001	650 MM	Open			2.0
		C	Closed	1998	6,200 MM	20 MM			1.9
Equity Hedged	L/S Generalist	A	Closed	1993	200 MM	5 MM			0.4
		B	Closed	1999	2,500 MM	0 MM			1.0
	L/S Multi	A	Limited	2002	200 MM	20 MM			2.2
		B	Limited	2005	146 MM	Limited			1.8
		C	Open	2004	16 MM	Open			N/A
Global	Emerging Mkts	A	Closed	1993	900 MM	20 MM			0.5
Cash	Cash	A	Limited	2004	38 MM	Limited			N/A
		B	N/A	N/A	N/A	N/A			N/A

Source: Sterling Stamos analysis.

1. Performance to reflect change in investment team and strategy.
2. Sharpe ratio is based on 5% risk free rate.



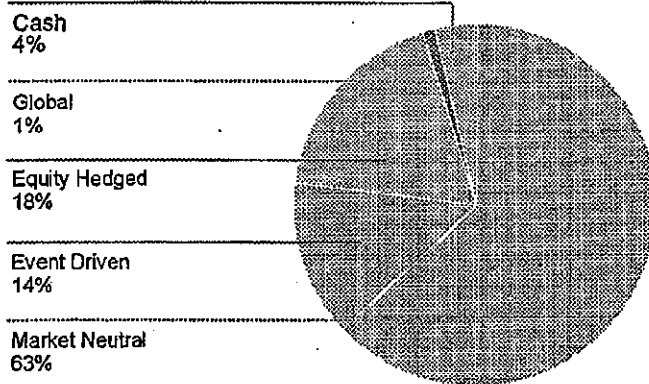
PORTFOLIO REVIEW | 4

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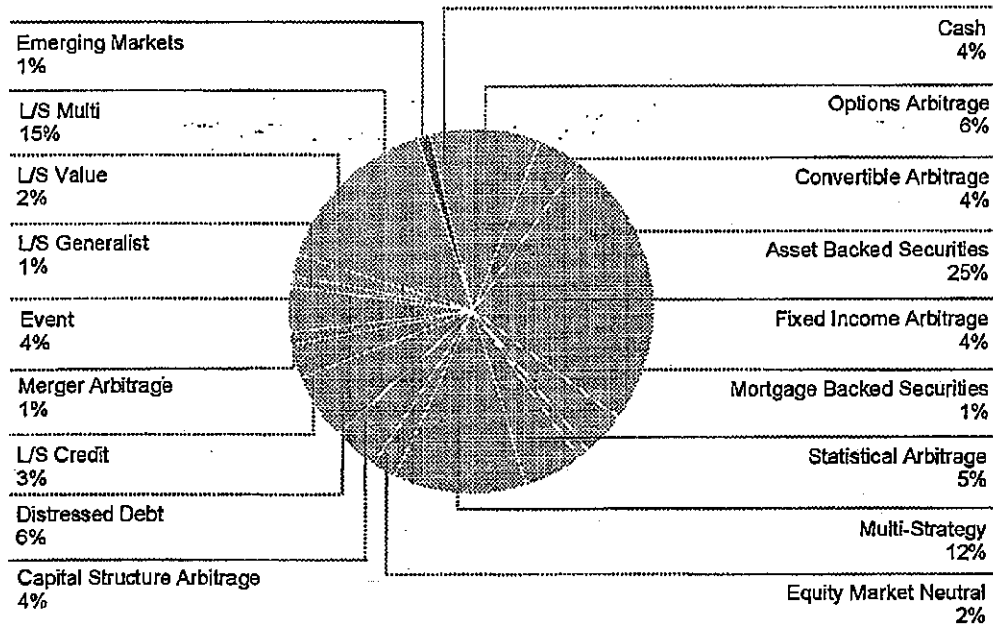
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Security Fund – Allocation

STRATEGY ALLOCATION



SUB STRATEGY ALLOCATION



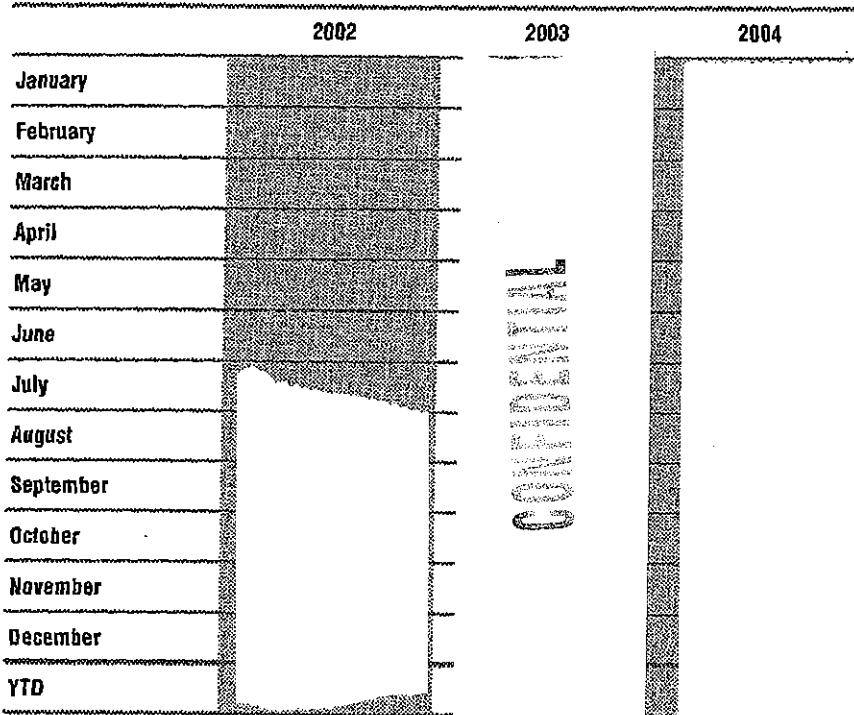
Source: Sterling Stamos analysis.



ALLOCATION | 5

Security Fund – Performance

MONTHLY PERFORMANCE SINCE INCEPTION
 (Net of All Fees & Expenses)
Unaudited net returns



Source: Sterling Stamos analysis.

1. October 2002 marks the official launch to the public.
2. Based on estimate as of 12/1/2004.



PERFORMANCE | 6

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Summary Statistics

SUMMARY STATISTICS

Fund Inception	October 2002 ¹
Firm Assets Under Management	855 MM
Fund Assets Under Management	248 MM
Average Annualized Return	0.0170
Standard Deviation	1.8%
Sharpe Ratio	1.8 ²
Number of Managers	35
Number of Positive Months	23
Number of Negative Months	3

Source: Sterling Stamos analysis.

1. October 2002 marks the official launch to the public.
2. Sharpe ratio is based on 5% risk free rate.



SUMMARY STATISTICS | 7

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Terms and Partners**TERMS**

Legal Structure	Domestic 3(c)(7) Limited Partnership
Investor Eligibility	Qualified Purchasers
Minimum Investment	US \$5,000,000
Management Fee	1% per annum
Performance Fee	5%
Hurdle Rate	5%
High Water Mark	Yes
Lock-up	1-Year
Redemptions	Quarterly
Notice Period	90 days prior written notice
General Partner	SSP Associates GP, LLC
Management Company	Sterling Stamos Capital Management, LP

PARTNERS

Legal Counsel	Schulte Roth & Zabel LLP
Fund Administrator	RK Consulting, LLC
Auditor	Ernst & Young LLP

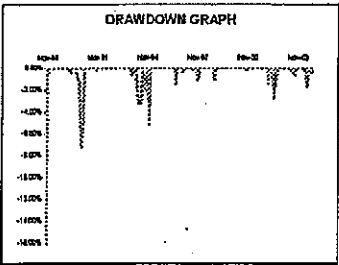
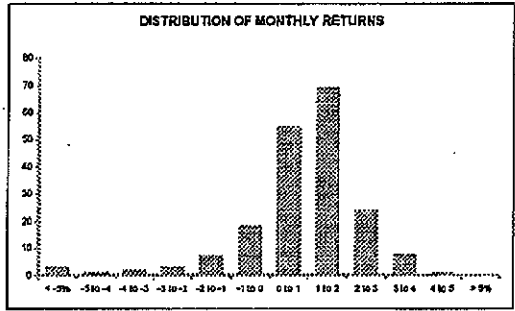
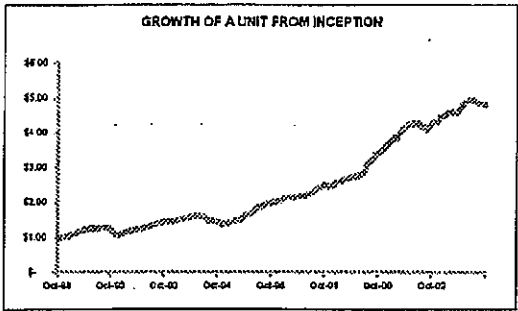


Convertible Arbitrage Manager A

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FUND TERMS			
Assets Under Management	\$1.35 Billion	Lockup	None
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Annually
Fees	1% + 20%	Redemption Notice Period	60 Days

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2000	1.2%	0.8%	1.5%	1.1%	0.9%	1.3%	1.0%	1.4%	1.2%	1.1%	1.3%	1.0%	11.8%
2001	0.5%	0.3%	0.7%	0.4%	0.6%	0.5%	0.8%	0.7%	0.9%	0.6%	0.5%	0.4%	6.2%
2002	1.1%	0.9%	1.3%	1.0%	1.2%	1.1%	1.4%	1.3%	1.2%	1.1%	1.0%	0.9%	11.5%
2003	0.8%	0.6%	1.0%	0.7%	0.9%	0.8%	1.1%	1.0%	1.2%	0.9%	0.8%	0.7%	9.0%
2004	1.3%	1.1%	1.5%	1.2%	1.4%	1.3%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%	13.6%
2005	0.9%	0.7%	1.1%	0.8%	1.0%	0.9%	1.2%	1.1%	1.3%	1.0%	0.9%	0.8%	10.5%
2006	1.4%	1.2%	1.6%	1.3%	1.5%	1.4%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	14.8%
2007	0.6%	0.4%	0.8%	0.5%	0.7%	0.6%	0.9%	0.8%	1.0%	0.7%	0.6%	0.5%	7.8%
2008	-1.2%	-0.8%	-1.5%	-1.1%	-1.3%	-1.2%	-1.4%	-1.3%	-1.2%	-1.1%	-1.0%	-0.9%	-12.5%
2009	0.4%	0.3%	0.5%	0.4%	0.6%	0.5%	0.7%	0.6%	0.8%	0.5%	0.4%	0.3%	5.5%
2010	1.0%	0.8%	1.2%	0.9%	1.1%	1.0%	1.3%	1.2%	1.1%	1.0%	0.9%	0.8%	10.2%
2011	1.5%	1.3%	1.7%	1.4%	1.6%	1.5%	1.8%	1.7%	1.6%	1.5%	1.4%	1.3%	15.3%
2012	0.7%	0.5%	0.9%	0.6%	0.8%	0.7%	1.0%	0.9%	1.1%	0.8%	0.7%	0.6%	8.1%
2013	1.1%	0.9%	1.3%	1.0%	1.2%	1.1%	1.4%	1.3%	1.2%	1.1%	1.0%	0.9%	11.6%
2014	0.8%	0.6%	1.0%	0.7%	0.9%	0.8%	1.1%	1.0%	1.2%	0.9%	0.8%	0.7%	9.0%
2015	1.2%	1.0%	1.4%	1.1%	1.3%	1.2%	1.5%	1.4%	1.3%	1.2%	1.1%	1.0%	12.7%
2016	0.9%	0.7%	1.1%	0.8%	1.0%	0.9%	1.2%	1.1%	1.3%	1.0%	0.9%	0.8%	10.5%
2017	1.3%	1.1%	1.5%	1.2%	1.4%	1.3%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%	13.8%
2018	0.6%	0.4%	0.8%	0.5%	0.7%	0.6%	0.9%	0.8%	1.0%	0.7%	0.6%	0.5%	7.8%
2019	1.0%	0.8%	1.2%	0.9%	1.1%	1.0%	1.3%	1.2%	1.1%	1.0%	0.9%	0.8%	10.2%
2020	1.4%	1.2%	1.6%	1.3%	1.5%	1.4%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	14.8%
2021	0.8%	0.6%	1.0%	0.7%	0.9%	0.8%	1.1%	1.0%	1.2%	0.9%	0.8%	0.7%	9.0%
2022	1.1%	0.9%	1.3%	1.0%	1.2%	1.1%	1.4%	1.3%	1.2%	1.1%	1.0%	0.9%	11.6%
2023	0.9%	0.7%	1.1%	0.8%	1.0%	0.9%	1.2%	1.1%	1.3%	1.0%	0.9%	0.8%	10.5%
2024	1.2%	1.0%	1.4%	1.1%	1.3%	1.2%	1.5%	1.4%	1.3%	1.2%	1.1%	1.0%	12.7%
2025	0.7%	0.5%	0.9%	0.6%	0.8%	0.7%	1.0%	0.9%	1.1%	0.8%	0.7%	0.6%	8.1%
2026	1.0%	0.8%	1.2%	0.9%	1.1%	1.0%	1.3%	1.2%	1.1%	1.0%	0.9%	0.8%	10.2%
2027	1.3%	1.1%	1.5%	1.2%	1.4%	1.3%	1.6%	1.5%	1.4%	1.3%	1.2%	1.1%	13.8%
2028	0.6%	0.4%	0.8%	0.5%	0.7%	0.6%	0.9%	0.8%	1.0%	0.7%	0.6%	0.5%	7.8%
2029	1.0%	0.8%	1.2%	0.9%	1.1%	1.0%	1.3%	1.2%	1.1%	1.0%	0.9%	0.8%	10.2%
2030	1.4%	1.2%	1.6%	1.3%	1.5%	1.4%	1.7%	1.6%	1.5%	1.4%	1.3%	1.2%	14.8%



PERFORMANCE	
Annualized Average Geometric	10.36%
Rolling 12m Average	11.06%
Monthly Average Geometric	0.83%
Standard Deviation	5.48%
Average Positive Return Monthly	1.36%
Average Negative Return Monthly	-1.58%

RISK METRICS			
Largest Drawdown	-17.82%	# Positive Months	157
Longest Recovery Period		14 # Negative Months	34
Average of 5 Largest Drawdowns	-8.44%	% Positive Months	82.20%



MARKET NEUTRAL | 10

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Convertible Arbitrage Manager B

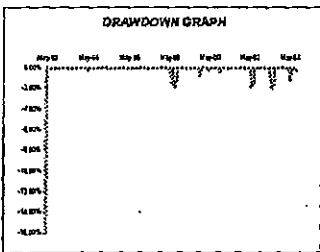
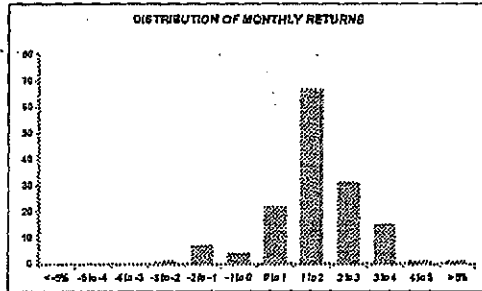
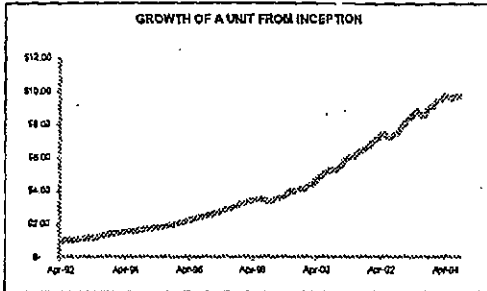
INVESTMENT STRATEGIES MARKET BACKGROUND

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FUND TERMS

Assets Under Management	\$1.8 Billion	Lockup	18 Months
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Quarterly
Fees	2% + 25%	Redemption Notice Period	60 Days

Year	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
2002	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
2003	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
2004	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
2005	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
2006	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
2007	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
2008	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
2009	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
2010	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
2011	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
2012	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000



PERFORMANCE

Annualized Average Geometric	20.08%
Rolling 12m Average	20.98%
Monthly Average Geometric	1.54%
Standard Deviation	4.12%
Average Positive Return Monthly	1.79%
Average Negative Return Monthly	-1.27%

RISK METRICS

Largest Drawdown	-3.87%	# Positive Months	137
Longest Recovery Period		# Negative Months	12
Average of 5 Largest Drawdowns	-2.64%	% Positive Months	91.85%



MARKET NEUTRAL | 11

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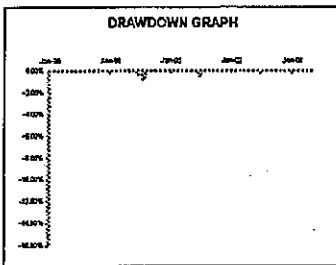
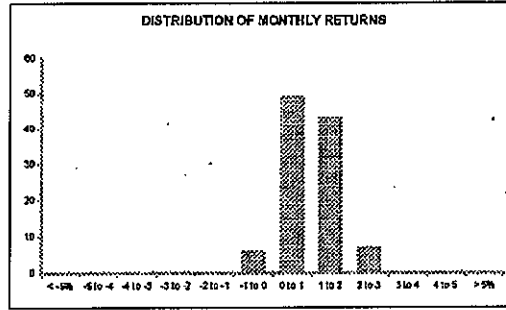
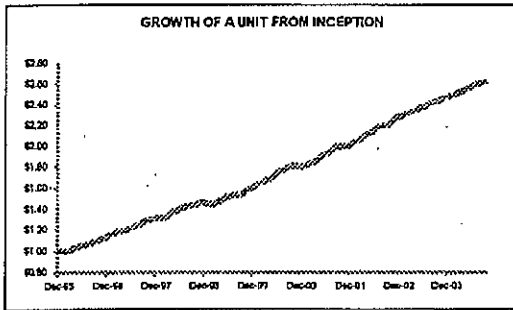
Asset Backed Manager A

INVESTMENT STRATEGY MANAGER BACKGROUND

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FUNDS			
Assets Under Management	\$300 Million	Lockup	3 Years
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$5,000,000	Redemption Frequency	3 Years
Fees	1% + 20%	Redemption Notice Period	180 Days

Year	Assets Under Management	Fund Status	Minimum Investment	Fees
2005	\$300 Million	Closed	\$5,000,000	1% + 20%
2006	\$300 Million	Closed	\$5,000,000	1% + 20%
2007	\$300 Million	Closed	\$5,000,000	1% + 20%
2008	\$300 Million	Closed	\$5,000,000	1% + 20%
2009	\$300 Million	Closed	\$5,000,000	1% + 20%
2010	\$300 Million	Closed	\$5,000,000	1% + 20%
2011	\$300 Million	Closed	\$5,000,000	1% + 20%
2012	\$300 Million	Closed	\$5,000,000	1% + 20%
2013	\$300 Million	Closed	\$5,000,000	1% + 20%
2014	\$300 Million	Closed	\$5,000,000	1% + 20%
2015	\$300 Million	Closed	\$5,000,000	1% + 20%
2016	\$300 Million	Closed	\$5,000,000	1% + 20%
2017	\$300 Million	Closed	\$5,000,000	1% + 20%
2018	\$300 Million	Closed	\$5,000,000	1% + 20%
2019	\$300 Million	Closed	\$5,000,000	1% + 20%
2020	\$300 Million	Closed	\$5,000,000	1% + 20%
2021	\$300 Million	Closed	\$5,000,000	1% + 20%
2022	\$300 Million	Closed	\$5,000,000	1% + 20%
2023	\$300 Million	Closed	\$5,000,000	1% + 20%
2024	\$300 Million	Closed	\$5,000,000	1% + 20%
2025	\$300 Million	Closed	\$5,000,000	1% + 20%
2026	\$300 Million	Closed	\$5,000,000	1% + 20%
2027	\$300 Million	Closed	\$5,000,000	1% + 20%
2028	\$300 Million	Closed	\$5,000,000	1% + 20%
2029	\$300 Million	Closed	\$5,000,000	1% + 20%
2030	\$300 Million	Closed	\$5,000,000	1% + 20%



PERFORMANCE	
Annualized Average Geometric	11.64%
Rolling 12m Average	11.86%
Monthly Average Geometric	0.92%
Standard Deviation	2.33%
Average Positive Return Monthly	1.01%
Average Negative Return Monthly	-0.42%

RISK METRICS		
Largest Drawdown	-1.55%	# Positive Months: 99
Longest Recovery Period		2 # Negative Months: 6
Average of 5 Largest Drawdowns	-0.62%	% Positive Months: 94.29%



MARKET NEUTRAL | 12

Asset Backed Manager B

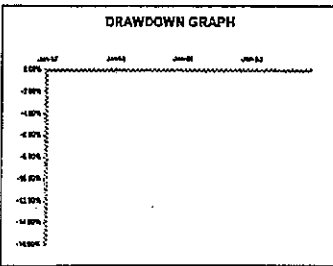
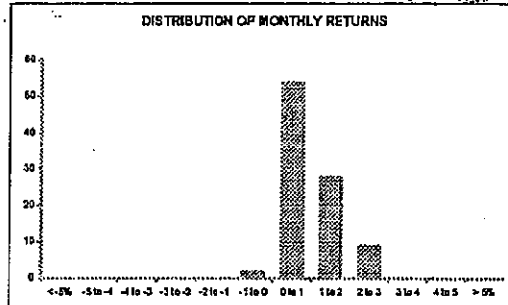
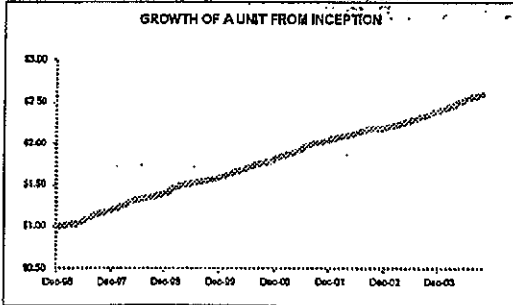
INVESTMENT STRATEGY MANAGER BACKGROUND

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FUND TERMS

Assets Under Management	\$350 Million	Lockup	1 Year
Fund Status	Limited	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Quarterly
Fees	1% + 20%	Redemption Notice Period	90 Days

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004	1.06%	0.85%	0.53%	0.72%	0.85%	0.81%	0.85%	0.30%	0.60%				8.00%
2003	0.49%	0.67%	0.38%	0.55%	0.69%	0.56%	0.76%	1.07%	0.76%	0.97%	0.78%	0.69%	9.24%
2002	0.43%	1.41%	0.80%	0.51%	0.73%	0.97%	0.68%	0.67%	0.50%	0.06%	-0.08%	0.79%	6.69%
2001	1.04%	0.78%	0.89%	1.27%	1.35%	2.00%	1.21%	1.11%	-0.12%	0.71%	1.05%	0.27%	13.32%
2000	1.12%	1.36%	1.50%	0.77%	1.02%	1.24%	1.21%	0.94%	0.79%	0.50%	0.89%	0.0%	14.14%
1999	2.14%	2.45%	1.00%	1.89%	0.33%	0.67%	0.42%	0.96%	0.73%	0.88%	0.83%	0.0%	13.42%
1998	1.85%	2.11%	1.39%	2.27%	1.73%	1.01%	0.52%	0.67%	0.69%	0.6%	0.87%	0.4%	16.91%
1997	0.92%	0.55%	0.93%	0.92%	2.47%	0.2%	2.47%	2.41%	0.59%	0.2%	1.41%	0.2%	20.29%



PERFORMANCE

Annualized Average Geometric	13.10%
Rolling 12m Average	13.03%
Monthly Average Geometric	1.03%
Standard Deviation	1.91%
Average Positive Return Monthly	1.06%
Average Negative Return Monthly	-0.10%

RISK METRICS

Largest Drawdown	-0.12%	# Positive Months	91
Longest Recovery Period		# Negative Months	2
Average of 5 Largest Drawdowns	-0.10%	% Positive Months	97.85%



MARKET NEUTRAL | 13

CONFIDENTIAL

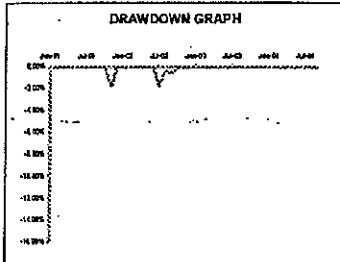
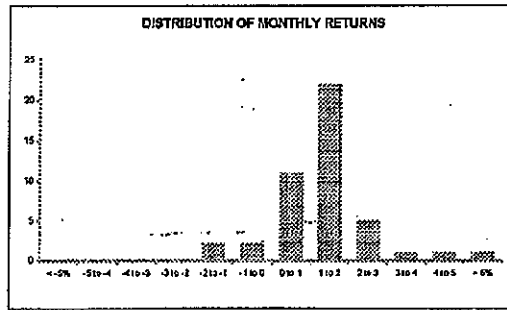
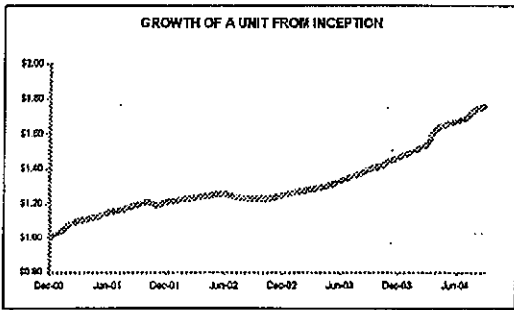
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Asset Backed Manager C

CONFIDENTIAL

FUND TERMS			
Assets Under Management	\$100 Million	Lockup	1 Year
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Annually
Fees	1.5% + 20%	Redemption Notice Period	90 Days

Year	Jan	Mar	May	Jul	Sep	Nov	YTD
2000	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	6.00%
2001	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	6.00%
2002	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	6.00%
2003	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	6.00%
2004	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	6.00%
2005	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	6.00%



PERFORMANCE	
Annualized Average Geometric	16.26%
Rolling 12m Average	13.07%
Monthly Average Geometric	1.26%
Standard Deviation	4.38%
Average Positive Return Monthly	1.50%
Average Negative Return Monthly	-1.09%

RISKMETRICS		
Largest Drawdown	-2.61%	# Positive Months 41
Longest Recovery Period	4	# Negative Months 4
Average of 5 Largest Drawdowns	-2.17%	% Positive Months 81.11%



MARKET NEUTRAL | 14

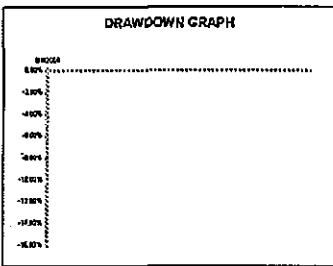
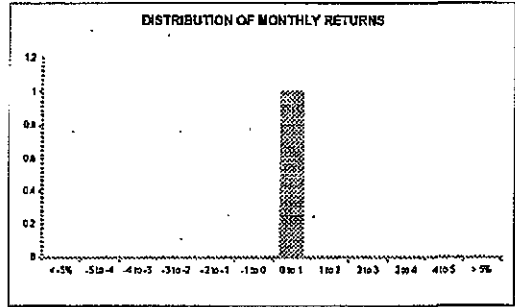
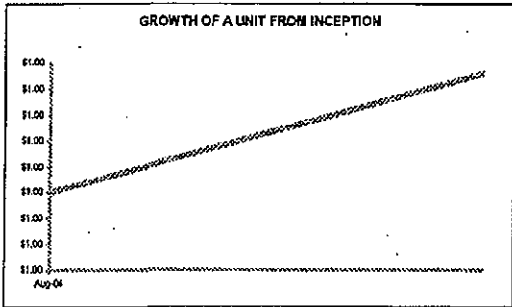
Asset Backed Manager D

INVESTMENT STRATEGY CAPAGER BACKGROUND

CONFIDENTIAL

FUND DETAILS			
Assets Under Management	\$200 Million	Lockup	1 Year
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Quarterly
Fees	1.5% + 20%	Redemption Notice Period	180 Days

MONTHLY PERFORMANCE													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004									0.23%				0.23%



PERFORMANCE	
Annualized Average Geometric	2.80%
Rolling 12m Average	N/A
Monthly Average Geometric	0.23%
Standard Deviation	N/A
Average Positive Return Monthly	0.23%
Average Negative Return Monthly	N/A

RISK METRICS		
Largest Drawdown	N/A # Positive Months	1
Longest Recovery Period	N/A # Negative Months	0
Average of 5 Largest Drawdowns	N/A % Positive Months	100.00%



MARKET NEUTRAL | 15

CONFIDENTIAL

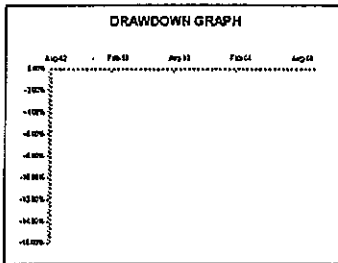
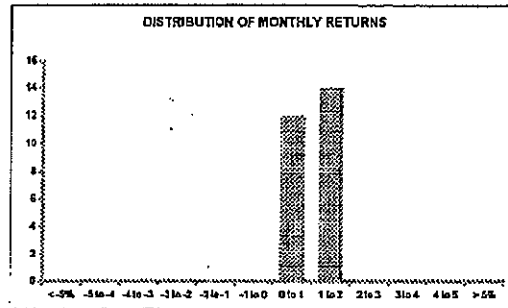
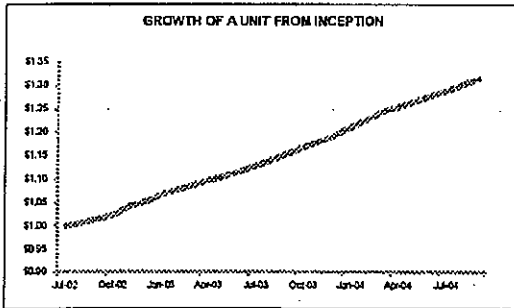
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Asset Backed Manager E

CONFIDENTIAL

FUND TERMS		RISK TERMS	
Assets Under Management	\$1.2 Billion	Lockup	None
Fund Status	Closed	High Water Mark	No
Minimum Investment	\$2,000,000	Redemption Frequency	Annually
Fees	1.5% + 20%	Redemption Notice Period	90 Days

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assets Under Management													
Fund Status													
Minimum Investment													
Fees													



PERFORMANCE	
Annualized Average Geometric	13.46%
Rolling 12m Average	13.90%
Monthly Average Geometric	1.06%
Standard Deviation	0.82%
Average Positive Return Monthly	1.06%
Average Negative Return Monthly	0.00%

RISK METRICS		
Largest Drawdown	0.00%	# Positive Months 26
Longest Recovery Period	0	# Negative Months 0
Average of 5 Largest Drawdowns	0.00%	% Positive Months 100.00%



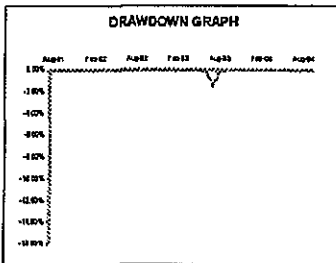
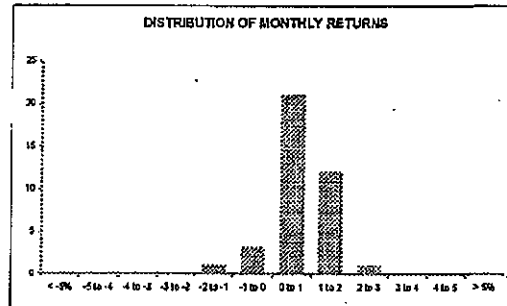
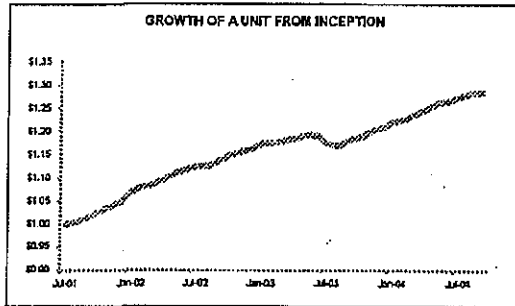
MARKET NEUTRAL | 16

Fixed Income Arbitrage Manager B

CONFIDENTIAL

FUND DETAILS			
Assets Under Management	\$500 Million	Lockup	None
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$3,000,000	Redemption Frequency	Monthly
Fees	1% + 20%	Redemption Notice Period	30 Days

Year	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
2001	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000
2002	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000	\$150,000,000
2003	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000	\$200,000,000
2004	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000	\$250,000,000
2005	\$300,000,000	\$300,000,000	\$300,000,000	\$300,000,000	\$300,000,000	\$300,000,000	\$300,000,000	\$300,000,000	\$300,000,000
2006	\$350,000,000	\$350,000,000	\$350,000,000	\$350,000,000	\$350,000,000	\$350,000,000	\$350,000,000	\$350,000,000	\$350,000,000
2007	\$400,000,000	\$400,000,000	\$400,000,000	\$400,000,000	\$400,000,000	\$400,000,000	\$400,000,000	\$400,000,000	\$400,000,000
2008	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000
2009	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000
2010	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000
2011	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000	\$450,000,000



PERFORMANCE	
Annualized Average Geometric	8.24%
Rolling 12m Average	7.45%
Monthly Average Geometric	0.66%
Standard Deviation	1.98%
Average Positive Return Monthly	0.80%
Average Negative Return Monthly	-0.47%

RISK METRICS		
Largest Drawdown	-1.81% # Positive Months	34
Longest Recovery Period	3 # Negative Months	4
Average of 5 Largest Drawdowns	-0.93% # Positive Months	89.47%



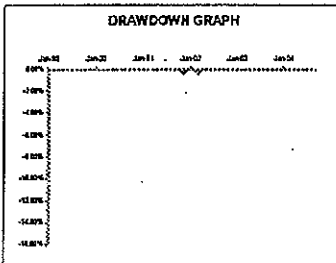
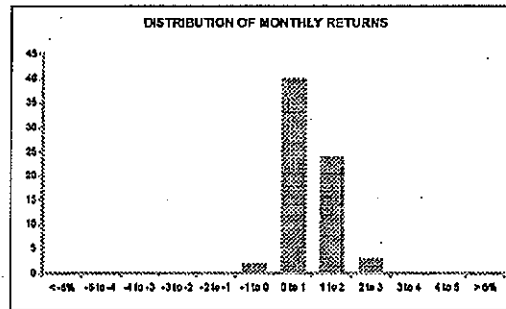
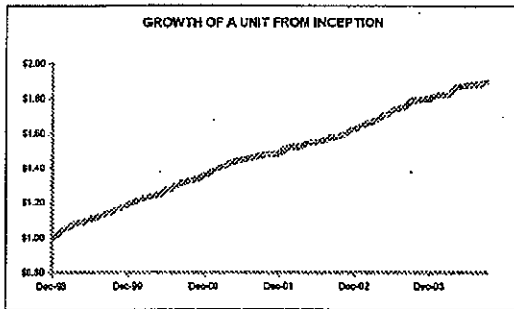
MARKET NEUTRAL | 18

Fixed Income Arbitrage Manager C

CONFIDENTIAL

FUND STATISTICS			
Assets Under Management	\$58 Million	Lockup	None
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Monthly
Fees	1.5% + 25%	Redemption Notice Period	90 Days

Year	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
2008	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
2009	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
2010	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
2011	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
2012	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000



PERFORMANCE	
Annualized Average Geometric	11.82%
Rolling 12m Average	11.41%
Monthly Average Geometric	0.94%
Standard Deviation	2.17%
Average Positive Return Monthly	0.98%
Average Negative Return Monthly	-0.37%

RISK METRICS		
Largest Drawdown	-0.38% # Positive Months	67
Longest Recovery Period	1 # Negative Months	2
Average of 5 Largest Drawdowns	-0.38% % Positive Months	97.10%



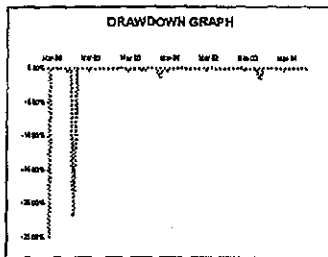
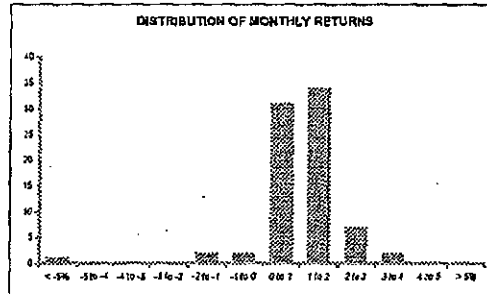
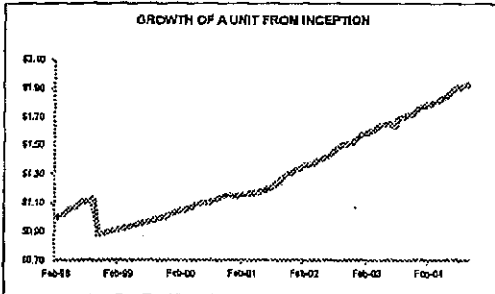
MARKET NEUTRAL | 19

Mortgage Backed Securities Arbitrage Manager A

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Assets Under Management	\$1 Billion	Lockup	1 Year
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$5,000,000	Redemption Frequency	Quarterly
Fees	1.5% + 20%	Redemption Notice Period	60 Days

Year	Jan	Mar	May	Jul	Sep	Nov	Year
2007	1.2%	1.5%	1.8%	2.1%	2.4%	2.7%	15.7%
2008	1.5%	1.8%	2.1%	2.4%	2.7%	3.0%	13.5%
2009	1.8%	2.1%	2.4%	2.7%	3.0%	3.3%	11.3%
2010	2.1%	2.4%	2.7%	3.0%	3.3%	3.6%	9.1%
2011	2.4%	2.7%	3.0%	3.3%	3.6%	3.9%	6.9%
2012	2.7%	3.0%	3.3%	3.6%	3.9%	4.2%	4.7%



PERFORMANCE	
Annualized Average Geometric	10.50%
Rolling 12m Average	11.42%
Monthly Average Geometric	0.84%
Standard Deviation	9.33%
Average Positive Return Monthly	1.27%
Average Negative Return Monthly	-4.97%

RISK METRICS		
Largest Drawdown	-21.61%	# Positive Months 74
Longest Recovery Period	23	# Negative Months 5
Average of 5 Largest Drawdowns	-6.16%	% Positive Months 93.67%



MARKET NEUTRAL | 20

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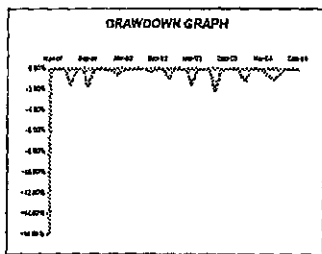
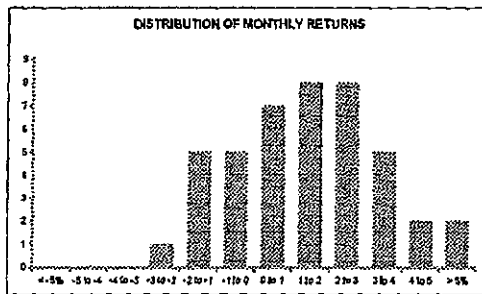
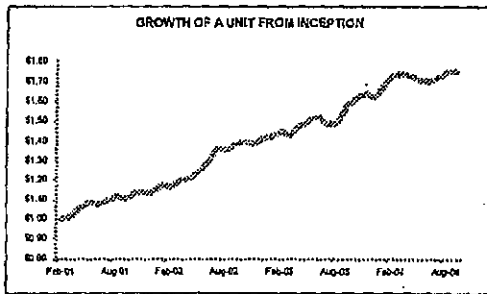
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Statistical Arbitrage Manager A

