

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1408074-0

Total Deleted Page(s) = 96

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Page 9 ~ b5;
Page 10 ~ b5;
Page 14 ~ Duplicate;
Page 15 ~ Duplicate;
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Page 42 ~ b6; b7C;
Page 43 ~ b6; b7C;
Page 44 ~ b6; b7C;
Page 45 ~ b6; b7C;
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Page 118 ~ b6; b7C; b7E;
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Page 123 ~ Duplicate;
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Page 173 ~ Duplicate;

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Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 12/17/08 Time: 10:37

Case ID: 318A-NY-301292 Serial: 1

Description of Document:

Type : EC
Date : 12/12/08
To : NEW YORK
From : NEW YORK
Topic: TO REQUEST OPENING

Reason for Permanent Charge-Out:

Incomplete EC submitted by case agent for upload

Employee:

b6
b7C

UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

(Handwritten: 7, BIL)

Precedence: ROUTINE

Date: 12/12/2008

To: New York

From: New York

Squad C-1/Economic Crimes/Securities Fraud

Contact: SA [redacted]

b6
b7C
b7E

Approved By: [redacted]

Drafted By: [redacted]

bjk

Case ID #: 318A-NY-NEW

301292

Title: BERNARD LAWRENCE MADOFF
dba BLM SECURITIES, LLC;
BLM SECURITIES, LLP;
BLM INVESTMENT SECURITIES, LLC;
SECURITIES FRAUD
OO:NY

Synopsis: To request opening of a full investigation of BERNARD LAWRENCE MADOFF.

Enclosure: A Southern District of New York Complaint against BERNARD L MADOFF is attached to instant EC.

Details: BERNARD LAWRENCE MADOFF is the founder of BERNARD L. MADOFF Investment Securities LLC (hereinafter BLM Investment Securities). The firm is a securities broker dealer with its principal office in Manhattan. BLM Investment Securities is a leading international market maker, regularly both buying and selling a host of widely held securities. The firm has been providing quality executions for broker-dealers, banks, and financial institutions since its inception in 1960. The firm, which is believed to have managed between \$8 to \$15 billion, ranked among the top 1% of US Securities firms. Mr. MADOFF is a former Chairman of the board of directors of the NASDAQ stock market.

Mr. MADOFF's funds were widely marketed to wealthy individuals, hedge funds, and other institutional investors for more than a decade. Mr. MADOFF promised investors with high returns and low fees.

*originally serial
1. WAS changed out*

OPEN (OR REOPEN) CASE *318A-NY-30292* UNCLASSIFIED
SOURCE *ECU-CA*
DATE *12/20/09* PI/SCI
SUPV *10/11/09* /SQUAD *10-1*
PI EFFECTIVE *10/11/09* ASSIGN *[redacted]*

see
*reuploaded
on 2/20/09
Current Serial
No. 160
Filed in current*

b6
b7C

UNCLASSIFIED

To: New York From: New York
Re: 318A-NY-NEW, 12/12/2008

On December 11, 2008, Mr. MADOFF was arrested by C-1 Agents for Securities Fraud violation. It is alleged that Mr. MADOFF engaged in a multi billion dollar scheme to defraud investors by falsely misrepresenting to investors concerning the firms losses.

SSA [redacted] contacted the Economic Crimes Unit, and SSA [redacted] concurred with initiating the investigation as a 318A matter.

b6
b7c

♦♦

UNCLASSIFIED

Automated Serial Permanent Charge-Out
FD-5a (1-5-94)

Date: 12/24/08 Time: 12:56

Case ID: 318A-NY-301292 Serial: 2

Description of Document:

Type : FD919
Date : 12/12/08
To : NEW YORK
From : NEW YORK
Topic: VICTIM NOTIFICATION FORM

Reason for Permanent Charge-Out:

Name in drafted by section was incorrect

Employee:

b6
b7C

UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 12/15/2008

To: New York

Attn: SA [redacted]
Squad C-1

From: Philadelphia
Scranton Resident Agency
Contact: IOA [redacted]

Approved By: [redacted]

Drafted By: [redacted]

sls

Case ID #: 318A-NY-301292 (Pending)

Title: BERNARD LAWRENCE MADOFF
dba BLM SECURITIES, LLC;
BLM SECURITIES, LLP;
BLM INVESTMENT SECURITIES, LLC;
SECURITIES FRAUD
OO:NY

Synopsis: To document complaint call received.

Details: On 12/15/2008 [redacted]

SSAN [redacted]

telephone number [redacted]

[redacted] telephoned the Scranton Resident Agency to advise
he may be a victim of investment fraud. [redacted] advised he has

[redacted] was advised by the writer
to telephone [redacted] as directed by SA [redacted]

b6
b7C
b7E

b6
b7C
b7E

UNCLASSIFIED

UNCLASSIFIED

To: New York From: Philadelphia
Re: 3, 12/15/2008

LEAD(s) :

Set Lead 1: (Action)

NEW YORK

AT NEW YORK, NY

Read and clear.

♦♦

UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 12/22/2008

To: New York

Attn: Squad C-1, SA [redacted]

[redacted]
Squad CD-1, SA [redacted]
[redacted]

b6
b7C

From: Counterterrorism

[redacted] / Room [redacted]

Contact: SA [redacted]

b6
b7C
b7E

Approved By: [redacted] *JA/SAB*

Drafted By: [redacted]

Case ID #: 318A-NY-301292, *4* (Pending)

Title: Bernard Lawrence Madoff

Synopsis: Internet Activity Report number [redacted] The information contained herein was received on the FBI's Internet web site as possibly being related to terrorist or other criminal activity. The submitted text has been incorporated into this communication.

b6
b7C
b7D

Details: [redacted]

[redacted] reports that [redacted]

ACS research conducted by the FBIHQ [redacted]
regarding Madoff yielded [redacted]

[redacted] (Squad C1, SA [redacted])

b6
b7C
b7D
b7E

Internet research conducted by the FBIHQ [redacted] regarding [redacted]
yielded [redacted]

Internet research conducted by the FBIHQ [redacted] regarding [redacted]
yielded an [redacted] Date of Birth (DOB),
[redacted] Social Security Account Number (SSAN) [redacted]

To: New York From: Counterterrorism
Re: 318A-NY-301292, 12/22/2008

[REDACTED]

b3
b6
b7C
b7D
b7E

ACS research conducted by the FBIHQ [REDACTED] regarding [REDACTED] yielded a
[REDACTED]
(Squad CD-13, SA [REDACTED]).

ACS [REDACTED] research conducted by the FBIHQ [REDACTED] regarding [REDACTED]
[REDACTED]

ACS [REDACTED] research conducted by the FBIHQ [REDACTED] regarding
[REDACTED]

Submitted Text:

[REDACTED]

b6
b7C
b7D

Submitted ID:

Date: 12/22/2008 7:41:17 AM EST [12/22/2008 12:41:17 PM GMT]

First Name: [REDACTED]

Middle Name: [REDACTED]

Last Name: [REDACTED]

Phone: [REDACTED]

Email: [REDACTED]

Street 1: [REDACTED]

Street 2: [REDACTED]

Suite: [REDACTED]

City: [REDACTED]

State: [REDACTED]

Zip: [REDACTED]

Country: USA

b6
b7C
b7D

To: New York From: Counterterrorism
Re: 318A-NY-301292, 12/22/2008

Remote IP Address:

b6
b7C
b7D

Remote Host:

User Browser Info:

To: New York From: Counterterrorism
Re: 318A-NY-301292, 12/22/2008

LEAD(s):

Set Lead 1: (Discretionary)

NEW YORK

AT NEW YORK, NY

Attn: Squad C-1, SA [REDACTED] For information
and investigation deemed appropriate.

b6
b7c

Set Lead 2: (Info)

NEW YORK

AT NEW YORK, NY

Attn: Squad CD-1, SA [REDACTED] For information.

b6
b7c

♦♦

318A-NY-301292-Z

5

SEARCHED	INDEXED
SERIALIZED <i>bs</i>	FILED <i>bs</i>
DEC 12 2008	
FBI - NEW YORK	
<i>804</i>	

upland del 12/12/08
2001
6C
at a window

b6
b7C

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 12/12/2008

To: New York

From: New York

Squad C-1/Economic Crimes/Securities Fraud

Contact: SA [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED] *JK*

Case ID #: 318A-NY-301292

Title: VICTIM NOTIFICATION FORM

Synopsis:

Reference: 318A-NY-301292 Serial 1

Details:

VnsCase#: 318A-NY-301292

CAgtName: [REDACTED]

PContact: Person

BusName :

BusEIN :

BusAcct :

VicFirN : [REDACTED]

VicMidN :

VicLastN: [REDACTED]

SSAN :

VicDate : [REDACTED]

VicDOD :

VicMinor: N

DOB :

Race : U

Sex : F

Addr : Unknown

Addr2 :

City : [REDACTED]

State :

Country :

Zip :

Email :

HPhone : [REDACTED]

Fax :

VWrkAddr:

b6
b7C
b7Eb6
b7C

To: New York From: New York
Re: 318A-NY-, 12/12/2008

VWrkadd2:
VWrkCity:
VWrkSt :
VWrkCtry:
VWrkZip :
WEmail :
WPhone :
WFax :
VicPager:
NOKFirN :
NOKMidN :
NOKLastN:
NOKRel :
NOKAddr :
NOKAddr2:
NOKCity :
NOKState:
NOKCtry :
NOKZip :
NOKHEmal:
NOKWEmal:
NOKHPho :
NOKWPho :
NOKHFax :
NOKWFax :
NOKPager:
GrdFirN :
GrdMidN :
GrdLastN:
GrdRel :
GrdAddr :
GrdAddr2:
GrdCity :
GrdState:
GrdCtry :
GrdZip :
GrdHEmal:
GrdWEmal:
GrdHPho :
GrdWPho :
GrdHFax :
GrdWFax :
GrdPager:
PropRet : N
TotLoss : 000000000
Lang. :
Disable :

◆◆

318A-N-1-301292-6

SEARCHED _____ INDEXED _____
SERIALIZED 1/5 FILED 1/5
DEC 15 2008
FBI - NEW YORK

uploaded
12/30/08

Accomplishment involves: (check all that apply)

Drugs ☐

A-Fugitive ☐

Bankruptcy Fraud ☐

Computer Fraud/Abuse ☐

Corruption of Public Officials ☐

Money Laundering ☒

Sub Invest Asst by FO (s) ☐

Asst. FO(s)

A, B, C, D

Task Force

Name

2.

