



**FOR IMMEDIATE RELEASE**

**STERLING PARTNERS REJECT MADOFF TRUSTEE'S LAWSUIT AS WORK OF FICTION**

**GREAT NECK, N.Y., March 20, 2011** – In court papers filed today, Fred Wilpon, Saul B. Katz and their Sterling Equities partners (the “Sterling Partners”) began the process of defending themselves in court against the false allegations made by the Trustee overseeing the liquidation of Bernard L. Madoff Investment Securities LLC (BLMIS). In the motion filed today, the Sterling Partners provide clear evidence that the Trustee’s amended complaint:

- Makes false allegations in an effort to force a settlement from a high-profile group of individuals.
- Makes false charges against the Sterling Partners that are directly contrary to the evidence available before the complaint was filed.
- Omits evidence overwhelmingly favorable to the Sterling Partners that was not made available to the Sterling Partners before the complaint was filed.
- Was filed containing false allegations despite repeated warnings that these charges would inflict harm upon the Sterling Partners’ reputations and businesses.
- Ignores established law governing the liquidation of a federally regulated broker-dealer institution.

The Sterling Partners’ response motion categorically and unequivocally rejects each of the Trustee’s charges, demonstrating how the complaint makes allegations that are contradicted by the evidence. Examination of the evidence makes clear the Trustee’s complaint was crafted to pressure the Sterling Partners to pay a huge settlement. The Sterling Partners had a working relationship with Madoff that millions of Americans have with their brokers. They entrusted their investments to him, looked to him for liquidity from their funds when they needed it and relied on the statements they received from him as evidence of the securities they owned.

Fred Wilpon and Saul Katz said, “After months of damaging leaks, false accusations and withholding of evidence, we can finally legally respond to the work of fiction created by the Trustee. Let us be very clear: we did not know that Madoff was engaged in a fraud. There were no red flags and we received no warnings. It’s important to remember that before Madoff confessed his crimes, most of the world, including the SEC, viewed Madoff as a legendary Wall

Street figure who was a pioneer in electronic trading and had served with distinction as the Chairman of NASDAQ.

“At every step in this process, the Trustee has dismissed our requests for information in his possession when we have cooperated fully with him. We will continue to defend ourselves vigorously and set the record straight.”

Among the many false allegations in the Trustee’s complaint, the Sterling Partners’ motion refutes the following, which represent the crux of the Trustee’s case:

1. *False allegation: The Trustee claims “the partners willfully turned a blind eye to every red flag of fraud before them.”<sup>1</sup>*

- The facts: There were no red flags and no warnings about Madoff conveyed by anyone to the Sterling Partners. Every witness, whose testimony the Sterling Partners and their counsel have, testified under oath that there was no sign that Madoff was engaged in fraud.

2. *False allegation: In the core allegation in the complaint, the Trustee claims that representatives from Sterling Stamos “repeatedly warned” the Sterling Partners that Madoff was “too good to be true.”*

- The facts: Peter Stamos, Co-Founder and Co-Managing Partner and Chairman and Chief Executive Officer of Sterling Stamos, testified under oath precisely the opposite:

“...I said to Mr. Katz on a number of occasions that my assumption is that Mr. Madoff is the most honest and honorable man, among the most honest and honorable men that we will ever meet. Number one. And, number two, that he is perhaps one of the – my assumption is he’s perhaps one of the best hedge fund managers in modern times...

[The first assumption was b]ased on his reputation, based upon his long track record, based upon having seen him receive these awards and the positions that he held as Chairman of the NASDAQ, having built this great company. He was, quite frankly, legendary, to all of us. And I stood in awe of that with Mr. Katz, and I assumed that.”

“All the way to the time when the fraud was discovered, I had the same conclusion. Other than not putting more than 10 percent into a manager, and that as a fiduciary I could not put my capital, my fund’s capital there, I agreed with [Saul Katz]. Legend in the industry and all of the things that he said.”

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<sup>1</sup> Quoting Fernando Bohorquez, Jr., a Baker & Hostetler partner representing the Trustee, in a press release issued February 4, 2011

Responding to a question from the Trustee whether he thought that Madoff was a “scam” or “too good to be true,” Mr. Stamos testified, “I can’t recall ever using those words to describe Mr. Madoff.”

3. *False allegation: The Trustee characterizes Madoff’s “black box” investing strategy as being “mysterious” and therefore a “red flag.”*
  - The facts: “Black box” or proprietary trading strategies are common on Wall Street, are employed by numerous legitimate and successful funds and are entirely legal.
  - The facts: Madoff was a SEC-registered broker-dealer, regulated by the SEC. The SEC itself, with its vast resources and trained fraud investigators, did not uncover any sign of impropriety at BLMIS
  - The facts: Madoff was a member of the Board of Governors of the National Association of Securities Dealers. He also was a member of the Cincinnati Stock Exchange and pioneered its conversion to an all-electronic exchange. Madoff also served as one of two vice chairmen of the Securities Industry Association and as the head of its Trading Committee and as Chairman of NASDAQ.
  
4. *False allegation: The Trustee claims that the Sterling Partners should have known about the Madoff fraud because they had a long, personal relationship with Madoff and were successful businesspeople.*
  - The facts: The Sterling Partners are retail, or non-professional, investors who under oath have testified that they do not have investment expertise in the securities market. This is precisely the reason they entrusted their investments to Madoff and other professionals. The Sterling Partners, like all customers of federally registered broker-dealers, relied on their account statements as evidence of their ownership of securities.
  - The facts: It defies logic to suggest that personal access to and friendship with Madoff offered the ability to uncover fraudulent activity. Highly sophisticated investors and leading financial experts had similar access to Madoff, and none discovered illegal activity.

The motion filed today by the Sterling Partners can be found on the Sterling Equities Partners website at [www.sterlingequities.com](http://www.sterlingequities.com).

The Sterling Partners move to dismiss the complaint filed against them by the Trustee.

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