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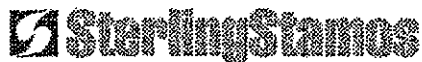
FUND TERMS			
Assets Under Management	\$4.6 Billion	Lockup	3 Years
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$5,000,000	Redemption Frequency	1/3 of Capital Annually
Fees	3% + 30%	Redemption Notice Period	50 Days

Year	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	FEE
2001	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	3.00%
2002	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	\$1.20	3.00%
2003	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	3.00%
2004	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	3.00%
2005	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	3.00%
2006	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	3.00%
2007	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	3.00%
2008	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	3.00%
2009	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	3.00%
2010	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	3.00%
2011	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	3.00%



PERFORMANCE	
Annualized Average Geometric	16.88%
Rolling 12m Average	16.03%
Monthly Average Geometric	1.31%
Standard Deviation	6.66%
Average Positive Return Monthly	2.15%
Average Negative Return Monthly	-1.08%

RISKMETRICS		
Largest Drawdown	-2.18%	# Positive Months 32
Longest Recovery Period	2	# Negative Months 11
Average of 5 Largest Drawdowns	-1.80%	% Positive Months 74.42%



MARKET NEUTRAL | 21

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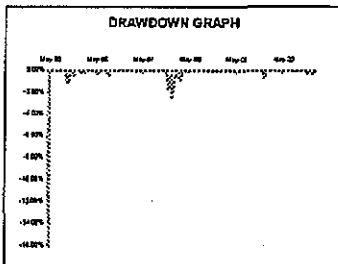
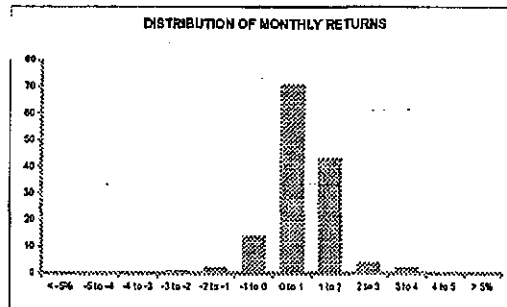
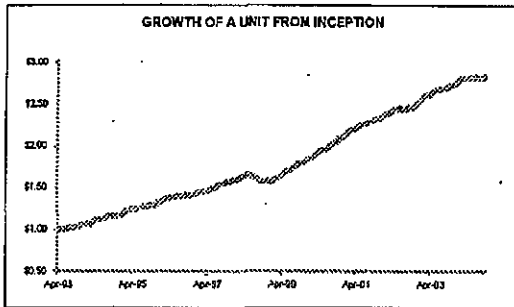
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Multi-Strategy Manager A

CONFIDENTIAL

FUND TERMS			
Assets Under Management	\$1.5 Billion	Lockup	None
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$5,000,000	Redemption Frequency	Quarterly
Fees	1.5% + 10%	Redemption Notice Period	45 Days

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2004	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2005	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2006	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



PERFORMANCE	
Annualized Average Geometric	9.56%
Rolling 12m Average	10.00%
Monthly Average Geometric	0.78%
Standard Deviation	2.85%
Average Positive Return Monthly	0.88%
Average Negative Return Monthly	-0.60%

RISK METRICS		
Largest Drawdown	-5.37%	# Positive Months 120
Longest Recovery Period		8 # Negative Months 17
Average of 5 Largest Drawdowns	-1.63%	% Positive Months 87.59%



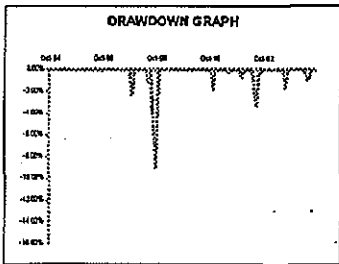
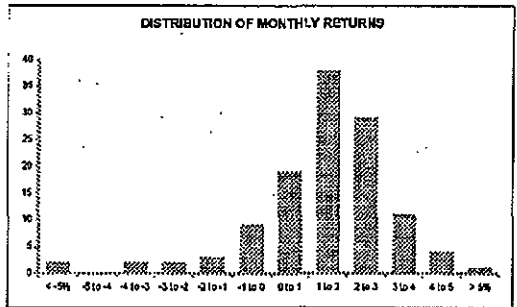
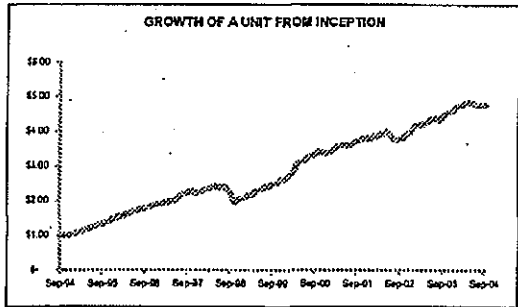
MARKET NEUTRAL | 22

Multi-Strategy Manager B

CONFIDENTIAL

Assets Under Management	\$3.2 Billion	Lockup	1 Year
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Annually
Fees	1.25% + 20%	Redemption Notice Period	90 Days

Year	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
2004	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2005	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2006	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2007	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2008	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2009	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2010	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2011	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2012	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2013	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2014	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2015	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2016	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2017	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2018	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2019	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2020	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2021	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000
2022	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000



PERFORMANCE	
Annualized Average Geometric	16.88%
Rolling 12m Average	17.69%
Monthly Average Geometric	1.31%
Standard Deviation	6.64%
Average Positive Return Monthly	1.91%
Average Negative Return Monthly	-1.98%

REGULATORY		
Largest Drawdown	-18.39%	# Positive Months 102
Longest Recovery Period	10	# Negative Months 18
Average of 5 Largest Drawdowns	-6.13%	% Positive Months 85.00%



MARKET NEUTRAL | 23

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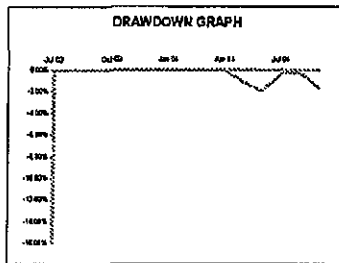
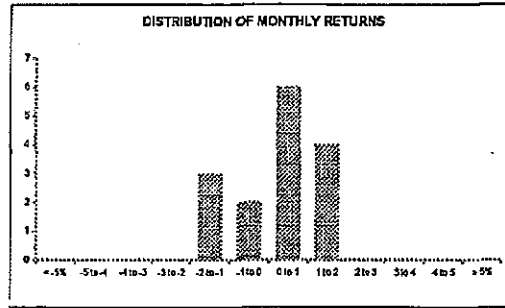
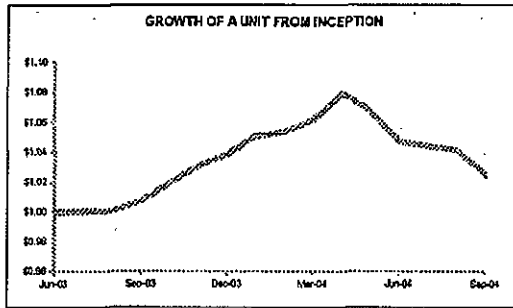
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Multi-Strategy Manager C

CONFIDENTIAL

FUND TERMS			
Assets Under Management	\$350 Million	Lockup	None
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$5,000,000	Redemption Frequency	Quarterly
Fees	2% + 20%	Redemption Notice Period	65 Days

Year	Assets Under Management	Fund Status	Minimum Investment	Fees	Lockup	High Water Mark	Redemption Frequency	Redemption Notice Period
2003	\$350 Million	Closed	\$5,000,000	2% + 20%	None	Yes	Quarterly	65 Days



PERFORMANCE	
Annualized Average Geometric	1.97%
Rolling 12m Average	3.70%
Monthly Average Geometric	0.16%
Standard Deviation	3.68%
Average Positive Return Monthly	0.77%
Average Negative Return Monthly	-1.04%

RISK METRICS		
Largest Drawdown	-5.10% # Positive Months	10
Longest Recovery Period	0 # Negative Months	5
Average of 5 Largest Drawdowns	-5.10% # Positive Months	65.67%



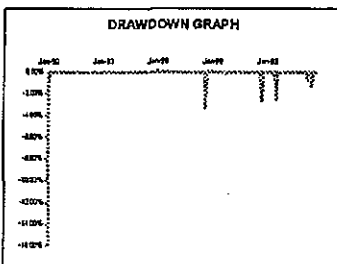
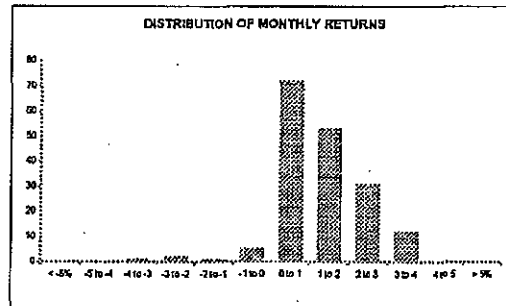
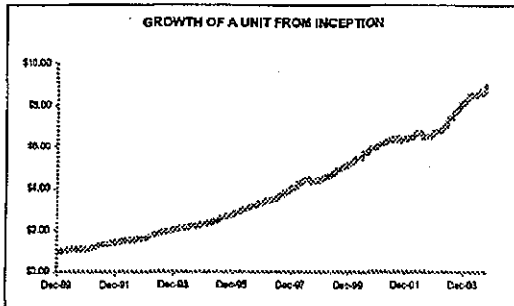
MARKET NEUTRAL | 24

Multi-Strategy Manager D

CONFIDENTIAL

FUND TERMS			
Assets Under Management	\$9.9 Billion	Lockup	None
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$5,000,000	Redemption Frequency	Annually (Dec 31)
Fees	1% + 20%	Redemption Notice Period	45 Days

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	1.2%	0.8%	1.5%	2.1%	1.9%	2.3%	1.7%	2.0%	1.4%	1.8%	1.6%	1.9%
2001	0.5%	0.3%	0.7%	1.1%	0.9%	1.3%	0.8%	1.0%	0.6%	0.9%	0.7%	1.0%
2002	0.1%	0.2%	0.4%	0.6%	0.5%	0.8%	0.4%	0.6%	0.3%	0.5%	0.4%	0.6%
2003	0.3%	0.1%	0.5%	0.7%	0.6%	0.9%	0.5%	0.7%	0.4%	0.6%	0.5%	0.7%
2004	0.6%	0.4%	0.8%	1.2%	1.0%	1.4%	0.9%	1.1%	0.7%	1.0%	0.8%	1.1%
2005	0.9%	0.7%	1.1%	1.5%	1.3%	1.7%	1.2%	1.4%	1.0%	1.3%	1.1%	1.4%
2006	1.2%	1.0%	1.4%	1.8%	1.6%	2.0%	1.5%	1.7%	1.3%	1.6%	1.4%	1.7%
2007	1.5%	1.3%	1.7%	2.1%	1.9%	2.3%	1.8%	2.0%	1.6%	1.9%	1.7%	2.0%
2008	1.8%	1.6%	2.0%	2.4%	2.2%	2.6%	2.1%	2.3%	1.9%	2.2%	2.0%	2.3%
2009	2.1%	1.9%	2.3%	2.7%	2.5%	2.9%	2.4%	2.6%	2.2%	2.5%	2.3%	2.6%
2010	2.4%	2.2%	2.6%	3.0%	2.8%	3.2%	2.7%	2.9%	2.5%	2.8%	2.6%	2.9%
2011	2.7%	2.5%	2.9%	3.3%	3.1%	3.5%	3.0%	3.2%	2.8%	3.1%	2.9%	3.2%
2012	3.0%	2.8%	3.2%	3.6%	3.4%	3.8%	3.3%	3.5%	3.1%	3.4%	3.2%	3.5%



PERFORMANCE	
Annualized Average Geometric	15.95%
Rolling 12m Average	16.32%
Monthly Average Geometric	1.24%
Standard Deviation	3.87%
Average Positive Return Monthly	1.39%
Average Negative Return Monthly	-1.38%

RISK METRICS		
Largest Drawdown	-3.37%	# Positive Months 168
Longest Recovery Period	5	# Negative Months 9
Average of 5 Largest Drawdowns	-2.28%	% Positive Months 94.92%



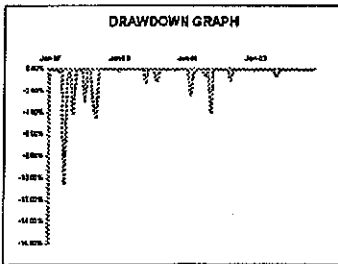
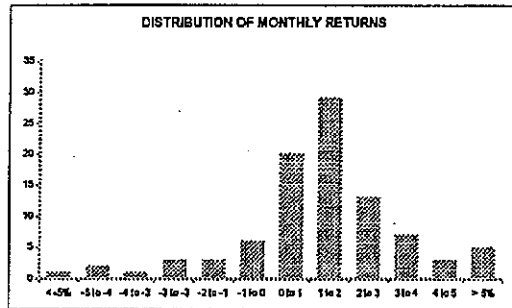
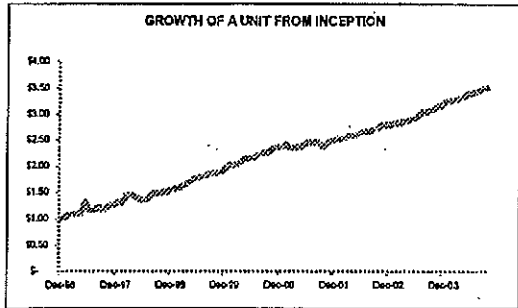
MARKET NEUTRAL | 28

Equity Market Neutral Manager A

CONFIDENTIAL

BUSINESS			
Assets Under Management	\$300 Million	Lockup	None
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$250,000	Redemption Frequency	Monthly (max 3 times per year)
Fees	0% + 20%	Redemption Notice Period	15 Business Days

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2003	1.1%	1.2%	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	17.8%
2004	1.3%	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	19.0%
2005	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	20.2%
2006	1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	21.4%
2007	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	22.6%
2008	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	23.8%
2009	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	25.0%
2010	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	26.2%
2011	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	27.4%
2012	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	28.6%
2013	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	29.8%
2014	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	31.0%
2015	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	32.2%
2016	3.7%	3.8%	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	33.4%
2017	3.9%	4.0%	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	34.6%
2018	4.1%	4.2%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	35.8%
2019	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	37.0%
2020	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	38.2%
2021	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%	39.4%
2022	4.9%	5.0%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%	5.9%	6.0%	40.6%
2023	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%	5.9%	6.0%	6.1%	6.2%	41.8%
2024	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%	5.9%	6.0%	6.1%	6.2%	6.3%	6.4%	43.0%
2025	5.5%	5.6%	5.7%	5.8%	5.9%	6.0%	6.1%	6.2%	6.3%	6.4%	6.5%	6.6%	44.2%
2026	5.7%	5.8%	5.9%	6.0%	6.1%	6.2%	6.3%	6.4%	6.5%	6.6%	6.7%	6.8%	45.4%
2027	5.9%	6.0%	6.1%	6.2%	6.3%	6.4%	6.5%	6.6%	6.7%	6.8%	6.9%	7.0%	46.6%
2028	6.1%	6.2%	6.3%	6.4%	6.5%	6.6%	6.7%	6.8%	6.9%	7.0%	7.1%	7.2%	47.8%
2029	6.3%	6.4%	6.5%	6.6%	6.7%	6.8%	6.9%	7.0%	7.1%	7.2%	7.3%	7.4%	49.0%
2030	6.5%	6.6%	6.7%	6.8%	6.9%	7.0%	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%	50.2%



PERFORMANCE	
Annualized Average Geometric	17.63%
Rolling 12m Average	17.02%
Monthly Average Geometric	1.36%
Standard Deviation	11.23%
Average Positive Return Monthly	2.19%
Average Negative Return Monthly	-2.32%

RISK METRICS		
Largest Drawdown	-11.39%	# Positive Months 77
Longest Recovery Period	5	# Negative Months 16
Average of 5 Largest Drawdowns	-5.61%	% Positive Months 82.80%



MARKET NEUTRAL | 28

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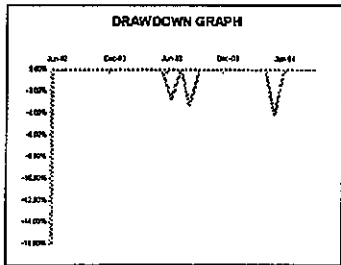
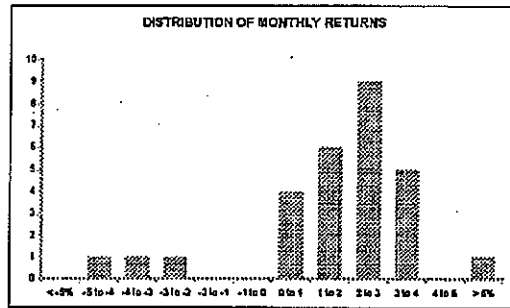
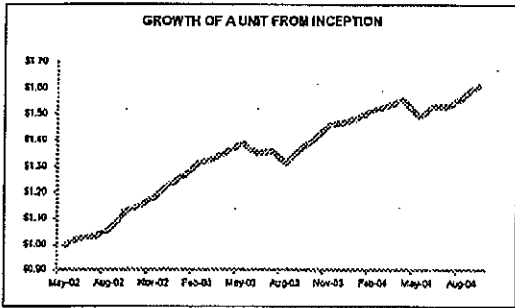
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Capital Structure Arbitrage Manager A

CONFIDENTIAL

FUND DETAILS			
Assets Under Management	\$857 Million	Lockup	1 Year
Fund Status	Limited	High Water Mark	Yes
Minimum Investment	\$250,000	Redemption Frequency	Quarterly
Fees	1.5% + 20%	Redemption Notice Period	45 Days

Year	Jan	Mar	May	Jul	Sep	Nov	Dec	YTD
2002	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	7.00%
2003	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	7.00%
2004	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	7.00%



PERFORMANCE	
Annualized Average Geometric	22.58%
Rolling 12m Average	20.38%
Monthly Average Geometric	1.71%
Standard Deviation	7.72%
Average Positive Return Monthly	2.35%
Average Negative Return Monthly	-3.36%

RISK METRICS		
Largest Drawdown	-5.20%	# Positive Months 25
Longest Recovery Period		3 # Negative Months 3
Average of 5 Largest Drawdowns	-4.70%	% Positive Months 89.29%



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Exhibit 7

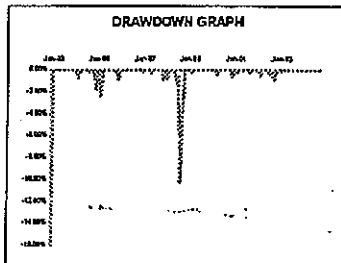
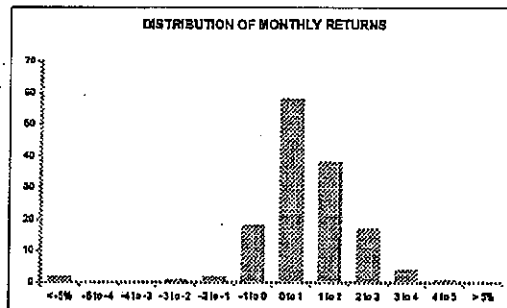
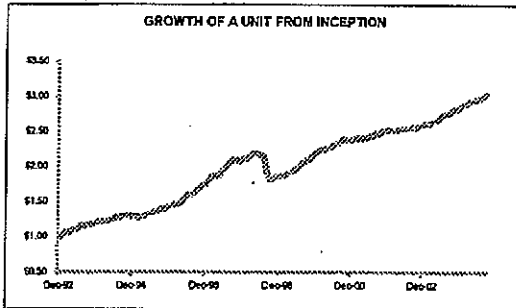
Part 2 of 2

Distressed Manager A

CONFIDENTIAL

FUND TERMS			
Assets Under Management	\$500 Million	Lockup	None
Fund Status	Limited	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Semi-Annually
Fees	1% + 20%	Redemption Notice Period	45 Days

Year	Q1	Q2	Q3	Q4	Annual	YTD	YTD
2002	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2003	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2004	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2005	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2006	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2007	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2008	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2009	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2010	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2011	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2012	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



PERFORMANCE	
Annualized Average Geometric	9.90%
Rolling 12m Average	9.75%
Monthly Average Geometric	0.79%
Standard Deviation	5.29%
Average Positive Return Monthly	1.22%
Average Negative Return Monthly	-1.33%

RISK METRICS			
Largest Drawdown	-16.82%	# Positive Months	118
Longest Recovery Period		# Negative Months	23
Average of 5 Largest Drawdowns	-4.74%	% Positive Months	83.69%



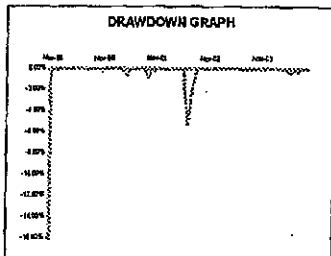
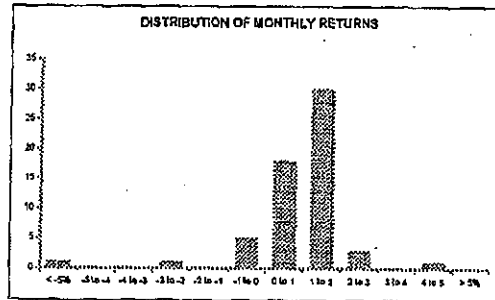
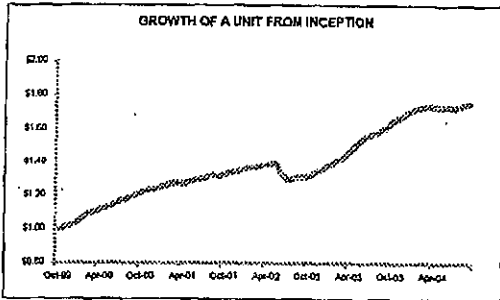
EVENT DRIVEN | 28

Distressed Manager B

CONFIDENTIAL

FUND TERMS			
Assets Under Management	\$4 Billion	Lockup	3 Years
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	3 Years
Fees	1% + 18%	Redemption Notice Period	90 Days

Year	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
2000	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2001	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2002	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2003	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2004	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2005	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2006	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2007	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2008	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2009	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2010	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
2011	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00



PERFORMANCE	
Annualized Average Geometric	12.09%
Rolling 12m Average	12.03%
Monthly Average Geometric	0.96%
Standard Deviation	4.37%
Average Positive Return Monthly	1.28%
Average Negative Return Monthly	-1.38%

RISK METRICS			
Largest Drawdown	-7.22%	# Positive Months	52
Longest Recovery Period		# Negative Months	7
Average of 5 Largest Drawdowns	-2.36%	% Positive Months	88.14%



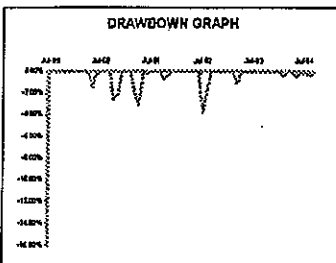
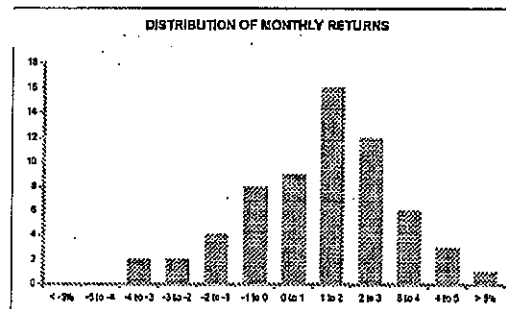
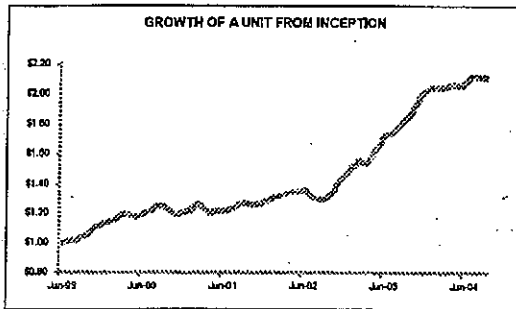
EVENT DRIVEN | 29

Distressed Manager C

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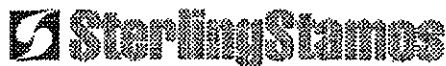
Assets Under Management	\$142 Million	Lockup	None
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Monthly
Fees	1% + 20%	Redemption Notice Period	30 Days

Year	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
2009	1.2%	1.5%	1.8%	2.1%	2.7%	1.0%	1.3%	1.6%	1.9%	2.4%
2010	1.1%	1.4%	1.7%	2.0%	2.6%	0.9%	1.2%	1.5%	1.8%	2.3%
2011	1.0%	1.3%	1.6%	1.9%	2.5%	0.8%	1.1%	1.4%	1.7%	2.2%
2012	0.9%	1.2%	1.5%	1.8%	2.4%	0.7%	1.0%	1.3%	1.6%	2.1%
2013	0.8%	1.1%	1.4%	1.7%	2.3%	0.6%	0.9%	1.2%	1.5%	2.0%
2014	0.7%	1.0%	1.3%	1.6%	2.2%	0.5%	0.8%	1.1%	1.4%	1.9%
2015	0.6%	0.9%	1.2%	1.5%	2.1%	0.4%	0.7%	1.0%	1.3%	1.8%
2016	0.5%	0.8%	1.1%	1.4%	2.0%	0.3%	0.6%	0.9%	1.2%	1.7%
2017	0.4%	0.7%	1.0%	1.3%	1.9%	0.2%	0.5%	0.8%	1.1%	1.6%
2018	0.3%	0.6%	0.9%	1.2%	1.8%	0.1%	0.4%	0.7%	1.0%	1.5%
2019	0.2%	0.5%	0.8%	1.1%	1.7%	0.0%	0.3%	0.6%	0.9%	1.4%
2020	0.1%	0.4%	0.7%	1.0%	1.6%	-0.1%	0.2%	0.5%	0.8%	1.3%
2021	0.0%	0.3%	0.6%	0.9%	1.5%	-0.2%	0.1%	0.4%	0.7%	1.2%
2022	-0.1%	0.2%	0.5%	0.8%	1.4%	-0.3%	0.0%	0.3%	0.6%	1.1%
2023	-0.2%	0.1%	0.4%	0.7%	1.3%	-0.4%	-0.1%	0.2%	0.5%	1.0%
2024	-0.3%	0.0%	0.3%	0.6%	1.2%	-0.5%	-0.2%	0.1%	0.4%	0.9%
2025	-0.4%	-0.1%	0.2%	0.5%	1.1%	-0.6%	-0.3%	0.0%	0.3%	0.8%
2026	-0.5%	-0.2%	0.1%	0.4%	1.0%	-0.7%	-0.4%	-0.1%	0.2%	0.7%
2027	-0.6%	-0.3%	0.0%	0.3%	0.9%	-0.8%	-0.5%	-0.2%	0.1%	0.6%
2028	-0.7%	-0.4%	-0.1%	0.2%	0.8%	-0.9%	-0.6%	-0.3%	0.0%	0.5%
2029	-0.8%	-0.5%	-0.2%	0.1%	0.7%	-1.0%	-0.7%	-0.4%	-0.1%	0.4%
2030	-0.9%	-0.6%	-0.3%	0.0%	0.6%	-1.1%	-0.8%	-0.5%	-0.2%	0.3%



PERFORMANCE	
Annualized Average Geometric	15.29%
Rolling 12m Average	15.95%
Monthly Average Geometric	1.19%
Standard Deviation	6.63%
Average Positive Return Monthly	2.06%
Average Negative Return Monthly	-1.27%

RISK METRICS	
Largest Drawdown	-5.31% # Positive Months 47
Longest Recovery Period	5 # Negative Months 16
Average of 5 Largest Drawdowns	-3.48% # Positive Months 74.60%



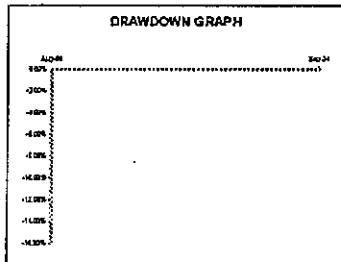
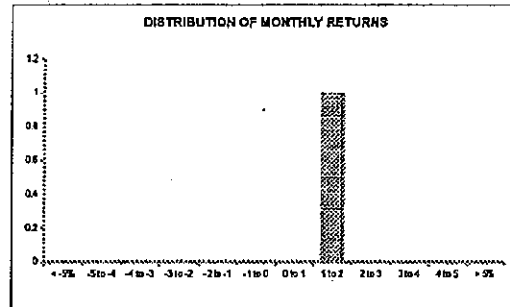
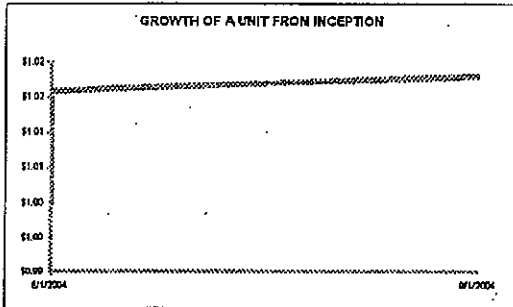
EVENT DRIVEN | 30

Distressed Manager D

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FUND DETAILS			
Assets Under Management	\$220 Million	Lockup	1 Year
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$500,000	Redemption Frequency	Quarterly
Fees	2% + 20%	Redemption Notice Period	60 Days

MONTHLY PERFORMANCE													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004									1.80%				1.80%



PERFORMANCE	
Annualized Average Geometric	23.87%
Rolling 12m Average	N/A
Monthly Average Geometric	1.80%
Standard Deviation	N/A
Average Positive Return Monthly	1.80%
Average Negative Return Monthly	N/A

RISK METRICS		
Largest Drawdown	N/A	# Positive Months 1
Longest Recovery Period	N/A	# Negative Months 0
Average of 5 Largest Drawdowns	N/A	% Positive Months 100.00%



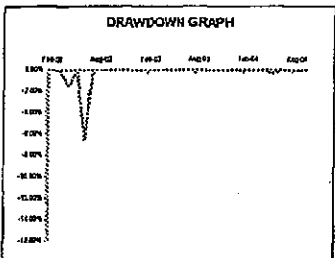
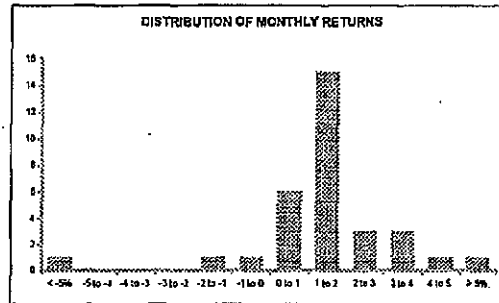
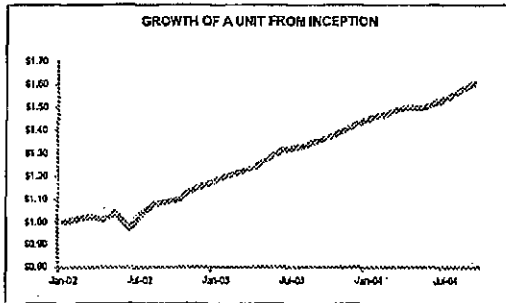
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L/S Credit Manager A

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FUND DETAILS			
Assets Under Management	\$600 Million	Lockup	1 Year
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	End of 1st or 2nd Quarter
Fees	1.75% + 20%	Redemption Notice Period	90 Days

Period	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
Jan-02	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M
Jul-02	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M
Jan-03	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M
Jul-03	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M
Jan-04	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M
Jul-04	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M



PERFORMANCE	
Annualized Average Geometric	19.37%
Rolling 12m Average	21.70%
Monthly Average Geometric	1.49%
Standard Deviation	6.86%
Average Positive Return Monthly	1.95%
Average Negative Return Monthly	-2.77%

STATISTICS		
Largest Drawdown	-6.50%	# Positive Months 29
Longest Recovery Period		2 # Negative Months 3
Average of 5 Largest Drawdowns	-2.77%	% Positive Months 90.63%



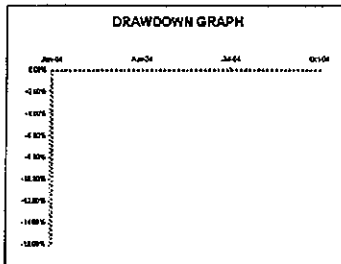
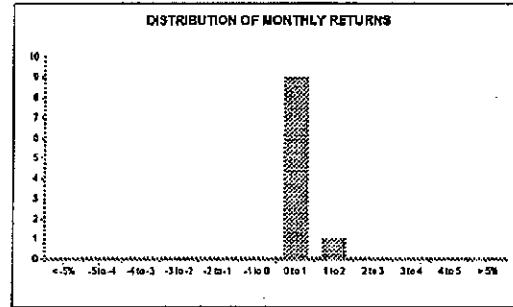
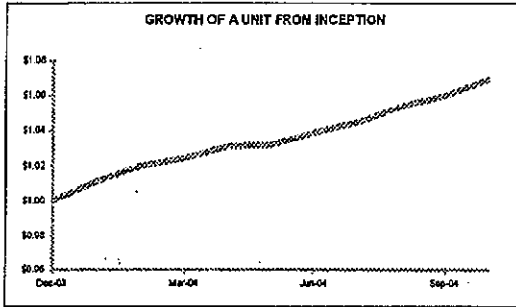
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L/S Credit Manager B

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Assets Under Management	\$3.7 Billion	Lockup	3% within 1 year
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$2,000,000	Redemption Frequency	Quarterly
Fees	1.5% + 20%	Redemption Notice Period	60 Days

MONTHLY PERFORMANCE													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004	1.11%	0.89%	0.43%	0.84%	0.10%	0.57%	0.53%	0.89%	0.57%	0.82%			6.93%



PERFORMANCE	
Annualized Average Geometric	6.38%
Rolling 12m Average	N/A
Monthly Average Geometric	0.67%
Standard Deviation	0.98%
Average Positive Return Monthly	0.67%
Average Negative Return Monthly	N/A

RISK METRICS		
Largest Drawdown	N/A	# Positive Months: 10
Longest Recovery Period	N/A	# Negative Months: 0
Average of 5 Largest Drawdowns	N/A	% Positive Months: 100.00%

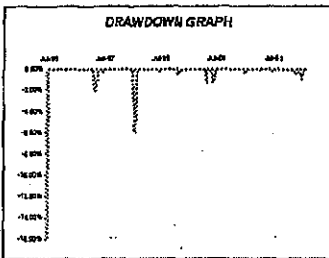
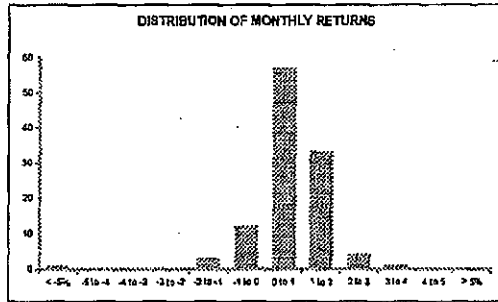
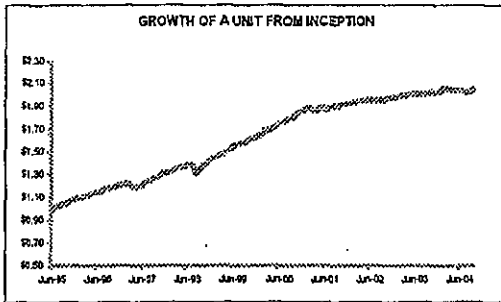


Merger Arbitrage Manager A

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FUND DETAILS			
Assets Under Management	\$325 Million	Lockup	None
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Quarterly
Fees	1% + 20%	Redemption Notice Period	45 Days

Year	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
2005	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2006	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2007	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2008	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2009	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2010	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2011	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2012	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2013	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2014	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2015	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2016	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2017	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2018	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2019	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2020	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2021	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2022	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2023	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2024	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2025	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2026	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2027	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2028	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2029	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2030	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00



PERFORMANCE	
Annualized Average Geometric	8.07%
Rolling 12m Average	8.14%
Monthly Average Geometric	0.65%
Standard Deviation	3.52%
Average Positive Return Monthly	0.91%
Average Negative Return Monthly	-0.86%

RISOMETRIC		
Largest Drawdown	-5.89% # Positive Months	95
Longest Recovery Period	3 # Negative Months	16
Average of 5 Largest Drawdowns	-2.44% % Positive Months	85.59%



EVENT DRIVEN | 34

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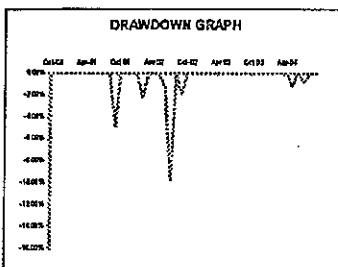
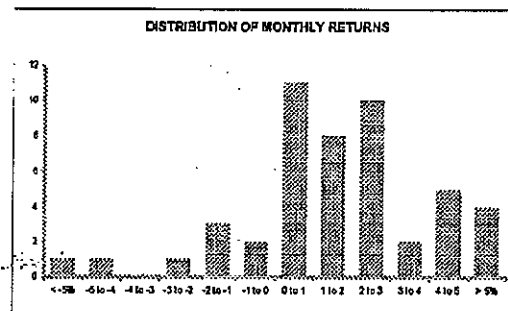
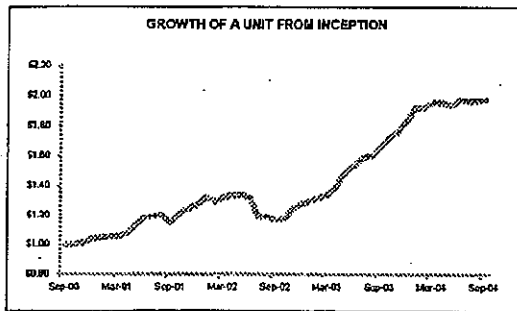
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Event Manager A

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FUND FEES			
Assets Under Management	\$120 Million	Lockup	1 Year
Fund Status	Open	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Annually
Fees	1.5% + 20%	Redemption Notice Period	45 Days

Year	Jan	Mar	May	Jul	Sep	Nov	Dec	FTN
2005	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	7.00%
2006	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	10.00%
2007	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	10.00%
2008	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	10.00%
2009	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	10.00%
2010	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	10.00%
2011	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	10.00%
2012	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	10.00%



PERFORMANCE	
Annualized Average Geometric	18.56%
Rolling 12m Average	21.28%
Monthly Average Geometric	1.43%
Standard Deviation	9.62%
Average Positive Return Monthly	2.32%
Average Negative Return Monthly	-2.78%

RISK METRICS		
Largest Drawdown	-12.72%	# Positive Months 40
Longest Recovery Period	6	# Negative Months 8
Average of 5 Largest Drawdowns	-4.37%	% Positive Months 83.33%