Name:

File Number 5180-11-201292

Stat Agent Soc. Sec. No.

Stat Agent Name

RA 140 Squad -G

Assisting Agents Soc. Sec. No. ^x

1.

2.

Name:

Investigative Assistance or Technique Used

1-Used, but did not help 3 - Helped, substantially
2 - Helped, minimally 4 - Absolutely essential
For Sub. Invest. Assist. by other FO (s) indicate A,B,C,D for corresponding FO

Rate	FO	IAT	Rate	FO	IAT	Rate	FO	IAT	Rate	FO	IAT
	Fin. Analyst			Lab. Div. Exam			UCO - Group I			Fl. Mon. - ITC	
	Aircraft Asst.			Lab. Field Sup			UCO - Group II			For. Lang Asst.	
	Computer			Pen Registers			UCO - Nat. Back			Non FBI Lab Ex	
	Consen Mon.			Photo Cover.			NCAVC / VI - CAP			Vict-Witn Coor	
	Elsur / FISC			Polygraph			Crim/NS Intel Asst			JO Wanted Flyer	
	Elsur / T. III			Search Warrant			Crisis Neg. - Fed.			SARs	
	Eng. Field Spl.			Show Money			Crisis Neg. - Local			CART	
	Eng. Tape Ex			SOG Asst.			ERT Asst.			Asset Forf Prog	
	Legats Asst.			Swat Team			Butte - ITC			For Support Proj	
	Evid Purchase			Tech. Ag/Equip.			Sav - ITC				
	Inf/CW Info			Phone Toll Rec			Poc - ITC				

A. Complaint / Information / Indictment

☐ Federal ☐ Local ☐ International

Complaint Date:

Check if Civil Rico Complaint ☐

Information Date:

Indictment Date:

B. Locate/ Arrest

☒ Federal ☐ Local ☐ International

Subject Priority: ☐ A ☒ B ☐ C

Locate Date: 12/14/08

Arrest Date: 12/16/08

☐ Subject Resisted Arrest

☐ Subject Arrested was Armed

C. Summons Date:

☐ Federal ☐ Local

D. Recovery/Restitution/PELP X

☐ Federal ☐ Local ☐ International

Recovery Date:

Code * Amount \$

Code * Amount \$

Restitution Date:

☐ Court Ordered ☐ Pretrial Diversion

Code * Amount \$

PELP Date:

Code * Amount \$

E. Hostage(s) Released Date:

Released by: ☐ Terrorist ☐ Other

Number of Hostages:

F. Conviction

☐ Federal ☐ Local ☐ International

Conviction Date:

Subject Description Code: ()

For 6F, G, H-Include Agency Code

☐ Felony or ☐ Misdemeanor

☐ Plea or ☐ Trial

State: Judicial District:

G. U.S. Code Violation

Required for sections A,B,F, and J

(Federal Only)

Title 15 Section 78(a)(b) # Counts 1

H. Sentence Date:

Sentence Type:

In Jail: Years Months

Suspended: Years Months

Probation: Years Months

Fines: \$

I. Disruption/Dismantlement: ☒

Disruption Date:

Dismantlement Date:

Completion of FD-515a Side 2 Mandatory

J. Civil Rico Matters. Date:

Also Complete "Section G"

Other Civil Matters Date:

Judgment

Judicial Outcome *X

Amount \$

Suspension: Years Months

K. Administrative Sanction Date:

Subject Description Code

Type: Length:

☐ Suspension ☐ Permanent

☐ Debarment or ☐ Injunction

Year Months

L. Asset Seizure Date:

Asset Forfeiture Date:

CATS # Mandatory

Circle below one of the three asset forfeiture:

Admin, Civil Judicial, or Criminal

Do not indicate \$ value in Section D

M. Acquittal/Dismissal/Pretrial Diversion

(circle one) Date:

N. Drug Seizures ☒ Date:

Drug Code *

Weight Code *

FDIN

Do not indicate \$ value in Section D

O. Child Victim Information

Child located/identified Date:

☐ Living ☐ Deceased

P. Subject Information - Required for all blocks excluding block D (Recovery/PELP), blocks E, I, L, and N:

Name	Race	Sex	Date of Birth	Social Security No. (if available)
<u>Bernard madoff</u>	<u>W</u>	<u>M</u>	<u>4/19/38</u>	<u> </u>

For Indictments/Convictions only:

☐ Subject related to an LCN, Asian Organized Crime (AOC), Italian Organized Crime (IOC), Russian/Eastern European, Caribbean, or Nigerian Organized Crime Group - Complete FD-515a, Side 1 Blocks A-E mandatory, F-H as appropriate.

☐ Subject related to an OC/Drug Organization, a VCMO Program National Gang Strategy target group, or a VCMO Program National Priority Initiative target group - Complete FD-515a, Side 1 Blocks A-C only.

* Additional information may be added by attaching another form or a plain sheet of paper for additional entries.

* See codes on reverse side.

* Requires that an explanation be attached and loaded into ISRAA for recovery over \$1m and PELP over \$5, disruption, dismantlement, and drug seizures.

Serial No. of FD-515

6

b6
b7C
b7E

b6
b7C

12/30/2008

***** LOCATE *****

~~SENSITIVE~~ / UNCLASSIFIED

Case Number: 318A-NY-301292

Stat Agent Name [REDACTED]

Report Date: 12/30/2008

Serial No.: 6

Stat Agent SOC.: [REDACTED]

Accom Date.: 12/11/2008

b6
b7C
b7E

Does Accomplishment Involve

Drugs : N
A Fugitive. : N
Bankruptcy Fraud. : N
Computer Fraud/Abuse. : N
Corruption of Public Officials: N
Money Laundering. : Y

Assisting Agents SOC

Subject Name

MADOFF, BERNARD, LAWRENCE

RA Squad Task Force

D2 C1

Sub. Invest. Asst by Other FOs:

Investigative Assistance or Technique Used

FINAN ANALYST LAB FIELD SUP UCO - NAT BACK VICT-WITN COOR
AIRCRAFT ASST PEN REGISTERS NCAVC/VI-CAP IO WANTED FLYR
COMPUTER ASST PHOTO COVERGE CRIM/NS INTEL SARS
CONSEN MONITR POLYGRAPH CRIS NEG-FED CART
ELSUR/FISC SRCH WAR EXEC CRIS NEG-LOC ASSET FORF PRO
ELSUR/III SHOW MONEY ERT ASST FORF SUPPORT P
ENG FIELD SUP SOG ASST BUTTE-ITC TFOS/CTD
ENG TAPE EXAM SWAT TEAM SAVANNAH-ITC CXS/CTD
LEGATS ASST. TECH AG/EQUIP POC-WRCSC INFRAGARD/CYD
EVIDNCE PURCH TEL TOLL RECS FT. MON-NRCSC OFC/CID
INFORMANT/CW UCO-GROUP I FOR LANG ASST PPP
LAB DIV EXAMS UCO-GROUP II NON FBI LAB EX

1 = Used, but did not help
2 = Helped, Minimally
3 = Helped, Substantially
4 = Absolutely Essential

Locate is for Federal, Local, or International (F/L/I)....: F

Subject Priority (A/B/C).....: B

Accomplishment Narrative

~~SENSITIVE~~ / UNCLASSIFIED

12/30/2008

***** ARREST *****

~~SENSITIVE~~ / UNCLASSIFIEDCase Number: 318A-NY-301292
Serial No.: 6Stat Agent Name: [REDACTED]
Stat Agent SOC.: [REDACTED]Report Date: 12/30/2008
Accom Date.: 12/11/2008b6
b7C
b7E

Does Accomplishment Involve

Drugs : N
A Fugitive. : N
Bankruptcy Fraud. : N
Computer Fraud/Abuse. : N
Corruption of Public Officials: N
Money Laundering. : Y

Assisting Agents SOC

Subject Name

MADOFF, BERNARD, LAWRENCE

RA	Squad	Task Force
----	----	-----
D2	C1	

Sub. Invest. Asst by Other FOs:

1 = Used, but did not help
2 = Helped, Minimally
3 = Helped, Substantially
4 = Absolutely Essential

Investigative Assistance or Technique Used

FINAN ANALYST	LAB FIELD SUP	UCO - NAT BACK	VICT-WITN COOR
AIRCRAFT ASST	PEN REGISTERS	NCAVC/VI-CAP	IO WANTED FLYR
COMPUTER ASST	PHOTO COVERGE	CRIM/NS INTEL	SARS
CONSEN MONITR	POLYGRAPH	CRIS NEG-FED	CART
ELSUR/FISC	SRCH WAR EXEC	CRIS NEG-LOC	ASSET FORF PRO
ELSUR/III	SHOW MONEY	ERT ASST	FORF SUPPORT P
ENG FIELD SUP	SOG ASST	BUTTE-ITC	TFOS/CTD
ENG TAPE EXAM	SWAT TEAM	SAVANNAH-ITC	CXS/CTD
LEGATS ASST.	TECH AG/EQUIP	POC-WRCSC	INFRAGARD/CYD
EVIDNCE PURCH	TEL TOLL RECS	FT. MON-NRCSC	OFC/CID
INFORMANT/CW	UCO-GROUP I	FOR LANG ASST	PPP
LAB DIV EXAMS	UCO-GROUP II	NON FBI LAB EX	

Arrest is for Federal, Local, or International (F/L/I).. : F
Arrest Subject Priority (A/B/C)..... : B
Did Subject Resist (Y/N)..... : N
Was Subject Armed (Y/N)..... : N

United States Code Violation

Title	Section	Count
----	-----	-----
15	78JB	1

Accomplishment Narrative

318A-NY-301292-7

① u

SEARCHED ☒	INDEXED ☒
SERIALIZED ☒	FILED ☒
DEC 15 2008	
FBI - NEW YORK	

uploaded
12/30/08/ps

17/1 (please initial)

within 30 days from date of accomplishment)

Date Loaded 12/30/08
Data Loader's Initials HS

Accomplishment involves:
(check all that apply)

Drugs ☐
A-Fugitive ☐
Bankruptcy Fraud ☐
Computer Fraud/Abuse ☐
Corruption of Public Officials ☐
Money Laundering ☒
Sub Invest Asst by FO (s) ☐

Asst. FO(s) _____
A, B, C, D

Task Force _____

File Number
318A-17-301292

Stat Agent Soc. Sec. No. _____

Stat Agent Name _____

RA _____ Squad _____
N70 C-1

Assisting Agents Soc. Sec. No. X _____

Name _____

Name _____

Investigative Assistance or Technique Used											
1-Used, but did not help					3 - Helped, substantially						
2 - Helped, minimally					4 - Absolutely essential						
For Sub. Invest. Assist. by other FO (s) indicate A,B,C,D for corresponding FO											
Rate	FO	IAT	Rate	FO	IAT	Rate	FO	IAT	Rate	FO	IAT
		Fin. Analyst			Lab. Div. Exam			UCO - Group I			Fl. Mon.- ITC
		Aircraft Asst.			Lab. Field Sup			UCO - Group II			For. Lang Asst.
		Computer			Pen Registers			UCO - Nat. Back			Non FBI Lab E
		Consen Mon.			Photo Cover.			NCAVC / VI - CAP			Vict-Witn Coor
		Elsur / FISC			Polygraph			Crim/NS Intel Asst			IO Wanted Fly
		Elsur / T. III			Search Warrant			Crisis Neg. - Fed.			SARs
		Eng. Field Spt			Show Money			Crisis Neg.- Local			CART
		Eng. Tape Ex			SOG Asst.			ERT Asst.			Asset Forf Prog
		Legats Asst.			Swat Team			Butte - ITC			Forf Support Pro
		Evid Purchase			Tech. Ag/Equip			Sav - ITC			
		Inf/CW Info			Phone Toll Rec			Poc - ITC			

A. Complaint / Information / Indictment

☒ Federal ☐ Local ☐ International
Complaint Date: 12/11/2008
Check if Civil Rico Complaint ☐
Information Date: _____
Indictment Date: _____

B. Locate/Arrest

☐ Federal ☐ Local ☐ International
Subject Priority: ☐ A ☐ B ☐ C
Locate Date: _____
Arrest Date: _____
☐ Subject Resisted Arrest
☐ Subject Arrested was Armed

C. Summons Date:

☐ Federal ☐ Local

D. Recovery/Restitution/PELP X

☐ Federal ☐ Local ☐ International
Recovery Date: _____
Code * ☒ Amount \$ _____
Code * ☒ Amount \$ _____
Restitution Date: _____
☐ Court Ordered ☐ Pretrial Diversion
Code * ☒ Amount \$ _____
PELP Date: _____
Code * ☒ Amount \$ _____

E. Hostage(s) Released Date:

Released by: ☐ Terrorist ☐ Other
Number of Hostages: _____

F. Conviction

☐ Federal ☐ Local ☐ International
Conviction Date: _____
Subject Description Code: _____ ()
For 6F, G, H-Include Agency Code
☐ Felony or ☐ Misdemeanor
☐ Plea or ☐ Trial
State: _____ Judicial District: _____

G. U.S. Code Violation

Required for sections A,B,F, and J
(Federal Only)
Title Section # Counts
15 7E(6) 1

H. Sentence Date:

Sentence Type: _____
In Jail: _____ Years _____ Months
Suspended: _____ Years _____ Months
Probation: _____ Years _____ Months
Fines: \$ _____

I. Disruption/Dismantlement: ☒

Disruption Date: _____
Dismantlement Date: _____
Completion of FD-515a Side 2 Mandatory

J. Civil Rico Matters Date:

Also Complete "Section G"
Other Civil Matters Date: _____
Judgment: _____
Judicial Outcome: _____ X
Amount \$ _____
Suspension: Years _____ Months _____

K. Administrative Sanction Date:

Subject Description Code _____
Type: _____ Length: _____
☐ Suspension ☐ Permanent
☐ Debarment or
☐ Injunction Year _____ Months _____

L. Asset Seizure Date:

Asset Forfeiture Date: _____
CATS # Mandatory _____
Circle below one of the three asset forfeiture:
Admin, Civil Judicial, or Criminal
Do not indicate \$ value in Section D

M. Acquittal/Dismissal/Pretrial Diversion

(circle one) Date: _____

N. Drug Seizures ☒ Date:

Drug Code * _____
Weight _____ Code * _____
FDIN _____
Do not indicate \$ value in Section D

O. Child Victim Information

Child located/identified Date: _____
☐ Living ☐ Deceased

P. Subject Information - Required for all blocks excluding block D (Recovery/PELP), blocks E, I, L, and N.

Name	Race	Sex	Date of Birth	Social Security No. (if available)
Bernard Madoff	W	M	11/24/38	

For Indictments/Convictions only:

☐ Subject related to an LCN, Asian Organized Crime (AOC), Italian Organized Crime (IOC), Russian/Eastern European, Caribbean, or Nigerian Organized Crime Group - Complete FD-515a, Side 1 Blocks A-E mandatory, F-H as appropriate.
☐ Subject related to an OC/Drug Organization, a VCMO Program National Gang Strategy target group, or a VCMO Program National Priority Initiative target group - Complete FD-515a, Side 1 Blocks A-C only.

Serial No. of FD-515

Additional information may be added by attaching another form or a plain sheet of paper for additional entries.

See codes on reverse side.

Requires that an explanation be attached and loaded into ISRAA for recovery over \$1m and PELP over \$5, disruption, dismantlement, and drug seizures.

b6
b7C
b7E

b6
b7C

12/30/2008

***** COMPLAINT *****

~~SENSITIVE~~ / UNCLASSIFIED

Case Number: 318A-NY-301292

Stat Agent Name: [REDACTED]

Report Date: 12/30/2008

Serial No.: 7

Stat Agent SOC.: [REDACTED]

Accom Date.: 12/11/2008

b6
b7C
b7E

Does Accomplishment Involve

Drugs : N
A Fugitive. : N
Bankruptcy Fraud. : N
Computer Fraud/Abuse. : N
Corruption of Public Officials: N
Money Laundering. : Y

Assisting Agents SOC

Subject Name

MADOFF, BERNARD, LAWRENCE

RA	Squad	Task Force
D2	C1	

Sub. Invest. Asst by Other FOs:

1 = Used, but did not help
2 = Helped, Minimally
3 = Helped, Substantially
4 = Absolutely Essential

Investigative Assistance or Technique Used

FINAN ANALYST	LAB FIELD SUP	UCO - NAT BACK	VICT-WITN COOR
AIRCRAFT ASST	PEN REGISTERS	NCAVC/VI-CAP	IO WANTED FLYR
COMPUTER ASST	PHOTO COVERGE	CRIM/NS INTEL	SARS
CONSEN MONITR	POLYGRAPH	CRIS NEG-FED	CART
ELSUR/FISC	SRCH WAR EXEC	CRIS NEG-LOC	ASSET FORF PRO
ELSUR/III	SHOW MONEY	ERT ASST	FORF SUPPORT P
ENG FIELD SUP	SOG ASST	BUTTE-ITC	TFOS/CTD
ENG TAPE EXAM	SWAT TEAM	SAVANNAH-ITC	CXS/CTD
LEGATS ASST.	TECH AG/EQUIP	POC-WRCSC	INFRAGARD/CYD
EVIDNCE PURCH	TEL TOLL RECS	FT. MON-NRCS	OFC/CID
INFORMANT/CW	UCO-GROUP I	FOR LANG ASST	PPP
LAB DIV EXAMS	UCO-GROUP II	NON FBI LAB EX	

Complaint is for Federal/Local/International (F/L/I)... : F

Civil Rico Complaint (Y/N)..... : N

United States Code Violation

Title	Section	Counts
15	78JB	1

Accomplishment Narrative

~~SENSITIVE~~ / UNCLASSIFIED

318A-NY-301292-8

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 15 2003	
FBI - NEW YORK	

cmr
uploaded
12/30/03

in order
ny-301292

Supervisor approval (please initial)

within 30 days from date of accomplishment)

Date Loaded 12/30/08
Data Loader's Initials DS

Accomplishment involves:
(check all that apply)

Drugs ☒
A-Fugitive ☐
Bankruptcy Fraud ☐
Computer Fraud/Abuse ☐
Corruption of Public Officials ☐
Money Laundering ☒
Sub Invest Asst by FO (s) ☐

Asst. FO(s) _____
A, B, C, D

Task Force

1. _____
2. _____
Name: _____

File No. _____

918A-NI-30129

Stat Agent Soc. Sec. No. _____

Stat Agent Name _____

RA _____ Squad _____

Assisting Agents Soc. Sec. No. X

1. _____

Name _____

2. _____

Name _____

Investigation Assistance or Technique Used											
1-Used, but did not help				3 - Helped, substantially							
2 - Helped, minimally				4 - Absolutely essential							
For Sub. Invest. Assist. by other FO (s) indicate A,B,C,D for corresponding FO											
Rate	FO	IAT	Rate	FO	IAT	Rate	FO	IAT			
		Fin. Analyst			Lab. Div. Exam			UCO - Group I			Fl. Mon.- ITC
		Aircraft Asst.			Lab. Field Sup			UCO - Group II			For. Lang Asst.
		Computer			Pen Registers			UCO - Nat. Back			Non-FBI Lab Ex
		Consen Mon.			Photo Cover.			NCAVC / VI - CAP			Vict-Witn Coord
		Elsur / FISC			Polygraph			Crim/NS Intel Asst			JO Wanted Flyer
		Elsur / T. III			Search Warrant			Crisis Neg. - Fed.			SARs
		Eng. Field Spt.			Show Money			Crisis Neg.- Local			CART
		Eng. Tape Ex			SOG Asst.			ERT Asst.			Asset Forf Prog
		Legats Asst.			Swat Team			Butte - ITC			Forf Support Prog
		Evid Purchase			Tech. Ag/Equip.			Sav - ITC			
		Int/CW Info			Phone Toll Rec			Poc - ITC			