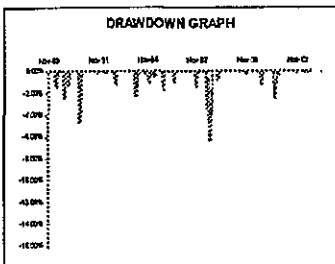
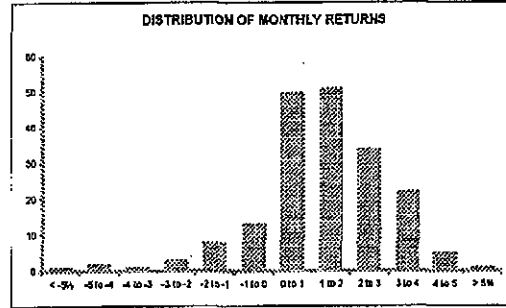
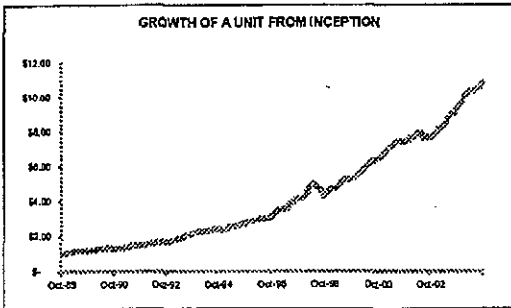
EVENT DRIVEN | 35

Event Manager C

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Assets Under Management	\$6.2 Billion	Lockup	2 Years
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$25,000,000	Redemption Frequency	Annually
Fees	1% + 20%	Redemption Notice Period	90 Days

Year	Return	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
1998	12.5%	\$1.0B	\$1.0B	\$1.0B	\$1.0B	\$1.0B	\$1.0B
1999	15.2%	\$1.1B	\$1.1B	\$1.1B	\$1.1B	\$1.1B	\$1.1B
2000	18.7%	\$1.2B	\$1.2B	\$1.2B	\$1.2B	\$1.2B	\$1.2B
2001	21.3%	\$1.3B	\$1.3B	\$1.3B	\$1.3B	\$1.3B	\$1.3B
2002	24.8%	\$1.4B	\$1.4B	\$1.4B	\$1.4B	\$1.4B	\$1.4B
2003	27.5%	\$1.5B	\$1.5B	\$1.5B	\$1.5B	\$1.5B	\$1.5B
2004	30.1%	\$1.6B	\$1.6B	\$1.6B	\$1.6B	\$1.6B	\$1.6B
2005	32.8%	\$1.7B	\$1.7B	\$1.7B	\$1.7B	\$1.7B	\$1.7B
2006	35.4%	\$1.8B	\$1.8B	\$1.8B	\$1.8B	\$1.8B	\$1.8B
2007	38.0%	\$1.9B	\$1.9B	\$1.9B	\$1.9B	\$1.9B	\$1.9B
2008	40.6%	\$2.0B	\$2.0B	\$2.0B	\$2.0B	\$2.0B	\$2.0B
2009	43.2%	\$2.1B	\$2.1B	\$2.1B	\$2.1B	\$2.1B	\$2.1B
2010	45.8%	\$2.2B	\$2.2B	\$2.2B	\$2.2B	\$2.2B	\$2.2B
2011	48.4%	\$2.3B	\$2.3B	\$2.3B	\$2.3B	\$2.3B	\$2.3B
2012	51.0%	\$2.4B	\$2.4B	\$2.4B	\$2.4B	\$2.4B	\$2.4B
2013	53.6%	\$2.5B	\$2.5B	\$2.5B	\$2.5B	\$2.5B	\$2.5B
2014	56.2%	\$2.6B	\$2.6B	\$2.6B	\$2.6B	\$2.6B	\$2.6B
2015	58.8%	\$2.7B	\$2.7B	\$2.7B	\$2.7B	\$2.7B	\$2.7B
2016	61.4%	\$2.8B	\$2.8B	\$2.8B	\$2.8B	\$2.8B	\$2.8B
2017	64.0%	\$2.9B	\$2.9B	\$2.9B	\$2.9B	\$2.9B	\$2.9B
2018	66.6%	\$3.0B	\$3.0B	\$3.0B	\$3.0B	\$3.0B	\$3.0B
2019	69.2%	\$3.1B	\$3.1B	\$3.1B	\$3.1B	\$3.1B	\$3.1B
2020	71.8%	\$3.2B	\$3.2B	\$3.2B	\$3.2B	\$3.2B	\$3.2B
2021	74.4%	\$3.3B	\$3.3B	\$3.3B	\$3.3B	\$3.3B	\$3.3B
2022	77.0%	\$3.4B	\$3.4B	\$3.4B	\$3.4B	\$3.4B	\$3.4B
2023	79.6%	\$3.5B	\$3.5B	\$3.5B	\$3.5B	\$3.5B	\$3.5B
2024	82.2%	\$3.6B	\$3.6B	\$3.6B	\$3.6B	\$3.6B	\$3.6B
2025	84.8%	\$3.7B	\$3.7B	\$3.7B	\$3.7B	\$3.7B	\$3.7B
2026	87.4%	\$3.8B	\$3.8B	\$3.8B	\$3.8B	\$3.8B	\$3.8B
2027	90.0%	\$3.9B	\$3.9B	\$3.9B	\$3.9B	\$3.9B	\$3.9B
2028	92.6%	\$4.0B	\$4.0B	\$4.0B	\$4.0B	\$4.0B	\$4.0B
2029	95.2%	\$4.1B	\$4.1B	\$4.1B	\$4.1B	\$4.1B	\$4.1B
2030	97.8%	\$4.2B	\$4.2B	\$4.2B	\$4.2B	\$4.2B	\$4.2B



PERFORMANCE	
Annualized Average Geometric	16.15%
Rolling 12m Average	16.11%
Monthly Average Geometric	1.26%
Standard Deviation	5.89%
Average Positive Return Monthly	1.75%
Average Negative Return Monthly	-1.51%

RISK METRICS		
Largest Drawdown	-14.48%	# Positive Months 163
Longest Recovery Period	9	# Negative Months 28
Average of 5 Largest Drawdowns	-5.66%	% Positive Months 85.34%



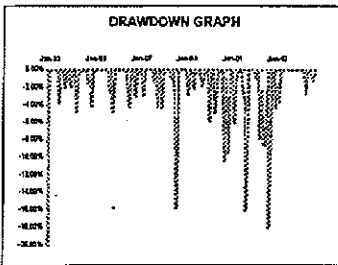
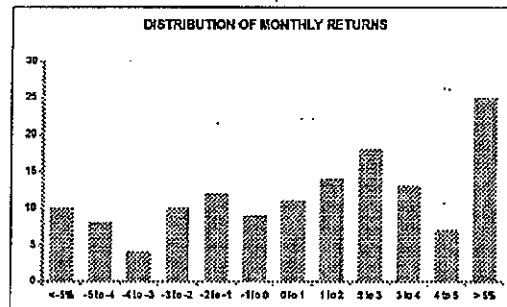
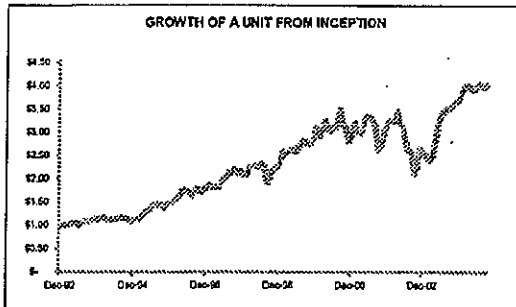
EVENT DRIVEN | 37

L/S Generalist Manager A

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FUND TERMS			
Assets Under Management	\$200 Million	Lockup	1 Year
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Annually
Fees	1% + 20%	Redemption Notice Period	45 Days

Year	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Fees
1992	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
1993	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
1994	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
1995	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
1996	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
1997	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
1998	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
1999	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2001	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2002	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2003	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2004	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2005	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2006	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2007	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2008	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2009	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2010	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2011	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2012	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2013	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2014	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2015	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2016	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2017	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2018	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2019	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2020	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2021	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2022	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2023	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2024	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2025	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2026	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2027	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2028	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2029	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000
2030	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$10,000,000



PERFORMANCE	
Annualized Average Geometric	12.52%
Rolling 12m Average	14.29%
Monthly Average Geometric	1.00%
Standard Deviation	18.66%
Average Positive Return Monthly	4.15%
Average Negative Return Monthly	-3.86%

RISK METRICS		
Largest Drawdown	-39.12%	# Positive Months 88
Longest Recovery Period	11	# Negative Months 53
Average of 5 Largest Drawdowns	-15.60%	% Positive Months 62.41%



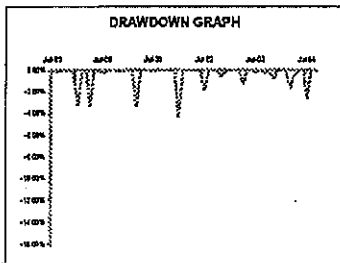
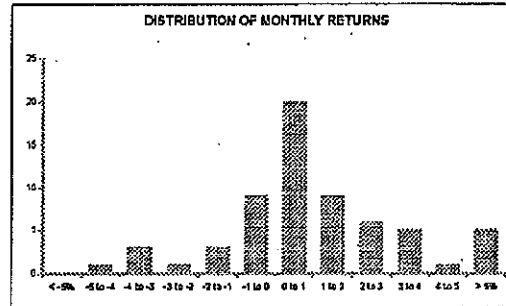
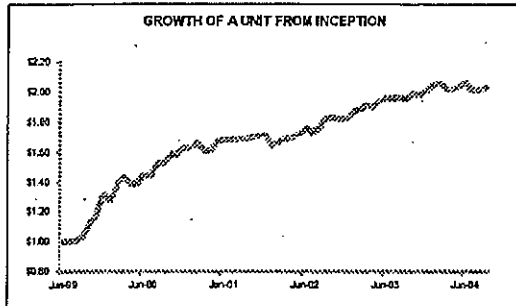
EVENT DRIVEN | 38

L/S Value Manager A

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FUND TERMS			
Assets Under Management	\$2.5 Billion	Lockup	1 Year
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$5,000,000	Redemption Frequency	Annually
Fees	1% + 20%	Redemption Notice Period	60 Days

Year	Jan	Mar	May	Jul	Sep	Nov	FTD
2009	1.0000	1.0500	1.1000	1.1500	1.2000	1.2500	1.2500
2010	1.2500	1.3000	1.3500	1.4000	1.4500	1.5000	1.5000
2011	1.5000	1.5500	1.6000	1.6500	1.7000	1.7500	1.7500
2012	1.7500	1.8000	1.8500	1.9000	1.9500	2.0000	2.0000
2013	2.0000	2.0500	2.1000	2.1500	2.2000	2.2500	2.2500
2014	2.2500	2.3000	2.3500	2.4000	2.4500	2.5000	2.5000
2015	2.5000	2.5500	2.6000	2.6500	2.7000	2.7500	2.7500
2016	2.7500	2.8000	2.8500	2.9000	2.9500	3.0000	3.0000
2017	3.0000	3.0500	3.1000	3.1500	3.2000	3.2500	3.2500
2018	3.2500	3.3000	3.3500	3.4000	3.4500	3.5000	3.5000
2019	3.5000	3.5500	3.6000	3.6500	3.7000	3.7500	3.7500
2020	3.7500	3.8000	3.8500	3.9000	3.9500	4.0000	4.0000
2021	4.0000	4.0500	4.1000	4.1500	4.2000	4.2500	4.2500
2022	4.2500	4.3000	4.3500	4.4000	4.4500	4.5000	4.5000
2023	4.5000	4.5500	4.6000	4.6500	4.7000	4.7500	4.7500
2024	4.7500	4.8000	4.8500	4.9000	4.9500	5.0000	5.0000
2025	5.0000	5.0500	5.1000	5.1500	5.2000	5.2500	5.2500
2026	5.2500	5.3000	5.3500	5.4000	5.4500	5.5000	5.5000
2027	5.5000	5.5500	5.6000	5.6500	5.7000	5.7500	5.7500
2028	5.7500	5.8000	5.8500	5.9000	5.9500	6.0000	6.0000
2029	6.0000	6.0500	6.1000	6.1500	6.2000	6.2500	6.2500
2030	6.2500	6.3000	6.3500	6.4000	6.4500	6.5000	6.5000



PERFORMANCE	
Annualized Average Geometric	14.45%
Rolling 12m Average	13.42%
Monthly Average Geometric	1.13%
Standard Deviation	9.20%
Average Positive Return Monthly	2.11%
Average Negative Return Monthly	-1.40%

RISK METRICS		
Largest Drawdown	-4.20%	# Positive Months 46
Longest Recovery Period		4 # Negative Months 17
Average of 5 Largest Drawdowns	-3.30%	% Positive Months 73.02%



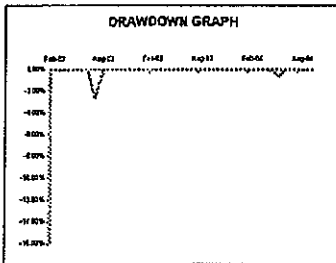
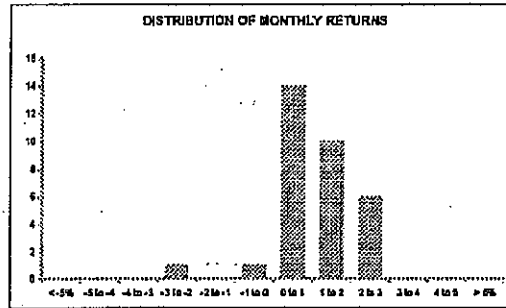
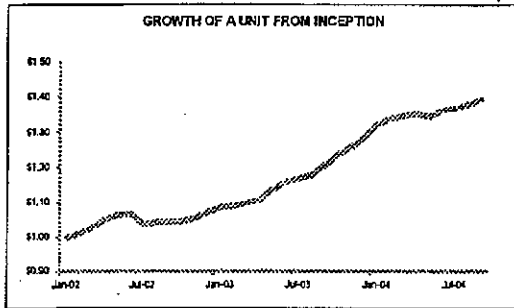
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L/S Multi Manager A

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FUND TERMS			
Assets Under Management	\$200 Million	Lockup	1 Year
Fund Status	Limited	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Annually
Fees	1.5% + 10%	Redemption Notice Period	105 Days

Year	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
2002	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2003	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2004	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2005	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2006	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2007	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2008	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2009	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2010	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2011	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00



PERFORMANCE	
Annualized Average Geometric	13.26%
Rolling 12m Average	15.15%
Monthly Average Geometric	1.05%
Standard Deviation	3.71%
Average Positive Return Monthly	1.23%
Average Negative Return Monthly	-1.60%

RISK METRICS		
Largest Drawdown	-2.60%	# Positive Months 30
Longest Recovery Period	5	# Negative Months 2
Average of 5 Largest Drawdowns	-1.60%	% Positive Months 93.75%



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L/S Multi Manager C

INVESTMENT STRATEGY ASSET ALLOCATION

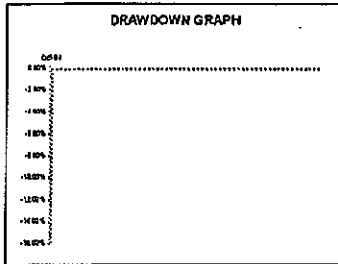
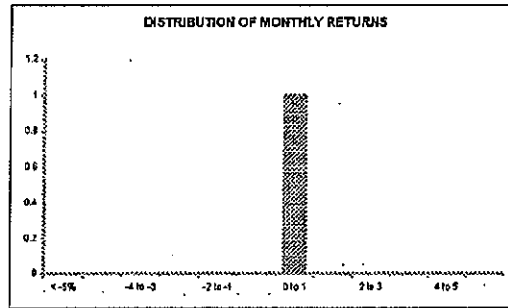
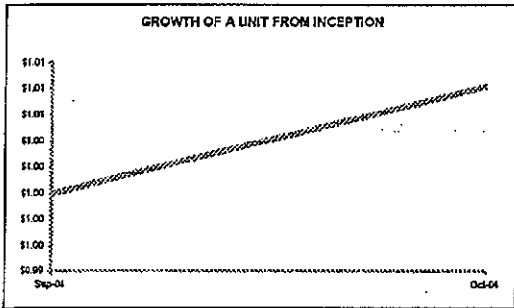
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FUND TERMS

Assets Under Management	\$18 Million	Lockup	3 Years
Fund Status	Limited	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Rolling 3 Years
Fees	1% + 15%	Redemption Notice Period	180 Days

HISTORICAL PERFORMANCE

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004													0.82%



PERFORMANCE

Annualized Average Geometric	10.30%
Rolling 12m Average	0.00%
Monthly Average Geometric	0.82%
Standard Deviation	N/A
Average Positive Return Monthly	0.82%
Average Negative Return Monthly	0.00%

RISK METRICS

Largest Drawdown	0.00%	# Positive Months	1
Longest Recovery Period	0	# Negative Months	0
Average of 5 Largest Drawdowns	0.00%	% Positive Months	100.00%



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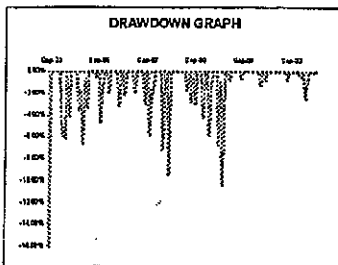
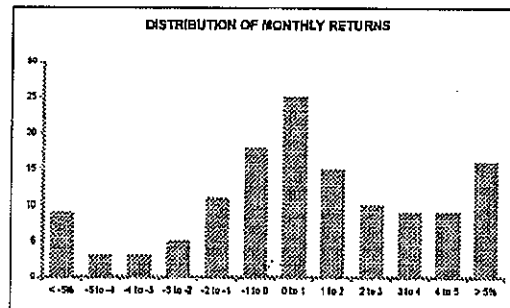
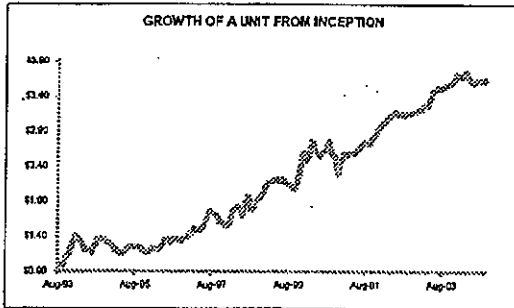
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Emerging Markets Manager A

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FUND TERMS			
Assets Under Management	\$900 Million	Lockup	None
Fund Status	Closed	High Water Mark	Yes
Minimum Investment	\$1,000,000	Redemption Frequency	Quarterly
Fees	2% + 20%	Redemption Notice Period	30 Days

Year	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th
2003	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
2004	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
2005	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
2006	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
2007	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
2008	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
2009	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
2010	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
2011	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
2012	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%



PERFORMANCE	
Annualized Average Geometric	12.39%
Rolling 12m Average	12.14%
Monthly Average Geometric	0.98%
Standard Deviation	13.94%
Average Positive Return Monthly	3.18%
Average Negative Return Monthly	-2.58%

RISK METRICS			
Largest Drawdown	-17.27%	# Positive Months	84
Longest Recovery Period		# Negative Months	49
Average of 5 Largest Drawdowns	-12.52%	% Positive Months	63.16%



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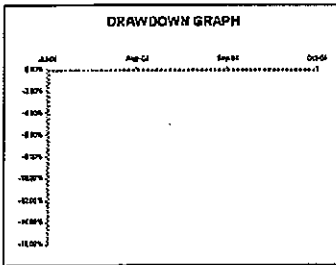
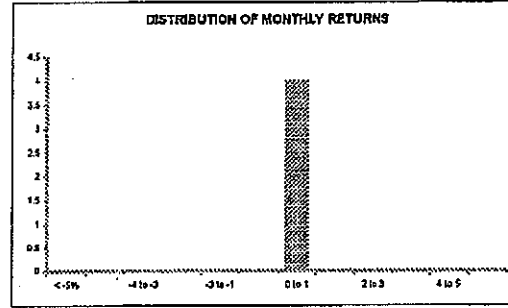
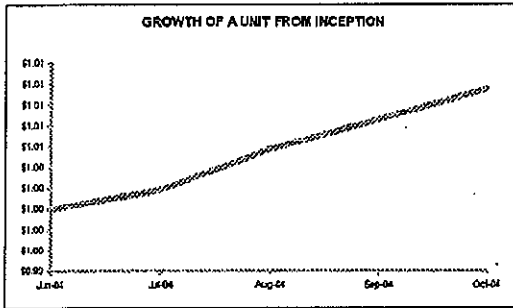
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Cash Manager A

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FUND TERMS			
Assets Under Management	\$38 Million	Lockup	None
Fund Status	Limited	High Water Mark	None
Minimum Investment	\$500,000	Redemption Frequency	Monthly
Fees	1% + 0%	Redemption Notice Period	5 Days

MONTHLY PERFORMANCE													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004							0.19%	0.48%	0.28%	1.3%			1.15%



PERFORMANCE	
Annualized Average Geometric	3.50%
Rolling 12m Average	0.00%
Monthly Average Geometric	0.29%
Standard Deviation	0.28%
Average Positive Return Monthly	0.29%
Average Negative Return Monthly	0.00%

RISK METRICS		
Largest Drawdown	0.00%	# Positive Months 4
Longest Recovery Period	0	# Negative Months 0
Average of 5 Largest Drawdowns	0.00%	% Positive Months 100.00%



4. BIOGRAPHIES

 **SterlingStamos**

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Sterling Stamos Senior Investment Team

The investment team is lead by the firm's CEO, Peter Stamos, and is supported by an experienced team of professionals. The investment team includes three portfolio managers, five research analysts, and two portfolio advisors, all sharing the responsibility of sourcing, due diligence, selection, and monitoring of the Portfolio Managers. Shown below are the names and backgrounds of the primary portfolio decision makers for Sterling Stamos:

Peter S. Stamos: Mr. Stamos is the Chief Executive Officer of Sterling Stamos and is ultimately responsible for all investment decisions.

- Mr. Stamos was the Chief Executive Officer of Stamos Associates, Inc. (SAI), a healthcare and technology company that was acquired by Perot Systems, Inc., where he headed the merger and acquisition practice.
- Prior to the founding of SAI, Mr. Stamos was the Chief of Staff and Chief Economist for a U.S. Senator.
- Prior to working in the public sector, Mr. Stamos was a Principal with Booz Allen & Hamilton, a Senior Management Consultant with McKinsey & Company, and the Managing Partner of the Doblin Group.
- Mr. Stamos taught economics at Harvard University—where he received the Allen Young Award for Teaching Excellence—and at Stanford University, where he been a guest lecturer at the Graduate School of Business.
- Mr. Stamos serves on several boards and advisory boards, including the Board of Stanford University Hospitals and Clinics, where he is a member of the Finance and Audit Committees and is Chairman of the Investment Committee.
- Mr. Stamos earned a BA in economics and political science from Stanford University, where he was a Truman Scholar, received the Sterling Award, and graduated *Phi Beta Kappa* with Honors and Distinction. Mr. Stamos received a JD from Harvard Law School with Honors and a doctorate from Oxford University, where he was a Rhodes Scholar.

Ashok Chachra: Mr. Chachra is the Senior Portfolio Manager for Sterling Stamos and is responsible for portfolio manager sourcing, due diligence, selection, portfolio construction, risk management, and on-going portfolio monitoring.

- Prior to joining Sterling Stamos, he was a Senior Business Analyst with McKinsey & Company, focusing on assignments in the Financial Services and Healthcare industry sectors.
- Mr. Chachra worked in the high yield loan origination group at Chase Securities as well as in an analyst role at Morgan Stanley.
- Mr. Chachra earned a BS in Business Administration with University Honors from Carnegie Mellon University.

Ellen Horing: Ms. Horing is a Portfolio Manager for Sterling Stamos. She is also a principal of ETH Corp/Highgate Partners, a small hedge fund of funds, which invests in Portfolio Managers that employ various investment strategies.

- Ms. Horing served as Vice President and as Director of Research for Gabelli & Co., a money management and brokerage firm. She also served as an Equity Research Analyst at Weiss, Peck & Greer and was an Equity Block Trader at Merrill Lynch.
- Ms. Horing earned a BA in Economics from the University of Colorado and earned an MBA in Finance and Accounting from Columbia Business School.

Saul B. Katz: Mr. Katz is a General Partner of Sterling Stamos and is actively involved in the investment decisions as well as the management of Sterling Stamos.

- Mr. Katz is a Co-Founder and President of Sterling Equities. Mr. Katz directs Sterling Equities' day-to-day real estate operations. Mr. Katz also presides over Sterling Equities' non-real estate affiliates and subsidiary companies, which range from financial institutions to manufacturing, consulting, marketing, entertainment and retailing enterprises.
- Mr. Katz is President of the New York Mets and the Brooklyn Cyclones.
- Mr. Katz serves on the Boards of many nonprofit organizations and institutions in addition to being Honorary Chairman of the Board of the North Shore Long Island Jewish Health System.
- Mr. Katz is a Certified Public Accountant with a BS in Accounting, which he earned from Brooklyn College.

David M. Katz: Mr. Katz is a General Partner of Sterling Stamos and is actively involved in the investment decisions as well as the management of Sterling Stamos.

- Mr. Katz joined Sterling Equities in 1987, where he now serves as Executive Vice President. Mr. Katz's real estate experience includes the development of commercial and residential properties, condominium conversions, and the evaluation of acquisition opportunities.
- Mr. Katz also presides over Sterling Equities' non-real estate affiliate company Changing World Technologies (CWT), where he is a Board member. CWT is a bio/energy company using the thermo-depolymerization process. Mr. Katz also sits on the Board of Renewable Environmental Solutions, a partnership of CWT and ConAgra foods that is focused on deploying the TDP in the agricultural market.
- Mr. Katz is a Board member of the New York Mets.
- Mr. Katz also sits on the Board of various philanthropic organizations. He graduated from Hofstra University where he earned his BA.

5. RISK MANAGEMENT OVERVIEW



STERLING STAMOS

Risk Management Overview – Security Fund

October 2004

Confidential Presentation



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SSMT01855540
SSMSAA1855540

Contents

- Portfolio Optimization
- Time Series Analysis
- Correlation Analysis
- Stress Testing
- Value-at-Risk
- Style/Factor Analysis

This document does not constitute an offer to sell, or a solicitation of an offer to buy the limited partnership interests described herein. No such offer or solicitation will be made prior to the delivery of a definitive offering memorandum and other materials relating to the matters herein. Before making an investment decision with respect to the partnership, potential investors are advised to read carefully the offering memorandum, the limited partnership agreement, and the related subscription documents, and to consult with their tax, legal, and financial advisors.

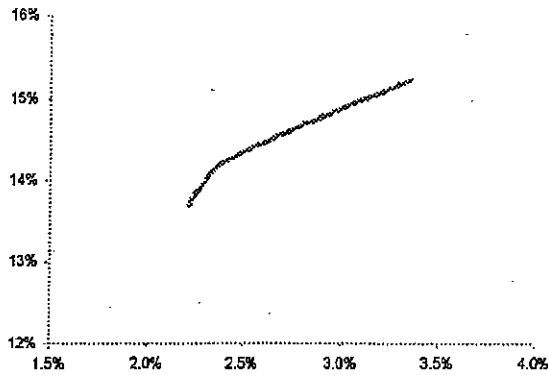
This document contains a preliminary summary of the purpose and principal business terms of the partnership; this summary does not purport to be complete and is qualified in its entirety by reference to the more detailed discussion contained in the private offering memorandum and the actual text of the limited partnership agreement. The General Partner has the ability in its sole discretion to change the strategy described herein.

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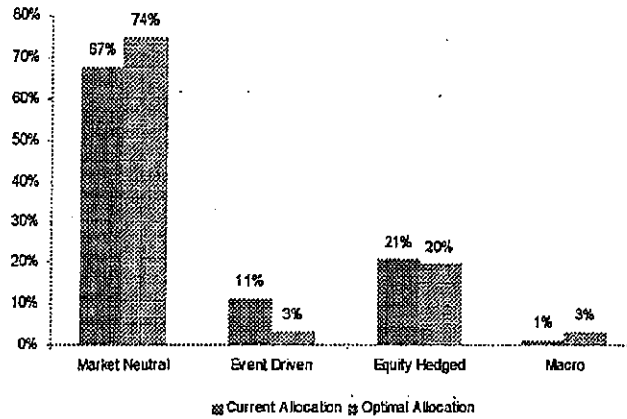


Strategy Optimization

HEDGE FUND STRATEGY EFFICIENT FRONTIER ¹



OPTIMIZATION MODEL VS. STERLING STAMOS ALLOCATION ¹
Oct-04



	Model Results ¹	SP Allocation ¹
Avg. Returns	14.98%	14.15%
Std. Dev.	3.00%	2.69%

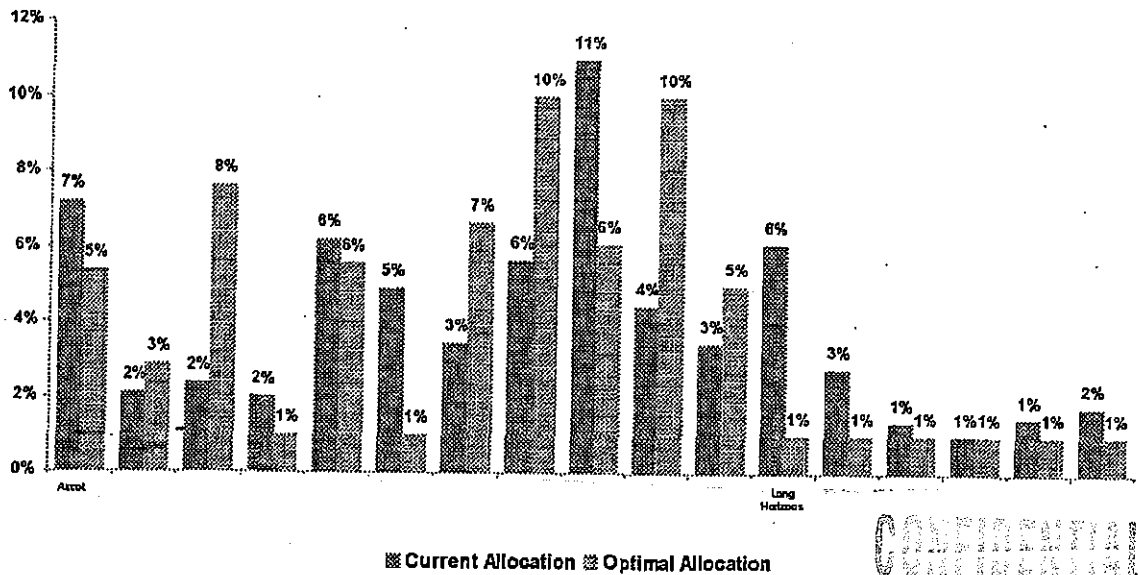
Source: AltiMet HFRI, Morningstar Group, S&P, Sterling Stamos analysis.

¹ Results generated from the weighted average of performance data of underlying managers under each strategy during the period from Jan-98 to Sep-04. Underlying managers with inception date after Jan-98 are allocated to other existing managers. For Sterling Stamos funds performance data are used based on current allocation. Three funds are excluded due to insufficient data. Optimal model is subject to various constraints.



Fund Manager Optimization

MARKET NEUTRAL OPTIMIZATION MODEL vs. STERLING STAMOS ALLOCATION 1
Oct-04



CONFIDENTIAL

Source: Albert HFR, Hennessey Group SEF, Sterling Stamos accounts

1. Performance data from Jan-08 to Sep-04 are used. Underlying managers with inception date after Jan-08 are allocated to other existing managers. Two funds are excluded due to insufficient data. Optimal model is subject to various constraints.

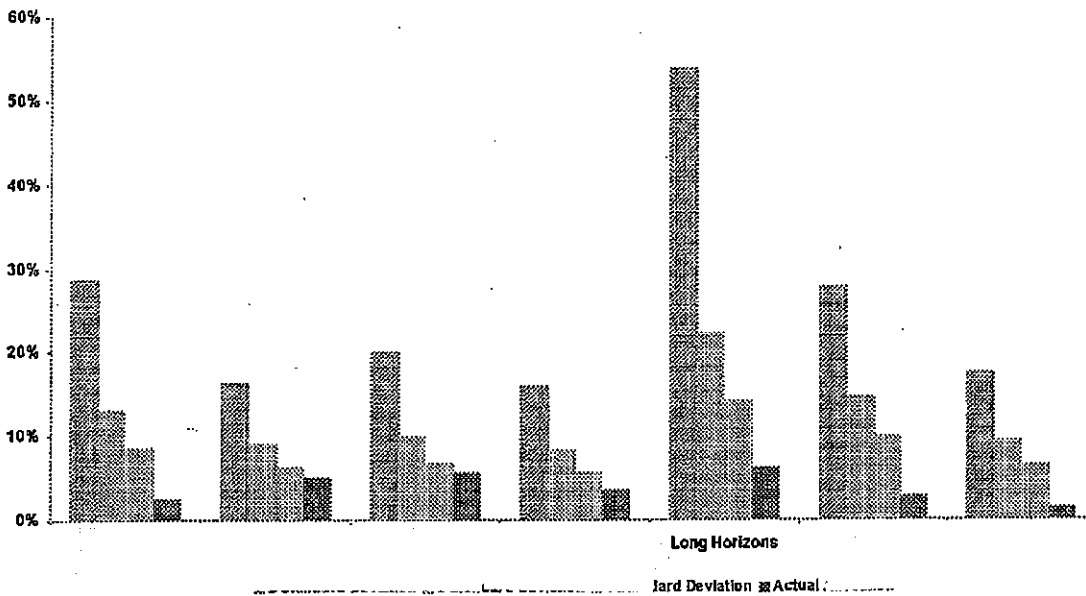


Portfolio Optimization | 3

Fund Manager Allocation Limits – 25 Basis Point Risk Limit

SINGLE FUND MANAGER EXAMPLE

Adverse Move Limits vs. Sterling Stamos Fund Manager Allocations



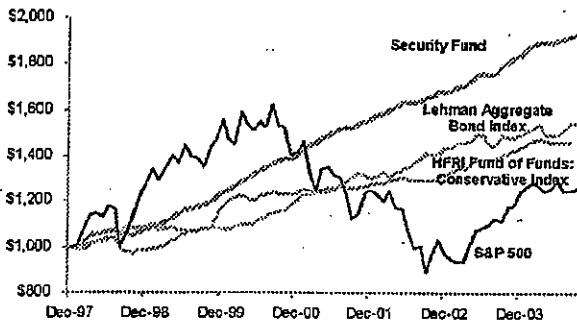
Source: Altech, HFRI, Hennessey Group, S&P, Sterling Stamos analysis.
1. Performance data from Jan-98 to Sep-04 are used.



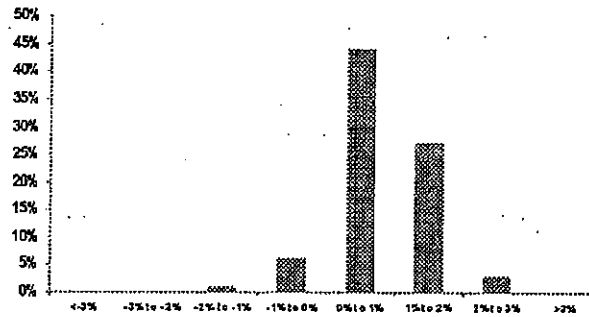
Portfolio Optimization

Portfolio Backtest – Security Fund

GROWTH OF \$1,000 INVESTED IN THE SECURITY FUND *



PERFORMANCE DISTRIBUTION *
Monthly Return Frequency



Source: Alhert, HFRI, Hennessey Group, S&P, Sterling Stamos analysis.

* Results generated from pro forma data based on Oct-04 allocation.



Time Series Analysis | 5

Security Fund Correlation Matrix – Market Neutral

MARKET NEUTRAL CORRELATION MATRIX 1.
Oct-04

	Ascot	Bayou	Clipper	Coast	D.E. Shew	Fairfax	Footbridge	FLT	Forrest	Harbert	JMG	Long Horizon	Mariner	Michael Angelo	NEP	Orington	Stark	JNT-BB	S&P 500	Dow Jones	Nasdaq	
Ascot	1																					
Bayou	0.33	1																				
Clipper	-0.12	0.07	1																			
Coast	-0.26	-0.01	0.64	1																		
D.E. Shew	-0.17	-0.13	0.10	0.15	1																	
Fairfax	0.15	-0.37	0.08	-0.05	0.19	1																
Footbridge	-0.04	-0.12	0.34	0.06	0.18	0.20	1															
FLT	0.06	0.06	0.18	0.30	-0.03	-0.10	-0.68	1														
Forrest	-0.19	-0.11	0.06	0.18	0.16	0.23	-0.12	0.11	1													
Harbert	-0.17	-0.11	0.27	-0.03	0.40	-0.09	-0.38	-0.26	-0.08	1												
JMG	0.41	-0.27	0.47	0.15	0.42	-0.04	-0.38	-0.27	0.37	0.61	1											
Long Horizon	0.10	-0.10	-0.32	-0.15	0.22	0.07	-0.53	-0.19	0.21	-0.07	0.34	1										
Mariner	0.35	-0.21	0.37	0.42	0.34	0.34	-0.13	-0.21	0.21	0.26	0.57	-0.04	1									
Michael Angelo	-0.12	0.24	0.43	0.14	0.27	-0.08	0.21	-0.26	0.31	0.67	0.53	-0.01	0.45	1								
NEP	-0.29	-0.09	0.14	0.08	0.40	-0.29	-0.08	0.09	0.44	0.27	0.45	0.10	0.11	0.23	1							
Orington	-0.37	-0.66	0.11	0.03	0.03	0.15	-0.18	-0.22	-0.07	-0.04	0.34	-0.21	0.22	-0.05	0.19	1						
Stark	-0.24	0.24	0.52	0.48	0.42	-0.06	-0.23	0.04	0.48	0.45	0.72	-0.01	0.64	0.71	0.39	-0.20	1					
JNT-BB																		1				
S&P 500																			1			
Dow Jones																				1		
Nasdaq																					1	

Avg. Correlation between Market Neutral Fund Managers = 8%

Source: Albert HERR, Hennessy Group, S&P, Sterling Stamos analysis
1. Correlation Matrix is calculated on the period from Aug-02 to Sep-04. Arising Warrants are not included due to insufficient data.



Security Fund Correlation Matrix – Event Driven and Equity Hedged

EVENT DRIVEN CORRELATION MATRIX ¹
Oct-04

	Allen	ARX	Daton	Gabriel	Highridge	Litespeed	Perry	Satellite	3MT-818	S&P 500	Dow Jones	Nasdaq
									0.03	0.45	0.34	0.45
	0.56	1							0.07	0.22	0.22	0.18
	0.26	-0.06	1						-0.13	0.41	0.38	0.44
Gabriel	0.22	-0.04	0.31	1					-0.26	0.51	0.45	0.39
	0.29	-0.10	0.12	0.21	1				-0.22	0.12	0.07	0.03
	0.46	-0.06	0.74	0.59	0.55	1			0.36	0.64	0.53	0.64
	0.49	0.32	0.48	0.37	0.38	0.73	1		0.38	0.55	0.45	0.53
	0.33	0.53	0.60	0.35	0.27	0.67	0.73	1	-0.26	0.53	0.45	0.50

Avg. Correlation between Event Driven Fund Managers = 34%

EQUITY HEDGED CORRELATION MATRIX ¹
Oct-04

	DC Capital	Greenlight	Silos	SS Acceleration	SS Growth	3MT-818	S&P 500	Dow Jones	Nasdaq
						-0.34	0.69	0.83	0.91
	0.39	1				-0.32	0.33	0.28	0.23
	-0.29	0.35	1			0.14	-0.05	-0.08	-0.03
	0.63	0.77	0.16	1		-0.42	0.63	0.54	0.64
	0.44	0.75	0.27	0.79	1	-0.24	0.31	0.28	0.35

Avg. Correlation between Equity Hedged Fund Managers = 43%

Source: About HFRI Horowitz Group, J.P. Morgan Strategy Summit analysis
 1. Correlation Matrix is calculated on the period from Feb-02 to Sep-04. Assets Europe is not included in the event driven strategy due to insufficient data.
 2. SS Acceleration and Growth Fund use the pro forma data based on CMO4 allocation.