A. Complaint / Information / Indictment

☐ Federal ☐ Local ☐ International

Complaint Date: _____

Check if Civil Rico Complaint ☐

Information Date: _____

Indictment Date: _____

B. Locate/ Arrest

☐ Federal ☐ Local ☐ International

Subject Priority: ☐ A ☐ B ☐ C

Locate Date: _____

Arrest Date: _____

☐ Subject Resisted Arrest

☐ Subject Arrested was Armed

C. Summons Date:

☐ Federal ☐ Local

D. Recovery/Restitution/PELP X

☐ Federal ☐ Local ☐ International

Recovery Date: _____

Code * _____ Amount \$ _____

Code * _____ Amount \$ _____

Restitution Date: _____

☐ Court Ordered ☐ Pretrial Diversion

Code * _____ Amount \$ _____

PELP Date: _____

Code * _____ Amount \$ _____

E. Hostage(s) Released Date:

Released by: ☐ Terrorist ☐ Other

Number of Hostages: _____

F. Conviction

☐ Federal ☐ Local ☐ International

Conviction Date: _____

Subject Description Code: _____ ()

For 6F, G, H-Include Agency Code

☐ Felony or ☐ Misdemeanor

☐ Plea or ☐ Trial

State: _____ Judicial District: _____

G. U.S. Code Violation

Required for sections A,B,F and J

(Federal Only)

Title _____ Section _____ # Counts _____

H. Sentence Date:

Sentence Type: _____

In Jail: _____ Years _____ Months _____

Suspended: _____ Years _____ Months _____

Probation: _____ Years _____ Months _____

Fines: \$ _____

I. Disruption/Dismantlement: ✓

Disruption Date: 12/11/08

Dismantlement Date: _____

Completion of FD-515a Side 2 Mandatory

J. Civil Rico Matters Date:

Also Complete "Section G"

Other Civil Matters Date: _____

Judgment _____

Judicial Outcome _____ X

Amount \$ _____

Suspension: Years _____ Months _____

K. Administrative Sanction Date:

Subject Description Code _____

Type: _____ Length: _____

☐ Suspension ☐ Permanent

☐ Debarment or

☐ Injunction Year _____ Months _____

L. Asset Seizure Date:

Asset Forfeiture Date: _____

CATS # Mandatory _____

Circle below one of the three asset forfeiture:

Admin, Civil Judicial, or Criminal

Do not indicate \$ value in Section D

M. Acquittal/Dismissal/Pretrial Diversion

(circle one) Date: _____

N. Drug Seizures ✓ Date:

Drug Code * _____

Weight _____ Code * _____

FDIN _____

Do not indicate \$ value in Section D

O. Child Victim Information

Child located/identified Date: _____

☐ Living ☐ Deceased

P. Subject Information - Required for all blocks excluding block D (Recovery/PELP), blocks E, I, L, and N.

Name	Race	Sex	Date of Birth	Social Security No. (if available)
Bernard L. Madoff Securities LLC				

For Indictments/Convictions only:

☐ Subject related to an LCN, Asian Organized Crime (AOC), Italian Organized Crime (IOC), Russian/Eastern European, Caribbean, or Nigerian Organized Crime Group - Complete FD-515a, Side 1 Blocks A-E mandatory, F-H as appropriate.

☐ Subject related to an OC/Drug Organization, a VCMO Program National Gang Strategy target group, or a VCMO Program National Priority Initiative target group - Complete FD-515a, Side 1 Blocks A-C only.

X Additional information may be added by attaching another form or a plain sheet of paper for additional entries.

See codes on reverse side.

Requires that an explanation be attached and loaded into ISRAA for recovery over \$1m and PELP over \$5, disruption, dismantlement, and drug seizures.

Serial No. of FD-515

8

b6
b7C
b7E

DISRUPTION OR DISMANTLEMENT OF AN ORGANIZATION

Supplemental Page to the Accomplishment Report (FD-515)

This supplemental page is **ONLY** required with the FD-515 when a field office is claiming either a disruption or dismantlement of an organization.

A. Definitions:

An **organization** is a **group of individuals** with an identified hierarchy engaged in significant criminal activity. These organizations often engage in multiple criminal enterprises and have extensive supporting networks.

A **disruption** occurs when the usual operation of an identified organization is significantly impacted so that it is temporarily unable to conduct criminal operations for a **significant period of time**. This disruption must be the result of an affirmative law enforcement action, including, but not limited to, an arrest, indictment, or conviction of the organization's leadership, or a substantial seizure of the organization's assets.

A **dismantlement** occurs when an identified organization is incapacitated to the point that it is no longer capable of operating as a coordinated criminal enterprise. The dismantlement must be the result of an affirmative law enforcement action, including, but not limited to, the arrest, indictment and conviction of all or most of its principal leadership, the elimination of its criminal enterprises and supporting networks, and the seizure of its assets. **The organization must be impacted to the extent that it is incapable of re-forming with its original ability to conduct criminal activity.**

B. Reporting limitations:

More than one organization may be investigated under the same file number; however, each organization must be individually identified. **An organization can only be dismantled once.** A dismantled organization cannot subsequently be disrupted. An organization cannot be disrupted more than once on the same day. An affirmative law enforcement action resulting in multiple arrests, seizures, indictments, or convictions of an organization's members should be reported as one disruption or one dismantlement of that organization, depending on the impact on the organization.

C. Identity of organization:

Bernard L. Madoff Securities LLC

☒ Disrupted

☐ Dismantled

The organization must be identified by a specific name, which may be the proper name of the organization's leader or the organization's identifying title. The organization's name must not describe a specific geographic region. After the organization has been named, the same name must be used each time a disruption or dismantlement is claimed.

D. Identify the scope of the organization disrupted or dismantled:

☒ International (I)

☐ National (N)

☐ Regional (R)

☐ Local (L)

E. Describe the event(s) and how they disrupted or dismantled the targeted organization. For a claim of disruption or dismantlement, an affirmative law enforcement action must impact the organization, not just an individual. Simply listing individuals arrested, indicted or convicted, property seized, assets forfeited, etc., is not sufficient. **A concise narrative describing the relevant affirmative law enforcement action AND the resulting impact on the organization must accompany each disruption and each dismantlement.**

Capitoned entity was a long running
Ponzi scheme with potential losses of
\$50 billion. Leader of scheme was
arrested on securities fraud charges,
disrupting scheme

12/30/2008

***** DISRUPTION *****

~~SENSITIVE~~ / UNCLASSIFIED

Case Number: 318A-NY-301292
 Serial No.: 8

Stat Agent Name: [REDACTED]
 Stat Agent SOC.: [REDACTED]

Report Date: 12/30/2008
 Accom Date.: 12/11/2008

b6
 b7C
 b7E

Does Accomplishment Involve

 Drugs : N
 A Fugitive. : N
 Bankruptcy Fraud. : N
 Computer Fraud/Abuse. : N
 Corruption of Public Officials: N
 Money Laundering. : Y

Assisting Agents SOC

Subject Name

RA Squad Task Force

 D2 C1

Sub. Invest. Asst by Other FOs:

1 = Used, but did not help
 2 = Helped, Minimally
 3 = Helped, Substantially
 4 = Absolutely Essential

Investigative Assistance or Technique Used

FINAN ANALYST	LAB FIELD SUP	UCO - NAT BACK	VICT-WITN COOR
AIRCRAFT ASST	PEN REGISTERS	NCAVC/VI-CAP	IO WANTED FLYR
COMPUTER ASST	PHOTO COVERGE	CRIM/NS INTEL	SARS
CONSEN MONITR	POLYGRAPH	CRIS NEG-FED	CART
ELSUR/FISC	SRCH WAR EXEC	CRIS NEG-LOC	ASSET FORF PRO
ELSUR/III	SHOW MONEY	ERT ASST	FORF SUPPORT P
ENG FIELD SUP	SOG ASST	BUTTE-ITC	TFOS/CTD
ENG TAPE EXAM	SWAT TEAM	SAVANNAH-ITC	CXS/CTD
LEGATS ASST.	TECH AG/EQUIP	POC-WRCSC	INFRAGARD/CYD
EVIDNCE PURCH	TEL TOLL RECS	FT. MON-NRCSC	OFC/CID
INFORMANT/CW	UCO-GROUP I	FOR LANG ASST	PPP
LAB DIV EXAMS	UCO-GROUP II	NON FBI LAB EX	

DATE OF ACCOMPLISHMENT: 20081211

ORGANIZATION DISRUPTED: BLM SECURITIES LLC

SCOPE OF ORGANIZATION: INTERNATIONAL

Accomplishment Narrative

CAPTIONED ENTITY WAS A LONG RUNNING PONZI SCHEME WITH POTENTIAL LOSSES OF \$50 BILLION. LENDER OF SCHEME WAS ARRESTED ON SECURITIES FRAUD CHARGES, DISRUPTING SCHEME

~~SENSITIVE~~ / UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 12/29/2008

To: New York

Attn: SA [redacted]
Squad C-1

b6
b7C
b7E

From: Counterterrorism

[redacted] / Room [redacted]

Contact: SA [redacted]

Approved By: [redacted] *BMV*

Drafted By: [redacted]

Case ID #: 318A-NY-301292-⁹ (Pending)

Title: Bernard Madoff

Synopsis: Internet Activity Report number [redacted] The information contained herein was received on the FBI's Internet web site as possibly being related to terrorist or other criminal activity. The submitted text has been incorporated into this communication.