Correlation Straining Analysis

■ Objective

- Simulate occurrence of systemic failure that effect one or more of the four strategies
- Calculate Value-at-Risk given extremely adverse scenarios

■ Methodology

- Assume correlations in a single or multiple strategies increase dramatically
- Assume the variance of effected strategies increase by a stated "stress factor"

■ Result

- Value-at-Risk for a single year given stated assumptions



Stress Testing | 9

Value-at-Risk – Straining the Covariance Matrix

CURRENT ALLOCATION 1

Strategy	Avg. Correlation	Avg. Standard Deviation
Market Neutral	8%	3.42%
Event/Credit	34%	5.31%
Equity Hedged	43%	8.24%
Global	N/A	4.56%
Result	Standard Deviation 1.64%	Expected Return 11.95%

SCENARIO 2

	Correlation	Stress Factor
Market Neutral	10%	1
Event/Credit	34%	1
Equity Hedged	43%	1
Global	N/A	1
Result	Standard Deviation 2.20%	VaR 5.36%

SCENARIO 1

	Correlation	Stress Factor
Market Neutral	25%	1
Event/Credit	34%	1
Equity Hedged	43%	1
Global	N/A	1
Result	Standard Deviation 1.82%	VaR 8.12%

SCENARIO 3

	Correlation	Stress Factor
Market Neutral	100%	1
Event/Credit	34%	1
Equity Hedged	43%	1
Global	N/A	1
Result	Standard Deviation 2.61%	VaR 1.26%

Source for all tables: Sterling Stamos analysis.

1. Correlation and standard deviation are calculated using the simple average. Market neutral correlation is calculated during the period from Aug-02 to Sep-04 and all the other correlations and volatility are calculated during the period from Feb-02 to Sep-04. 3 funds are excluded due to insufficient data.



Stress Testing 13

VaR Analysis

■ Objective

- Calculate VaR under normal conditions

■ Methodology

- Monte Carlo Simulation
- Randomly generate simulations for the portfolio performance assuming a multivariate normal distribution of returns

■ Result

- The minimum return of the portfolio over the next year remains positive at all confidence intervals



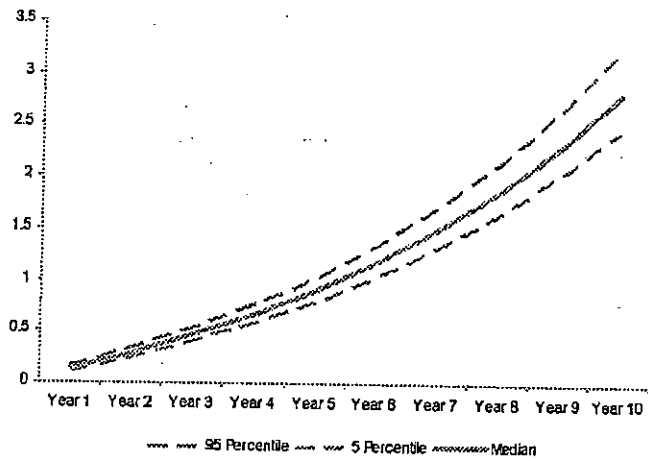
Value-at-Risk | 10

Value-at-Risk – Monte Carlo Simulation

	Annualized Return	Annualized Standard Deviation
Number Simulations	5,000	5,000
Mean	6.16%	1.82%
Median	6.16%	1.83%
Standard Deviation	1.88%	0.29%
Maximum	12.27%	2.81%
Minimum	-0.55%	0.82%
99th Percentile	10.48%	2.47%
95th Percentile	9.28%	2.29%
90th Percentile	8.64%	2.19%
80th Percentile	7.71%	2.06%
75th Percentile	7.40%	2.02%
70th Percentile	7.15%	1.97%
60th Percentile	6.64%	1.90%
50th Percentile	6.16%	1.83%
40th Percentile	5.69%	1.75%
30th Percentile	5.15%	1.67%
25th Percentile	4.84%	1.63%
20th Percentile	4.52%	1.57%
10th Percentile	3.78%	1.43%
5th Percentile	3.16%	1.31%
1st Percentile	1.84%	1.13%

Simulation Method: Bootstrap
 Simulation Data Start: Aug-02
 Simulation Data End: Sep-04
 Number of Periods: 28
 Simulation Period: Monthly
 Number of Years: 1
 Number of Simulations: 5000
 Re-balancing: (None)
 Risk Free Return: 5.00%
 Minimal Acceptable Return: 10.00%
 Fixed Random Sequence: Yes

SECURITY FUND VaR BOOTSTRAP



Source: Sterling Stamos analysis, Perotco

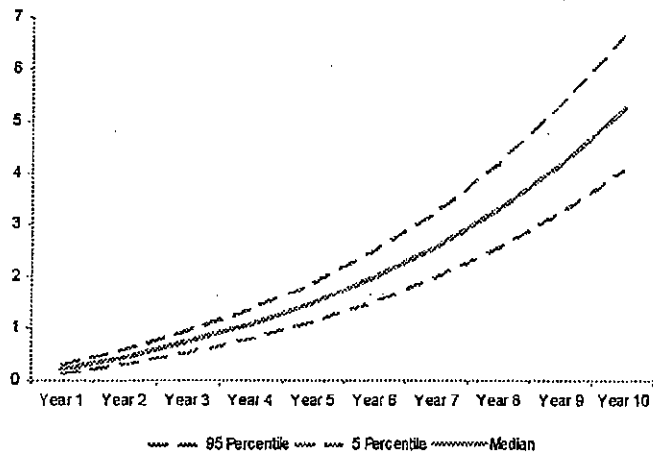


JMG VaR Analysis -- Monte Carlo Simulation

	Annualized Return	Annualized Standard Deviation
Number Simulations	5,000	5,000
Mean	8.07%	3.14%
Median	8.15%	2.95%
Standard Deviation	3.50%	1.05%
Maximum	21.78%	7.86%
Minimum	-6.70%	0.76%
99th Percentile	18.09%	6.21%
95th Percentile	13.67%	5.25%
90th Percentile	12.41%	4.70%
80th Percentile	10.93%	3.91%
75th Percentile	10.41%	3.68%
70th Percentile	9.87%	3.48%
60th Percentile	9.00%	3.19%
50th Percentile	8.15%	2.95%
40th Percentile	7.32%	2.75%
30th Percentile	6.34%	2.51%
25th Percentile	5.79%	2.40%
20th Percentile	5.22%	2.27%
10th Percentile	3.59%	1.89%
5th Percentile	2.18%	1.76%
1st Percentile	-0.52%	1.38%

Simulation Method:	Bootstrap
Simulation Data Start:	May-92
Simulation Data End:	Sep-04
Number of Periods:	149
Simulation Period:	Monthly
Number of Years:	1
Number of Simulations:	5000
Re-balancing:	(None)
Risk Free Return:	5.00%
Minimal Acceptable Return:	10.00%
Fixed Random Sequence:	Yes

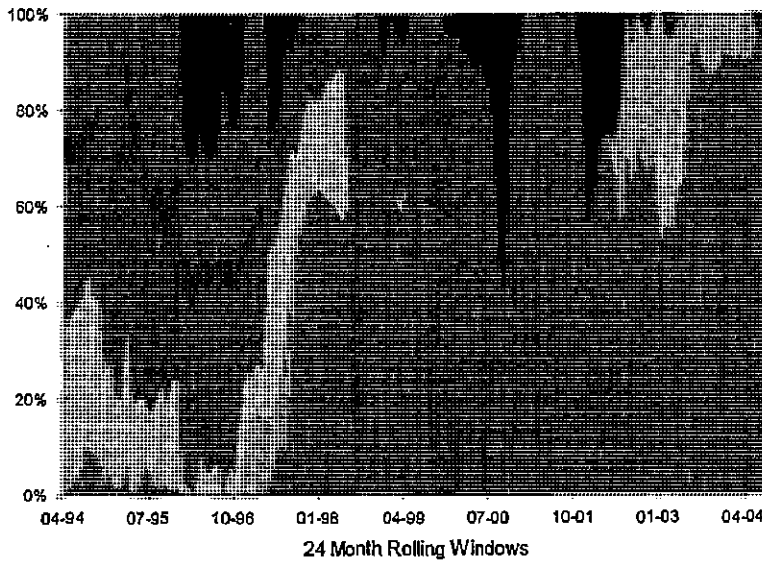
JMG VaR BOOTSTRAP



Source: Sterling Stamos analysis, Perot



JMG Style Analysis – History

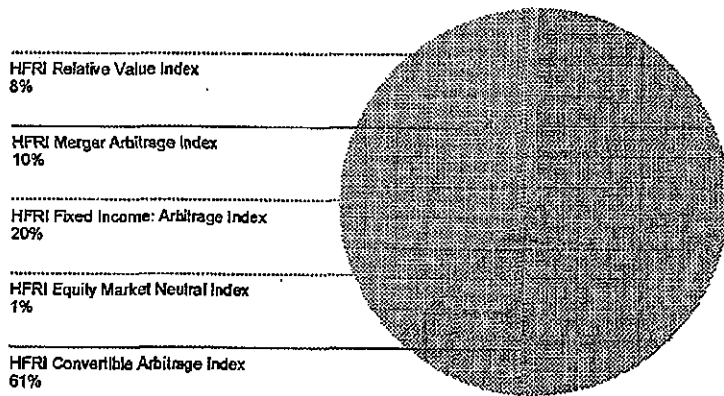


- HFR1 Convertible Arbitrage Index
- HFR1 Distressed Securities Index
- HFR1 Equity Hedge Index
- HFR1 Equity Market Neutral Index
- HFR1 Equity Non-Hedge Index
- HFR1 Event-Driven Index
- HFR1 Fixed Income: Arbitrage Inde
- HFR1 Macro Index
- HFR1 Merger Arbitrage Index
- HFR1 Relative Value Arbitrage Inde

Source: Sterling Stamos analysis, Portex



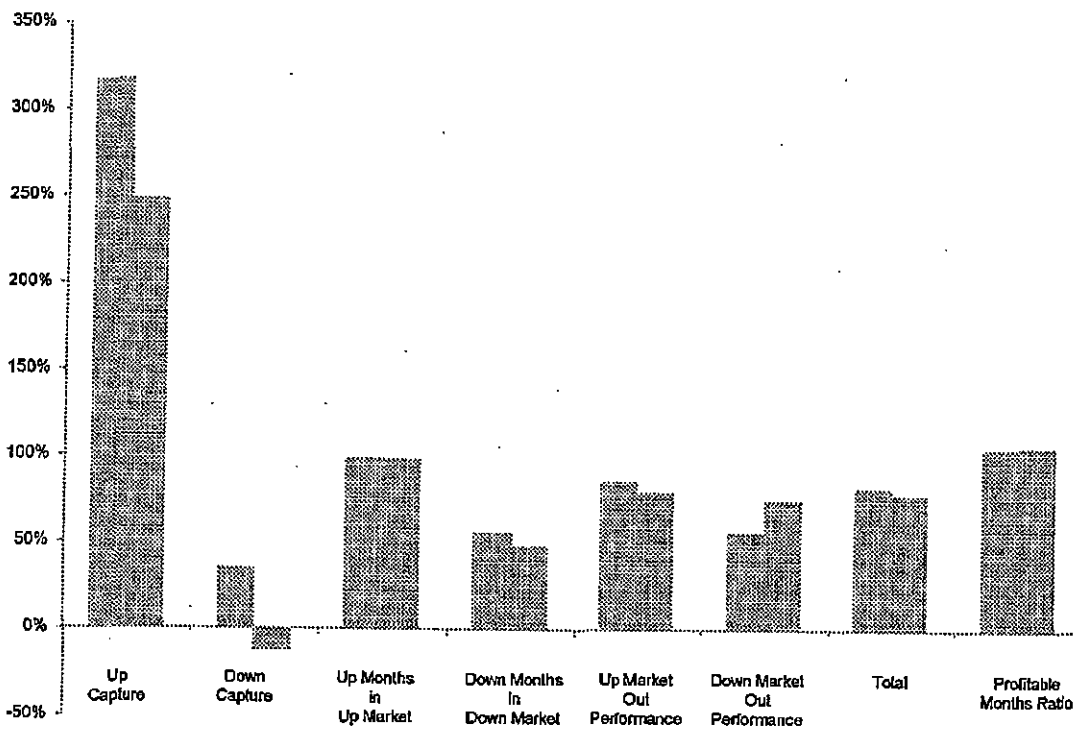
JMG Style Analysis – Allocation



Source: Sterling Stamos analysis, Portfolio



JMG Style Analysis – Capture Ratios



Source: *Starling Stamos analysis, Permac*

※ Style Benchmark ※ HFRI Convert Arb Index Benchmark



Style/Factor Analysis | 15

6. SAMPLE DOCUMENTATION



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F 212 485 4371

575 Fifth Avenue
New York, NY 10017
www.sterlingstamos.com

August 20, 2004

Sterling Stamos
575 Fifth Avenue, 40th Floor
New York, NY 10017

RE: Second Quarter 2004

Dear Partner:

Fund Performance

For the quarter ending June 30, 2004, an investment in Sterling Stamos appreciated, net of all fees and expenses, by approximately:

Capital Preservation Funds

Q2

YTD

Friends & Family Fund
Security Fund

Capital Appreciation Funds

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Levered Fund (Offshore)
Capital Growth Fund (Onshore)
Capital Growth Fund (Offshore)

Enclosed are copies of your ending capital account balances for the funds in which you have invested.

Summary and Outlook

When one admits that nothing is certain, one must, I think, also admit that some things are much more nearly certain than others. — Bertrand Russell

Halfway through the year, the only thing that appears to be certain is "uncertainty"—both at home and abroad. Domestically, investors anxiously await the results of a presidential election that is less defined by substantive economic policy differences than by the mistakes, misperceptions, and miscalculations made in the "War on Terror." As we head into this uncertain election, with a war whose success is even more uncertain, Americans remain understandably concerned about



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their safety—uncertain about the economy and the markets into which they are to invest.

Despite generally strong economic data, Americans intuitively understand that something fundamental is missing behind the data. Record current account and budget deficits, and with them the inevitability of higher interest rates, weigh heavily on the economy in general and on business outlook in particular. The economic recovery is threatened by unprecedented consumer debt, the end of the tax-cut fiscal stimulus, and record level oil prices that are leading to supply-push inflation. The recent liquidity- and consumer-driven recovery cannot be sustained without a substantial increase in investment (i.e., capital expenditures) and hiring (i.e., high-paying jobs)—again, a jobless recovery, a “CapEx-less” recovery, is not a recovery.¹

Our last two quarterly letters outlined three trends, namely that: (1) equity markets would be range bound with hard tops and soft bottoms; (2) interest rates would inevitably rise bringing material mark-to-market losses in fixed income markets; and (3) overall uncertainty and restless anticipation in both markets would prevent consistent movement in any one direction. The second quarter has substantiated these trends. Equity markets have been reluctant to rally off strong corporate earnings and GDP growth. Fixed income markets have sold off dramatically. Moreover, the simultaneous, highly correlated selloff of multiple asset classes (i.e., equities, bonds, credits) combined with low equity volatility created a difficult environment for traditional arbitrage managers.

At Sterling Stamos, we use the analogy of *seas, ships, and captains* to describe our approach to *markets, investment strategies, and underlying fund managers*, respectively. When the sea is rising, all ships rise, and with whom you sail becomes less important. But when the perfect storm hits, or even when waters are choppy, sailing in the right ship with the right captain becomes paramount. The Greek philosopher Epicures perhaps put it best:

The greater the difficulty, the more the glory in surmounting it. Skillful captains gain their reputation from storms and tempests.

Our forward-looking reallocation to the appropriate strategies and selection of best-in-class managers have allowed us to weather this storm—allowing each of our funds to finish the quarter with positive returns. Although we are disappointed with the funds’ performance on an absolute basis over the course of the last few months,

¹ At the most fundamental level, GDP is determined by a combination of consumer spending, investments, government spending, and the balance of exports over imports ($Y = C + I + G + (X-M)$). With consumers and government in debt and with record trade deficits, we are left only with investments (“I”) as the driver of future economic growth.

we are pleased that the portfolios absorbed shocks in the market and remained positive. We remain confident that active management of the portfolios will continue to produce strong absolute returns with low downside potential as we approach the remaining quarters of 2004.

Economic and Market Review—Q2 2004

The Economy—Speculative or Fundamental?

Signs that recent economic growth has begun to subside became evident during Q2. GDP growth, though high, shifted downward from 4.5 percent in Q1 to 3.0 percent. *Consumer spending* showed signs of weakness with retail sales down 1.1 percent from last quarter. *Job growth* has continued, but unfortunately not at a pace that one would expect at this point in an economic recovery. Inflation—driven by higher energy costs, import prices, and unit labor costs—has become a concern. Finally, both federal and trade *deficits* continue to threaten both the short- and long-term fiscal health of our economy.

Spending: The indefatigable US consumer, the main catalyst for our current economic expansion, may have finally begun to tire. As consumers' ability to spend diminishes, businesses will have to bear more of the burden of maintaining the demand for US goods and services. With household debt surging to \$2.5 trillion in the last 13 quarters, the conclusion of the Bush tax cuts, and an end to last year's refinancing boom, it will be difficult for consumers to continue spending at the same pace without a significant increase in higher paying jobs. Meanwhile, capital expenditures by businesses have yet to compensate for a potential decrease in consumer spending.²

Jobs: Despite positive job growth through the first half of 2004, the overall picture for the market leaves much to be desired. While recent employment numbers have been below expectations, on a much larger scale, overall job growth has barely kept pace with the growth of the work force and is far short of historical averages. For the first time since 1932, employment is lower in the summer of a presidential election year than it was on the previous inauguration day. The quality of new jobs is also contributing to the poor circumstances surrounding employment. The proportion of temporary versus permanent jobs continues to grow, and the growth in average weekly earnings for non-supervisory employees is disappointing—rising 1.7 percent over the past year, a level that fails to keep up with inflation. The reluctance by

² Non-residential investment as a percent of GDP stands at 11.1 percent, substantially below the levels experienced during the latter half of 2000.

businesses to create more permanent, high quality jobs reflects the business community's concern that the recent recovery may be short-lived.³

Inflation: Short-term fixes often result in long-term problems. Americans have benefited from the most accommodative monetary policy in almost five decades. The cost of money has been close to, and often below, zero, allowing consumers and businesses alike to borrow at unprecedented levels. The resulting increase in the money supply naturally increases aggregate demand for goods and services, putting upward pressure on prices. A weak dollar also contributes to inflation because of the relative price appreciation of imports. As the US is the world's largest importer of goods and services, a weak dollar naturally contributes to overall price instability. High commodity prices, most notably for oil, and increasing unit labor costs from mounting health and pension costs have also contributed to higher prices.⁴

On the other hand, there are several factors that may dampen inflation in the coming months. First, the indefatigable US consumer has only been surpassed by the indefatigable US worker—i.e., worker productivity continues to increase at unprecedented levels. Productivity coupled with a still soft job market alleviates upward pressure on wages and thereby limits the cost of production and, in turn, costs normally passed on to consumers. Second, aggregate demand remains at a level that is below the US economy's supply potential, leaving room for producers to ramp up production before raising prices at a faster pace. Finally, post-tax profitability of US corporations (again helped by productivity gains) stands at a fifty-year high. High profitability also allows companies to absorb increases in the cost of production before passing it along to the consumer in the form of higher prices.

While some degree of rising inflation is likely (and, indeed, perhaps healthy), how quickly it occurs will depend on many factors, including the actions by the Federal Reserve Board.⁵ Chairman Greenspan has consistently articulated the message that the Fed will increase short-term interest rates at a "measured" pace, but has reserved the right "to respond promptly and flexibly as situations warrant." In other words, if

³ Federal Reserve Board Chairman Greenspan expressed this concern as part of his Monetary Policy Report before the US Senate: "The proportion of temporary hires relative to total employment continues to rise, underscoring that business caution remains a feature of the economic landscape." See Alan Greenspan's testimony before the Committee on Financial Services, U.S. House of Representatives, February 11, 2004, and the public statement released by the FOMC following its May 2004 meeting.

⁴ High oil prices have a particularly far-reaching effect on price levels, affecting everyone from consumers to corporations. Higher energy costs are particularly worrisome because they generally decrease profitability for domestic US businesses, increase profitability for foreign exporters of energy resources, and restrict reinvestment into the US economy.

⁵ Core CPI year over year has risen significantly in recent months (from 1.1 percent at the beginning of the year to 1.9 percent in June), reaching a level that is approaching the Federal Reserve Board's upper comfort level of 2 percent.

inflation appears to be rising too rapidly, the Fed may be forced to move quickly, with far reaching consequences for the growth of the economy and investors alike.

Twin Deficits: The growing headwind of structural fiscal and current account deficits is possibly the most troubling long-term threat to the US economy. In his recent book, *Running on Empty*, Pete Peterson warns that we have experienced a \$10 trillion swing in the ten-year federal deficit projection over the past four years. Just as disturbing, a \$500 billion trade deficit coupled with a dwindling savings rate has left America with a reliance on foreign capital of almost 2 billion dollars per working day.⁶ The Federal Government continues to place its faith in foreigners who extend to us enormous loans by purchasing our debt. As former President Clinton warned, our trading partners have become our bankers. At some point, foreign investors may become concerned with the American government's unsustainable spending and lack of fiscal discipline and discontinue, or at least slow down, their massive investment in US securities. Recent data indicates that foreigners may already be heading down that path. In May, foreign purchases of US securities were down 26 percent from April at \$56.4 billion, representing the lowest monthly total in seven months. While in June, foreign purchases of US securities did increase, the combined fiscal and current account deficits continue to represent the largest obstacles to America's long-term economic prosperity. This threat is not new, and the concern is one shared by policy makers, bankers, and investors alike.⁷

In total, these economic conditions lead us to the conclusion that we must examine markets not so much based on historical returns, but rather on future outlook. From 1982 until March of 2000, the US equity markets generally provided a rising tide of positive returns. Similarly, over the past two decades, fixed income investments generally provided a safe, stable source of returns. Looking forward, however, US equities appear to be range bound, and bonds are as volatile today as equities were in 2000. If, for the moment, one ignores the rear view mirror and instead focuses attention on the road ahead, US securities, and with them US markets, look less than secure. Our view is that the "recovery" to date has been speculative—driven by massive liquidity and fiscal stimuli. For that *speculative* recovery to become *fundamental*, we must await a return to security, confidence, and certainty. Until that time, we remain cautious.

⁶ Pete Peterson, *Running on Empty*, Farrar, Straus and Giroux, p.8.

⁷ For example, Former Treasury Secretary Robert Rubin has likened this danger to the well-publicized problems of the Third World: "The traditional immunity of advanced countries like America to the third-world-style crisis isn't a birthright." Paul Volcker, former Chairman of the Federal Reserve, predicts that the US faces a 75 percent chance of crisis within five years. Warren Buffet recently purchased foreign debt over US treasuries for the first time.

The Markets—Range Bound and Erratic

Market conditions and returns, unfortunately, mirrored our own caution. The second quarter can be best characterized by a large selloff in fixed income in anticipation of higher interest rates, while the equity markets remained range bound on their way to modest quarterly gains. Fixed income traders were hard pressed to turn a profit in an environment where most fixed income instruments had their worst quarter in over a decade. Equity traders were forced to contend with equity markets where the Russell 2000 and S&P 500 indices had peak-to-trough movements of 12.5 percent and 6.5 percent, respectively. Arbitrage traders confronted correlated price movements across multiple asset classes—culminating in a simultaneous selloff in virtually every asset class in May.

Fixed Income and Commodities Markets: A combination of the Fed increasing rates by 25 basis points, strong job data in the early part of the quarter, and higher than expected inflation sent yields on government bonds through the roof. The yield on the 10-Year US Treasury moved 99 basis points from 3.88 percent at the beginning of April to 4.87 percent during the middle of June before backing off to 4.57 percent at quarter's end. The Lehman Aggregate Bond Index finished the quarter down 2.4 percent, its largest decline since the first quarter of 1994, while the total return on the zero coupon 10-Year Treasury finished the quarter down 4.9 percent. The Lehman US Corporate High Yield Index was down 0.9 percent for the quarter. The Goldman Sachs/Bloomberg US Bond & Preferred Convertible Bond Index was down 0.93 percent. Concerns over geopolitical risk, increased demand, limited refining capacity, and potential supply shocks sent the price of oil to record highs, reaching the \$42 level. Commodities, as a whole, rose 2.5 percent.

Equity Markets: All of the major equity indices concluded Q2 slightly higher with the Dow, S&P 500, and NASDAQ up 0.75 percent, 1.30 percent, and 2.67 percent, respectively. The winners for the quarter were industrials and energy, while financials and homebuilders struggled, finishing the quarter in negative territory. Even though the market managed to post positive returns on the quarter, single positions showed significant volatility. Large technology companies like Veritas and Intel indicated that future earnings might subside due to recent expectations that capital expenditures on technology will soften in the later half of 2004—a sign that does not bode well for the technology sectors, much less the market as a whole.

Investment Implications

In this liquidity-driven, speculative recovery there is more room down than up. Virtually all fiscal and monetary stimulus options have already been exhausted. Earnings are at record levels and not expected to grow significantly; post-tax profitability of corporations is at a fifty-year high; monetary policy remains

accommodative; and almost every positive economic factor has already been priced into the market with little room left on the upside. The potential, however, for downside movements in the market remains plentiful—among them, geopolitical risk, high energy costs, and anticipated fiscal tightening by the Federal Reserve.

The downside economic risks and the already inflated valuation of companies limit the long-term potential for high returns in the equity markets.⁸ If the current state of uncertainty persists, the US could very well find itself in a situation much like the period between 1966 and 1982 when the markets traded flat. During that period, an investor who bought and held today's equivalent of an indexed fund would have experienced *no* price appreciation for 16 years.⁹ Without a positive exogenous shock—either in the form of an innovative technology, the opening of closed markets, a fall in the price of oil, or some resolution to geopolitical risk—it seems unlikely that the extraordinary long-term returns generated by riding the markets from 1982 to 2000 will be revisited in the near future.

There remain, however, both short- and long-term gains to be made in the markets. For example, we do expect (or, at least, hope for) a “snap back” rally in the equity markets upon the resolution of two uncertainties in the coming months: (1) when the Fed completes its rate raising cycle; and (2) when the next President (from either Party) is selected. Absent Fed ambivalence and absent “hanging chads,” the equity markets will likely rally on any move toward certainty. Moreover, regardless of whether we experience a “second-half of an election year rally,” our best managers will have opportunities to buy undervalued assets and to sell short overvalued assets. We will continue to hope for the best and, at the same time, prepare for the worst—positioning our portfolios to capture 75 percent of the upside and 25 percent of the downside.

Portfolio Developments

During the second quarter, the Funds performed below our targeted annualized returns, but accomplished our number one priority of preserving capital during adverse market conditions. Traditional hedge fund strategies were difficult to

⁸ The ratio of the total market capitalization of the equity markets divided by Gross National Product (GNP), which would be analogous to analyzing the price to sales ratio of a single corporation, provides an interesting point of reference. The ratio currently stands at approximately 1.35. The historical average is 0.61, meaning that in order for the current ratio to revert to historical norms, either GNP would have to more than double or prices would need to decline by more than half. This is not to say that based on this statistic alone we are destined for a 50 percent decline in the markets; however, the ratio does cause one to question how long the market will be able to maintain current prices given that earnings and profitability may have already peaked.

⁹ For example, the Dow Jones Industrial Average reached a high of 995 in 1966 and did not break 1000 until 1982. This period contrasts dramatically with the period from 1982 to 2000 when the Dow appreciated more than eleven fold, rising from 1000 to over 11,700.

execute throughout the quarter because of the unwinding of the "carry trade" and the lack of direction and volatility in the equity markets.¹⁰ When the Fed moved to raise short-term rates, the spread between the short-end and the long-end of the yield curve narrowed, squeezing the returns out of fixed income arbitrage managers. The lack of volatility in the options market created a particularly difficult landscape for convertible arbitrage portfolios— the net effect of which was a flat to down quarter for most hedge funds and fund of funds ("FOF"). For example, the HFRI FOF Conservative Index and the S&P Hedge Fund Index were up 15 and down 48 basis points, respectively, for the quarter.

Foreseeing the potential risks to traditional strategies, our portfolio team allocated away from longer-term arbitrage strategies and added to less liquid asset-backed managers in addition to short-term traders that are able to capitalize on choppy, range bound movements in the markets. Ultimately, the larger allocation to these strategies, coupled with a large cash position across the Funds, provided ballast for the portfolios during the rough waters of the past three months.

Implications on Sterling Stamos Investment Strategies

Security Funds: Given this difficult environment, the Security Fund performed as expected by capturing a portion of the limited upside, and most important, protecting capital against the downside. The largest contributors to the portfolio came from the asset-backed managers who rely on a basket of over-collateralized loans to consistently generate income regardless of market conditions. Highly liquid managers, operating in relative value strategies such as options arbitrage, fixed income arbitrage, and equity market neutral, performed well by capitalizing on short-term intra-quarter trends. Our equity hedged and global macro managers avoided much of the downside, but were unable to capture the upside in the equity markets during the final weeks of the quarter. Managers limited their long exposure to the equity markets after the dramatic selloff in mid-May—providing insurance against additional losses, but also limiting some of the upside when the market rallied back through the end of July.

Capital Appreciation Funds: Our Levered Fund accomplished its goal of providing consistent annual returns with a positive performance for the quarter. May was a difficult month for the Fund. One of our capital structure arbitrage managers had a particularly tough month due to his large position in Calpine, which suffered from a

¹⁰ The "carry trade" involves borrowing inexpensive short-term money to lend at higher rates further down the yield curve (or to borrow inexpensive short-term money to purchase longer-term assets that will presumably yield higher returns). Other managers take advantage of volatility in the markets by either profiting from temporary price discrepancies or selling expensive volatility through various hedging strategies.

material selloff when investors feared that the company might be unable to meet its future debt obligations. As expected, both the manager and the position rallied back in June, contributing to a positive June performance for the Fund.

The Capital Growth Funds posted positive results but were unable to capture a significant portion of the upside in the equity markets. Managers struggled to find consistency in price movements both on the long and short side of their portfolios. Despite a somewhat disappointing performance this last quarter, we remain confident that our long/short equity managers will benefit from the discontinuities in value created over this past period and are well positioned for the remainder of the year.

Organizational Developments

Our much anticipated name change from SP Capital to Sterling Stamos is now official. We are enthusiastic about our new corporate identity and logo, which we hope better reflects our long-term partnership and shared values with our Sterling partners and the Sterling family of companies.

Existing and New Funds

Liquidity Fund: We are happy to announce the successful launch of our Liquidity Fund. The Fund will provide investors a higher yielding alternative to cash with monthly liquidity. We expect the Fund to achieve annual returns of approximately 2 to 4 percent above the risk free rate.

Levered Fund: As expected, excess demand and limited capacity has forced us to close the Levered Fund to new investors. As indicated in our previous letter, we will make every effort to create more capacity for our limited partners. A waiting list for new capacity in this fund is in place, and, as always, first priority will be given to our existing limited partners. In addition, we plan to launch a domestic levered fund in the coming months.

Acceleration Fund: On October 1, 2004, we will launch the Sterling Stamos Acceleration Fund. The Acceleration Fund will serve as an alternative to long-only equity and private equity investments. The Fund will invest in activist managers with remarkable historical success in employing aggressive strategies with higher returns and higher volatility. The launching of the Acceleration Fund will mark the completion of our objective to offer best-in-class alternatives across the publicly traded markets. Due to the scarcity of high quality managers in this space, capacity in the Fund will be limited and investments will be subject to a three-year lockup.

Again, our existing limited partners will be given first priority for scarce capacity in this fund.

Additional Staff

We are pleased to announce the addition of Rohit Kumar and Angella Rainford to the Sterling Stamos family. Rohit will lead our risk management team and be responsible for developing our proprietary risk models and monitoring the downside potential of the Funds. He brings with him over five years of experience working with and studying complex financial systems. Rohit is a graduate of the Indian Institute of Technology, Xavier Institute of Management, and the New York University, Leonard N. Stern School of Business, where he received the Financial Executives International Award as the school's top finance and accounting student.

Angella will serve as a member of the portfolio management team, assisting with fund manager due diligence and investment opportunity sourcing and monitoring. She received her BA in Government from Harvard College and an MPhil in Development Economics from the University of Cambridge, England. Her prior work experience includes management consulting with McKinsey & Company in both their New York and Atlanta offices.

* * * * *

The summer months—as seems perennially the case—look to provide more doldrums than direction, more caution than conviction. Among our core objectives, we have sought again to emphasize *increased liquidity* and *low volatility* over *maximum return*. If you'll pardon the seafaring metaphor once again, when direction and conviction return, when confidence once again replaces uncertainty, we, too, will be prepared to sail onward and upward to higher returns.

As always, I encourage you to call with any questions or comments regarding the economy, markets, performance of our funds, investment opportunities, or any other matter related to Sterling Stamos. We appreciate your continued confidence and support. All of us at Sterling Stamos feel privileged to be your investment partner.

Best regards,

Peter S. Stamos
Chief Executive Officer

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FINANCIAL STATEMENTS

SP Capital Security Fund, L.P.

**Year ended December 31, 2003
with Report of Independent Auditors**

*SP Capital Security Fund, L.P. has filed a claim of exemption with the Commodity
Futures Trading Commission pursuant to Section 4.7 of the Regulations.*

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SP Capital Security Fund, L.P.

Financial Statements

Year ended December 31, 2003

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Report of Independent Auditors

To the Partners of
SP Capital Security Fund, L.P.

We have audited the accompanying statement of financial condition of SP Capital Security Fund, L.P. (the "Partnership"), including the condensed schedule of investments, as of December 31, 2003, and the related statements of income and special allocation, changes in partners' capital and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SP Capital Security Fund, L.P. at December 31, 2003, and the results of its operations, the changes in its partners' capital and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

June 18, 2004

SP Capital Security Fund, L.P.

Statement of Financial Condition

December 31, 2003

Assets	
Cash and cash equivalents	\$ 7,773,989
Investments in limited partnerships, at fair value	84,375,206
Receivable from limited partnerships	4,044,222
Receivable from investment manager	22,695
Other assets	44,608
Total assets	<u>\$96,260,720</u>
Liabilities and partners' capital	
Capital contributions received in advance	\$13,475,000
Payable to withdrawing partners	4,501,202
Accrued expenses	84,499
Total liabilities	<u>18,060,701</u>
Partners' capital	<u>78,200,019</u>
Total liabilities and partners' capital	<u>\$96,260,720</u>

See notes to financial statements.

SP Capital Security Fund, L.P.

Condensed Schedule of Investments

December 31, 2003

Investments in Limited Partnerships, by strategy	Fair Value	Percentage of Partners' Capital	Net Income	Management Fee	Incentive Allocation	Liquidity
Market Neutral:						
Ascot Partners, L.P.	\$ 8,931,739	11.42%	\$ 931,739	\$211,515	\$ 399,988	1/3 Annually
The Long Horizons Fund, L.P.	7,978,710	10.20	678,710	84,800	226,238	Quarterly
	5,903,134	7.55	560,565	44,625	152,745	Quarterly
	5,199,770	6.65	351,540	63,245	-	Annually
	4,020,825	5.14	233,203	26,146	58,301	3 Years
	23,179,752	29.64	2,093,088	169,914	470,064	Various
	55,213,930	70.60	4,848,845	600,245	1,307,336	
	8,469,633	10.83	219,633	-	24,404	Semi-annually
	5,895,089	7.54	342,400	39,606	69,819	Various
	14,364,722	18.37	562,033	39,606	94,223	
	9,514,005	12.17	885,642	62,842	209,562	Various
	5,282,549	6.76	282,548	43,211	78,941	Various
Total Investments in Limited Partnerships, by strategy	\$ 84,375,206	107.90%	\$ 6,579,068	\$745,904	\$ 1,690,062	

See notes to financial statements.

SP Capital Security Fund, L.P.

Statement of Income and Special Allocation

Year ended December 31, 2003

Realized and unrealized gain/(loss) from investments		
Net realized gain from investments in limited partnerships	\$ 57,657	
Net realized loss from investments in securities	(95,106)	
Net change in unrealized appreciation on investments in limited partnerships	6,579,068	
Net change in unrealized depreciation on securities positions	13,600	
Net gain from investments		\$6,555,219
Other income		
Expenses reimbursed by investment manager		33,339
Investment income		
Interest	6,339	
Expenses		
Management fee	557,850	
Professional fees and other	199,175	
Interest expense	18,200	
Total expenses	775,225	
Net investment loss		(768,886)
Net income		<u>\$5,819,672</u>
Allocation of net income		
Special allocation to general partner	\$ 278,711	
Net income available for pro-rata allocation to all partners	5,540,961	
Net income		<u>\$5,819,672</u>

See notes to financial statements.

SP Capital Security Fund, L.P.

Statement of Changes in Partners' Capital

Year ended December 31, 2003

	General Partner	Limited Partners	Total
Partners' capital at beginning of year	\$ 1,913	\$ 14,767,601	\$ 14,769,514
Capital contributions	200,000	72,487,035	72,687,035
Capital withdrawals	-	(15,076,202)	(15,076,202)
Allocation of net income:			
Pro rata allocation	15,466	5,525,495	5,540,961
Incentive (special) allocation	278,711	-	278,711
Net income	294,177	5,525,495	5,819,672
Partners' capital at end of year	<u>\$ 496,090</u>	<u>\$ 77,703,929</u>	<u>\$ 78,200,019</u>

See notes to financial statements.

SP Capital Security Fund, L.P.

Statement of Cash Flows

Year ended December 31, 2003

Cash flows from operating activities	
Net income	\$ 5,819,672
Adjustments to reconcile net income to net cash used in operating activities:	
Increase in investments in limited partnerships	(71,263,754)
Increase in receivable from limited partnerships	(3,996,380)
Decrease in prepaid investment in limited partnership	2,000,000
Decrease in investments in securities	228,240
Decrease in receivable from investment manager	18,516
Decrease in other assets	16,102
Increase in accrued expenses	1,360
Net cash used in operating activities	<u>(67,176,244)</u>
Cash flows from financing activities	
Proceeds from capital contributions, including capital contributions received in advance	81,387,035
Distributions for capital withdrawals	<u>(10,575,000)</u>
Net cash provided by financing activities	<u>70,812,035</u>
Net increase in cash and cash equivalents	3,635,791
Cash and cash equivalents at beginning of year	<u>4,138,198</u>
Cash and cash equivalents at end of year	<u>\$ 7,773,989</u>

See notes to financial statements.

SP Capital Security Fund, L.P.

Notes to Financial Statements

December 31, 2003

1. Organization

SP Capital Security Fund, L.P. (the "Partnership"), a Delaware limited partnership, was formed on June 1, 2002 and commenced operations on July 1, 2002. SSP Associates GP, LLC (the "General Partner"), a Delaware limited liability company, is responsible for the investment decisions of the Partnership. Stamos Partners Capital Management, LP (the "Management Company") provides certain management and administrative services to the Partnership.

Pursuant to an agreement effective October 31, 2003, the general partner of the Partnership changed from Stamos Partners Associates, LLC to SSP Associates GP, LLC.

Effective December 31, 2003, Stamos Partners Associates, LLC withdrew its registration with the Commodity Futures Trading Commission under Rule 4.13 of the Regulations.

The investment objective of the Partnership is to preserve capital and increase wealth by achieving long-term absolute returns. The Partnership seeks to accomplish its objective by allocating substantially all of its assets among a select group of portfolio managers ("Portfolio Managers") that invest through investment funds or managed accounts.

2. Significant Accounting Policies

In accordance with the partnership agreement (the "Agreement"), the General Partner values the Partnership's investments in limited partnerships at fair value, which is an amount equal to the sum of the capital accounts in the limited partnerships generally determined from financial information provided by the investment managers of the limited partnerships. The resulting net gains or losses are reflected in the statement of income and special allocation.

Securities transactions are recorded on a trade date basis. Securities owned are carried at market value based on the last sales price on the last day of trading of the year. The resulting unrealized gains and losses on securities are reflected in the statement of income and special allocation.

Interest income is recorded on the accrual basis.

No Federal, state or local income taxes have been provided on the profits or losses of the Partnership since the partners are individually liable for the taxes on their share of the Partnership's taxable income or loss.

SP Capital Security Fund, L.P.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The fair value of the Partnership's assets and liabilities that qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," approximates the carrying amounts presented in the statement of financial condition.

Cash and cash equivalents include short-term liquid investments that mature within 90 days. At December 31, 2003, cash equivalents of \$188,704 consist of monies deposited in money market funds.

Receivable from limited partnerships on the statement of financial condition represents amounts due for capital withdrawals in limited partnerships.

The Partnership enters into contracts that contain a variety of indemnifications. The Partnership's maximum exposure under these arrangements is unknown. However, the Partnership has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

3. Investments in Limited Partnerships

As of December 31, 2003, the Partnership had investments in 30 limited partnerships, one of which was a related party. At December 31, 2003, the investments in limited partnerships were valued at their net asset value in the amount of \$84,375,206, which resulted in a net gain from investments in limited partnerships for the year ended December 31, 2003 of \$6,555,219.

SP Capital Security Fund, L.P.

Notes to Financial Statements (continued)

3. Investments in Limited Partnerships (continued)

The valuation of the investments in the limited partnerships represents the amount the Partnership would receive at December 31, 2003 if it were to liquidate its investments in the limited partnerships. The Partnership has the ability to liquidate its investments according to the provisions of the respective limited partnerships agreements. The limited partnerships may invest in U.S. and non-U.S. equities and equity-related instruments, fixed income securities, currencies, futures contracts, forward contracts, swap contracts, other derivatives and other financial instruments and commodities.

Management of the investee limited partnerships receive an annual management fee ranging from 0.0% to 3.0% of the Partnership's investment in the respective limited partnership. Management of the investee limited partnerships also receive performance incentive fees/allocations ranging from 0% to 30% of the Partnership's net profit, subject to hurdle rates and carry-forward provisions, as defined by the respective limited partnership agreements.

The Partnership's investments utilize a variety of financial instruments in their trading strategies that contain varying degrees of off-balance sheet risk. However, due to the nature of the Partnership's capital interests in the limited partnerships, such risks are limited to the Partnership's capital balance in each limited partnership.

4. Allocation of Net Income or Loss

In accordance with the provisions of the Agreement, net income or loss of the Partnership is allocated to the partners in proportion to their respective capital accounts as of the beginning of each fiscal period.

Gains and losses from "hot issues," as defined by the Amended Rules of the National Association of Securities Dealers, Inc. ("NASD") are allocated only to those partners who are eligible to participate in such gains and losses.

SP Capital Security Fund, L.P.

Notes to Financial Statements (continued)

4. Allocation of Net Income or Loss (continued)

The General Partner is also entitled to an annual incentive allocation equal to 5% of the net profits allocated to a limited partner's capital account provided that the incentive allocation shall only be made to the extent that it does not cause the value of such limited partner's capital as of the end of the fiscal year to fall below the threshold amount and there is no unrecovered balance remaining in such limited partner's loss recovery account. The threshold amount is the value that a limited partner's capital account would reach at fiscal year end if such capital account achieved an annualized rate of return during such fiscal year equal to 5% as adjusted for capital contributions and withdrawals. For the year ended December 31, 2003, the General Partner's incentive allocation was \$278,711.

5. Related Party Transactions

Pursuant to the Agreement, in consideration of the Management Company's undertaking to bear certain operating expenses of the Partnership, the Management Company receives a management fee equal to 1% per annum (0.25% per quarter) of limited partner capital, as defined, as of the beginning of each quarter, adjusted for contributions or withdrawals made during the quarter. The General Partner may, in its sole discretion, waive or reduce the management fee for certain limited partners. For the year ended December 31, 2003, the management fee was \$557,850.

The Management Company reimburses the Partnership for certain non-investment related operational and administrative expenses of the Partnership which exceed 0.10% monthly (1.2% annualized) of (i) each limited partner's beginning capital account for such month and (ii) a pro rata portion of any additional capital contributions made by a limited partner during the month, based on the actual number of days remaining in such partial month. For the year ended December 31, 2003, the Management Company reimbursed the Partnership \$33,339 for such expenses, of which \$22,695 was receivable at December 31, 2003, and is reflected in the statement of income and special allocation and the statement of financial condition, respectively.

The Partnership has an investment in SP Capital Growth Fund, L.P., a related investment fund, managed by the General Partner. At December 31, 2003, the Partnership had a balance of \$8,469,633 in SP Capital Growth Fund, L.P. For the year ended December 31, 2003, related to its investment in SP Capital Growth Fund, L.P., the Partnership was charged an incentive of \$24,404 and was not charged a management fee.

SP Capital Security Fund, L.P.

Notes to Financial Statements (continued)

5. Related Party Transactions (continued)

At December 31, 2003, individuals related to the General Partner have approximately \$23,000,000 invested in the Partnership on the same terms and conditions as outlined in the Agreement.

6. Financial Highlights

The following represents the ratios to average limited partners' capital and total return information for the year ended December 31, 2003:

Ratios to average limited partners' capital:

Total expenses, excluding incentive (special) allocation

Incentive (special) allocation

Total expenses and incentive (special) allocation

Net investment loss

Total return before incentive (special) allocation

Incentive (special) allocation

Total return



The financial highlights are calculated for all limited partners taken as a whole. An individual limited partner's ratios and return may vary from the above based on different management fee arrangements (as applicable), allocation of "hot issue" profits and losses and the timing of capital transactions.

7. Subsequent Events

Effective January 1 through May 1, 2004, limited partners contributed capital of \$101,665,260, of which \$13,475,000 was received prior to January 1, 2004. In addition, limited partners withdrew \$26,973,902, of which \$4,501,202 was payable at December 31, 2003. Of the amount withdrawn by limited partners, \$9,661,889 was contributed to SP Capital Security (Levered) Fund, Ltd., an investment fund also managed by the Management Company with a similar investment strategy, of which \$3,161,889 was included in the payable to withdrawing partners at December 31, 2003.

SP

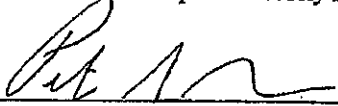
CAPITAL MANAGEMENT, LP

AFFIRMATION OF THE COMMODITY POOL OPERATOR

To the best of the knowledge and belief of the undersigned, the information contained in this unaudited Annual Report of SP Capital Security Fund, L.P. for the year ended December 31, 2003 is accurate and complete.

SSP Associates GP, LLC
General Partner of SP Capital Security Fund, L.P.

By: _____


Peter S. Stamos
Managing Member of the General Partner

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STERLING STAMOS SECURITY FUND, L.P.



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This document is for discussion purposes only and does not constitute an offer to sell, or a solicitation of an offer to purchase an interest in the Sterling Stamos Security Fund, L.P. (the "Partnership"). No such offer or solicitation will be made prior to the delivery of a definitive offering memorandum and other materials relating to the matters herein. Before making an investment decision with respect to the Partnership, potential investors are advised to read carefully the offering memorandum, the limited partnership agreement, and the related subscription documents, and to consult with their tax, legal and financial advisors.

This document does not purport to be complete and is qualified in its entirety by reference to the more detailed discussion contained in the confidential offering memorandum and the limited partnership agreement.

All performance information in this document is based on information provided by underlying Portfolio Managers, and all 2004 information is based on estimates provided by the underlying Portfolio Managers. No representation or warranty is given as to the accuracy or completeness of the performance information contained in this document.

As described in the confidential memorandum, the General Partner's management fee is 1% of assets, charged quarterly, and the incentive fee is 5% of net profits, charged annually, subject to a loss carry-forward provision, and provided that the annual net return is in excess of the 5% threshold rate of return respectively. The Partnership also bears the pro rata cost of the management and incentive fees charged by the underlying Portfolio Managers in the Partnership.

As further described in the confidential memorandum, an investment in the Partnership is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include: loss of a substantial portion of the capital invested due to leveraging, short-selling or other speculative investment practices; lack of liquidity in that there may be no secondary market for the Partnership and none expected to develop; volatility of returns; restrictions on transferring interests in the Partnership; absence of information regarding valuations and pricing; delays in tax reporting; less regulation than mutual funds; and advisor risk. No guarantee or representation is given that the Partnership will achieve its stated investment objectives.

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 - Manager Attribution Analysis
3. Portfolio Manager Descriptions
4. Biographies
5. Risk Management Overview
6. Sample Documentation
 - Quarterly Update Letter
 - Audited Financial Statements

Exhibit 8

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Subject: Updated: 11am PST/2pm EST Cc w/Antonis Mistrales & David Whitehouse,ML (Peter, Ashok, Kevin O.) Dial-in: 866-637-2663 Passcode: 04495701#

Location: Master Calendar

Start: 1/7/2005 2:00 PM

End: 1/7/2005 3:00 PM

Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded



Required Attendees: Peter Stamos; Chris Stamos; Maria Gagne; Scott Whitcher; Ashok Chachra; Georgette Wong; Samantha Hojo

Resources: Master Calendar

When: Friday, January 07, 2005 2:00 PM-3:00 PM (GMT-05:00) Eastern Time (US & Canada).
Where: Master Calendar

~~*~*~*~*~*~*~*~*

1/7 Attached are the docs that ML has provided to GP

	
Security Fund Flip Book Presentation (12-04).pdf (232 kb)	Security Fund Marketing Supplement (09-04).pdf (134 kb)

Dial-in: 1-866-637-2663

Passcode: 04495701 #

Background info: [redacted] was invested in several hedge funds from 1997 to 1999 as a way to leverage their in-house trading. They subsequently determined the strategy to be ineffective and liquidated their holdings. However, [redacted] is currently in the final stages of approval for a new mandate to invest in hedge FoFs. It is crucial to begin the process with them as soon as possible in order to best

EXHIBIT
 TRUSTEE 258
 1-15-10
 [Signature]

RECEIVED 000-011-0988

position Sterling Stamos for one of the two hedge FoFs investments will make in 2005. Antonis Mistras is spearheading the hedge fund effort and will be on the call.

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Thank you so much ...

Best Regards,

Scott

Scott Whitcher
swhitcher@SterlingStamos.com
<http://www.sterlingstamos.com>

575 Fifth Avenue
New York, NY 10017
T 212 485 4370
F 212 465 4371

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F 650 233 0202

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SSMT01238215
SSMSAA1238215

From: Scott Witcher
Sent: Wednesday, January 05, 2012 11:17 AM
To: Heise, Ashley (IBK-NY); Vetterman, Terry (IBK-NY)
Cc: Sharma, Ajay (IBK-NY); Gillen, Peoples; Georgette Wong; Kevin Okimoto
Subject: Conference Call With (Merrill)

Attachments: image001.gif

Ashley / Terry:

Can you please provide the following information in connection with our scheduled conference call this Friday (Jan. 7) at 2 PM EST:

- 1) Conference call dial-in number
- 2) Who will be on the call from the prospect and Merrill
- 3) As much info about the prospect as possible – especially their hedge fund background / experience

Thank you so much ...

Best Regards,

Scott

Scott Witcher
swhitcher@SterlingStamos.com
<http://www.sterlingstamos.com>

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SSMT01238216
SSMSAA1238216

575 Fifth Avenue
New York, NY 10017
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F 212 485 4371

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12/15 Will follow-up with the dial in number -GP

From: Heise, Ashley (IBK-NY) [a_heise@ml.com]
Sent: Wednesday, December 15, 2004 8:18 AM
To: Gillian Peoples
Cc: Scott Whitcher
Subject: FW: Sterling Stamos:

Importance: High

Gillian,

Assuming no conflicts, please put this conference call with in Peter's calendar for 2:00pm EST (11:00am PST). Additional color on the investor and why it is important to lock in a call now is attached below. Please confirm that this is OK.

Thanks!
Ashley

Ashley W. Heise
Private Equity Group
Merrill Lynch & Co.
(212) 449-5701 (phone)
(212) 449-7969 (fax)
a_heise@ml.com

-----Original Message-----

From: Whitehouse, David (IBK-NY)
Sent: Wednesday, December 15, 2004 11:14 AM
To: Spencer Potts (spencer_potts@ml.com); Ashley Winn Heise (a_heise@ml.com); David Barrett (david_barrett@ml.com); David Whitehouse (david_whitehouse@ml.com); Kevin Dunleavy (kevin_dunleavy@ml.com); Mike Ricciardi (michael_ricciardi@ml.com); Sean Duff (sean_duff@ml.com); Ajay Sharma (Sharma, Ajay (IBK-NY))

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SSMT01238217
SSMSAA1238217

Subject: Sterling Stamos: DuPont

Team,

I just spoke with [redacted] and arranged a conference call with Sterling Stamos for 2:00pm on Friday January 7. Ashley you had mentioned this would be a good time to arrange a call as Peter will be in Menlo - could you please confirm, and I need to send Antonis Mistras the call-in number and flipbook for the call.

While [redacted] is in the final stage of approving internally a mandate to invest in hedge funds, it is absolutely crucial we get to them as soon as possible in order to best position ourselves for one of two HFoF investments they will make.

--
david

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STERLING STAMOS
Security Fund, L.P.

December 2004



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SSMT01238219
SSMSAA1238219

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- ❖ Overview of Sterling Stamos
- ❖ Overview of the Security Fund, L.P.
- ❖ Investment Performance
- ❖ Investment Process
- ❖ Professionals
- ❖ Summary of Principal Terms
- ❖ Underlying Portfolio Manager Performance
- ❖ Sample Portfolio Manager Tracking Report

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This document does not purport to be complete and is qualified in its entirety by reference to the more detailed discussion contained in the private offering memorandum and the actual text of the limited partnership agreement. The General Partner has the ability in its sole discretion to change the strategy described herein.

All performance information in this document is based on information provided by underlying Portfolio Managers, and all 2004 information is based on estimates provided by the underlying Portfolio Managers. No representation or warranty is given as to the accuracy or completeness of the performance information contained in this document.

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Sterling Stamos
Overview



Sterling Stamos

Overview – The Firm and Its Philosophy

■ **The Sterling Partnership**

- Sterling Equities – real estate development and principal investments
- Sterling American Properties – real estate funds
- American Securities Capital Partners – private equity funds
- Sterling Sports and Entertainment – New York Mets and Brooklyn Cyclones
- Sterling Stamos – integrated investment arm of the Sterling Partnership

■ **The Sterling Stamos Partnership**

- Began as an investment partnership on behalf of the Katz, Wilpon, and Stamos families
- Now includes over 125 families and nearly 50 hedge fund managers

■ **The Value of Partnership**

- Trust-based relationships built on transparency and communication
- Access: Closed managers, sourcing, due diligence, macro perspectives
- Unique network; a “collective intelligence”

■ **Philosophy**

- Treat investors as partners and always put their interests first
- Ensure staying power in the market
- Protect capital and seek consistent, positive returns (absolute return orientation)
- Follow the charge of our founders: “Do well by doing good”



3

Sterling Stamos Security Fund, L.P.
Overview



Security Fund

Overview – Attractive Asset Class / Attractive Structure

■ Why The Hedge Fund Asset Class?

- Skill-based performance (versus market based)
- Operate in less efficient market space
- Unconstrained
- Opportunistic
- Leverage
- Interests aligned (Portfolio Manager is invested alongside their Limited Partners)
- Relatively liquid (quarterly)
- Historically have generated alpha (investment value add)

■ Why The Hedge Fund of Funds Structure?

- Reduce fund level risk through diversification (low correlated sub-strategies)
- Mitigate risk of single hedge fund manager
- Leverage additional level of professional due diligence, portfolio construction, and monitoring
- Access to hedge funds that are closed to new investors
- Access to multiple hedge funds at relatively low investment minimums
- Consolidated performance and tax reporting



Security Fund

Overview – Attractive Attributes of the Security Fund

■ Highlights:

- Diversified; multi-strategy, multi-manager
- Low correlation to equity and fixed income markets
- Primarily “non-directional” – very little unhedged equity or fixed income market exposure
- Tactical asset allocation; active; opportunistic
- Non-directional strategies include relative value, event driven, and equity hedged

■ Investment Objective:

- Preserve capital and enhance wealth by achieving long-term absolute returns
- Moderate absolute returns of 8% – 10% annually
- Maintain low volatility of 2% – 4% annually

■ Actual Investment Performance (10/01/02 – 11/30/04):

- Annualized return of 8.5%
- Annualized standard deviation of 1.5%
- Annualized Sharpe ratio of 3.7 (using a risk free rate of 1.5%)

■ Alternative / Complement to Traditional Fixed Income Investments

- Historical equity-like returns with less than fixed income-like risk
- Opportunity to reduce overall investment portfolio risk without sacrificing return



6

Security Fund

Overview – Differentiating Characteristics of the Security Fund

- **Unique Macro Economic Perspective**
 - Peter Stamos' involvement as an advisor to elite academic, political, and private institutions
- **Access to Sterling Equities' Experience and Unique Proprietary Sourcing**
 - Sterling Stamos is able to leverage Sterling Equities' 40 years of alternative investment experience
- **Access to Closed Funds**
 - Fund currently invested in 14 closed funds with access to additional if desired
- **Alignment of GP and LP Interests**
 - Sterling Stamos is committed to invest alongside investment partners (26% of total Fund assets)
- **Higher Level of Transparency**
 - Sterling Stamos is committed to providing underlying Portfolio Manager information
- **Higher Level of Liquidity**
 - Quarterly liquidity after initial one year lockup
- **No Preferential Terms**
 - All limited partners are subject to identical Fund terms (fees, liquidity)



7

Sterling Stamos Security Fund, L.P.
Investment Performance



Security Fund

Summary Statistics (10/01/02 – 11/30/04)

SUMMARY STATISTICS

Fund Inception:	October 2002 ¹
Firm Assets Under Management:	\$855 Million
Fund Assets Under Management:	\$278 Million
Average Annualized Return:	
Standard Deviation:	
Sharpe Ratio:	
Number of Managers:	35
Number of Positive Months:	23
Number of Negative Months:	3
Largest Drawdown:	-0.44%

Source: Sterling Stamos analysis.

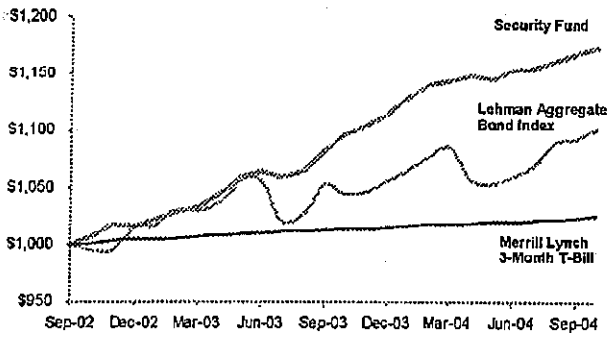
1. October 2002 marks the official offering date to outside investors.
2. Sharpe ratio is based on 1.5% risk free rate.



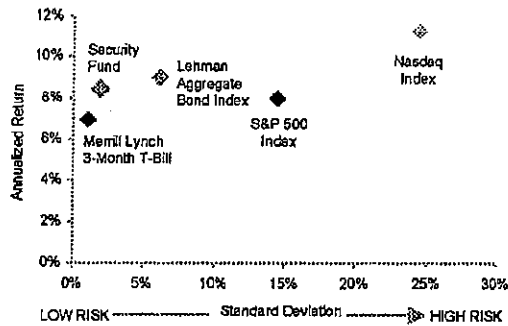
Security Fund
Comparison of Results (10/01/02 – 11/30/04)

	Annual Return	Standard Dev	Sharpe Ratio
Security Fund		1.9%	

SECURITY FUND PERFORMANCE



RETURN / RISK COMPARISON



Source: Sterling Stamos analysis.



Security Fund
Monthly Performance (net of all fees and expenses)

Unaudited net returns

	2002	2003	2004
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			
YTD			

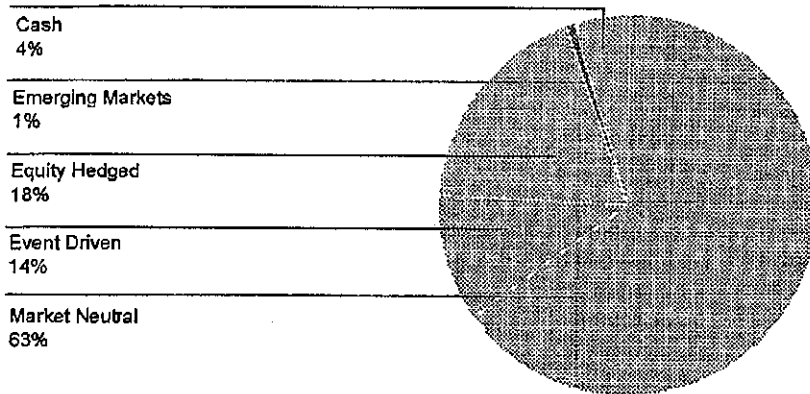
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Source: Sterling Stamos analysis.

1. October 2002 marks the official offering date to outside investors.
2. Based on estimate as of 12/10/04.



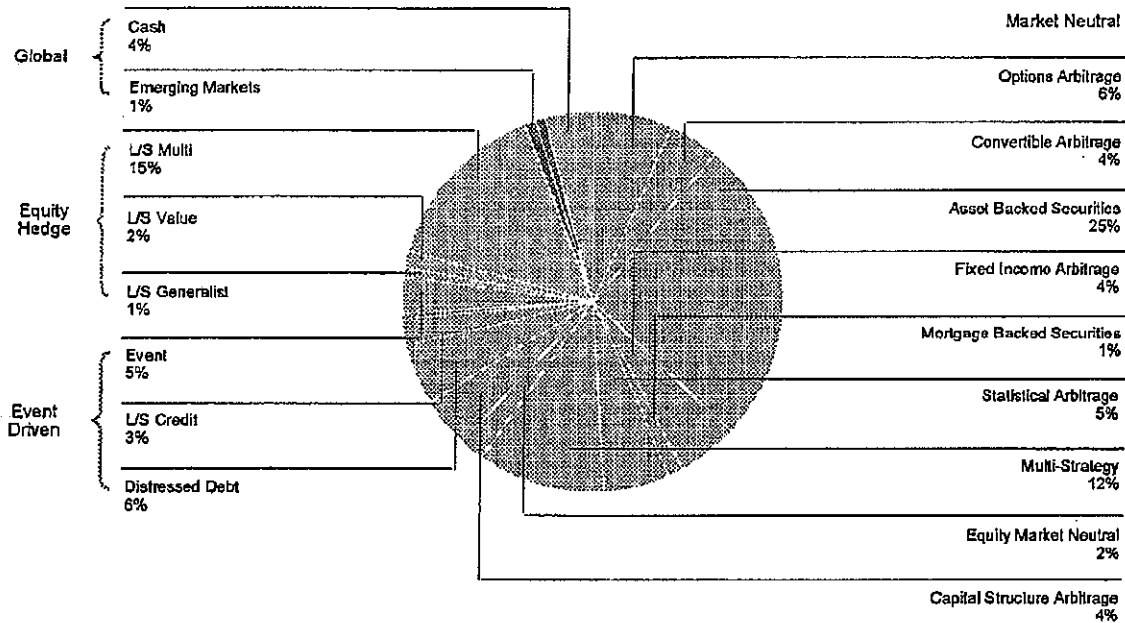
Security Fund
Strategy Allocation (As Of November 2004)



Source: Sterling Stamos analysis.



Security Fund
Sub-Strategy Allocation (As Of November 2004)



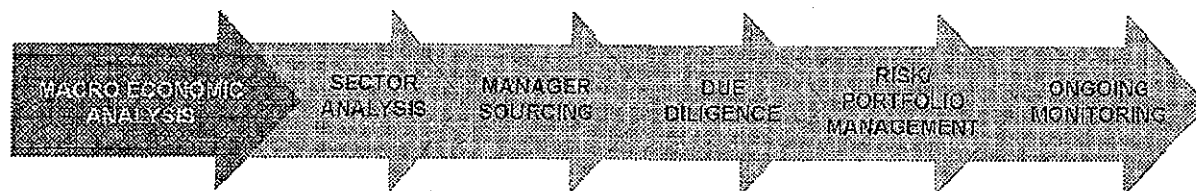
Source: Sterling Stamos analysis.



Sterling Stamos Security Fund, L.P.
Investment Process



Investment Process
Macro Economic Analysis

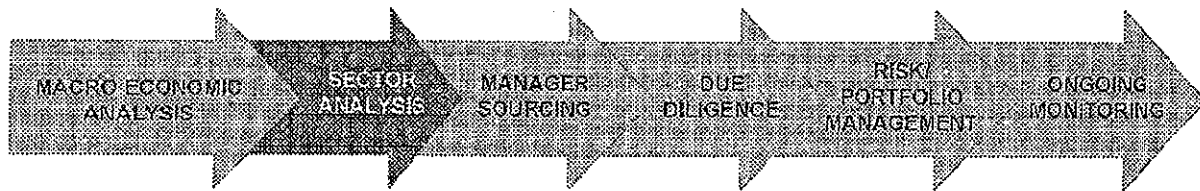


- **Identify key macro economic trends based upon:**
 - Fundamentals
 - Technicals
 - Liquidity

- **Determine potential investment opportunities and risks among:**
 - Asset classes
 - Geographics



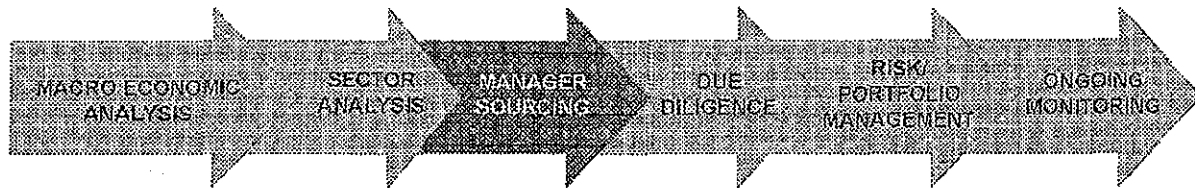
Investment Process
Sector Analysis



- **Determine directional portfolio concentrations to specific hedge fund strategies based on:**
 - Macro economic opportunity set
 - Risk analysis



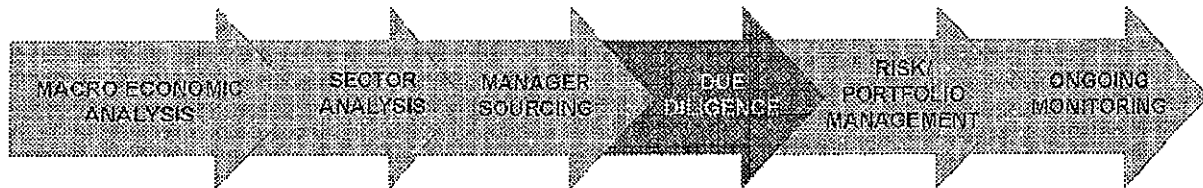
Investment Process
Manager Sourcing



- Leverage network and relationships of Sterling Stamos to:
 - Identify emerging managers
 - Obtain capacity with "closed managers"
- Leverage relationships with investment banks, third-party marketers, consultants, and research firms to identify Portfolio Managers
- Utilize industry-specific internal network, databases, newspapers, and magazines to identify prospective Portfolio Managers



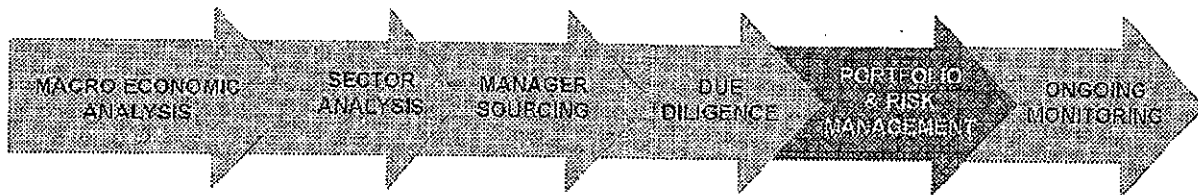
Investment Process
Due Diligence



- Obtain information on fund-specific strategy, monthly returns, performance attribution, and references
- Analyze performance, liquidity, and correlations between proposed Portfolio Manager and existing Portfolio Managers in portfolio
- Conduct interviews and on-site visits to gain understanding of:
 - Strategy (position level detail)
 - Operations (decision making rules, execution, and infrastructure)
 - Risk management
 - Back office infrastructure
 - Other procedures (e.g., portfolio pricing)



Investment Process
Portfolio & Risk Management



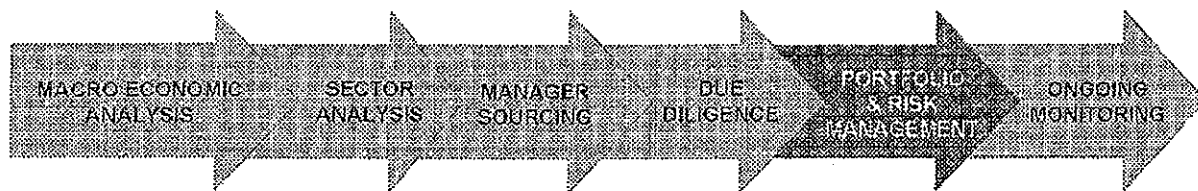
- **Maintain portfolio exposure limits by:**
 - Sector
 - Strategy
 - Portfolio Manager
 - Factors (credit, asset class, style, etc.)

- **Monitor each asset class and strategy associated with underlying Portfolio Managers to determine market opportunities and key events**

- **Compare weekly NAVs from Portfolio Managers with performance of associated market/asset class**



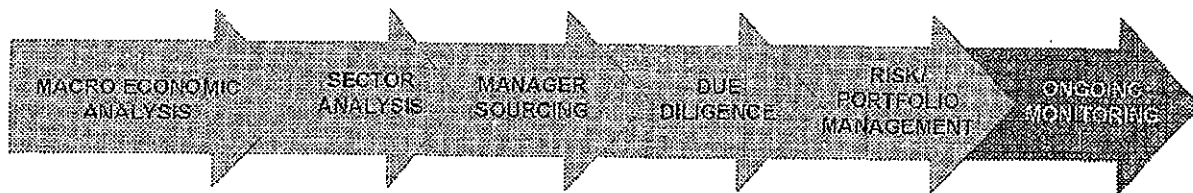
Investment Process
Portfolio & Risk Management



RISK TOOLS	ANALYSIS
Portfolio Optimization	<ul style="list-style-type: none"> Mean-Variance optimization model by strategy and Fund Manager utilizing historical monthly performance data
Time Series Analysis	<ul style="list-style-type: none"> Covariance/correlation analysis by Fund Manager-to-Fund Manager, to-strategy, and to-the-market Distribution Curve mapping (i.e., Skewness and Kurtosis) Drawdown attribution and downside deviation/recovery analysis
Portfolio Value-at-Risk	<ul style="list-style-type: none"> Allocation range limits set by strategy and Fund Manager given a 2-3 standard deviation adverse move (assuming normal market conditions) Probability of loss determined through historical simulation as well as parametric methods such as Monte Carlo simulation
Stress/Scenario Testing	<ul style="list-style-type: none"> Worst case scenario analysis developed through straining the covariance matrix and analysis of historical returns and factor observations outliers Qualitative case studies of high volatility periods and adverse moves in key asset classes (e.g., Russian default, WorldCom) to build "what if" scenario testing capabilities
Style Analysis	<ul style="list-style-type: none"> Style drift and asset allocation analysis to quantify Fund Manager's performance attribution to the stated strategy and asset class Factor sensitivities and factor tilt analysis to determine underlying drivers of a specific fund manager's performance at different points



Investment Process
Ongoing Monitoring



- Monthly / quarterly conference calls to discuss market conditions and fund performance with each underlying Portfolio Manager
- Review portfolio to assess performance, risk, and allocation on:
 - Weekly basis by Portfolio Team and Principals
 - Quarterly basis by Sterling Stamos Investment Committee



Sterling Stamos Security Fund, L.P.
Professionals



22

Professionals
Senior Investment Team

INVESTMENT PROFESSIONAL	TITLE	EXPERIENCE	EDUCATION
Ashok Chachra	Portfolio Manager Partner	McKinsey & Company Morgan Stanley Chase Securities	Carnegie Mellon University, BS
Saul B. Katz	President of Sterling Equities General Partner	Sterling Equities New York Mets and Brooklyn Cyclones Chairman of the Board, NS-LIJ	Brooklyn College, BS CPA



Professionals
Investment Professionals

INVESTMENT PROFESSIONAL	TITLE	EXPERIENCE	EDUCATION
Rohit Kumar	Associate	Brilliant Software Solutions, Inc. Alphasoft Services, Co. Icici Bank, Limited Ernst & Young, Private Limited	Indian Institute of Technology, BS Xavier Institute of Management, MS NYU, Leonard Stern School of Business, MBA
Angela Ruffolo	Associate	Morgan Stanley & Company	Harvard University, BA University of Cambridge, MS
John Lee	Associate	Visa USA Guru.com Charles Schwab & Co.	Stanford University, BA
Ted Conrad	Analyst	Boston Consulting Group, Management	Stanford University, BA
Catherine Liu	Analyst	Merrill Lynch & Co.	Nanjing University, BS Renmin University, MS UCLA, Anderson School of Management, MS



Professionals

Other Investment Professionals

INVESTMENT PROFESSIONAL	TITLE	EXPERIENCE	EDUCATION
Spiro Stamos	Chief Administrative Officer General Partner	Stamos Associates, Inc. (SAI) Whitaker Corporation Atlantic Richfield Hughes Aircraft	McGill University, BA
Kevin Barcelona	Chief Financial Officer Partner	RK Consulting Dreyfus Corporation	Seton Hall University, MS Hofstra University, BBA CPA
Grego Orlowski	Branch Office Manager Partner	Robertson Stephens MDWTC	Syracuse University, BA
Scott Whitcher	Investor Relations Partner	Citigroup Robertson Stephens Collins Associates	San Francisco State University, MBA California State University Fullerton, BA



Sterling Stamos Security Fund, L.P.
Summary of Principal Terms



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Security Fund
Summary of Principal Terms

Legal Structure:	Domestic 3(e)(7) Limited Partnership
Investor Eligibility:	Qualified Purchasers
Minimum Investment:	US \$5,000,000
Management Fee:	1% per annum
Performance Fee:	5%
Threshold Rate:	5%
High Water Mark:	Yes
Lock-up:	1 Year
Redemptions:	Quarterly
Notice Period:	90 days prior written notice



Sterling Stamos Security Fund, L.P.
Underlying Portfolio Manager Results



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Security Fund

Underlying Portfolio Manager Results (through 09/30/04)¹

STRATEGY	SUB-STRATEGY	FUND MANAGER	FUND STATUS	INCEPTION DATE	AUM	INVESTMENT CAPACITY	ANNUALIZED RETURN	STANDARD DEVIATION	SHARPE RATIO ²
Market Neutral	Options Arb	A	Closed	1993	1,000 MM	40 MM	13.7%	1.1%	2.8
	Convert Arb	A	Open	1998	1,350 MM	Open	10.6%	1.6%	1.0
		B	Closed	1992	1,800 MM	25 MM	20.4%	1.1%	3.8
Asset Backed		A	Closed	1996	300 MM	10 MM	11.8%	2.0%	2.8
		B	Limited	1997	350 MM	25 MM	13.2%	1.7%	4.3
		C	Open	2001	100 MM	25 MM	15.8%	1.4%	2.5
		D	Open	2001	200 MM	Open	N/A	N/A	N/A
		E	Closed	2002	1,200 MM	10 MM	13.7%	0.5%	9.7
Fl Arb		A	Closed	1993	100 MM	0 MM	16.2%	3.5%	3.2
		B	Open	2001	500 MM	Open	8.4%	1.0%	1.7
		C	Open	1992	58 MM	Open	12.2%	2.2%	3.0
MBS Arb		A	Open	1994	1,000 MM	Open	10.4%	1.5%	0.6
Statistical Arb		A	Closed	2000	4,600 MM	50 MM	17.3%	4.9%	1.8
Multi-Strategy		A	Open	1993	1,500 MM	Open	9.7%	2.8%	1.7
		B	Open	1994	3,200 MM	Open	17.5%	1.7%	1.9
		C	Closed	2000	350 MM	25 MM	4.0%	3.4%	-0.3
		D	Closed	1990	9,856 MM	Closed	15.9%	3.5%	2.8
Equity M/N		A	Open	1997	300 MM	Open	17.7%	1.0%	1.1
Cap Struct Arb		A	Limited	2004	500 MM	50 MM	22.6%	3.0%	2.2

Source: Sterling Stamos analysis.

1. Since inception of each Portfolio Manager.
2. Sharpe ratio is based on 9% risk free rate.



Security Fund

Underlying Portfolio Manager Results Continued (through 09/30/04)¹

STRATEGY	SUB-STRATEGY	FUND MANAGER	FUND STATUS	INCEPTION DATE	AUM	INVESTMENT CAPACITY	ANNUALIZED RETURN	STANDARD DEVIATION	SHARPE RATIO ²
Event Driven	Distressed	A	Limited	1995	500 MM	50 MM	9.9%	1.4%	0.9
		D	Closed	1997	4,000 MM	310 MM	12.5%	4.5%	1.7
		C	Open	1999	142 MM	Open	15.6%	4.7%	1.6
		D	Open	2000	220 MM	Open	10.4%	N/A	N/A
	L/S Credit	A	Closed	2002	600 MM	50 MM	19.0%	7.2%	1.9
	Merger Arb	B	Open	1998	325 MM	Open	8.3%	1.5%	0.9
Event		A	Open	2000	120 MM	Open	19.9%	8.8%	1.5
		B	Open	2003	650 MM	Open	19.7%	6.8%	2.2
		C	Closed	1995	6,200 MM	20 MM	16.2%	5.9%	1.9
Equity Hedged	L/S Generalist	A	Closed	1995	200 MM	5 MM	12.9%	3.8%	0.4
	L/S Value	A	Closed	1997	2,500 MM	0 MM	15.6%	7.2%	1.1
	L/S Multi	A	Limited	2002	200 MM	20 MM	13.7%	7.9%	2.2
		B	Limited	2003	137 MM	Limited	8.9%	7.0%	2.0
		C	Open	2004	15 MM	Open	24.8%	9.6%	2.1
Global	Emerging Mkts	A	Closed	1997	900 MM	20 MM	12.6%	1.1%	0.5
Cash	Cash	A	Limited	2004	33 MM	Limited	3.4%	0.3%	N/A
		B	N/A	N/A	N/A	N/A	4.5%	0.7%	N/A

Source: Sterling Stamos analysis.