b6
b7C
b7D

Details: [redacted]

[redacted] reports that [redacted]

Internet research conducted by the FBIHQ [redacted]
[redacted] regarding [redacted]

ACS [redacted] research conducted by the FBIHQ [redacted] regarding [redacted]

b6
b7C
b7D
b7E

Internet research conducted by the FBIHQ [redacted] regarding [redacted]
[redacted] Date of Birth (DOB)
[redacted] Social Security Account Number (SSAN) [redacted]

ACS [redacted] research conducted by the FBIHQ [redacted] regarding [redacted]

b6
b7C
b7D
b7E

[redacted] research conducted by the FBIHQ [redacted]
regarding [redacted]

To: New York From: Counterterrorism
Re: 318A-NY-301292, 12/29/2008

ACS [redacted] research conducted by the FBIHQ [redacted] regarding
[redacted]

b6
b7C
b7D
b7E

Internet research conducted by the FBIHQ [redacted] regarding [redacted]
[redacted]
[redacted]

Submitted Text:

"regarding Bernard L. Madoff investigation, [redacted]
[redacted]

b6
b7C
b7D

Submitted ID:

Date: 12/29/2008 12:12:30 PM EST [12/29/2008 5:12:30 PM GMT]

First Name: [redacted]

Middle Name:

Last Name: [redacted]

Phone: [redacted]

Email: [redacted]

Street 1: [redacted]

Street 2:

Suite:

City: [redacted]

State: [redacted]

Zip: [redacted]

Country: USA

b6
b7C
b7D

Remote IP Address: [redacted]

Remote Host: [redacted]

User Browser Info: [redacted]
[redacted]

b6
b7C
b7D

To: New York From: Counterterrorism
Re: 318A-NY-301292, 12/29/2008

LEAD(s):

Set Lead 1: (Discretionary)

NEW YORK

AT NEW YORK, NY

Attn: SA Squad C-1. For information
and investigation deemed appropriate.

b6
b7c

♦♦

3187-14- 30142-10

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 29 2008	
FBI - NEW YORK	

cmu

x *uploaded*
1/2/09bs

FAX

TO:

FROM:

FAX #:

FAX #:

DATE:

1 PAGE ONLY

Memo:

b6
b7C

b6
b7C

FAX

TO:

FROM:

FAX #:

FAX #:

DATE:

b6
b7C

Memo:

WERE FRIENDS/

BUSINESS ASSOCIATES OF

BUT IMPORTANTLY THE PERSON WHO
SUPPOSEDLY DID "DUE DILIGENCE" FOR
ACCESS WAS A

b6
b7C

31012-M-301292-11

SEARCHED	INDEXED
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DEC 29 2008	
FBI - NEW YORK	
	<i>b6</i>

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318A-N-1-301292-12

DN

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SERIALIZED	FILED
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FBI - NEW YORK	

can
uploaded
1/2/09

Date

12/22/08

☐ Birth ☐ Credit ☒ Criminal ☐ Death ☐ INS ☐ Marriage* ☐ Motor Vehicle ☐ Other

To

O.P. CENTER

Buded

Return to

S.A.

C-1

File Number

318 A-NY-301292

Name and aliases of subject, applicant, or employee, and spouse

[Redacted]

Address

Residence

Business

Former

* Date and place of marriage
(if applicable)

Race

Sex

☐ Female

☐ Male

Age

Height

Weight

Hair

Eyes

Birth date

Birthplace

Arrest Number

Fingerprint classification

Criminal specialty

Social Security Number

Divers License Number

☐ D/L Photo ☐ Other

Specific information desired

Results of check

b6
b7C

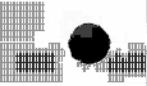
b6
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318A-M-301292-B

Q

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FBI - NEW YORK	

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w/plan 1/2/09 bs



318A-N7-301292-14

EL

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SERIALIZED	FILED
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FBI - NEW YORK	

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1/2/09bs

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b7c



FBI FACSIMILE

COVER SHEET

PRECEDENCE

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION

- ☐ Top Secret
☐ Secret
☐ Confidential
☐ Sensitive
☒ Unclassified

Time Transmitted: _____

Sender's Initials: _____

Number of Pages: _____

(including cover sheet)

To: _____

FBI NYO

Name of Office

Date: _____

12-22-08

Facsimile Number: _____

Attn: _____

SA

Name

Room

Telephone

From: _____

CTO / FBIHQ

Name of Office

Subject: _____

318A-NY-301292

Special Handling Instructions: _____

Originator's Name: _____

SA

Telephone: _____

Originator's Facsimile Number: _____

Approved: _____

Brief Description of Communication Faxed: _____

WARNING

Information attached to the cover sheet is U.S. Government Property. If you are not the intended recipient of this information, disclosure, reproduction, distribution, or use of this information is prohibited (18 USC, § 641). Please notify the originator or the local FBI Office immediately to arrange for proper disposition.

b6
b7C
b7E

b6
b7C
b7E

INFORMATION CONTROL

CONTINUATION SHEET

CONTROL NUMBER* Check one*: ☒ Narrative ☒ Lead ☐ Disposition

Full Event Narrative:

b6
b7C
b7D
b7EACS research conducted by the FBIHQ regarding Madoff yielded Internet research conducted by the FBIHQ regarding b6
b7C
b7D
b7EInternet research conducted by the FBIHQ regarding Date of Birth (DOB) Social Security Account Number (SSAN) ACS research conducted by the FBIHQ regarding b3
b6
b7C
b7D
b7EACS research conducted by the FBIHQ regarding ACS research conducted by the FBIHQ regarding

Lead Information:

Lead Control Number 2:

Lead:

For information.

Assigned To: New York Attn: Squad CD-1, SA Date:

12/22/2008 Time: 10:50

AM

b6
b7C
b7D

Original Tip:

Reported Info (Reporting party information at bottom)

318A-11-301 292-15

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FBI - NEW YORK	

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1/8/2018


318A-NY-301292-116

318A-NY-301292-

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FBI - NEW YORK	

cm

11C Sub. WPD

Dr

7.254

8.

UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 12/18/2008

To: New York

Attn: Squad C-1

From: New York

Squad C-1

Contact: SA

Ext.

Approved By:

Perz

Drafted By:

tvc

Case ID #: 318A-NY-301292 (Pending)

Title: BERNARD MADOFF;
Et. Al.

Synopsis: To open sub file

Details: Sub file to be opened for victim related issues, to be captioned 318A-NY-301292-VIC.

♦♦

b6
b7C
b7E

UNCLASSIFIED

328A-17- 307 24 2-17

copy

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FBI - NEW YORK	

[Handwritten signature]

See 1A1

DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

CONSENT TO SEARCH

1. I have been asked by Special Agents of the Federal Bureau of Investigation to permit a complete search of:

(Describe the person(s), place(s), or thing(s) to be searched.)

The offices of Bernard L. Madoff Investment Securities LLC located on the 17th through 19th Floors of 885 Third Avenue, New York, New York 10022.

2. I have been advised of my right to refuse consent.
3. I give this permission voluntarily.
4. I authorize these agents to take any items which they determine may be related to their investigation. I understand that I will be provided with an inventory of seized items.

12/16/08
Date

Signature

Witness

318A-M-301242
18

10-82

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SERIALIZED	FILED
DEC 1 2008	
FBI - NEW YORK	

uploaded
1/6/09

Q

See 1A2

DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

CONSENT TO SEARCH

1. I have been asked by Special Agents of the Federal Bureau of Investigation to permit a complete search of:

(Describe the person(s), place(s), or thing(s) to be searched.)

The offices of Bernard L. Madoff Investment Securities LLC located on the 17th through 19th Floors of 885 Third Avenue, New York, New York 10022.

2. I have been advised of my right to refuse consent.
3. I give this permission voluntarily.
4. I authorize these agents to take any items which they determine may be related to their investigation.

Date

12/16/08

Witness

SA

SA Truste

885 N.Y.C.

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318A-NY-301292-19

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FBI - NEW YORK	
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318A-17-301292-20

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 15 2008	
FBI - NEW YORK	

Sgt. [signature]
11/7/09
CO case 1580

UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 12/15/2008

To: New York

Attn: Squad C-1

From: New York

Squad C-1

Contact: SA [REDACTED]

Ext. [REDACTED]

Approved By: [REDACTED] *m/n*

Drafted By: [REDACTED]

cvc

Case ID #: 318A-NY-301292 (Pending)

Title: BERNARD MADOFF;
Et. Al.

Synopsis: To designate co-case and open sub file

Details: SA [REDACTED] is hereby designated as Co-Case Agent
with SA [REDACTED] A sub file is to be opened for
press issues and clippings, to be designated 318A-NY-301292-
PRESS.

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318A-MY-301292-25 *Q*

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/08/2009

To: New York

Attn: ECU

From: New York

Squad C-1

Contact: SA

Ext.

Approved By:

pgc/gzm

Drafted By:

tvc

Case ID #: 318A-NY-301292 (Pending)

Title: BERNARD MADOFF

Synopsis: To explain late submission of evidence

Details:

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/07/2009

To: International Operations
Criminal Investigative
Boston
Miami
✓ New York

Attn: Eurasia Unit
Attn: WCC Section

Attn: C-1

SA

BQRA C-17

SA

From:

Contact: ALAT

Approved By:

Drafted By:

Case ID #: 318A-NY-301292-27 (Pending)
✓ 318A-NY-301292-VIC-1 (Pending)

Title: BERNARD LAWRENCE MADOFF, dba
BLM SECURITIES LLC,
BLM SECURITIES LLP,
BLM INVESTMENT SECURITIES LLC;
SECURITIES FRAUD (PONZI SCHEME);
OO: NY

dba
KENN JORDAN ASSOCIATES FUND,
STRATTHAM PARTNERS;

Synopsis: Forward information identifying [redacted] as a
victim of fraud perpetrated by [redacted]
[redacted] who has been linked to captioned BERNIE MADOFF.

Enclosure(s): Enclosed for BS, MM, and NY are [redacted]

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To: International Operations From: [REDACTED]
Re: 318A-NY-301292, 01/07/2009

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Details: [REDACTED] pertains to the recent filings in Nantucket District Court in Massachusetts of a civil suit and a lien against [REDACTED] residential estate property there. The suit and lien were filed by investment fraud victim [REDACTED]

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Per the [REDACTED]

[REDACTED] three years ago for investment in the KENN JORDAN ASSOCIATES FUND which he managed [REDACTED] year, at which point [REDACTED]

Per the [REDACTED]

[REDACTED] and his partner [REDACTED] were linked more than a decade ago to BERNIE MADOFF. [REDACTED] was the subject of [REDACTED]

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To: International Operations From: [REDACTED]
Re: 318A-NY-301292, 01/07/2009

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[REDACTED]

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b7E

[REDACTED]

[REDACTED] identifies [REDACTED] (dob: [REDACTED])
[REDACTED] SSAN: [REDACTED] at [REDACTED]
[REDACTED]

Initiation of a new fraud case on [REDACTED] is
left to the discretion of receiving offices.

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Inasmuch as [REDACTED]
[REDACTED] Legat Office is taking no further action at
this time.

UNCLASSIFIED

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To: International Operations From:
Re: 318A-NY-301292, 01/07/2009

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LEAD(s):

Set Lead 1: (Info)

CRIMINAL INVESTIGATIVE

AT WASHINGTON, DC

Read and clear.

Set Lead 2: (Info)

INTERNATIONAL OPERATIONS

AT EURASIA UNIT, DC

Read and clear.

Set Lead 3: (Discretionary)

BOSTON

AT NANTUCKET, MA

For information and any action deemed appropriate.

Set Lead 4: (Discretionary)

MIAMI

AT FT. LAUDERDALE, FL

For information and any action deemed appropriate.

Set Lead 5: (Info)

NEW YORK

AT NEW YORK, NEW YORK

For C-1 for information, read and clear.

Set Lead 6: (Info)

NEW YORK

UNCLASSIFIED

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To: International Operations From:
Re: 318A-NY-301292, 01/07/2009

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AT NEW YORK, NEW YORK

For BQRA C-17 for information, read and clear.

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318A-NY-301292-29

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/12/2008

On December 11, 2008, BERNARD LAWRENCE MADOFF was arrested at his residence, 133 East 64th Street, Floor 11, New York, New York, by SA [REDACTED] and SA [REDACTED] pursuant to probable cause as authorized by AUSA [REDACTED] Southern District of New York (SDNY).

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MADOFF was transported to 26 Federal Plaza, New York, New York, for processing. MADOFF was then transported to the U. S. District Court, SDNY, for his initial appearance.

MADOFF's pedigree information is as follows:

Name: BERNARD LAWRENCE MADOFF
aka: BERNIE MADOFF
Sex: Male
Race: White
Height: 5-11
Weight: 170 lbs
DoB: April 29, 1938
SSAN: Mr. MADOFF could not recall his SSAN
FBI #: 516312CD4
Home: 133 East 64th Street, Floor 11 and 12
New York, New York
Home #: 212-737-2043
Cell #: 917-361-8132
Passport #: 1127786833
Work: BLM Investment Securities
Work Add: 885 Third Avenue, Floor 17
New York, New York
Work: 212-230-2424

The following documents are maintained in a 1-A envelope associated to instant FD-302:

Arrest Log
FD-395 Advice of Rights
USM Form 312
Prisoner Medical Records Release Form
USMS Arrestee Information form

Two (2) sets of MADOFF's FD-249 (Fingerprint Cards)

Investigation on 12/11/2008 at New York, New York

File # 318A-NY-301292

Date dictated _____

by SA [REDACTED] *R*

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318A-NY-301292

Continuation of FD-302 of BERNARD LAWRENCE MADOFF, On 12/11/2008, Page ~~2~~

Photographs of MADOFF

A photocopy of MADOFF's New York State Driver License

A photocopy of MADOFF's Passport to include copies of
travel history

318A-NY-301292-31

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/11/2008

On December 11, 2008 at approximately 8:03 am BARNARD MADOFF was interviewed by SA [REDACTED] and SA [REDACTED] at MADOFF's residence 133 East 64th Street, Floor 11, New York, New York. After being advised of the identities of the interviewing Agents, MADOFF invited the Agents into his apartment. When MADOFF was asked if he knew why the Agents were here, MADOFF related that he knew why. When SA [REDACTED] asked if there was an innocent explanation, MADOFF related that there was no innocent explanation. SA [REDACTED] verbally advised MADOFF his Miranda rights that MADOFF did not have to speak with the Agents and that MADOFF could have an attorney present during the interview and that MADOFF could ask the Agents to leave his apartment anytime, MADOFF provided the following:

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MADOFF related that he has not spoken to his attorney about this matter. MADOFF made the appointment to meet with him today to discuss the matter and to see what to do.

MADOFF already wanted to come in to see the authorities. MADOFF stated, "Decided I just couldn't go on." MADOFF told his family yesterday. MADOFF stated, "I'm broke."

MADOFF related that "we" had a lot of client money and cleared for self and for customers. MADOFF stated, "We are insolvent." MADOFF related that he lost client's money and paid money to clients with money that wasn't there.

MADOFF did not take money for himself or take money out of the firm.

MADOFF spoke with his sons yesterday about MADOFF's situation. MADOFF stated, "It's all me doing it," and that MADOFF had to take responsibility for "this."

MADOFF related that the client side of the business was "all me," and that the money was lost from the client side. MADOFF related that 100% of the client side of the business was MADOFF's. MADOFF related that no one hid anything. Institutions and individuals are his clients. MADOFF has a lot of clients.

Investigation on 12/11/2008 at New York, New York

File # 318A-NY-301292

Date dictated _____

by SA [REDACTED]
SA [REDACTED]

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318A-NY-301292

Continuation of FD-302 of BERNARD L MADOFF, On 12/11/2008, Page 2

MADOFF related that he paid some of his clients who lost money from profits.

MADOFF related that he expects to go to jail.

MADOFF voluntarily provided to the Agents his passport.

is MADOFF's He is a

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318 A-NY-301292-32

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or

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UNITED STATES DISTRICT COURT
PRETRIAL SERVICES AGENCY
SOUTHERN DISTRICT OF NEW YORK

RECEIPT FOR PASSPORT

DEFENDANT NAME: Bernard Lawrence ^{madoff} PACTS# _____
NAME PASSPORT ISSUED UNDER: Sane DOB: _____
COUNTRY OF ORIGIN: U.S
PASSPORT NUMBER: 112786833 SURRENDER DATE: 12/11/08

DATE OF RELEASE ORDER: 12/11/08 JUDICIAL OFFICER: Eaton

RECEIVED BY: [Redacted] : Pretrial Services b6
DEFENDANT'S SIGNATURE: [Redacted] b7c

WITNESS: [Redacted] Surrendered by
FBI: [Redacted]

PASSPORT RETURN RECEIPT

☐ PASSPORT RETURNED PERMANENTLY	ORDER DATE: _____
☐ AUSA NOTIFICATION REQUIRED?	JUDICIAL OFFICER: _____
	DATE OF NOTIFICATION: _____
☐ PASSPORT RETURN IS TEMPORARY	ORDER DATE: _____
	JUDICIAL OFFICER: _____
	MUST BE RETURNED TO PRETRIAL SERVICES BY: _____

VERY IMPORTANT NOTICE - PLEASE READ CAREFULLY

Upon adjudication of the case, your passport will be returned to the issuing agency, U.S. Department of State (or U.S. Department of Homeland Security, in case of a foreign passport). If at sentencing, you receive a term of probation, your attorney could petition the sentencing Judge to have your passport returned to you immediately. In absence of such order, after 90 days, your passport will be sent to appropriate authorities.

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1A
- Entry / Exit Photographs
- Sign-in logs
- floor plans
- sketch
- Administrative logs

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/29/2008

On 12/16/2008 and 12/17/2008, a consent search was conducted at BERNARD L. MADOFF SECURITIES LLC, 885 3rd Avenue, (17th Floor and MADOFF's office on the 19th Floor), New York, NY.

ADMINISTRATIVE:

Administrative logs were kept during the course of the search as follows:

December 16, 2008

- At approximately 6:44pm, the search began.
- At approximately 9:40pm, the 17th Floor was sealed off with evidence tape per SA [redacted]

(X)
JSM

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b7CDecember 17, 2008

- At approximately 9:35am, a briefing was conducted by SA [redacted] in the 19th Floor Conference Room.
- At approximately 10:05am, the search continued on the 17th Floor.
- At approximately 11:30am, a break time was called and the 17th Floor was cleared of search personnel.
- At approximately 11:33am, a management meeting took place in the 19th Floor Conference Room. Parties present included SAC David A. Cardona, ASAC [redacted], CSSA [redacted], SSA [redacted], SA [redacted], SA [redacted], SA [redacted], [redacted] Unit Chief [redacted] (USAO-SDNY), AUSA [redacted] (SDNY), and [redacted] (SDNY).
- At approximately 11:46am, Management tour of the 17th Floor was conducted.
- At approximately 12:08pm, tour concluded.

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b7CInvestigation on 12/16-17/2008 at New York, New YorkFile # 318A-NY-301292

Date dictated _____

by SA [redacted]

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318A-NY-301292

Continuation of FD-302 of _____, On 12/16-17/2008, Page 2

- At approximately 12:35pm, SA [] conducted a briefing to the search personnel on the 17th Floor and advised that the search was ceased and that C-1 was on standby.

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MISCELLANEOUS:

Entry photographs were conducted by FBI Photographer []
[] Sign in logs were kept during the course of the search.
Floor plans were obtained and a sketch was prepared by SA []
[] All supporting documents are being maintained in the
corresponding 1A envelope.