1. Since inception of each Portfolio Manager.
2. Sharpe ratio is based on 5% risk free rate.



Sterling Stamos Security Fund, L.P.
Sample Portfolio Manager Tracking Report



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SSMT01238250
SSMSAA1238250

Portfolio Manager Tracking Report

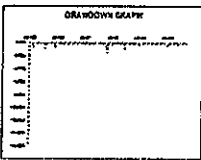
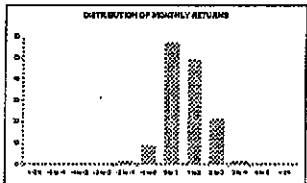
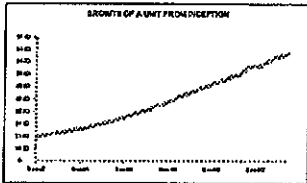
Sample Options Arbitrage Manager

The Manager invests primarily in the purchase of option contracts with a focus on LEAPS. The Manager includes the various option strategies including hedged directional strategies, such as call spreads and bear put spreads and long volatility strategies including straddles and strangles.

The Managing Director was formerly the Managing and General Partner of A&M Capital from 1988 through 1999. Prior to that, he served as Managing Partner of Citicorp Capital, an investment performance from 1982 to 1988. The Managing Director was also associated with Hooper Associates from 1982 to 1985, and with the law firm of Johnson, Tweed, Haskay & McCarty from 1979 to 1982.

Assets Under Management	\$1 Billion	Lockup	None
Fund Status	Closed	High Water Mark	No Incentive Fee
Minimum Investment	\$500,000	Redemption Frequency	Annually (Dec 31)
Fees	1.8% - 0%	Redemption Notice Period	45 Days

Year	Assets Under Management	Return	Volatility	Sharpe Ratio	Max Drawdown	Recovery Period
1998	\$1.00	15.0%	12.0%	1.00	10.0%	12
1999	\$1.00	10.0%	10.0%	1.00	8.0%	10
2000	\$1.00	5.0%	8.0%	0.80	6.0%	8
2001	\$1.00	0.0%	6.0%	0.60	4.0%	6
2002	\$1.00	-5.0%	4.0%	0.40	2.0%	4
2003	\$1.00	0.0%	2.0%	0.20	1.0%	2
2004	\$1.00	5.0%	1.0%	0.10	0.5%	1
2005	\$1.00	10.0%	0.5%	0.05	0.2%	0.5
2006	\$1.00	15.0%	0.2%	0.02	0.1%	0.2
2007	\$1.00	20.0%	0.1%	0.01	0.05%	0.1
2008	\$1.00	25.0%	0.05%	0.005	0.02%	0.05
2009	\$1.00	30.0%	0.02%	0.002	0.01%	0.02
2010	\$1.00	35.0%	0.01%	0.001	0.005%	0.01
2011	\$1.00	40.0%	0.005%	0.0005	0.002%	0.005



Annualized Average Geometric	33.74%	
Rolling 12m Average	33.47%	
Monthly Average Geometric	1.09%	
Standard Deviation	3.05%	
Average Positive Return Monthly	1.21%	
Average Negative Return Monthly	-0.60%	
Largest Drawdown	-1.41% @ Positive Month	120
Longest Recovery Period	1 # Negative Months	10
Average of 5 Largest Drawdowns	-0.84% @ Positive Months	92.75%



**STERLING STAMOS
SECURITY FUND, L.P.**

Marketing Supplement

October 2004



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Sterling Stamos

Security Fund L.P.

Disclosure Statement

This document does not constitute an offer to sell, or a solicitation of an offer to buy the limited partnership interests described herein. No such offer or solicitation will be made prior to the delivery of a definitive offering memorandum and other materials relating to the matters herein. Before making an investment decision with respect to the partnership, potential investors are advised to read carefully the offering memorandum, the limited partnership agreement and the related subscription documents, and to consult with their tax, legal and financial advisors.

This document does not purport to be complete and is qualified in its entirety by reference to the more detailed discussion contained in the confidential offering memorandum and the actual text of the limited partnership agreement. The General Partner has the ability in its sole discretion to change the strategy described herein.

All performance information in this document is based on information provided by underlying Portfolio Managers, and all 2004 information is based on estimates provided by the underlying Portfolio Managers. No representation or warranty is given as to the accuracy or completeness of the performance information contained in this document.

This document is being provided to you on a confidential basis solely to assist you in deciding whether or not to proceed with a further investigation of an investment in Sterling Stamos. Accordingly, this document may not be reproduced in whole or in part, and may not be delivered to any person without prior written consent of Sterling Stamos.

Sterling Stamos

Security Fund L.P.

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1. Executive Summary
2. Fund Performance
3. Fund Composition
4. Portfolio Enhancement Opportunity
5. Senior Investment Team
6. Investment Process

Sterling Stamos

Security Fund L.P.

Executive Summary

Sterling Stamos Security Fund L.P. (the "Fund") has been formed by SP Associates, LLC ("Sterling Stamos") to preserve capital and enhance wealth by achieving long-term absolute returns. The Fund seeks to accomplish its objective by allocating its assets among a select group of hedge fund portfolio managers ("Portfolio Managers"), to create a portfolio of hedge funds, or more commonly referred to as a hedge fund of funds. The underlying Portfolio Managers in the Fund employ a broad range of primarily non-directional investment strategies, including relative value, event driven, and equity long/short.

The Fund is supported by a strong investment team and an established infrastructure. The Fund also benefits from the resources and unique perspectives provided by its association with Sterling Equities, one of the most experienced alternative investment groups in the industry. Sterling Stamos is 50% owned by the partners of Sterling Equities and 50% owned by the partners of Sterling Stamos. Fund investors enjoy access to the experience of the partners of both Sterling Equities and Sterling Stamos. None of the partners of Sterling Equities will be compensated by the Fund (outside of sharing in the ownership of the general partnership interest).

The Fund offers investors a unique combination of differentiating attributes:

- **Depth of the Investment Team:** In addition to having a deep investment team with considerable experience in selecting Portfolio Managers, Fund investors will also benefit from the unique perspective of its CEO, Peter S. Stamos. Mr. Stamos has experience in the private sector, the public sector, and academia. He has served as the Chief of Staff and Chief Economist for a U.S. Senator and has earned awards for teaching excellence at Harvard University.
- **Track Record of Investment Performance:** Since opening to investors in October 2002, the Fund has generated strong risk-adjusted returns, and more importantly, has demonstrated an ability to preserve capital during tumultuous market conditions. Through the period ending September 2004, the Fund has generated an annualized net return of 8.2%, an annualized standard deviation of 1.8%, and an annualized Sharpe ratio of 3.7. The Fund targets investment returns, net of all fees and expenses, of between 8% and 10%, with low annual volatility of between 2% and 4%.
- **Access to the Investment Expertise and Experience of Sterling Equities:** The Fund has access to the business expertise of Sterling Equities. Sterling Equities was founded by the Wilpon and Katz families, who are sophisticated investors with respect to hedge funds, private equity, and real estate. In addition to providing a perspective that only experience can generate, the networks of both the Wilpon and Katz families also provide the Fund with proprietary sourcing and due diligence capabilities.
- **Access to Top Performing, Closed Hedge Funds:** The Wilpon and Katz families have been active hedge fund investors for 20 years and Sterling Stamos is able to leverage their deep relationships to access select investment opportunities that may otherwise be closed to the investment community.

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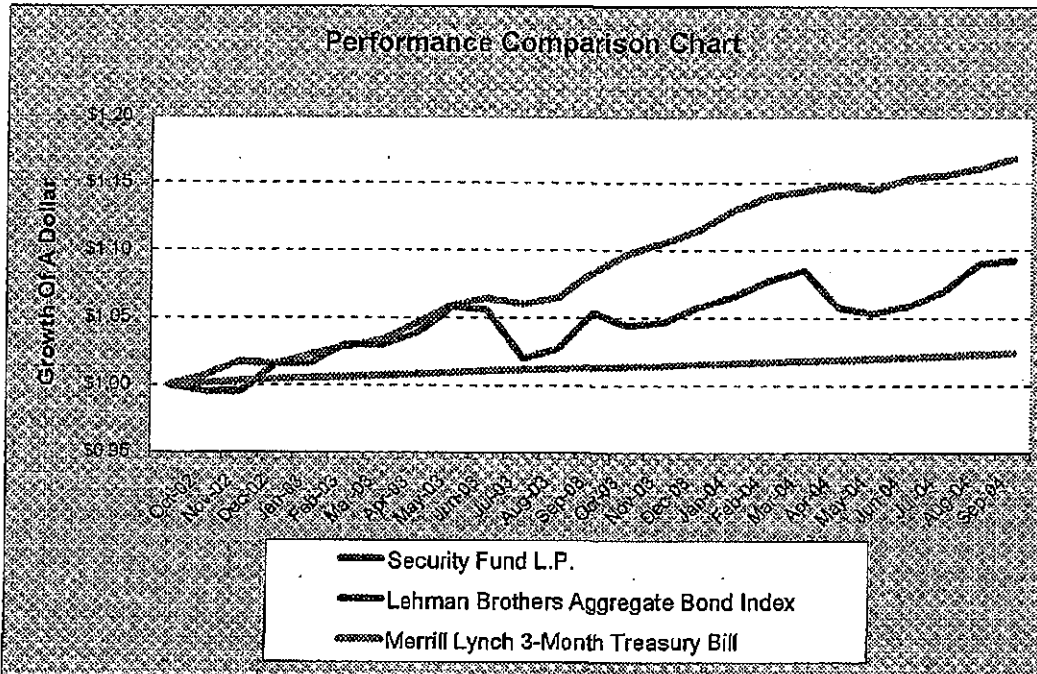
Security Fund L.P.

- **Alignment of GP and LP Interests:** As of September 2004, approximately 20% of the key principals' liquid net worth is invested in the Fund. In addition, Sterling Stamos is committed to maintaining an interest in the Fund such that its investment is approximately 25% of total Fund assets.
- **Diversification Across Sub-Strategies:** As of September 2004, no more than 30% of the Fund's capital is allocated to any single sub-strategy. The risk-mitigating benefits of diversification are evident in the Fund, as the underlying sub-strategies have low correlations to each other. Sterling Stamos continually reviews its Fund asset allocation to determine the optimal portfolio mix for the current investment environment.
- **Higher Level Of Transparency:** Many hedge fund of funds are resistant to disclosing the names of the underlying Portfolio Managers in their fund. Sterling Stamos is committed to providing as much information to its investment partners as practicable, including the names and the strategies of its underlying Portfolio Managers.
- **No Preferential Terms:** All limited partners are subject to exactly the same Fund terms (i.e. fees and liquidity).

Fund Performance

The Fund has generated consistent investment returns in tumultuous market conditions. Since opening to outside investors in October 2002, the Fund has generated strong risk-adjusted returns, and more importantly, has demonstrated the ability to preserve capital. Through September 2004, the Fund has generated an annualized net return of 8.2%, an annualized standard deviation of 1.8%, and an annualized Sharpe ratio of 3.7. The Fund targets investment returns, net of all fees and expenses, of between 8% and 10% with low annual volatility of between 2% and 4%.

The Fund has been structured primarily to generate moderate absolute returns, regardless of equity and fixed income market conditions. Many investors view the Fund as an alternative, or complement, to fixed income exposure. Given that the Fund has been constructed to be absolute return oriented, it may be true that no ideal "benchmark" exists. However, for comparison purposes, it is useful to show relevant comparative indices or proxies when evaluating performance. The chart below shows how the Fund has performed versus the Lehman Brothers Aggregate Bond Index and the Merrill Lynch 3-Month Treasury Bill Index since it opened to outside investors in October 2002. The chart on the following page illustrates the current composition of the Fund by Portfolio Manager and the relevant performance metrics of each underlying Portfolio Manager.



Notes:
 - Chart constructed using actual net performance figures for the period October 2002 - September 2004
 - Sterling Stamos Security Fund performance is net of all fees and expenses

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**Fund Composition -
Portfolio Manager Description & Investment Performance**

Strategy/ Sub-Strategy	Portfolio Manager	Portfolio Manager Status	Inception Date	Assets Under Mgmt (\$ in Millions)	Annualized Return	Standard Deviation	Sharpe Ratio
Market Neutral							
Options Arb	Manager A	Closed	1993	1,000	13.7%	3.1%	2.8
Convertible Arb	Manager A	Open	1988	1,350	10.6%	5.5%	1.0
Convertible Arb	Manager B	Closed	1992	1,800	20.4%	4.1%	3.8
Asset Backed	Manager A	Closed	1996	300	11.8%	2.4%	2.8
Asset Backed	Manager B	Limited	1997	350	13.2%	1.9%	4.3
Asset Backed	Manager C	Open	2001	100	15.8%	4.4%	2.5
Asset Backed	Manager D	Open	2004	200	n/a	n/a	n/a
Asset Backed	Manager E	Closed	2002	1,200	13.7%	0.9%	9.7
Fixed Income Arb	Manager A	Closed	1999	100	16.2%	3.5%	3.2
Fixed Income Arb	Manager B	Open	2001	500	8.4%	2.0%	1.7
Fixed Income Arb	Manager C	Open	1999	58	12.2%	2.2%	3.3
MBS Arb	Manager A	Open	1998	1,000	10.4%	9.5%	0.6
Statistical Arb	Manager A	Closed	2001	4,600	17.3%	6.9%	1.8
Multi-Strategy	Manager A	Open	1993	1,500	9.7%	2.6%	1.7
Multi-Strategy	Manager B	Open	1994	3,200	17.5%	8.7%	1.9
Multi-Strategy	Manager C	Closed	2003	350	4.0%	3.4%	-0.3
Multi-Strategy	Manager D	Closed	1990	9,800	15.9%	3.9%	2.8
Equity M/N	Manager A	Open	1997	300	17.7%	11.4%	1.1
Cap Struct Arb	Manager A	Limited	2002	500	22.6%	8.1%	2.2
Event Driven							
Distressed	Manager A	Limited	1993	500	9.9%	5.4%	0.9
Distressed	Manager B	Closed	1999	4,000	12.5%	4.5%	1.7
Distressed	Manager C	Open	1999	142	15.6%	6.7%	1.6
Distressed	Manager D	Open	2004	220	10.4%	n/a	n/a
L/S Credit	Manager A	Closed	2002	600	19.0%	7.2%	1.0
Merger Arb	Manager A	Open	1995	325	8.3%	3.6%	0.9
Event	Manager A	Open	2000	120	19.9%	9.8%	1.5
Event	Manager B	Open	2001	650	19.7%	8.8%	2.2
Event	Manager C	Closed	1988	6,200	16.2%	5.9%	1.9
Equity Hedged							
L/S Generalist	Manager A	Closed	1993	200	12.9%	18.8%	0.4
L/S Value	Manager A	Closed	1999	2,500	15.6%	9.3%	1.1
L/S Multi	Manager A	Limited	2002	200	13.7%	3.9%	2.2
L/S Multi	Manager B	Limited	2003	137	8.9%	2.0%	2.0
L/S Multi	Manager C	Open	2004	15	24.8%	9.6%	2.1
Global							
Emerging Markets	Manager A	Closed	1993	900	12.6%	14.1%	0.5

Note:

1. Since each individual Portfolio Manager's inception date through September 2004; Sharpe Ratio is based on 5.0% risk free rate.

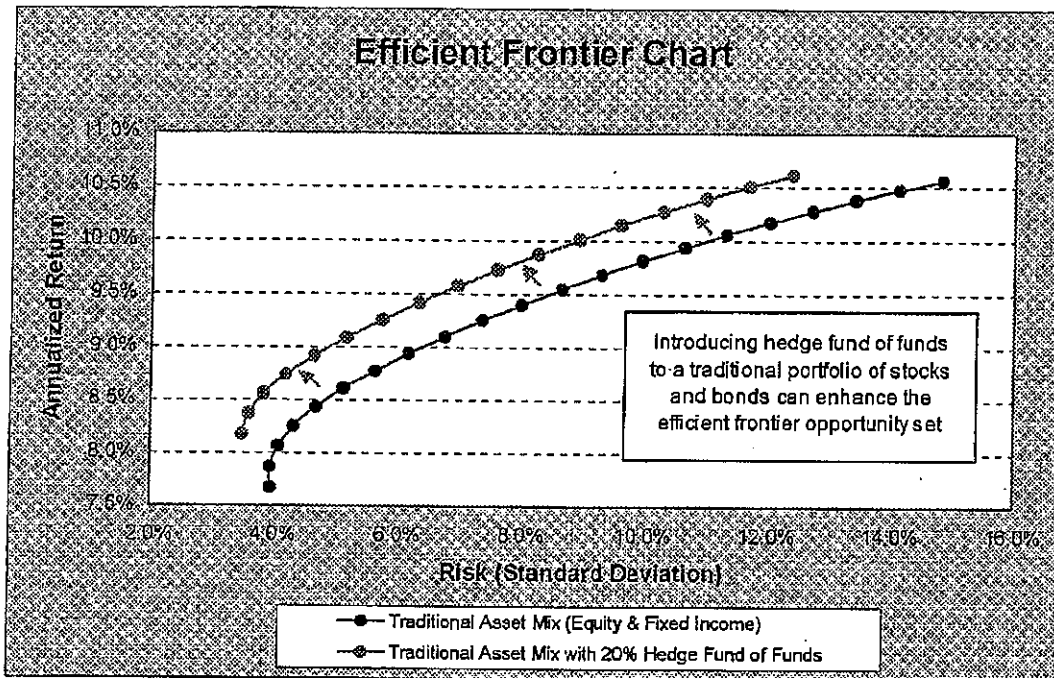
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Security Fund L.P.

Portfolio Enhancement Opportunity

Integrating an absolute return oriented hedge fund of funds into an existing portfolio of fixed income and equity can greatly reduce risk without sacrificing return. The goal of absolute return investing is to consistently generate positive returns regardless of which direction the fixed income and equity markets move. The impact of stable returns and low correlation is a powerful result, particularly when considered in the context of an overall investment portfolio. Stable investment returns are appealing to investors in any market environment, but are especially appealing now, considering the volatile markets of late.

The chart below illustrates how the return/risk profile of a traditional fixed income and equity portfolio can be enhanced when hedge fund of funds are introduced into the portfolio mix:



Notes:

- Traditional asset mix is a blend of U.S. equities (S&P 500 Index) and U.S. fixed income (Lehman Brothers Aggregate Bond Index)
- Hedge fund of funds asset mix is represented by the HFRI Fund of Funds Composite Index
- Chart constructed using actual historical performance for the period January 1990 - September 2004

Sterling Stamos

Security Fund L.P.

The Fund's structure, a hedge fund of funds, is an attractive approach for accessing hedge funds:

- **Lower Risk:** A portfolio, or basket, of hedge funds mitigates the risk of a single hedge fund manager. A thoughtfully constructed portfolio of hedge funds allocated across low correlated sub-strategies may lower risk even further.
- **Efficient Access:** Investment via a fund of funds structure is a more efficient means to accessing the hedge fund space. Replicating a properly structured portfolio of hedge funds would require large pools of capital and significant resources.
- **Professional Oversight:** Through a hedge fund of funds structure, investors are able to leverage an additional level of professional sourcing, due diligence, selection, portfolio construction, and ongoing monitoring.
- **Access To Closed Hedge Funds:** A fund of funds structure is a means to obtaining exposure to selected hedge funds that may otherwise not be available to investors.
- **Consolidated Reporting:** A hedge fund of funds structure provides consolidated performance and reporting.

Sterling Stamos

Security Fund L.P.

Sterling Stamos Senior Investment Team

The investment team is lead by the firm's CEO, Peter Stamos, and is supported by an experienced team of professionals. The investment team includes three portfolio managers, five research analysts, and two portfolio advisors, all sharing the responsibility of sourcing, due diligence, selection, and monitoring of the Portfolio Managers. Shown below are the names and backgrounds of the primary portfolio decision makers for Sterling Stamos:

Peter S. Stamos: Mr. Stamos is the Chief Executive Officer of Sterling Stamos and is ultimately responsible for all investment decisions.

- Mr. Stamos was the Chief Executive Officer of Stamos Associates, Inc. (SAI), a healthcare and technology company that was acquired by Perot Systems, Inc., where he headed the merger and acquisition practice.
- Prior to the founding of SAI, Mr. Stamos was the Chief of Staff and Chief Economist for a U.S. Senator.
- Prior to working in the public sector, Mr. Stamos was a Principal with Booz Allen & Hamilton, a Senior Management Consultant with McKinsey & Company, and the Managing Partner of the Doblin Group.
- Mr. Stamos taught economics at Harvard University—where he received the Allen Young Award for Teaching Excellence—and at Stanford University, where he been a guest lecturer at the Graduate School of Business.
- Mr. Stamos serves on several boards and advisory boards, including the Board of Stanford University Hospitals and Clinics, where he is a member of the Finance and Audit Committees and is Chairman of the Investment Committee.
- Mr. Stamos earned a BA in economics and political science from Stanford University, where he was a Truman Scholar, received the Sterling Award, and graduated *Phi Beta Kappa* with Honors and Distinction. Mr. Stamos received a JD from Harvard Law School with Honors and a doctorate from Oxford University, where he was a Rhodes Scholar.

Ashok Chachra: Mr. Chachra is the Senior Portfolio Manager for Sterling Stamos and is responsible for portfolio manager sourcing, due diligence, selection, portfolio construction, risk management, and on-going portfolio monitoring.

- Prior to joining Sterling Stamos, he was a Senior Business Analyst with McKinsey & Company, focusing on assignments in the Financial Services and Healthcare industry sectors.
- Mr. Chachra worked in the high yield loan origination group at Chase Securities as well as in an analyst role at Morgan Stanley.
- Mr. Chachra earned a BS in Business Administration with University Honors from Carnegie Mellon University.

Ellen Horing: Ms. Horing is a Portfolio Manager for Sterling Stamos. She is also a principal of ETH Corp/Highgate Partners, a small hedge fund of funds, which invests in Portfolio Managers that employ various investment strategies.

- Ms. Horing served as Vice President and as Director of Research for Gabelli & Co., a money management and brokerage firm. She also served as an Equity Research Analyst at Weiss, Peck & Greer and was an Equity Block Trader at Merrill Lynch.

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- Ms. Horing earned a BA in Economics from the University of Colorado and earned an MBA in Finance and Accounting from Columbia Business School.

Saul B. Katz: Mr. Katz is a General Partner of Sterling Stamos and is actively involved in the investment decisions as well as the management of Sterling Stamos.

- Mr. Katz is a Co-Founder and President of Sterling Equities. Mr. Katz directs Sterling Equities' day-to-day real estate operations. Mr. Katz also presides over Sterling Equities' non-real estate affiliates and subsidiary companies, which range from financial institutions to manufacturing, consulting, marketing, entertainment and retailing enterprises.
- Mr. Katz is President of the New York Mets and the Brooklyn Cyclones.
- Mr. Katz serves on the Boards of many nonprofit organizations and institutions in addition to being Honorary Chairman of the Board of the North Shore Long Island Jewish Health System.
- Mr. Katz is a Certified Public Accountant with a BS in Accounting, which he earned from Brooklyn College.

David M. Katz: Mr. Katz is a General Partner of Sterling Stamos and is actively involved in the investment decisions as well as the management of Sterling Stamos.

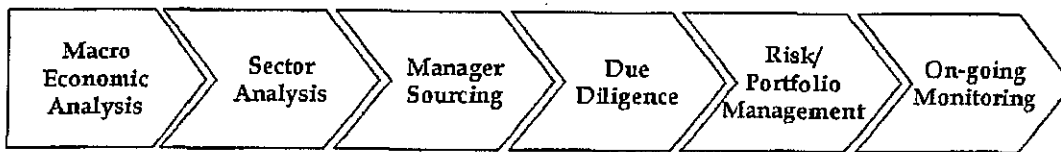
- Mr. Katz joined Sterling Equities in 1987, where he now serves as Executive Vice President. Mr. Katz's real estate experience includes the development of commercial and residential properties, condominium conversions, and the evaluation of acquisition opportunities.
- Mr. Katz also presides over Sterling Equities' non-real estate affiliate company Changing World Technologies (CWT), where he is a Board member. CWT is a bio/energy company using the thermo-depolymerization process. Mr. Katz also sits on the Board of Renewable Environmental Solutions, a partnership of CWT and ConAgra foods that is focused on deploying the TDP in the agricultural market.
- Mr. Katz is a Board member of the New York Mets.
- Mr. Katz also sits on the Board of various philanthropic organizations. He graduated from Hofstra University where he earned his BA.

Sterling Stamos**Security Fund L.P.**

Investment Process

Identification and Evaluation of Portfolio Managers

The Fund has combined strict guidelines, discipline, and a consistent approach in its evaluation of prospective Portfolio Managers. The process begins with a forward-looking approach to allocate assets across hedge fund strategies, as depicted below, beginning with an overall macroeconomic and sector analysis:



Macro Economic and Sector Analysis

Sterling Stamos CEO Peter Stamos, an economist by background, serves in various board and advisory roles to elite academic, political, and philanthropic institutions in connection with investment and economic policy. It is within these board and advisory forums that Mr. Stamos is able to engage in dialogue with many of the most progressive and influential thinkers of our time regarding global economic dynamics.

Integrating the insights of Mr. Stamos, the investment team seeks to identify key macro economic trends based upon fundamentals, technicals, and liquidity. These results are the foundation in determining the potential investment opportunities and risks among investment asset classes and geographies.

The macro policy is a key input to the sector analysis. The investment team determines the directional portfolio concentrations to specific hedge fund strategies based on the macro economic opportunity set and various risk analyses.

A macro economic/market sector view is established and integrated into the construction of the Sterling Stamos portfolios. The investment team's macro economic/sector view continuously evolves.

Sourcing and Investment Criteria

Prospective Portfolio Managers are identified and sourced through multiple channels, including, but not limited to, internal contacts, industry contacts, strategic contacts, industry events, and commercial databases. The investment team leverages its unique network of hedge fund managers and contacts in order to gain capacity and achieve desired portfolio construction.

Sterling Stamos**Security Fund L.P.**

Transparency of the underlying Portfolio Managers is critical, particularly because Sterling Stamos generally provides a high degree of transparency to its investment partners. Position level details of Portfolio Managers, as well as performance and risk metrics, must be accessible to the investment team on a periodic basis (weekly or monthly).

Prospective Portfolio Managers are analyzed both on a quantitative and qualitative basis. A sample of the evaluation criteria are listed below:

- **Quantitative Analysis:** The investment team filters the broad universe of hedge fund managers to identify "best in class" Portfolio Managers by evaluating quantitative factors such as:
 - Historical performance statistics
 - Performance attribution
 - Portfolio exposure
 - Volatility analysis
 - Leverage impact
 - Diversification
 - Correlation with various market and portfolio factors

- **Qualitative Analysis:** The investment team also evaluates several qualitative factors. For each Portfolio Manager allocation, the investment team must first establish an understanding of the Portfolio Manager and his or her strategy, team, and approach. Through multiple face-to-face meetings, the investment team seeks to analyze various aspects of the Portfolio Manager's business including:
 - Quality, reputation, and consistency of the management team
 - Demonstrated superior investment skills
 - Operational capabilities and stability
 - Decision-making processes
 - Transparency and openness
 - Clearly articulated and repeatable investment strategy
 - Consistency of past returns and assets under management
 - Amount of personal investment
 - Other intangible considerations

The investment team's objective is to construct a "basket" of Portfolio Managers, a hedge fund of funds, which collectively implements a wide range of diverse strategies, markets, and asset classes in order to mitigate the exposure to any one strategy, market, or asset class. The investment team carefully considers the impact of an allocation to a new Portfolio Manager on the risk/return characteristics of the overall portfolio.

Due Diligence and Monitoring

The investment team actively employs rigorous up-front due diligence on prospective Portfolio Managers and applies the same rigor to the ongoing monitoring of Portfolio Managers already in the Fund. A sample of the due diligence process is described below:

Sterling Stamos

Security Fund L.P.

- **Data Gathering / Analysis:** Prior to an initial meeting with a prospective fund manager, the due diligence process starts by gathering information on the fund-specific strategy, including monthly returns, performance attribution, legal documents, audited financials, proof of experience, and references for each manager. Performance, liquidity, and correlations between prospective Portfolio Managers and existing Portfolio Managers in the Fund are analyzed to identify whether or not to conduct follow-up interviews.
- **Interviews:** Phone interviews and on-site visits are used to gain an understanding of investment idea generation, philosophy of investing, investment strategy outlook, portfolio construction, differentiating factors from peer group, position-level data, decision-making rules, execution process of trades, quality of team members, portfolio pricing, and risk management procedures.
- **Operational / Business Considerations:** Significant emphasis is placed on operational due diligence, which includes infrastructure quality, risk management protocol, compensation structure, management size for assets under management, portfolio liquidity, reference checks, prime brokerage relationships, and access to credit.
- **Monitoring Considerations:** The asset class and strategy associated with the underlying Portfolio Manager is monitored on an on-going basis to determine market opportunities and key events. Monthly or bi-monthly performance is compared with the performance of the associated market/asset class to monitor Portfolio Manager performance against the opportunity set. Regression analysis, style drift analysis, and value-at-risk analysis are performed at both the Fund level and the Portfolio Manager level. The investment team will withdraw the Fund's capital from a Portfolio Manager that it believes has deviated from its stated investment strategy, or that consistently underperforms versus its peers.

Risk Management

Sterling Stamos uses a broad set of risk management tools as part of its on-going portfolio monitoring. A sample of the quantitative elements of risk management utilized by the investment team are described below:

- **Portfolio Optimization:** A modified mean-variance optimization framework by strategy and Portfolio Manager utilizing historical monthly performance data.
- **Time Series Analysis:** Covariance and correlation analysis is performed to compare the returns of a Portfolio Manager to its peer group, Portfolio Manager to strategy, and Portfolio Manager to the overall market. A distribution curve is created to measure skewness and kurtosis of the performance return stream (a non-normal distribution). Finally, drawdown attribution and downside deviation/recovery analysis is performed to determine the Portfolio Manager's ability to recover from losses.
- **Portfolio Value-at-Risk:** Allocation range limits are set by sub-strategy and Portfolio Manager. These limits are designed to provide a two to three standard deviation adverse move cushion, assuming normal market conditions. Loss probabilities are determined

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through historical simulation as well as parametric methods such as Monte Carlo simulation.

- **Stress / Scenario Testing:** Worst case scenario analysis is developed through straining the covariance matrix, as well as through analysis of historical returns and factor observation outliers. Qualitative case studies of high volatility periods and adverse moves in key asset classes (e.g., Russian default, WorldCom) are reviewed to build "what if" scenario testing capabilities.
- **Style Analysis:** Style drift and asset allocation analyses help quantify the Portfolio Manager's performance attribution to the stated strategy and asset class. Factor sensitivities and factor tilt analysis is performed to determine underlying drivers of a specific fund manager's performance at different points in time.

Investment Decision

The investment team develops the strategy, sub-strategy, Portfolio Manager, and portfolio construction recommendations. Investment decisions are made via entire investment team consensus, with Peter Stamos having final decision-making authority. An investment committee meets quarterly to discuss the market environment and Fund allocations.

Exhibit 9

STERLING STAMOS

Company Overview

Discussion with



February 2004

Confidential Presentation

SterlingStamos



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Contents

- Partnership
- Principles
- People
- Products
 - Security
 - Growth
- Process
- Postscript

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This document contains a preliminary summary of the purpose and principle business terms of the partnership; this summary does not purport to be complete and is qualified in its entirety by reference to the more detailed discussion contained in the private offering memorandum and the actual text of the limited partnership agreement. The General Partner has the ability in its sole discretion to change the strategy described herein.

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Sterling Equities

- **Acquired or developed more than:**
 - 17 million square feet of office property
 - 8.5 million square feet of retail property
 - 41,000 residential units in 43 states
- **Purchased more than 2,000 mortgages and notes**
- **Developed over 4.1 million square feet of Class “A” office space**

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The Sterling Partnership

- **Sterling Equities**
 - Real Estate Development
 - Principal Investments - “Pathogenesis, CWT”
- **Sterling American Properties**
 - Real Estate Funds
- **American Securities Capital Partners**
 - Private Equity Funds
- **Sterling Sports and Entertainment**
 - New York Mets and Brooklyn Cyclones
- **Sterling Stamos**
 - Investment arm of the Sterling Partnership

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Sterling Stamos Partnership

- ❑ **Sterling Stamos began as an investment partnership on behalf of the Katz, Wilpon, and Stamos families**
- ❑ **The Sterling Stamos Partnership now includes over 125 families and institutions and over 40 hedge fund managers**

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The Value of Partnership

- Trust-based relationships built on full transparency
- Access and capacity in emerging and closed fund managers
- A unique network– a “collective intelligence”

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Lessons from the Partnership

- Always help your partners succeed
- Ensure staying power in the market
- Protect capital and strive for consistent, positive returns.

RESULT:

- 40 years of never losing a partnership, never losing a building, and never having a down year

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Principles

Partnership

- We treat our investors as partners and *always* put their interests first

Trust

- We build trust-based relationships, demand transparency, and deliver it to our investors

Values

- We live by the charge of our founders: “Do well by doing good”

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Advantages

- 40 years experience developing, managing, owning, and investing in real estate
- 20 years experience investing in hedge funds
 - Over \$600 million of Principals' capital invested
- 12 years experience in private equity
- 10 years of the Principals working together
- 6 years of the Principals investing together
- Long-term relationships with leading investment managers in public and private investment vehicles
- Core relationships with all leading investment banks and major financial institutions
- Approximately \$200 million invested by Sterling Stamos Principals across all Sterling Stamos funds
- *Internal capital commitments from Principals of between 20-33 percent of total assets under management across all Sterling Stamos funds*

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Milestones

- 1972 – Fred Wilpon and Saul Katz found Sterling Equities
- 1980 – Sterling acquires an ownership stake in Major League baseball team, the New York Mets
- 1984 – Sterling Principals begin investing in hedge funds
- 1986 – Sterling acquires 50 percent ownership in the New York Mets
- 1992 – Sterling launches Sterling American Properties (SAP) Fund I – IRR 22%
- 1993 – Sterling seeds the financing of Pathogenesis
- 1994 – Stamos Associates, Inc. (SAI) facilitates hospital mergers throughout the United States
- 1996 – Sterling launches SAP Fund II – IRR 27%
- 1996 – Sterling Leadership and SAI facilitate North Shore and LIJ merger
- 1997 – SAI acquired by Perot Systems, Inc.
- 1998 – Sterling and SAI Principals begin to jointly invest
- 1999 – Sterling launches SAP Fund III – IRR 29%
- 2002 – Sterling acquires full ownership of the New York Mets
- 2002 – Sterling launches SAP Fund IV
- 2002 – Sterling and SAI Principals form Sterling Stamos

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Origins of Sterling Stamos

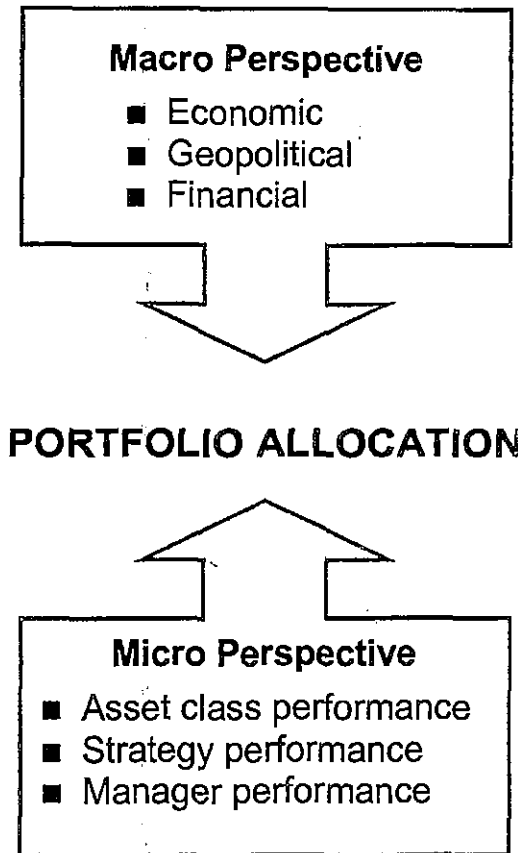
- Katz, Wilpon, and Stamos families jointly invest in hedge funds, public equities, and private equity
- Form Sterling Stamos to diversify assets across hedge fund strategies in order to preserve existing wealth
- Replicate 40 years of investment success for Limited Partners through a diversified allocation of hedge fund managers

	Annual Return	SD	Sharpe Ratio
Security Fund	9.55%	1.93%	4.0
Growth Fund	13.73%	1.58%	6.5

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Investment Principles

- Sterling Stamos utilizes its access to economic, geopolitical, and financial information to identify market discontinuities and highlight investment opportunities
- With this macro perspective, we hedge our investments by diversifying across asset classes and strategies. In this way, we capture a significant portion of the upside and minimize exposure to the downside



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Assets Under Management

STERLING STAMOS
Running Summary of Assets Under Management
 (\$ Million)

----- *Projected* -----

	9/31/02	12/31/02	3/31/03	6/30/03	9/31/03	12/31/03	3/31/04	6/30/04	9/31/04	12/31/04	3/31/05	6/30/05	9/31/05	12/31/05
Total Capital	32	49	63	85	177	236	410	550	650	750	850	950	1,050	1,150
Internal Capital	31	42	47	54	78	84	137	160	166	196	209	236	255	280
External Capital	1	7	16	32	99	153	274	390	485	554	641	714	795	870
% Internal	97%	86%	75%	63%	44%	35%	33%	29%	25%	26%	25%	25%	24%	24%

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Sterling Stamos People

INVESTMENT PROFESSIONAL	TITLE	EXPERIENCE	EDUCATION
<i>Peter S. Stamos</i>	Chief Executive Officer Managing Partner	Stamos Associates, Inc. (SAI) US Senator Bill Bradley McKinsey & Company Booz Allen & Hamilton Doblin Group Harvard University, Dept. of Economics	Stanford University, BA Oxford University, DPhil Harvard University, JD Rhodes Scholar Truman Scholar
<i>Saul B. Katz</i>	President of Sterling Equities General Partner	Sterling Equities New York Mets and Brooklyn Cyclones LIJ Chairman of the Board	Brooklyn College, BS CPA
<i>Fred Wilpon</i>	Chairman of Sterling Equities General Partner	Sterling Equities New York Mets and Brooklyn Cyclones Bear Stearns & Co. Board Loews Corporation Board	University of Michigan, BS
<i>Spiro Stamos</i>	Chief Administrative Officer General Partner	Stamos Associates, Inc. (SAI) Whitaker Corporation Atlantic Richfield Hughes Aircraft	McGill University, BA
<i>David Katz</i>	Executive VP of Sterling Equities General Partner	Sterling Equities Changing World Technologies New York Mets	Hofstra University, BA

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Sterling Stamos People

INVESTMENT PROFESSIONAL	TITLE	EXPERIENCE	EDUCATION
<i>Chris Stamos</i>	Chief Operating Officer Partner	Saatchi & Saatchi Stamos Creative US Environmental Protection Agency	Stanford University, BA Oxford University, MA International University of Japan, MA Newton Tatum Scholar Mombusho Scholar
<i>Kevin Barcelona</i>	Chief Financial Officer Partner	RK Consulting Dreyfus Corporation	Seton Hall University, MS Hofstra University, BBA CPA
<i>Ellen T. Horing</i>	Senior Portfolio Advisor Partner	Highgate Partners Gabelli & Co., Inc. Weiss, Peck & Greer Merrill Lynch & Co.	Columbia University, MBA Colorado University, BS London School of Economics
<i>Ashok Chhabra</i>	Portfolio Manager Partner	McKinsey & Company Morgan Stanley Chase Securities	Carnegie Mellon University, BS
<i>Kevin Okimoto</i>	Front Office Manager Partner	Robertson Stephens MD Vista	Santa Clara University, BS

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Sterling Stamos People

INVESTMENT PROFESSIONAL	TITLE	EXPERIENCE	EDUCATION
<i>Cathy Tse</i>	Associate	Magna Securities Merrill Lynch & Co. Goldman Sachs & Co.	NYU, Leonard Stern School of Business, BS The Wharton School, MBA
<i>Robit Kumar</i>	Associate	Highgate Partners Gabelli & Co., Inc. Weiss, Peck & Greer Merrill Lynch & Co.	Indian Institute of Technology, BS Xavier Institute of Management, MS NYU, Leonard Stern School of Business, MBA
<i>Angella Rainford</i>	Associate	McKinsey & Company	Harvard University, BA University of Cambridge, MS
<i>Ted Conrads</i>	Analyst	Boston Consulting Group, ValueScience	Stanford University, BA
<i>Catherine Liu</i>	Analyst	Merrill Lynch & Co.	Nanjing University, BS Renmin University, MS UCLA, Anderson School of Management, MS

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Sterling Stamos Products

	CAPITAL PRESERVATION	CAPITAL APPRECIATION	CAPITAL OPPORTUNITY
Fund	<ul style="list-style-type: none"> ■ Cash Fund ■ Security Fund 	<ul style="list-style-type: none"> ■ Growth Fund ■ Equity Fund 	<ul style="list-style-type: none"> ■ Real Estate Fund ■ Private Equity Fund
Investment Objective	Generate consistent absolute returns with low risk	Generate significant absolute returns with moderate risk	Generate wealth with high risk
Target	Moderate (8-12%)	High (12-15%)	High (15-30%)
Liquidity	Quarterly	Semi-Annual (Growth Fund)	Capital Call Structure
Investor Horizon	Quarterly-to-Annual	3-5 years	10+ years

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Security Fund – Investment Objective

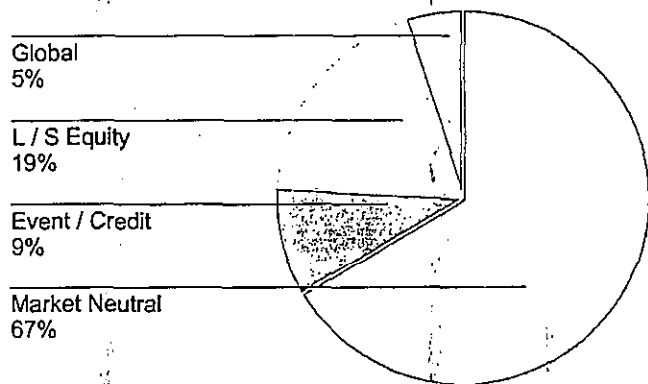
■ **Serve as an alternative to fixed income investments by:**

- Achieving moderate absolute returns 8-12 percent
- Maintaining low quarterly volatility 2-4 percent

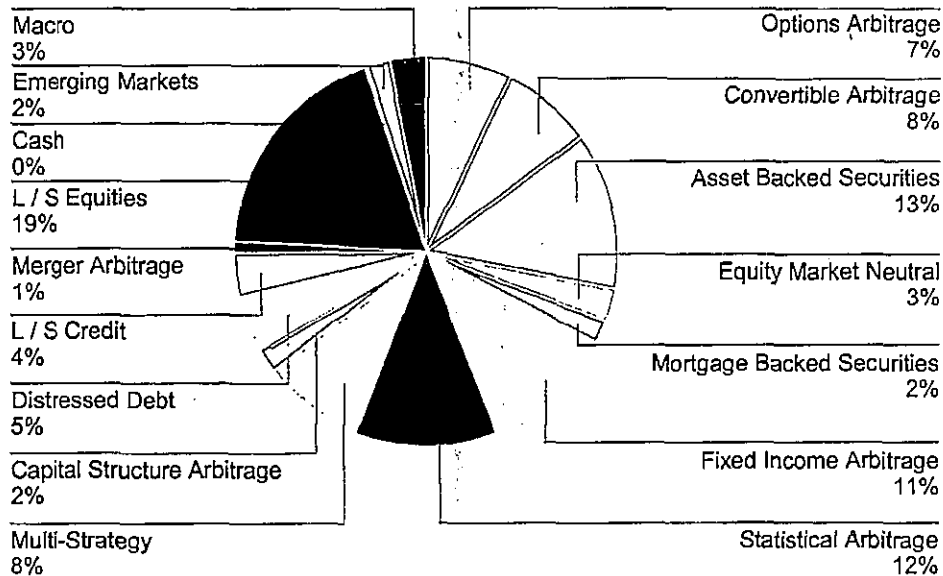
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Security Fund – Allocation (February 2004)

STRATEGY ALLOCATION



SUB STRATEGY ALLOCATION



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Security Fund – Managers

SECURITY FUND, LP MONTHLY PERFORMANCE (February 2004)

(Net of All Fees & Expenses)

Unaudited net returns

STRATEGY	SUB-STRATEGY	FUND MANAGER	FUND STATUS	INCEPTION DATE	AUM	INVESTMENT CAPACITY	ANNUALIZED RETURN	STANDARD DEVIATION	SHARPE RATIO
Market Neutral	Option Arb	A	Closed	1993	1,000 MM	50 MM	14.0%	3.1%	3.4
	Equity Stat Arb	A	Closed	2001	1,000 MM	50 MM	19.3%	6.9%	2.3
	Convert Arb	A	Closed	1992	750 MM	25 MM	21.1%	4.1%	4.3
		B	Open	1995	300 MM	Open	15.1%	4.2%	2.8
FI Arb		A	Closed	2000	300 MM	50 MM	14.2%	4.2%	2.6
		B	Open	2001	700 MM	Open	8.4%	2.1%	5.1
		C	Closed	1999	100 MM	NA	17.1%	3.6%	3.8
MBS Arb		A	Open	1993	1,000 MM	Open	10.1%	9.9%	3.6
	Asset Backed	A	Limited	1997	325 MM	25 MM	13.3%	2.0%	5.0
		B	Closed	1996	300 MM	10 MM	12.1%	2.4%	3.6
		C	Closed	2002	700 MM	10 MM	13.7%	0.9%	11.5
Equity M/N		A	Open	1997	250 MM	Open	18.2%	11.8%	1.3
Multi Strategy		A	Open	1993	1,000 MM	Open	10.0%	2.9%	2.3
		B	Open	1994	1,000 MM	Open	18.1%	6.8%	2.2
		C	Limited	2002	1,000 MM	50 MM	16.5%	5.3%	2.5
Cap Struct Arb		A	Limited	2002	400 MM	50 MM	27.4%	7.8%	3.1

Source: Sterling Stamos analysis

Security Fund – Managers

SECURITY FUND, LP MONTHLY PERFORMANCE (February 2004)

(Net of All Fees & Expenses)

Unaudited net returns

STRATEGY	SUB-STRATEGY	FUND MANAGER	FUND STATUS	INCEPTION DATE	AUM	INVESTMENT CAPACITY	ANNUALIZED RETURN	STANDARD DEVIATION	SHARPE RATIO
Event Driven	Distressed	A	Limited	1993	500 MM	50 MM	10.0%	5.4%	1.2
	Multi Event	A	Closed	1999	4,000 MM	10 MM	13.6%	4.5%	2.2
	High Grade Sprd	A	Closed	2002	600 MM	50 MM	20.7%	7.8%	2.2
	Merger Arb	A	Open	1995	300 MM	Open	8.7%	3.6%	1.5
Equity Hedged	L/S Equity	A	Closed	1999	1,800 MM	0 MM	19.9%	9.6%	1.4
		B	Closed	2002	1,500 MM	20 MM	14.9%	4.0%	2.9
	Long Equity	A	Closed	1993	200 MM	5 MM	13.1%	19.1%	.5
	Multi Strategy	A	Limited	2003	60 MM	NA	NA	NA	NA
Macro	Emerging Mkts	A ¹	Closed	1993	900 MM	20 MM	14.3%	4.6%	2.4
	Macro	A ²	Open	2000	1,000 MM	Open	18.4%	19.2%	0.8
	Syst Global	A ³	Limited	2001	250 MM	50 MM	10.3%	9.2%	0.7

Source: Sterling Stamos analysis

1. Performance to reflect change in investment team and strategy
2. Performance data reflects proprietary trading performance prior to the launch of Macro Fund A.
3. Performance prior to August 2002 is based upon proprietary account managed by investment team adjusted to reflect effect of approximate leverage Syst. Global Fund A intends to employ.

Security Fund – Performance

SECURITY FUND MONTHLY PERFORMANCE (Net of All Fees & Expenses) *Unaudited net returns*

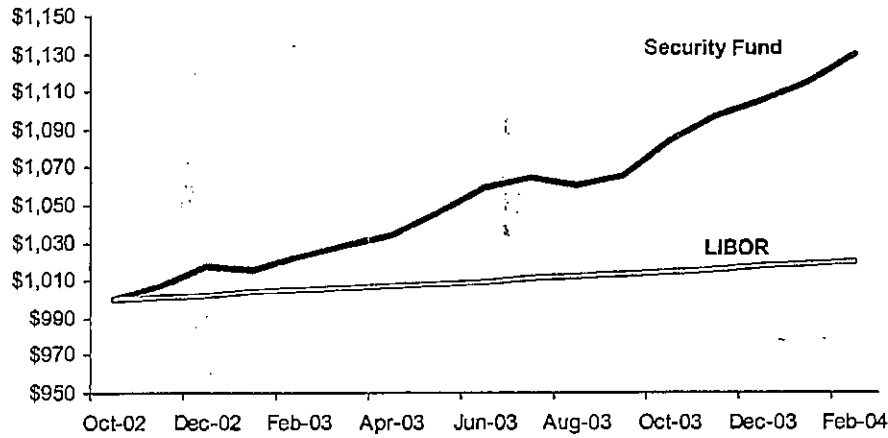
	2002	2003	2004
January		0.70%	1.28% ²
February		0.59%	
March		0.46%	
April		1.19%	
May		1.28%	
June		0.52%	
July		-0.44%	
August		0.46%	
September		1.77%	
October	0.71% ¹	1.23%	
November	1.04%	0.75%	
December	-0.19%	0.88%	
YTD	1.56%	9.79%	1.28%

Source: Sterling Stamos analysis

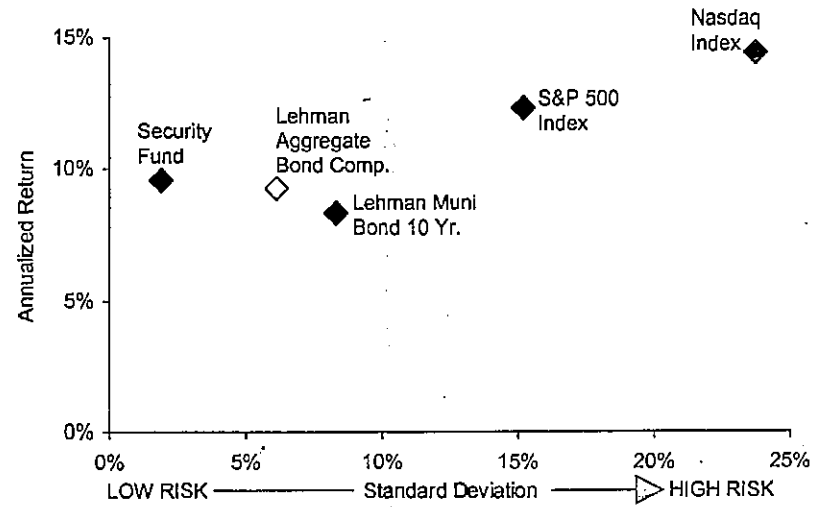
1. October 2002 marks the official offering to the public
2. Based on internal estimate as of 2/11/2004

Security Fund – Performance

SECURITY FUND PERFORMANCE



RETURN / RISK COMPARISON



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Security Fund – Terms and Conditions

Legal Structure:	Domestic 3(c)(7) Limited Partnership
Investor Eligibility:	Qualified Purchasers
Minimum Investment:	US \$5,000,000
Management Fee:	1% per annum
Performance Fee:	5%
Hurdle Rate:	5%
High Water Mark:	Yes
Lock-up:	1-Year
Redemptions:	Quarterly
Notice Period:	90 days prior written notice
General Partner:	SSP Associates GP, LLC
Management Company:	SP Capital Management, LP

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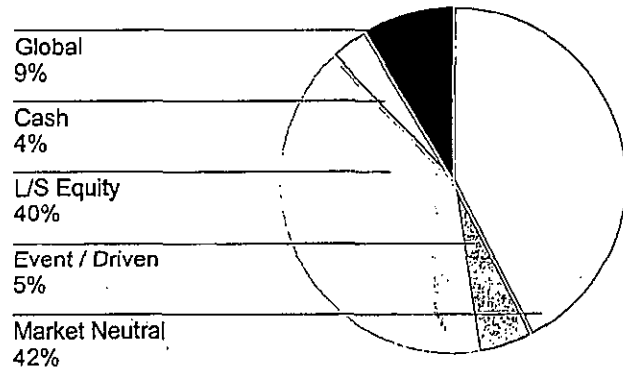
Growth Fund – Investment Objective

- **An alternative to equity investments**
 - Achieve high absolute returns 12 – 15 percent
 - Maintain moderate annual volatility 3 – 5 percent

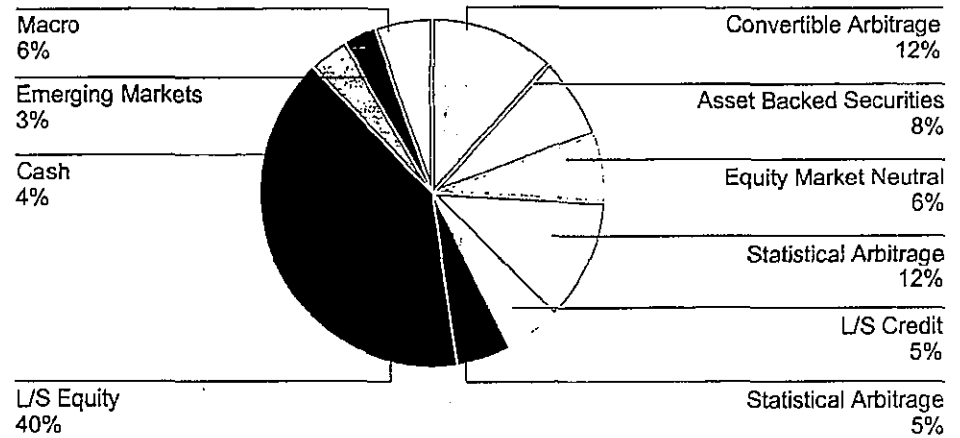
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Growth Fund – Allocation (February 2004)

STRATEGY ALLOCATION



SUB STRATEGY ALLOCATION



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Growth Fund – Managers

GROWTH FUND, LP MONTHLY PERFORMANCE (February 2004)
 (Net of All Fees & Expenses)
 Unaudited net returns

STRATEGY	SUB-STRATEGY	FUND MANAGER	FUND STATUS	INCEPTION DATE	AUM	INVESTMENT CAPACITY	ANNUALIZED RETURN	STANDARD DEVIATION	SHARPE RATIO
Market Neutral	Convert	A	Closed	1992	750 MM	25 MM	21.1%	4.1%	4.3
	Equity M/N	A	Open	1997	250 MM	Open	18.2%	11.8%	1.2
	Multi Strat Macro	A	Limited	2002	1,000 MM	50 MM	16.5%	5.3%	2.5
	Asset Backed	A	Closed	1996	300 MM	10 MM	12.1%	2.4%	3.6
	Equity Stat Arb	A	Closed	2001	1,000 MM	50 MM	19.3%	6.9%	2.3
Event Driven	L/S Credit	A	Closed	2002	600 MM	50 MM	20.7%	7.8%	2.2
Equity Hedged	L/S Garp	A	Closed	1999	1,300 MM	20 MM	27.2%	12.1%	2.0
	L/S Growth	A	Closed	2001	900 MM	20 MM	9.9%	4.8%	1.3
	L/S Value	A	Open	1993	1,000 MM	Open	20.9%	9.9%	1.8
		B	Closed	2001	700 MM	10 MM	13.5%	3.9%	2.6
	L/S w/ Catalyst	A	Closed	1999	1,200 MM	0 MM	21.2%	12.0%	1.5
		B	Closed	2002	100 MM	10 MM	22.6%	8.0%	2.4
	L/S Global	A	Open	2003	100 MM	Open	5.5%	6.6%	0.3

Source: Sterling Stamos analysis

Growth Fund – Managers

GROWTH FUND, LP MONTHLY PERFORMANCE (February 2004)
 (Net of All Fees & Expenses)
 Unaudited net returns

STRATEGY	SUB-STRATEGY	FUND MANAGER	FUND STATUS	INCEPTION DATE	AUM	INVESTMENT CAPACITY	ANNUALIZED RETURN	STANDARD DEVIATION	SHARPE RATIO
Global	Emerging Markets	A	Closed	1993	900 MM	20 MM	14.0%	4.8%	2.2
	Syst Global	A	Limited	2001	250 MM	50 MM	10.3%	9.2%	0.7
	Macro	A	Open	2002	500 MM	Open	15.1%	7.3%	1.6

Source: Sterling Stamos analysis

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Growth Fund – Performance

GROWTH FUND MONTHLY PERFORMANCE
(Net of All Fees & Expenses)
Unaudited net returns

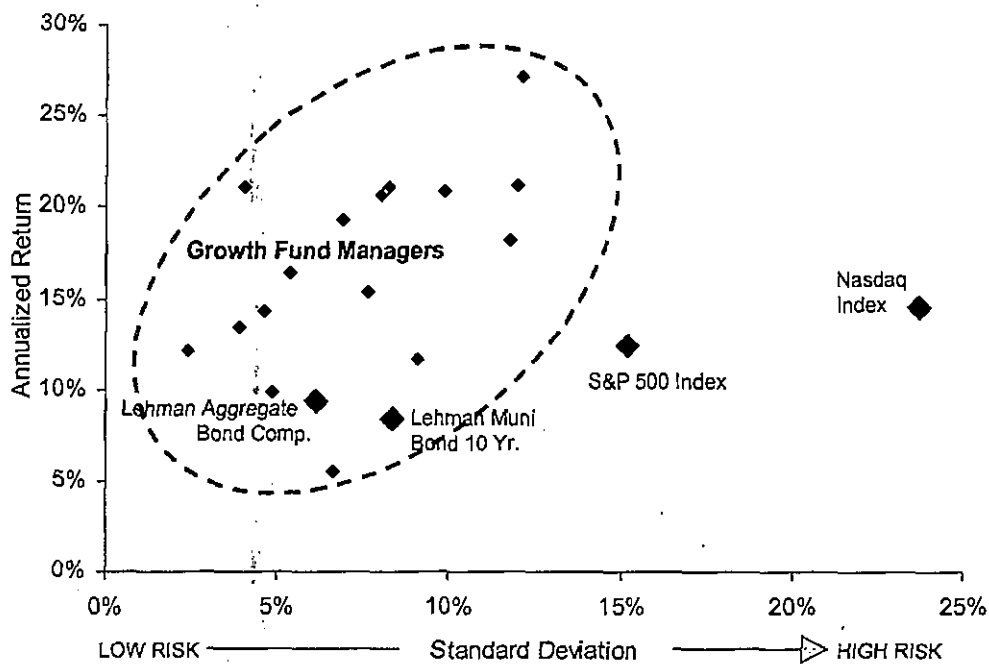
	2003	2004
January		1.42% ²
February		
March		
April		
May		
June		
July		
August		
September		
October	1.41% ¹	
November	0.54%	
December	0.86%	
YTD	2.84%	1.42%

Source: Sterling Stamos analysis

1. October 2003 marks the official offering to the public
2. Based on internal estimate as of 2/11/2004

Growth Fund – Performance

RETURN / RISK COMPARISON



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Growth Fund – Terms and Conditions

Legal Structure:	Domestic 3(c)(7) Limited Partnership
Investor Eligibility:	Qualified Purchasers
Minimum Investment:	US \$5,000,000
Management Fee:	1% per annum
Performance Fee:	10%
Hurdle Rate:	7%
High Water Mark:	Yes
Lock-up:	NA
Redemptions:	Semi-annual
Notice Period:	90 days prior written notice
General Partner:	SSP Associates GP, LLC
Management Company:	SP Capital Management, LP

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Risk Management Overview

RISK TOOLS	ANALYSIS
Portfolio Optimization	<ul style="list-style-type: none"> ■ Mean-Variance optimization model by strategy and Fund Manager utilizing historical monthly performance data
Time Series Analysis	<ul style="list-style-type: none"> ■ Covariance/correlation analysis by Fund Manager-to-Fund Manager, to-strategy, and to-the-Market ■ Distribution Curve mapping (i.e., Skewness and Kurtosis) ■ Drawdown attribution and downside deviation/recovery analysis
Portfolio Value-at-Risk	<ul style="list-style-type: none"> ■ Allocation range limits set by strategy and Fund Manager given 2-3 standard deviation adverse move (assuming normal market conditions) ■ Probability of loss determined through historical simulation as well as parametric methods such as Monte Carlo Simulation
Stress/Scenario Testing	<ul style="list-style-type: none"> ■ Worst case scenario analysis developed through <i>straining</i> the covariance matrix and analysis of historical returns and factor observations outliers ■ Qualitative case studies of high volatility periods and adverse moves in key asset classes (e.g., Russian default, Worldcom) to build "What if" scenario testing capabilities
Style Analysis	<ul style="list-style-type: none"> ■ Style drift and asset allocation analysis to quantify fund manager's performance attribution to the Fund's stated strategy and asset class ■ Factor sensitivities and factor tilt analysis to determine underlying drivers of a specific fund manager's performance at different points

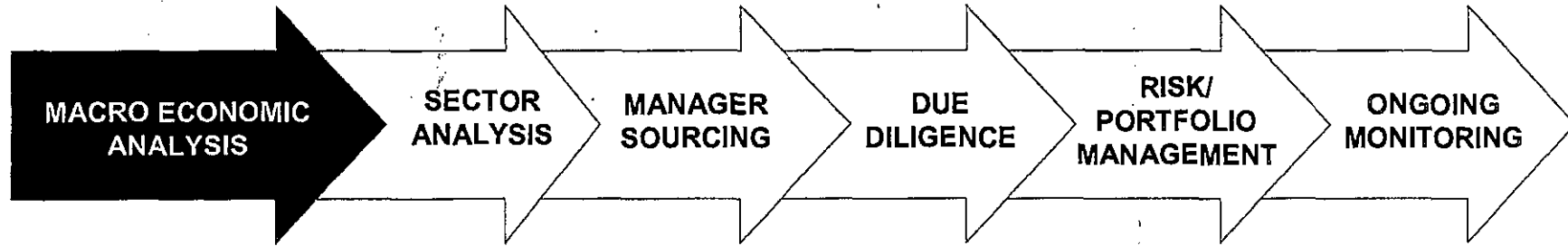
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Sterling Stamos Investment Process

- **Forward-looking approach to allocate assets across hedge fund strategies**
- **Complete transparency from underlying fund managers**
 - Position levels, performance, and risk metrics are communicated by managers on a daily, weekly, and monthly basis
- **Leverages our unique network of hedge fund managers in order to gain capacity and achieve superior portfolio construction**

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Investment Process

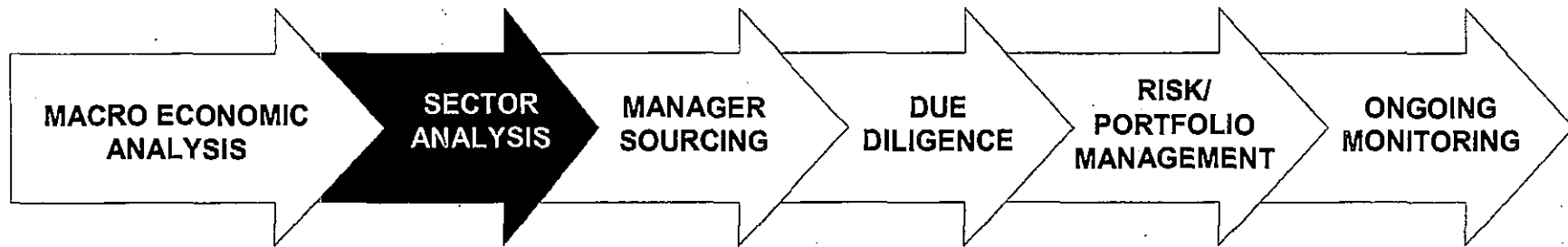


- Identify key macro economic trends based upon:
 - Fundamentals
 - Technicals
 - Liquidity

- Determine potential investment opportunities and risks among:
 - Asset classes
 - Geographies

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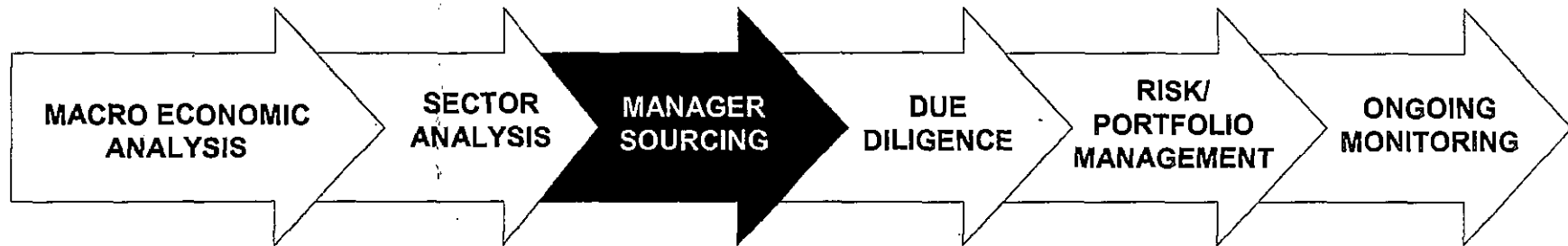
Investment Process



- Determine directional portfolio concentrations to specific hedge fund strategies based on:
 - Macro economic opportunity set
 - Risk analysis

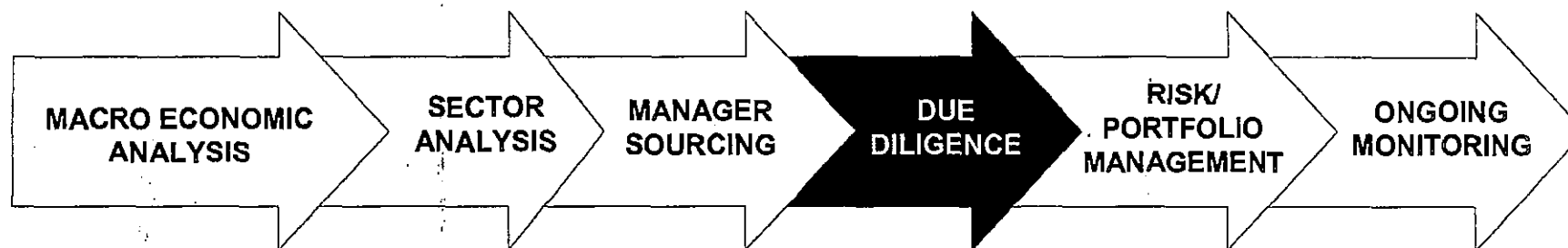
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Investment Process



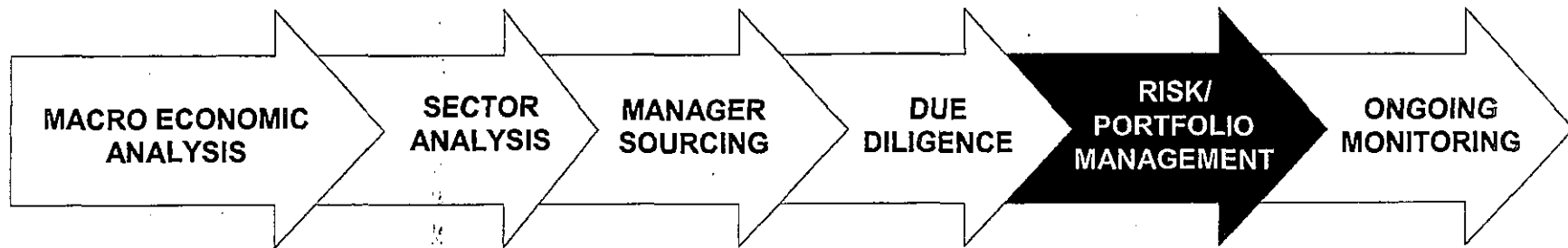
- **Leverage network and relationships of Sterling Stamos to:**
 - Identify emerging managers
 - Obtain capacity with “closed managers”
- **Leverage relationships with Investment Banks, Third-Party Marketers, Consultants, and Research Firms to identify Fund Managers**
- **Utilize industry- specific databases, newspapers, and magazines to identify Fund Managers**

Investment Process



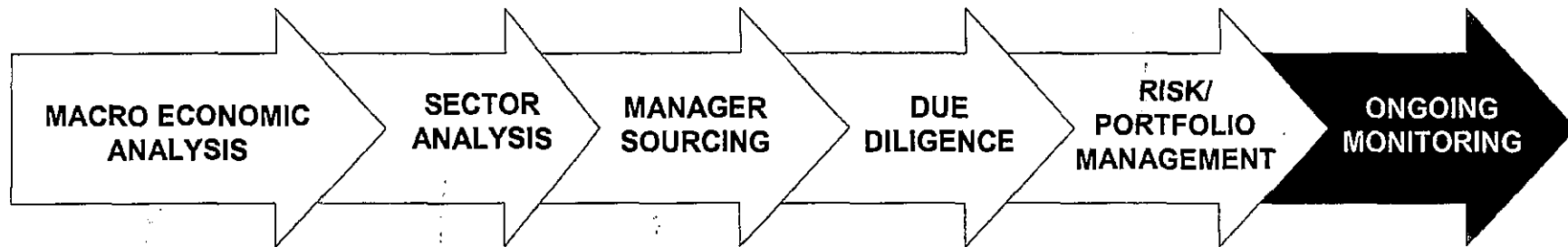
- **Contact Fund Manager to obtain information on fund specific strategy, monthly returns, performance attribution, and references prior to an initial meeting**
- **Analyze performance, liquidity, and correlations between proposed Fund Manager and existing Fund Managers in portfolio**
- **Conduct interviews and on-site visits to gain understanding of:**
 - Strategy (position level detail)
 - Operations (decision making rules, execution, and infrastructure)
 - Risk management
 - Other procedures (e.g., portfolio pricing)

Investment Process



- **Maintain portfolio exposure limits by:**
 - Sector
 - Strategy
 - Fund Manager
- **Monitor each asset class and strategy associated with underlying Fund Managers to determine market opportunities and key events**
- **Compare weekly NAVs from Fund Managers with performance of associated market/asset class**

Investment Process



- Facilitate monthly/quarterly conference calls to discuss market conditions and fund performance with each underlying Fund Manager
- Review portfolio to assess performance, risk, and allocation on
 - Weekly basis by Portfolio Team and Principals
 - Quarterly basis by Sterling Stamos Investment Committee

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Infrastructure

Private Wealth Management
Deutsche Bank



SterlingStamos

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SE 7954312

Infrastructure

Deutsche Bank

- Commercial bank and investment counterparty

The Citigroup Private Bank

- Private banking

Ernst & Young

- Auditing and tax services
- “Big 4” accounting firm

Schulte Roth & Zabel LLP

- Legal counsel
- Premier, global law firm for alternative investments

RK Consulting, LLC

- Accounting and fund administration
- Administering over \$100 billion in assets

Pragmatix/IBM

- Consulting and technology services company
- IBM business partner since 1992

Selected Biographies

Mr. Peter S. Stamos is the Chief Executive Officer of the Management Company and the managing member of the General Partner, and is ultimately responsible for the investment decisions of Sterling Stamos. Mr. Stamos was the Chief Executive Officer of Stamos Associates, Inc. (SAI), a healthcare and technology company that was acquired by Perot Systems, Inc., where he headed the merger and acquisitions practice. In addition, he was the Senior Vice President of Channelpoint, Inc. Prior to founding SAI, Mr. Stamos was the Chief of Staff and Chief Economist for U.S. Senator Bill Bradley. He was also a Principal with Booz Allen & Hamilton, a Senior Management Consultant with McKinsey & Company, and the Managing Partner of the Doblin Group.

In addition to his private and public sector work, Mr. Stamos taught economics at Harvard University – where he received the Allen Young Award for Teaching Excellence – and at Stanford University where he was an occasional guest lecturer at the Graduate School of Business. Mr. Stamos serves on several boards and advisory boards, including the Board of Stanford University Hospitals and Clinics, where he is a member of the Finance and Audit Committees and is Chairman of the Investment Committee.

Mr. Stamos earned a BA in economics and political science from Stanford University, where he was a Truman Scholar, received the Sterling Award, and graduated *Phi Beta Kappa* with Honors and Distinction. Mr. Stamos received a JD from Harvard Law School with Honors and a doctorate from Oxford University, where he was a Rhodes Scholar.

Mr. Christopher Stamos is the Chief Operating Officer of Sterling Stamos and is responsible for all organizational and operational aspects of the firm as well as the marketing and branding of all Sterling Stamos materials. Mr. Stamos spent the last ten years in Asia, studying and working in China and Japan, and most recently working for Saatchi & Saatchi doing branding, developing new business, and consulting on strategic planning in Taiwan.

Mr. Stamos earned a BA in Philosophy from Stanford University, where he was awarded a Stanford Golden Grant and a Newton Tatum scholarship (offered to Rhodes Scholarship finalists) towards an MA in Politics, Philosophy, and Economics from Oxford University, graduating with honors. After attaining fluency in Mandarin at the Cultural University of Beijing, Mr. Stamos received a Mombusho scholarship towards an MA in East Asian International Relations from the International University of Japan, graduating valedictorian with the *Dean Citation* and with *Distinction*.

Selected Biographies

Kevin Barcelona is the Chief Financial Officer at Sterling Stamos. Mr. Barcelona was a Partner with Rothstein Kass and RK Consulting where he spent eight years providing services to investment partnerships including fund of funds, private equity funds, and offshore funds, and consulting on accounting, tax, and operational issues.

He received an MS in taxation from Seton Hall University, and his BBA from Hofstra University. He is a Certified Public Accountant (CPA) and is member of the New Jersey Society of CPAs (NJSCPA) and the American Institute of CPAs (AICPA).

Mrs. Ellen Horing is the Senior Portfolio Advisor of Sterling Stamos. She is also a principal of ETH Corp/Highgate Partners, a fund of funds which invests in portfolio managers that employ various investment strategies, including, but not limited to, long/short equity, emerging market, distressed debt, private equity, mezzanine debt, venture capital, and commodities. Mrs. Horing served as Vice President and as Director of Research for Gabelli & Co., Inc., a money management and brokerage firm. She also served as an Equity Research Analyst at Weiss, Peck & Greer, L.L.C. and was an Equity Block Trader at Merrill Lynch & Co., Inc.

Mrs. Horing earned a BA in Economics from the University of Colorado and received an MBA in Finance and Accounting from Columbia Business School.

Mr. Ashok Chachra is the Portfolio Manager of Sterling Stamos and is responsible for Portfolio Manager sourcing, due diligence, risk management, and on-going portfolio monitoring. Prior to joining Sterling Stamos, he was a Senior Business Analyst with McKinsey & Company, focusing on assignments in the Financial Services and Healthcare industry sectors.

Mr. Chachra earned a B.S. in Business Administration with University Honors from Carnegie Mellon University.

Mr. Kevin Okimoto. Mr. Okimoto is the Front Office Manager of Sterling Stamos, responsible for developing and managing the firm's relationships with all of its investors. Before joining Sterling Stamos, he was a financial professional at Robertson Stephens, an investment bank, where his responsibilities included facilitating stock distributions on behalf of venture capital funds to general and limited partners. Prior to joining Robertson Stephens, Mr. Okimoto was a Business Analyst and Manager at MDvista, an internet healthcare company.

Mr. Okimoto earned a BS in Marketing from Santa Clara University and holds a General Securities Registered Representative license.

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Exhibit 10

From: Samantha Hojo
Sent: Friday, July 22, 2005 10:10:34 PM
To: samhojo@yahoo.com
Subject: stuff for weekend

Attachments: Firm Overview Book 08-05 - Sterling Stamos.ppt; 06 - History of Sterling Stamos.ppt;
07 - Sterling Stamos HFOF Differentiation (One Pager).doc; 06 - History Of Sterling
Stamos Chart.ppt; Q2-05 Sterling Stamos Quarterly Letter Draft.doc

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| STERLING STAMOS CAPITAL MANAGEMENT, L.P.
| FIRM OVERVIEW

July 2005
Confidential Presentation



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Contents

- Principles
- Partnership
- Investments
- Investment Process
- Infrastructure Partners
- People



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IMPORTANT DISCLOSURE INFORMATION

This Presentation is for discussion purposes only and shall not constitute an offer to sell or the solicitation of any offer to buy which may only be made at the time a qualified investor receives (i) a final confidential memorandum (the "Memorandum") and a Limited Partnership Agreement (the "Partnership Agreement") describing our domestic funds or (ii) a Memorandum describing our offshore funds (together with our domestic funds, our "Funds"). The Partnership Agreement and each of the Memoranda are referred to collectively as the "Fund Documents." In the event of any inconsistency between this Presentation and the Fund Documents, the Fund Documents will govern. This Presentation and its contents are strictly confidential and are not to be provided to any person without the prior written approval of (i) SSP Associates GP, LLC (the "General Partner") with respect to investors in our domestic funds or (ii) Sterling Stamos Capital Management, L.P. (the "Investment Manager") with respect to investors in our offshore funds. An investment in the Funds may involve significant risks including the risk that such an investment, in particular an investment in the Sterling Stamos Private Equity Fund, is illiquid and the risk of loss of the amount invested. In addition, certain investment practices employed by the underlying fund managers including leverage, short selling and engaging in futures and options trading, may potentially increase the adverse impact on the Funds' portfolios. While the utilization of a multi-manager/fund of funds structure may reduce the level of risk through diversification, such a structure will result in our Funds and indirectly investors in our Funds bearing multiple management fees and incentive allocations. Although this Presentation has been prepared from public and private sources and data that the General Partner and/or the Investment Manager believes to be reliable, neither the General Partner nor the Investment Manager makes any representation as to its accuracy or completeness. The performance results shown in this Presentation are net of the Funds' performance allocation and management fees and include the reinvestment of all income. In considering the prior performance information contained herein, investors should bear in mind that past performance is no guarantee of future results and there can be no assurance that the Funds will achieve comparable results. There can be no assurance that any estimated returns contained in this Presentation will be realized or that actual results will not be materially lower than those estimated.



Sterling Stamos Capital Management, L.P.

Sterling Stamos Capital Management, L.P. ("Sterling Stamos") is a registered investment adviser with the core investment objective of producing consistent absolute returns regardless of market conditions. Sterling Stamos is dedicated to investing across five major asset classes, including fixed income, absolute returns, public market equities, real assets, and private equity. With offices in Menlo Park, California and New York City, Sterling Stamos manages over \$2 billion* in aggregate capital.

Firm Principles



Partnership

We treat our investors as partners and put their interests first



Trust

We build trust-based relationships, strive for transparency, and pass on that transparency to our partners



Values

We live by the charge of our founders: "Do well by doing good"

* As of July 3, 2005.