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UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/10/2009

To: New York

From: New York

Squad C-1

Contact: [redacted]

ext [redacted]

Approved By: [redacted]

Drafted By: [redacted]

jsh

Case ID #: 318A-NY-301292 (Pending)

Title: BERNARD L MADOFF;
ET AL

Synopsis: To document attorney's representing some 17th floor employees of BLM INVESTMENT SECURITIES LLC as of January 8, 2009.

Details: The following is a list of employees of 17th floor employees of BLM INVESTMENT SECURITIES LLC who advised SA [redacted] they were represented on January 8, 2009.

Employee

Attorney

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Has not yet hired one
Has not yet hired one
Has not yet hired one

318A-NY-301292-1-37
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After obtaining the attorney information [redacted] walked up to SA [redacted] and advised [redacted] to obtain attorney's through [redacted]

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UNCLASSIFIED

To: New York From: New York
Re: 318A-NY-301292, 01/10/2009

stated she was unsure if [redacted] would represent all of the
individuals. [redacted] stated she is [redacted]
[redacted]

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/14/2009

To: New York ✓

Attn: SA [REDACTED]

Squad C-1

International Operations

Attn: Europe Unit

From: [REDACTED]

Contact: ALAT [REDACTED]

Approved By: [REDACTED]

msb/

Drafted By: [REDACTED]

rjm

Case ID #: 318A-NY-301292

(Pending)

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Title: BERNARD MADOFF

Synopsis: To provide New York with information [REDACTED]

Details: New York received information that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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To: New York From:
Re: 318A-NY-301292, 01/14/2009

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LEAD(s) :

Set Lead 1: (Indo)

NEW YORK

AT NEW YORK, NY

Read and clear.

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318A-NY-301292-40

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/07/2009

[redacted] (DOB: [redacted]
[redacted] telephone [redacted] was notified of the
interviewing agents' identities and the nature of the interview
whereupon she voluntarily provided the following information:

[redacted] has been employed as [redacted] at BERNARD L.
MADOFF SECURITIES (BLMIS), 885 Third Avenue, 17th Floor, New York,
NY since [redacted]

[redacted] Her supervisor and the
supervisor for the whole area was [redacted]

[redacted] said she had at one time invested about [redacted]
in BLMIS [redacted]

[redacted] stated she would see BERNARD L. MADOFF on the
17th floor on occasion as well as other employees such as
programmers and technical people to support copiers, printers etc.
She did see MADOFF's sons ANDREW and MARK MADOFF on rare occasions
on the 17th floor. [redacted] said she knew this because their

[redacted] was told by [redacted]
to MADOFF, but did not know [redacted]

[redacted] stated that [redacted]

[redacted] stated she made approximately [redacted] per year
including bonus.

[redacted] has not spoken to [redacted] since MADOFF's
arrest.

Investigation on 01/07/2009 at New York, NY

File # 318A-NY-301292

Date dictated 01/07/2009

by SA [redacted]
SA [redacted]

FEDERAL BUREAU OF INVESTIGATION
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FOI/PA# 1408074-0

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UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 12/30/2008

To: New York

From: New York

Squad C-8

Contact: SA [redacted]; ext [redacted]

Approved By: [redacted]

Drafted By: [redacted]

jsh

Case ID #: 318A-NY-301292 (Pending)

Title: BERNARD LAWRENCE MADOFF
BLM SECURITIES LLC
BLM SECURITIES LLP
BLM INVESTMENT SECURITIES LLC

Synopsis: To document telcalls with attorneys for [redacted]
on December 29th and 30th.

Details: On December 29, 2008, writer was telephonically contacted by [redacted] telephone number [redacted] stated he is the attorney for [redacted] requested access to [redacted] office to image her hard-drive, copy needed documents, and take personal items. [redacted] was advised writer would inquire about his request and get back to him. [redacted] also provided the name of [redacted] telephone number [redacted] as another contact.

On December 30, 2008 writer contacted SA [redacted] regarding the above request. SA [redacted] contacted the AUSA who advised an image would not be allowed at this time as the hard-drive had not yet been imaged by the FBI. Copies of files would be permitted as would the removal of personal items.

Writer then telephonically contacted [redacted] and left him a message relaying the details above. Writer requested [redacted] telephonically contact writer to set up an appointment to copy the requested documents.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/23/2008

On December 23, 2008, at approximately 11:10 a.m., [redacted] was contacted by interviewing Agents on the 19th floor offices located at 885 3rd Avenue, New York, New York. At that time [redacted] was advised due to the removal of original documents the previous day by a Madoff family members, he would need to provide interviewing Agents [redacted] the offices located on the 17th, 18th, and 19th floor of 885 3rd Avenue, New York, New York. [redacted] was also advised he would be escorted from the office by interviewing agents to protect the security of original documents located within the office.

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[redacted] provided [redacted] and the business card of his attorney, [redacted]

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[redacted] telephone number [redacted] requested access to his office to obtain stationary. [redacted] was instructed to coordinate with the Assistant United States Attorney for further access to the offices. Interviewing Agents assisted [redacted] in obtaining his stationary and jacket and escorted him to the lobby of 885 3rd Avenue, New York, New York.

[redacted] will be maintained in the FD-340/1A section of this case file.

Djsh

Investigation on 12/23/2008 at New York, New York

File # 318A-NY-301292

Date dictated 12/23/2008

by SA [redacted] jsh
SA [redacted]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/23/2008

On December 22, 2008, at approximately 7:15 p.m. [redacted]
[redacted] New York, New York, telephone number [redacted] was provided with the following documents to be used in the compilation of the financial situation of BERNARD [redacted] MADOFF:

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1. [redacted]

2. [redacted]

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3. [redacted]

4. [redacted]

5. [redacted]

The documents were provided at the request of the SECURITIES EXCHANGE COMMISSION (SEC). [redacted] advised the documents would be returned after they were copied. An FD-597/Receipt for Property Received/Returned/Released/Seized was signed and a copy was provided to [redacted]. The FD-597 was placed in the FD-340/1A section of this case file.

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b7CInvestigation on 12/22/2008 at New York, New YorkFile # 318A-NY-301292Date dictated 12/23/2008by SA [redacted] jsh
SA [redacted]b6
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318A-NY-301292-44

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/23/2008

On December 22, 2008, at approximately 4:00 p.m. boxes removed by [redacted] were returned to the 18th floor office of 885 3rd Avenue, New York, New York. Following their return it was noted the boxes contained original documents related to assets held by [redacted] among other original documents. [redacted] was then contacted by interviewing Agents on the 19th floor. At that time [redacted] was asked to provide interviewing Agents with [redacted] the offices located on the 17th, 18th, and 19th floor of 885 3rd Avenue, New York, New York. [redacted] was also advised he would be escorted from the office by interviewing agents to protect the security of original documents located within the office.

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[redacted] and stated the removal of the items was a misunderstanding. [redacted] then telephonically contacted his attorney [redacted] spoke privately with [redacted] and then put [redacted] on speaker phone with the interviewing agents who explained why [redacted] was being asked to leave. Both [redacted] agreed to coordinate with the Assistant United States Attorney for further access to the offices. After [redacted] made arrangements for a car pickup, [redacted] was escorted to the lobby of the building at approximately 4:20 p.m.

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[redacted] will be maintained in the FD-340/1A section of this case file.

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Investigation on 12/22/2008 at New York, New York

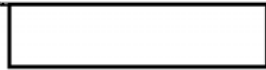
File # 318A-NY-301292

Date dictated 12/23/2008

by SA [redacted] jsh
SA [redacted]

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SERIALIZED	FILED
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/06/2009

[redacted] (DOB: [redacted])
[redacted] home telephone [redacted] was notified of the
interviewing agents' identities and the nature of the interview
whereupon he voluntarily provided the following information:

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[redacted] has worked as [redacted] at BERNARD L. MADOFF
SECURITIES (BLMIS) since [redacted] His duties, which have not
changed over time, include [redacted]
[redacted]

[redacted] was [redacted] supervisor and [redacted]
[redacted]
[redacted]

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On December 10 2008, [redacted] received a telephone call from
[redacted] secretary, [redacted] LAST NAME UNKNOWN (LNU) in the
late morning maybe around 11:00 am to 11:30 am [redacted]
[redacted]

(12)

As [redacted] was approaching the building, [redacted]
[redacted]
[redacted]

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[redacted]
[redacted]
[redacted]

[redacted]
[redacted]
[redacted]
[redacted]

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[redacted]
[redacted]
[redacted]

Investigation on 01/05/2009 at NY, NYFile # 318A-NY-301292Date dictated 01/06/2009by SA [redacted]
SA [redacted]b6
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318A-NY-
301292-
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See 1A11

SEARCHED	INDEXED
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[Redacted Box]	
FBI-NEW YORK	

JS. [Signature]

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318A-NY-301292
JSH:jsh

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On January 6, 2009, Special Agents (SAs) [redacted]
[redacted] conducted the following investigation
at [redacted] New York, New York, telephone number
[redacted]

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[redacted] advised they had not
[redacted] since November 11, 2008, as they were out
of the New York Police Department (NYPD) required paperwork.
Neither [redacted] recalled a white female mid 60s [redacted]
[redacted]

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They advised only one woman in her mid-thirties and two young men
have tried to [redacted] to them since November 2008.

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See 1A12 47
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/10/2009

[redacted] Date of Birth [redacted] who resides at [redacted] Telephone number [redacted] was interviewed at 885 Third Avenue, New York, New York. [redacted] voluntarily provided the following information:

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On either the day of the company Christmas party or the day after (December 10 or 11) a [redacted] employee from the 17th floor of 885 Third Avenue, New York, New York, brought a stack of checks up to BERNARD MADOFF on the 19th floor. [redacted] thought the employee was [redacted] stopped the employee outside MADOFF's office and told her not to bother MADOFF with the checks as he was very busy. The employee advised [redacted] that "Bernie has to sign these checks". [redacted] told the employee to have someone else sign the checks as MADOFF was busy, the employee then stated "he (MADOFF) requested these". [redacted] then observed the employee walk into MADOFF's office and hand the stack of checks to MADOFF.