OVERVIEW | 3

Firm Origins

- Peter Stamos
- In 1998, the Katz, Wilpon, and Stamos families jointly invest in hedge funds, public equities, and private equity with the goal of preserving existing capital
- In 2002, Sterling Stamos opens its funds to select families and institutions with the aim of replicating the Ownership Partners' 40 years of investment success for their Limited Partners and Shareholders

* As of July 5, 2006.



OVERVIEW | 4

Advantages of Sterling Stamos

- **Trust-based relationships**
- **Transparency and communication**
- **Capacity in emerging and closed fund managers**
- **Aligned interests with Ownership Partners**

Internal capital commitments from Ownership Partners to contribute a significant percentage of total assets under management across all Sterling Stamos funds

- **Ability to leverage long-term relationships**

Sterling Stamos Partners have access to leading investment managers in public and private investment vehicles

Sterling Stamos Partners have core relationships with most leading investment banks and major financial institutions

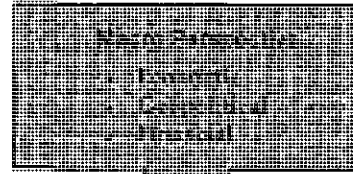
Where firm fits in landscape



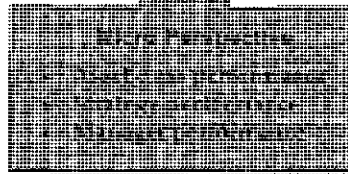
OVERVIEW | 6

Investment Principles

- Sterling Stamos utilizes its access to economic, geopolitical, and financial information to identify market discontinuities and highlight investment opportunities
- With this macro perspective, we hedge our investments by diversifying across asset classes and strategies. In this way, we capture a significant portion of the upside and minimize exposure to the downside



PORTFOLIO ALLOCATION



INVESTMENTS | 6

Investment Philosophy

- **Diversification**

The only free lunch in investing. Across and within asset classes.

- **Value**

Seek undervalued assets, unlock value, sensitivity to pricing

- **Access**

To best-in-class managers and opties, network, experience

- **Insurance**

Ex. Hedges on our portfolios; extra layer of safety; insure your other assets

- **Liquidity**

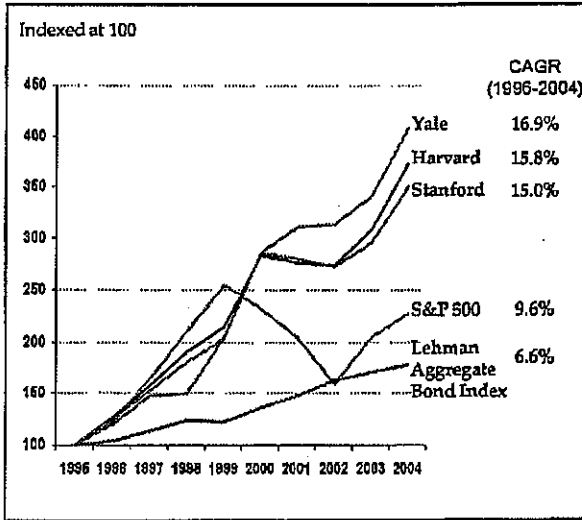
Access to capital to be able to take advantage of opties that come up



INVESTMENTS | 7

Endowment Approach

Cumulative Endowment Performance



Average Asset Allocation 2001-2004

	ASSET CLASS	HARVARD	STANFORD	YALE	ROLE
CAPITAL PRESERVATION	Fixed Income & Cash	12.4%	12.8%	11.5%	*Liquidity
	Absolute Return	30.6%	11.5%	17.2%	*Access *Insurance
CAPITAL APPRECIATION	Equities	11.7%	38.0%	28.4%	*Access
	Real Assets	40.0%	11.5%	11.5%	*Access *Value
CAPITAL OPPORTUNITY	Private Equity	10.0%	21.0%	19.5%	*Access *Value-Add

Comparison indices language.
Source: Sterling Stamos Analysis; University Annual Reports



INVESTMENTS | 8

Sterling Stamos Model Allocation

	ASSET CLASS	MODEL ALLOCATION	STERLING STAMOS INVESTMENTS	ROLE
CAPITAL PRESERVATION	Fixed Income & Cash	10-15%	<ul style="list-style-type: none"> ▪ Liquidity Fund ▪ Levered Fund ▪ Taxable Fixed Income ▪ Non-Taxable Fixed Income 	▪ Liquidity
	Absolute Return	10-20%	<ul style="list-style-type: none"> ▪ Security Fund ▪ Security Select Fund ▪ Security Fund – Friends & Family 	<ul style="list-style-type: none"> ▪ Access ▪ Insurance
CAPITAL APPRECIATION	Equities	30-40%	<ul style="list-style-type: none"> ▪ Growth Fund ▪ Acceleration Fund ▪ Legacy Fund 	▪ Access
CAPITAL OPPORTUNITY	Real Assets	15-20%	<ul style="list-style-type: none"> ▪ Real Asset Fund <ul style="list-style-type: none"> - Real Estate - Natural Resources - Operating Assets 	<ul style="list-style-type: none"> ▪ Access ▪ Value
	Private Equity	8-12%	<ul style="list-style-type: none"> ▪ Private Equity Fund ▪ Direct Investments 	<ul style="list-style-type: none"> ▪ Access ▪ Value-Add

Launch date



INVESTMENTS | 9

Sterling Stamos Investment Universe

	Capital Preservation				Capital Appreciation			Capital Opportunity		
	LIQUIDITY FUND	SECURITY FUND	SECURITY SELECT FUND	LEVERED (OFFSHORE) FUND	GROWTH FUND	ACCELERATION FUND	LEGACY FUND	REAL ASSET FUND	PRIVATE EQUITY FUND	VENTURE CAPITAL FUND
Target Annual Net Returns	4-6%	8-10%	8-10%	12-15%	12-15%	15%+	15%+	15-18%	15-18%	20%+
Estimated Annual Volatility	1%	2-4%	2-4%	3-5%	5-7%	7-10%	10%	N/A	N/A	N/A
Management Fee	1%	1%	1%	1%	1%	1%	1%	1%	2%	1%
Hurdle Return	N/A	5%	5%	6%	7%	8%	10%	8%	10%	12%
Performance Fee	0%	5%	5%	10%	10%	10%	10%	10%	10%	10%
Domestic Funds										
Launch Date	Jan-01	Oct-02	Jan-05	N/A	Oct-06	Oct-04	Apr-05	Aug-05 ¹	Jan-05	Jan-06 ⁴
Status	Enabled	Open	Open	N/A	Limited	Limited	Open	N/A	Open	N/A
Offshore Funds										
Launch Date	Jan-03	Oct-04	Jan-05	Jul-03	Jan-05	Dec-04	N/A	N/A	N/A	N/A
Status	Open	Open	Open	Limited	Limited	Open	N/A	N/A	N/A	N/A

- Investors in the Security Select Funds must indicate in their subscription materials whether they intend to subscribe to Class A, B, or C limited partnership interests or shares (collectively, the "Interests"). Class B Interests will only be available to investors who have contributed at least \$50 million to the Select Fund and Class C Interests will only be available to investors who have contributed at least \$100 million to the Select Fund. The Interests are identical in terms except with respect to the management fees, incentive allocations/fees, the length of the applicable lock-up period, the frequency of permitted withdrawals and the prior notice required for withdrawals. Specifically: Class A - Management Fee 1%, Incentive Allocation/Fee 5%, Lock-Up Period of 2 years, Annual Withdrawals/Redemptions, and 185 days prior notice for Withdrawals/Redemptions; Class B - Management Fee 1%, Incentive Allocation/Fee 5%, Lock-Up Period of 1 year, Semi-Annual Withdrawals/Redemptions, and 90 days prior notice for Withdrawals/Redemptions; and Class C - The lesser of (x) Management Fee 1% and Incentive Fee/Allocation 5% and (y) Management Fee 0.5% and Incentive Allocation 10% (provided that the total Management Fees and Incentive Allocation/Fee payable by an investor for a fiscal year will be capped at 1.75% of the Net Asset Value of such investor's Capital Account/Interests), Lock-Up Period of 1 year, Semi-Annual Withdrawals/Redemptions, and 90 days prior notice for Withdrawals/Redemptions.
- Investors in the Legacy Fund must indicate in their subscription materials whether they intend to subscribe to Class A, B, or C limited partnership interests (collectively, the "Interests"). The Interests are identical in terms except with respect to the Management Fee and the length of Lock-Up Period applicable to each such class, as follows: Class A - Lock-Up Period of 1 year, Management Fee 1%; Class B - Lock-Up Period of 3 years, Management Fee 0.5%; and Class C - Lock-Up Period of 5 years, Management Fee 0.75%.
- Projected launch dates.



Sterling Stamos Fund Performance*

(Since inception through May 31, 2005)

	Capital Preservation			Capital Appreciation	
	LIQUIDITY FUND	SECURITY FUND	LEVERED (OFFSHORE) FUND	GROWTH FUND	ACCELERATION FUND
Annualized Net Return					
Standard Deviation					
Sharpe Ratio†					
% Positive Months	100%	90%	90%	89%	83%
% Positive Quarters	100%	100%	100%	100%	100%
Launch Date	Jul-03	Oct-02	Jul-03	Oct-03	Oct-04

* Figures represent Sterling Stamos Domestic Funds except for the Levered (Offshore) Fund, are based on actual performance since inception through March 31, 2005, and are updated on a quarterly basis. The Liquidity and Acceleration Funds have been launched within the past year. Because these figures are annualized, actual returns for investments of less than a year may be materially different. The above numbers are based on unaudited figures provided by our underlying fund managers and are subject to change. Individual investor performance percentages will vary depending on the date of investment. All performance figures are net of all underlying manager and Sterling Stamos fees and expenses.

† Assumes risk free rate of 3.0%.



Investment Process Overview

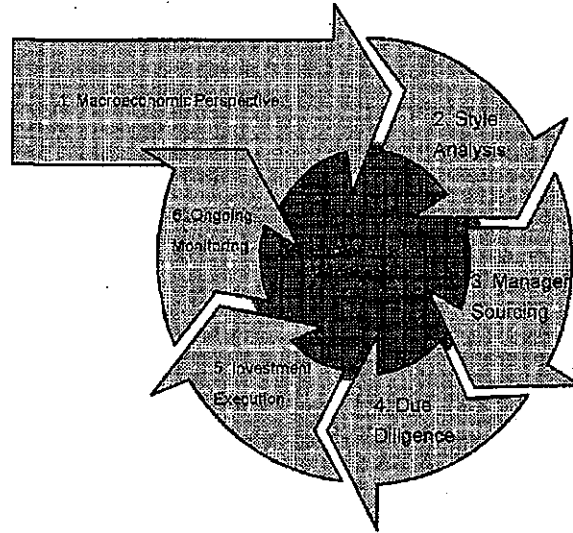
- **Distinctive forward-looking approach, informed by Sterling Stamos' global macroeconomic perspective, to allocate investments across alternative investment strategies**
- **Unique and extensive network of strategic relationships to source and gain capacity with best-in-class hedge fund managers**
- **Thorough due diligence and comprehensive risk analysis to achieve superior portfolio construction and results**
- **Transparency from underlying fund managers for enhanced monitoring of investments – underlying position, performance, and risk metrics are communicated on a weekly and/or monthly basis to the portfolio team**



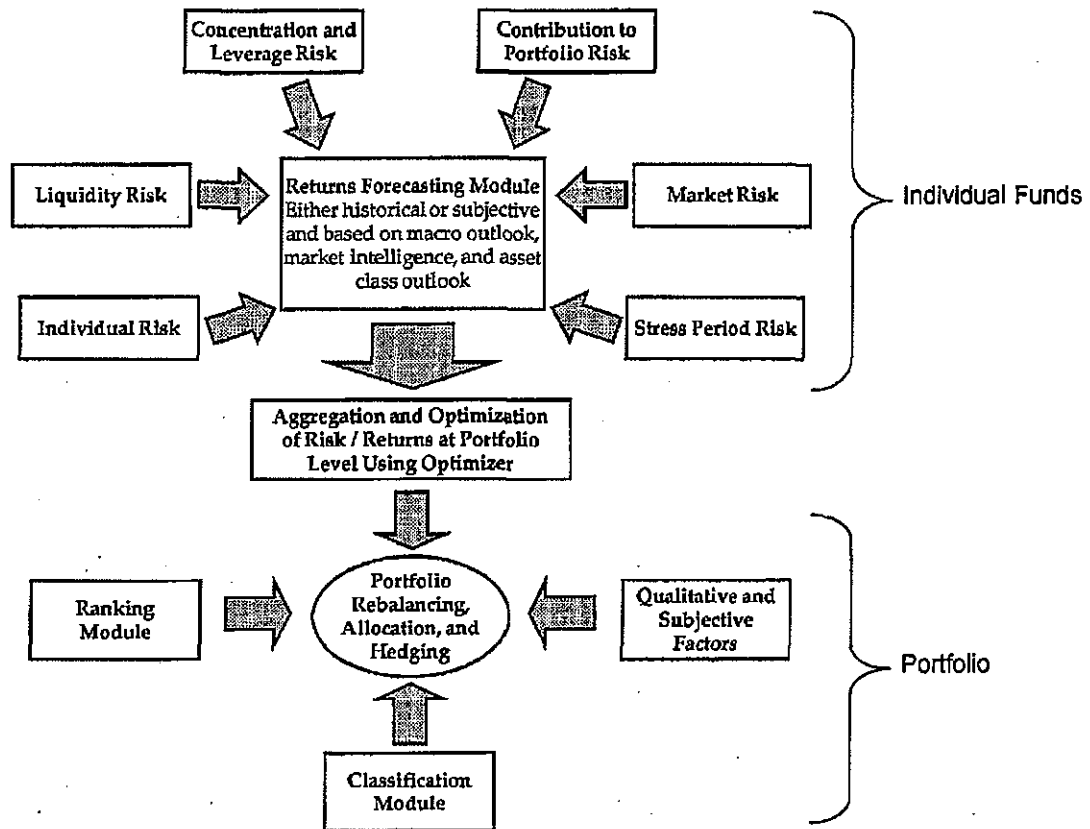
INVESTMENT PROCESS | 12

Investment Process

- Step 1
Develop distinctive macroeconomic perspective on US and global markets
- Step 2
Translate macroeconomic perspective to best position our portfolio
- Step 3
Source best-in-class hedge fund managers
- Step 4
Conduct due diligence on selected manager
- Steps 5-6
Investment execution and monitoring
- Steps 1-6
Ongoing portfolio and risk management



Risk / Portfolio Management System Overview



INVESTMENT PROCESS | 14

Sterling Stamos People

- Total Employees: 43

CEO

- Peter Stamos, Managing Member

Portfolio Team (12)

- Ashok Chachra, Sr. Portfolio Manager
- David Hood, Managing Director, Real Assets
- Michael Kastner, Managing Director, Fixed Income
- Catherine Lee, Manager, Private Equity
- John Lee, Manager, Capital Preservation Funds
- Rohit Kumar, Manager, Risk Management
- Cathy Tse, Manager, Capital Appreciation
- 5 Associates, Analysts, and Administrative Staff

Legal, Compliance, and Business Development (3)

- Jared Kanover, Chief Compliance Officer and General Counsel
- Laurie Reid, VP, Business Development
- 1 Associate

Finance (7)

- Kevin Barcelona, Chief Financial Officer
- Kristina Brenner, Controller
- 5 Associates, Analysts, and Administrative Staff

Investor Relations (6)

- Kevin Okimoto, Partner, Front Office
- Rick Stockton, Director, Investor Relations
- Kai Bergman, Manager, Investor Relations
- Georgette Wong, Manager, Investor Relations
- 2 Associates, Analysts, and Administrative Staff

Operations and Administration (12)

- Chris Stamos, Managing Partner, New York Office
- Spiro Stamos, Chief Administrative Officer
- Lloyd Leanse, VP, Finance/Administration
- 9 Associates, Analysts, and Administrative Staff

Sterling Stamos Foundation*

- Basil Stamos, Partner, Foundation*

Sterling Stamos Institute

- Daniel Okimoto, Partner, Institute

* Pending approval as tax-exempt 501(c)(3) charitable organization



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Selected Biographies

Mr. Peter S. Stamos is the CEO of the Management Company and the Managing Member of the General Partner. Mr. Stamos is ultimately responsible for all investment decisions for Sterling Stamos. Previously, he was the CEO of Stamos Associates, Inc. (SAI), a healthcare and technology company that was acquired by Perot Systems, Inc. In addition, he was the Senior Vice President of Channelpoint, Inc.

Before founding SAI, Mr. Stamos was the Chief of Staff and Chief Economist for US Senator Bill Bradley. He was also a Principal with Booz Allen & Hamilton, a Senior Management Consultant with McKinsey & Company, and the Managing Partner of the Doblin Group.

In addition to his private and public sector work, Mr. Stamos taught economics at both Harvard University – where he received the Allen Young Award for Teaching Excellence – and at Stanford University, where he was an occasional guest lecturer at the Graduate School of Business. Mr. Stamos serves on several boards and advisory boards, including the board of Stanford University Hospitals and Clinics, where he is Chairman of the Investment Committee and a member of the Finance and Audit Committees.

Mr. Stamos received a PhD from Oxford University, where he was a Rhodes Scholar, and a JD with honors from Harvard Law School. He earned his BA in economics and political science from Stanford University, where he was a Truman Scholar, received the Sterling Award, and was elected to *Phi Beta Kappa* with honors and distinction.

Mr. Christopher Stamos is the Managing Partner, New York Office for Sterling Stamos and is responsible for all organizational and operational aspects of the firm. Most recently, he worked for Saatchi & Saatchi in Taiwan focusing on branding, business development, and strategic planning. Mr. Stamos spent the last 10 years in Asia, studying and working in China and Japan.

Mr. Stamos earned a BA in philosophy from Stanford University, where he was awarded a Stanford Golden Grant and a Newton Tatum Scholarship (offered to Rhodes Scholarship finalists) towards an MA in politics, philosophy, and economics from Oxford University, graduating with honors. After attaining fluency in Mandarin at the Cultural University of Beijing, Mr. Stamos received a Mombusho Scholarship towards an MA in East Asian international relations from the International University of Japan, graduating valedictorian with the Dean's Citation and with distinction.

Mr. Kevin M. Barcelona is the CFO for Sterling Stamos. Mr. Barcelona is responsible for fund operations, finance, accounting, and compliance. Prior to joining Sterling Stamos, he was a Partner with Rothstein Kass and RK Consulting (now BISYS), where he provided accounting, tax, and consulting services to investment partnerships including fund of funds, private equity funds, and offshore funds.

Mr. Barcelona received an MS in taxation from Seton Hall University and a BBA from Hofstra University. He is a Certified Public Accountant and is member of the New Jersey Society of CPAs (NJSCPA) and the American Institute of CPAs (AICPA).



Selected Biographies

Mr. Ashok Chachra is the Senior Portfolio Manager for Sterling Stamos and is responsible for portfolio manager sourcing, due diligence, risk management, and ongoing portfolio monitoring. Prior to joining Sterling Stamos, he was a Senior Business Analyst with McKinsey & Company, focusing on assignments in the financial services and healthcare industry sectors.

Mr. Chachra earned a BS in business administration with university honors from Carnegie Mellon University.

Mr. Jared A. Kanover is the firm's Chief Compliance Officer and General Counsel. Prior to joining Sterling Stamos, he was an Associate with Schulte Roth & Zabel LLP in their Investment Management group. Before joining Schulte Roth & Zabel LLP, Mr. Kanover was an Associate with Dewey Ballantine LLP in their Private Equity, Venture Capital, Investment Management group.

Mr. Kanover received his JD from the NYU School of Law, where he was awarded a full-tuition academic Dean's Scholarship. He is a member of the Professional Advisory Board of the NYU School of Law's Journal of Law and Business and a member of the New York State Bar Association. Mr. Kanover received his BS in Consumer Economics/Policy Analysis and Management from Cornell University. While at Cornell, he was on the Dean's List each semester and was named to the Kappa Omicron Nu, Golden Key, and Gamma Sigma Delta national honor societies.

Mr. Kevin Okimoto is the Partner, Front Office for Sterling Stamos, responsible for developing and managing the firm's relationships with all of its investors. Before joining Sterling Stamos, he was a financial professional at Robertson Stephens, an investment bank, where his responsibilities included facilitating stock distributions on behalf of venture capital funds to general and limited partners. Prior to joining Robertson Stephens, Mr. Okimoto was a Business Analyst and Manager at MDvista, an Internet healthcare company. Mr. Okimoto earned a BS in marketing from Santa Clara University.

Dr. Basil Stamos heads the Sterling Stamos Foundation*. Dr. Stamos is a licensed general internist. He currently volunteers his time at the Tom Waddell Clinic in San Francisco, where he worked for 10 years serving a predominantly homeless population of the city. Dr. Stamos' previous practice was in the urgent care unit of Cook County Hospital in Chicago. His residency included services at Cook County Hospital and George Washington University Medical Center in Washington, DC.

Dr. Stamos received his MD from the University of Michigan Medical School, where he received the Pat Nihland Memorial Award. He earned a BS in biology and a BA in political science from Stanford University and was named to the Pi Sigma Alpha political science honors society.

*Pending approval as tax-exempt 501(c)(3) charitable organization



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History of Sterling Stamos

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 Sterling Stamos

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The Story of Sterling Stamos

- Saul Katz and Fred Wilpon are childhood friends from Brooklyn; humble beginnings
- Have been together for over 4 decades as family, and over 3 decades as a business
- Saul graduated from Brooklyn College; Fred graduated from University of Michigan
- Saul's background is accounting (a CPA)
- Saul married Fred's sister Iris
- Saul and Fred found real estate development and investment firm Sterling Equities (1972)
- First big success came with the development of Tarrytown (Westchester County)
- Other notable buildings they built: Revlon (Lipstick), L'Oreal (575 Park), 450 Lexington (Davis Polk), most recently the Bear Stearns building (David Childs – Freedom Towers)
- Did a lot of riskier development in the early going, but then embraced lower risk, lower return strategy as time went on – enhancing value of existing buildings with anchor tenants
- Sterling Equities acquires an ownership stake in the New York Mets in 1980
- Had created a lot of wealth; now time to start preserving wealth (diversification)
- Began to diversify into hedge funds in 1984 (Bernie Madoff has generated 15% net return with a 3% standard deviation since inception in early 80's)

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The Story of Sterling Stamos (continued)

- By 1985 Saul & Fred were almost completely out of real estate; market was overheated; began to focus more and more on Mets along with majority owner Nelson Doubleday
- In 1986, Sterling Equities acquires 50% ownership in the Mets
- By late 80's started to get involved in real estate again, this time the secondary market, focusing on distressed properties and RTC opportunities
- In 1992 Sterling Equities launched first real estate fund (Sterling American Properties)
- In 1992 Sterling Equities partnered with American Securities and launched its first private equity fund (primarily later stage private equity; LBO)
- Saul and Fred have always had a dream to find a cure for a disease; in 1993 Sterling Equities seeds the financing of Pathogenesis for \$40 million; Pathogenesis at the time was seeking FDA approval for a treatment drug for pediatric cystic fibrosis
- Peter Stamos founds Stamos Associates Inc. (SAI), a healthcare technology company and healthcare consultant specializing in hospital mergers throughout the United States
- Saul Katz , who was on the board of Long Island Jewish Health System, and Peter Stamos became close with Peter; SAI was the architect of LIJ's merger with North Shore Hospitals

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The Story of Sterling Stamos (continued)

- In 1997, SAI was acquired by Perot Systems, Inc.; a wealth creation event for Peter
- In 1998, the Katz and Wilpon families invite the Stamos family to jointly invest with them
- David Katz (son of Saul) believes that the family's investment activities should be institutionalized with formal infrastructure and fiduciary responsibility
- Saul, Fred and David approach Peter with idea that he run an investment company, made up largely of the assets of their families; attempt to recreate Madoff-like return-risk investment alternative; attempt to replicate 40 years of investment success and share it
- select investment partners who share our same value; diversify away from Madoff
- Pathogenesis was sold to Chiron for \$650 million in cash in 2000
- In 2002, Sterling Equities acquires 100% ownership of the New York Mets
- Fred Wilpon is the face of the Mets; Michael Katz and Richard Wilpon run team day-to-day
- Sterling Equities and the Stamos family form Sterling Stamos with an initial \$30 million
- Saul and Fred want a legacy organization – Sterling Stamos may be that organization
- Sterling Stamos now manages \$750 million for over 150 families
- Sterling Stamos plans to form charitable foundation and research institute in 2005

The Story of Sterling Stamos (continued)

- Sterling American Properties Fund I (SAP I) launched in 1992
- SAP II launched in 1996
- SAP III launched in 1999
- SAP IV launched in 2002 (\$300 million in capital committed)
- Have raised over \$500 million and have combined IRR of approximately 18% - 22%

- American Securities Fund I launched in 1994
- American Securities Fund II launched in 1998
- American Securities Fund III launched in 2001 (\$650 million in capital committed)
- Have raised over \$1.1 billion and have a combined IRR of approximately 25%

- Alpha platform of real estate, private equity, hedge funds, and sports entertainment
- Mets is a \$500 million asset
- Katz, Wilpon and Stamos families still have \$500 million in Madoff
- Never lost a partnership, never lost a building, never had a down year

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The Sterling Stamos Difference

The Value Add Versus Other Hedge Fund-of-Funds Opportunities

Meaningful Access: The Wilpon and Katz families have been active hedge fund investors for 20 years. Sterling Stamos leverages these existing relationships to selectively access and secure capacity with hedge funds that are often otherwise closed to new capital. Dr. Peter Stamos, the CEO of Sterling Stamos, offers macroeconomic insights to underlying hedge fund managers, the sharing of which further enhances the ability of Sterling Stamos to access exclusive hedge funds.

Internal Due Diligence Network: Sterling Stamos leverages the business expertise of its fifty percent partner, Sterling Equities. Founded over 30 years ago by the Wilpon and Katz families, Sterling Equities has developed deep expertise in hedge funds, private equity, and real estate. In addition to providing a perspective that only experience can generate, the Wilpon and Katz networks also provide unique proprietary sourcing and due diligence capabilities.

Unique Macro Perspective: Sterling Stamos CEO, Dr. Peter Stamos, an Oxford-trained economist, serves in various board and advisory roles to elite academic, political, and philanthropic institutions. These forums and the access they provide enable Dr. Stamos to engage in conversations with many of the most progressive and influential thinkers of our time on investment and economic issues that effect the investments industry. Dr. Stamos' informed macro economic view is integrated into the construction and active management of Sterling Stamos portfolios.

Commitment: The GP intends to maintain fund investments of approximately 25% of the total firm assets under management.

Opportunistic: The deep, liquid resources of the GP, combined with the commitment of the GP, creates the unique ability to both take advantage of unforeseen opportunities that arise as well as to provide for greater portfolio flexibility through rebalancing.

Equal Treatment: All LPs are treated the same. No LP benefits from preferential terms (i.e. fees and liquidity). Sterling Stamos does not issue side letters with any of its LPs.

Stability of Assets: The large commitment of the GP, coupled with the GP's strong relationships with its LPs creates a stable asset environment.

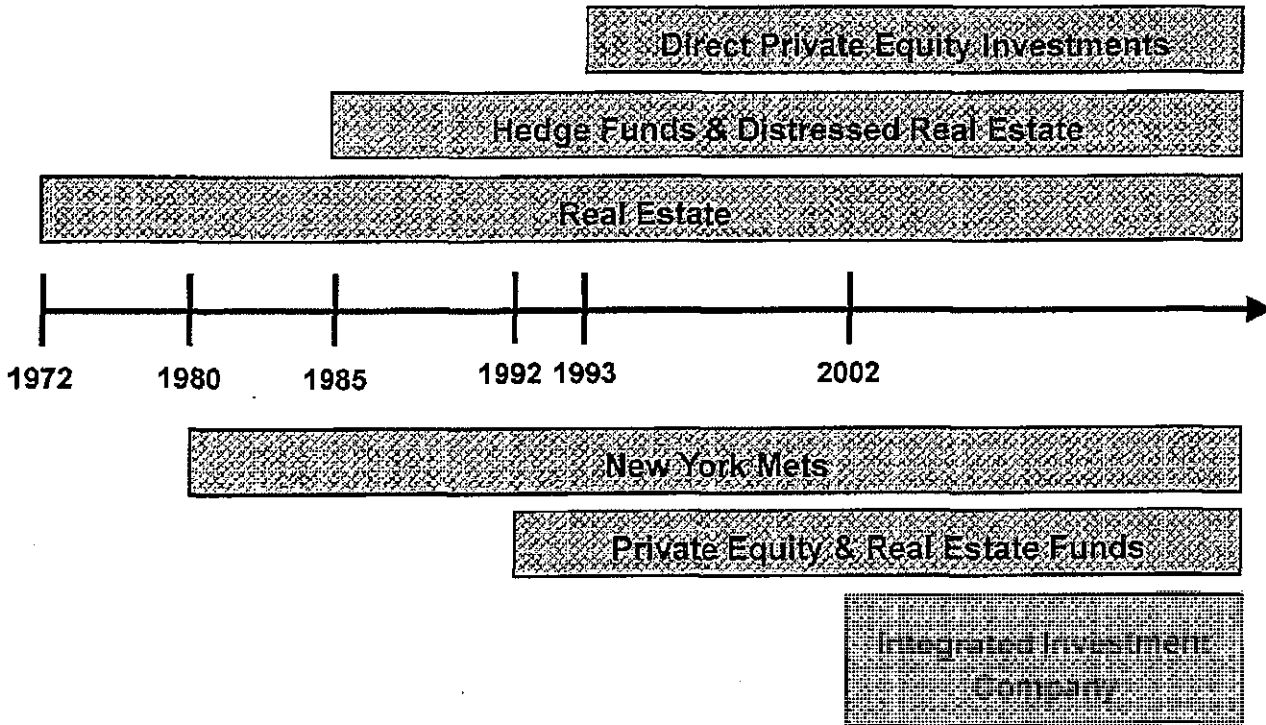
Higher Level of Transparency: Sterling Stamos has trust-based relationships with its LPs, and as such, openly shares all appropriate underlying hedge fund manager information with its LPs.

Higher Level Of Liquidity: After an initial one-year lockup, LPs are permitted to make quarterly redemptions, thus enabling LPs the ability to rebalance their overall asset allocation.

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Sterling Stamos
Firm History



May 23, 2005

Sterling Stamos
575 Fifth Avenue, 40th Floor
New York, NY 10017

RE: Second Quarter 2005

Dear Partner:

Performance

For the quarter ending June 30, 2005, an investment in Sterling Stamos appreciated, net of all fees and expenses, by approximately:

<u>Capital Preservation Funds</u>	<u>Q2</u>	<u>2005 YTD</u>	<u>Status</u>
Liquidity Fund (Domestic)			Open
Liquidity Fund (Offshore)			Open
Friends & Family Fund (Domestic)			Limited
Security Fund (Domestic)			Open
Security Fund (Offshore)			Open
Security Fund Select (Domestic)			
Security Fund Select (Offshore)			
Levered Fund (Domestic and Offshore)			Closed
<u>Capital Appreciation Funds</u>	<u>Q2</u>	<u>2005 YTD</u>	<u>Status</u>
Growth Fund (Domestic)			Limited
Growth Fund (Offshore)			Limited
Acceleration Fund (Domestic)			Open
Acceleration Fund (Offshore)			Open
Legacy Fund* (Domestic)			Open
<u>Capital Opportunity Funds</u>	<u>Q2</u>	<u>2005 YTD</u>	<u>Status</u>
Private Equity Fund†	N/A	N/A	
Real Asset Fund‡	N/A	N/A	Open
* The Legacy Fund opened on April 1, 2005. † The Private Equity Fund opened on November 1, 2004, and completed its second closing on May 1, 2005. The Fund will open to additional investments on July 1, 2005 and will close again on October 1, 2005. ‡ The Real Asset Fund will open on August 1, 2005.			
Q - quarter - YTD - year-to-date			



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Capital Preservation Funds

Liquidity Fund

Security Fund

Liquidity Fund ¹

Security Fund ¹

1M LIBOR ²

Lehman Aggregate Bond Index ³

HFRX Relative Value Arbitrage Index ³

Levered Fund

Levered Fund ¹

HFRX Relative Value Arbitrage Index ³

Lehman Aggregate Bond Index ³

Capital Appreciation Funds

Growth Fund

Acceleration Fund

Growth Fund ¹

Acceleration Fund ¹

HFRX Equity Hedge Index ⁴

HFRX Equity Hedge Index ⁴

1. Sterling Stamos performance figures are based on actual fund performance through June 30, 2005.
2. The 1-Month LIBOR is intended to represent a comparable benchmark for the Sterling Stamos Liquidity Fund, L.P. (the "Liquidity Fund"), an enhanced cash management fund. Similarities include redemption terms and that some of the assets within the Liquidity Fund are tied to floating interest rates. It should be noted that the LIBOR is often used as a proxy for the risk free rate and has lower volatility than the Liquidity Fund which may result in substantially different performance from the Liquidity Fund. The 1-Month LIBOR is provided for illustrative purposes only, is unmanaged, reflects reinvestment of income and dividends, and does not reflect the impact of fees.
3. The Lehman Aggregate Bond and Hedge Fund Research, Inc. ("HFRX") Relative Value Arbitrage Indices are intended to represent comparable benchmarks for the Sterling Stamos Security Fund, L.P. (the "Security Fund") and the Sterling Stamos Levered (Offshore) Fund, Ltd. (the "Levered Fund"). The Lehman Aggregate Bond Index has historically had similar volatility characteristics as the Security and Levered Funds. It should be noted that the underlying securities of the Lehman Aggregate Bond Index and the Security and Levered Funds are materially different. The HFRX Relative Value Arbitrage Index, launched April 1, 2005, has similar underlying investment strategies as the Security and Levered Funds which include market neutral, fixed income arbitrage, convertible arbitrage, and other conservative absolute return strategies. It should be noted that the Security and Levered Funds also include allocations to strategies which are not represented in the HFRX Value Arbitrage Index. These indices are provided for illustrative purposes only, are unmanaged, and reflect reinvestment of income and dividends. The Lehman Aggregate Bond Index does not reflect the impact of fees or expenses. The HFRX Relative Value Arbitrage Index is net of fees and expenses.
4. The HFRX Equity Hedge Index is intended to represent a comparable benchmark for the Sterling Stamos Growth Fund, L.P. (the "Growth Fund") and the Sterling Stamos Acceleration Fund, L.P. (the "Acceleration Fund"). The HFRX Equity Hedge Index has similar volatility and underlying investment strategies as the Growth and Acceleration Funds which combine core long holdings of equities with short sales of stock or stock index options. It should be noted that the Growth and Acceleration Funds have allocations to additional strategies that are not represented in the Equity Hedge Index which may result in substantially different performance from the index. This index is provided for illustrative purposes only, is unmanaged, reflects reinvestment of income and dividends, and is net of fees and expenses.

Summary and Outlook

Performance:

The Economy and Markets

"Two paradoxes are better than one; they may even suggest a solution."

- Edward Teller

Following the poor performance of the equity markets for the first quarter of 2005, the second quarter held further decline ending with a sharp reversal towards the end of April. For the period, the major equity indices closed up with the exception of the Dow Jones Industrial Average (the "Dow"). The Dow closed down 2.2%, while the S&P 500 gained 0.9%. The technology sector and smaller capitalization companies rose with the Nasdaq Composite gaining 2.9%, and the Russell 2000 Index posting a strong 4.0% gain. Nonetheless, year to date, the losses from the first quarter of 2005 remain unremitting. Somewhat favorable economic reports and rather robust earnings helped to support these gains. The strength of the equity market gains is a leading indicator of anticipated economic strength. The US dollar significantly strengthened over the past quarter, also indicating an optimistic outlook for the US economy. The US dollar gained X% against the Euro and Y% against the Japanese Yen.

Paradoxically, bond investors have not shared this optimistic outlook for the US economy over the past quarter. US Treasuries rallied over this period in spite of continued tightening by the Federal Reserve, thereby buoying the Federal Reserve Chairman, Alan Greenspan's "conundrum." Long-term rates declined, with the yield on the 10-year Treasury note falling from a high of 4.643% last quarter to a low of 3.886% at the end of the May. A second paradox of the quarter is the parallel movement of the equity markets with oil prices. Energy prices typically move in an inverse pattern to the equity markets, yet the past quarter witnessed the breakthrough of a new resistance level of \$60/barrel occurring simultaneously with robust gains in the equity markets.

Sterling Stamos Portfolio Implications:

Just as the paradoxes of the markets have led to "substantial uncertainties", including the sustainability of housing prices, the potential for a sharp rise in energy prices and the future of the unyielding US consumer, so have these paradoxes also suggested a solution. The traditional portfolio asset allocation of 60% equities and 40% bonds no longer suffices in the navigation of such markets.

We, at Sterling Stamos, continue to take an endowment approach to investing. Harvard, Stanford, and Yale have successfully deployed this model, outperforming all major equity and fixed income indices across a range of investment environments. Our endowment approach entails five core investment philosophies: diversification, value, access, insurance, and liquidity. We diversify across and provide access to the best

managers across five asset classes: Fixed Income, Absolute Returns, Equities, Real Assets, and Private Equity. It is a dynamic model in which we can modify the allocation across the asset classes according to the opportunity set identified and the investment objectives of the investor.

Capital Preservation

Absolute Return Investments

Security

Security Select

Security Friends and Family

Levered

Fixed Income and Cash Management

Liquidity

This August, Sterling Stamos will be expanding our product offering to include fixed income asset management. We will begin with the launch of what we call Reserve Cash Management (RCM). RCM is an investment style that brings a sophisticated investment management approach to what has traditionally been a passively managed asset.

Typically in an average portfolio that does not follow the RCM discipline, idle cash is either swept into a money market fund, invested in certificates of deposit or even in some cases remains un-invested. None of these alternatives maximize the return potential of the asset. While a money market fund offers ready liquidity, the manager is tasked solely with keeping the portfolio liquid and therefore the actual valuation of the investment is usually secondary to the purchase itself. Certificates of deposit, almost without exception, pay a below market rate and carry with it a time commitment of up to two years. What differentiates RCM is the five step portfolio construction process that evaluates the relative value of:

- 1) Interest rates
- 2) Various security classes
- 3) Coupon, maturity and call structure
- 4) Shape of the yield curve
- 5) Credit worthiness of the issuer.

Through continuous monitoring and strategic rebalancing, we are able to maximize the return on the portfolio while maintaining a risk profile similar to that of a money market fund.

In the nearly ten years that I have been managing Reserve Cash Management assets, the strategy has generated approximately 125 basis points above the average money market fund. Given the current state of the economy and the continually hawkish comments from Federal Reserve Chairman Greenspan, I expect that the strategy will generate

approximately 4.00% over the coming 12 months in the taxable market and approximately 3.20% in the municipal bond market.

Capital Appreciation
Growth
Acceleration
Legacy

Capital Opportunity
Private Equity
Real Assets
Opportunity

Organizational Developments

Staffing

Through our growth, continuing to put the needs of our limited partners first is the highest priority for the firm.

RIA

Harris W. Schwartz is a Compliance Associate. Prior to joining Sterling Stamos, he was a Compliance Officer at Nordea Investment Management North America, a registered investment adviser, a Compliance Officer for Nordea Securities, Inc., a registered broker-dealer, and a Risk Manager for Nordea Bank Finland, New York Branch. Harris received his B.A. in Economics from Hunter College.

Investor Dinner

Date is set for October 18th at the Four Seasons.

West coast dinner, in Menlo or SF (not sure), is likely on November 8th

Office Move

450 Park Avenue

12th & 29th Floors (how do we do THAT?)

mid-September