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[redacted] thought this was unusual as MADOFF would only sign checks when other employees with signature authority were out. [redacted] believed [redacted] may have had signature authority although she was not certain. [redacted] also thought it was unusual that MADOFF held on to the checks as in the past he signed checks and immediately provided them to someone to mail.

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b7CInvestigation on 01/09/2009 at New York, New YorkFile # 318A-NY-301292

Date dictated _____

by SA [redacted] jsh

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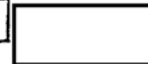
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/10/2009

On January 9, 2009, Special Agents (SAs) [redacted] conducted a review of two BLM SECURITIES/BLM INVESTMENT SECURITIES offsite locations. The first was a "hotsite" disaster recovery location located at the BULAVA CORPORATE CENTER, 75-20 Astoria Boulevard, East Elmhurst, New York. The second was a storage warehouse located at 41-38 39th Street, Long Island City, New York.

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FBI photographer [redacted] assisted in the site review by taking photographs of the inside of the two sites. Also present during the review were representatives of the Trustee:

[redacted]

[redacted]

The "hotsite" disaster recovery location located at the BULAVA CORPORATE CENTER, 75-20 Astoria Boulevard, East Elmhurst, New York was help in Suites 330 and 360. Photographs were taken at both Suite 330 and Suite 360. Floor plans for both suites, a telephone listing for the site, a BULOVA Information Guide, and a BLM INVESTMENT SECURITIES LLC Disaster Recovery Guide were obtained from the site. The originals were placed in the FD-340/1A section of the case file and a copy attached to this FD-302.

During review of Suite 330 a manilla envelope containing a letter from [redacted] was found. The letter dated December 12, 2008, asked for the closure of various client accounts. The letter was seized and placed in the FD-340/1A section of the case file and a copy attached to this FD

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During review of Suite 360, two boxes of 2,500 negative audit confirmations from FREIGHLING & HOROWITZ CPA P.C. were found in the mailroom by SA [redacted]. A sample of approximately fifteen were taken and placed in the FD-340/1A section of the case file and a copy attached to this FD-302.

The "hotsite" was secured with automated key-cards which are in the possession and control of the Trustee.

The storage warehouse located at 41-38 39th Street, Long Island City, New York. Photographs were taken of the warehouse and

Investigation on 01/09/2009 at New York, New York

File # 318A-NY-301292

Date dictated _____

by SA [redacted] sh
SA [redacted]

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Continuation of FD-302 of MADOFF WAREHOUSE REVIEW, On 01/09/2009, Page 2

its contents. The warehouse contains approximately 8,500 boxes of historic records of BLM SECURITIES/BLM INVESTMENT SECURITIES LLC. The warehouse has a main entrance and two loading docks on 39th Avenue and can also be accessed in the interior of the building.

SA [redacted] spoke with the owner of the rental space, [redacted]

[redacted] telephone number [redacted]

agreed to [redacted]

[redacted] and provided to SA [redacted] when complete.

During the review of the warehouse a box labeled CW003 was located. In the front of the box was a Memorandum from [redacted]

[redacted] and BERNARD L. MADOFF / MADOFF INVESTMENT SECURITIES LLC. The memo includes the following verbage:

"You have advised me that effective January 1, 2002, Cohmad Securities Corp. is no longer in an affiliated service provider relationship with Bernard L. Madoff Investment Securities LLC, nor is it within the Madoff's control group."

This document was seized and placed in the FD-340/1A section of the case file and a copy attached to this FD-302.

A partial index of the warehouse (sometimes referred to as the Long Island City warehouse) was provided by BAKER & HOSTETLER LLP. The index is attached to this FD-302.

The warehouse is secured with keys which are in the possession of the FBI and with an alarm whose code is also in possession of the FBI.

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Systems Support: Dial 1112

Paging: Dial 66, name your party and extension they are to call.

Operator: Dial 0

Trading Area

- **Pens, Pencils, Post it's, Pads, Stationary, envelopes, and copier paper** are located in supply closet to right of glass door entrance.
- **Toner and printer paper**, for Fax, printers, and copiers are located in file cabinets below said items.
- **Back cushions, ergo pads, and lunch menus** are located in file cabinets below the printers.
- **Tape, scissors, rulers, calculators, etc.** are located in file cabinets across from supply closet.

Kitchen Supplies (Kitchen facility located in Suite 330 only)

- **Supplies** are located in file cabinet to left of kitchen and in tall cabinets in rear.
- **Cups, tea, First Aid kit, and head/stomach medications** are located in cabinets above kitchen area.
- **Coffee and Cocoa** are in cabinet beneath coffee machine.
- **Water bottles** are stacked in rear closet space near Cage.
- **Defibrillator** is above water cooler

Cage Area

- **Supplies for calculators** are located in desk drawers.
- **Supplies for printers** are located beneath rear counter.

Systems

- **Communications devices, Cable, PC parts, and network items** are located in file cabinets in front of computer room, corridor closet by mens' room, and storage area on 1st floor.
- **Backup tapes:** Contact [redacted]
- **Bulk cables, doors, and other accessories** are in Storage area on 1st floor.

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Suite 360

- **Supplies** are located in file cabinets across from **Copier Room** as well as in the copier room. Additional stationary supplies and trans-files are in 1st floor storage area. See [redacted]
- **First Aid kit** is in Copier room. Defibrillator is by Operations area
- **Emergency exits** are located beyond the restrooms, around the corner from the suite.

Additional Information

Seating plans and phone extensions are located in reception and Computer rooms in suites 330 and 360.

Passwords: Contact Systems personnel.

Paging – Dial “66” in Bulova for Bulova or Dial “566” to reach Manhattan office.

Manhattan - Dial 5 and person's extension.

Local Taxis	Central @ 718-335-4141, or Paise @ 718-478-7700
JFK Airport	718-244-4444
La Guardia Airport	718-533-3400
Newark International Airport	973-961-6000
NJ Transit Authority – Departures Only	212-564-8484
NYC Transit Authority	718-243-3000 or 212-575-6101
Manhattan and Bronx Surface Transit	718-330-1234 www.mta.nyc.ny.us
Bulova Building Security/Emergency	718-446-0757
Main Madoff Bulova Office Phone	718-533-2300

Directions and map to bus, train, food are available at the front desks in Suite 330 and 360.

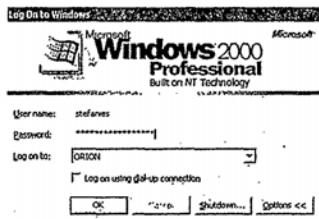
Disaster Recovery Guide

**** Use for Madoff One-Day test**

Last updated: 6/16/2008

WORKSTATION LOGIN

Logon to the Network using same user ID and password as you use in New York. The domain is *Orion*.



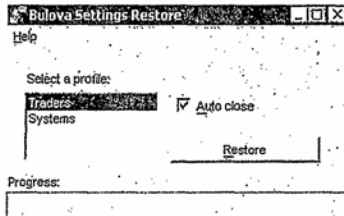
Once you are logged in:

- Double click on the this icon on your desktop



BulovaSettingsRestore.Ink

- To copy down the trading application settings, select *Traders* profile (Select *Systems* to copy down Notes settings only).



- Click **Restore**

- To Start MISS – double click on the **MISS** Icon.

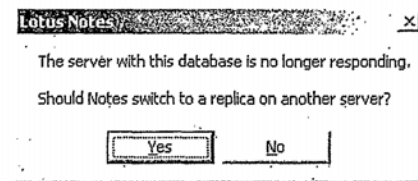
ACCESS YOUR DATA FILES

M: Points to your data files

LOTUS NOTES

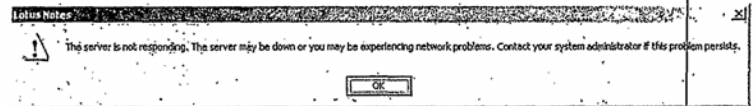
When a user tries to access a database on a server that is unavailable or in heavy use, Domino directs the user to a replica of the database on another server in the cluster.

If you are currently working within a Notes database and the server you are working on is no longer available, you may receive the following message:



- Please click **Yes** to continue working

If you receive the following message that *"The server is no longer responding..."*



- Use **F5** to log off and click the Lotus Notes splash screen to log in again.

To access email via a Web Browser from the Madoff intranet:

For NY users, use:

<http://nycnotes02.madoff.com>

For Bulova users, use:

<http://bulnotes02.madoff.com>

For London users, use:

<http://london.madoff.com>

To use Lotus Notes via the World Wide Web:

-Replicas of your mail file must be on the DOMINO/Madoff and/or the BULDOMINO/Madoff servers

-You must know the internet password for your Lotus Notes account.

Note: Your Notes Account Password and Notes Web Password may not be the same.

Via NY, use:

<http://madoff.madoff.com>

Via Bulova, use:

<http://bulova.madoff.com>

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Please examine the accompanying statement carefully.

Our accountants are making their regular examination of our financial records. If this statement does not agree with your records, please report any differences to our accountants:

Friehling and Horowitz, C.P.A.'s, P.C.
337 North Main Street
New City, New York 10956

You need not respond if the stated amount is accurate. However, should you find any discrepancy, an addressed envelope is enclosed for your convenience. If no differences are reported to our accountants, the accompanying statement will be considered correct.

318A-NY-301292-49



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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/07/2009

[redacted] ~~maiden name~~ [redacted] ~~date of birth~~ [redacted]
[redacted] was contacted by interviewing Agents on the 18th floor of 885 Third Avenue, New York, New York. After being advised of the identities of the interviewing Agents and the purpose of the interview, [redacted] stated she would only be interviewed with her attorney present. [redacted] was advised again that agents only wanted to talk to her about her duties in the [redacted] Bernard Madoff Investment Advisors. [redacted] again stated she would like her attorney present. [redacted] did not know the name of her attorney but agreed to have her attorney contact the interviewing agents.

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Investigation on 01/05/2009 at New York, New YorkFile # 318A-NY-301292

Date dictated

by SA [redacted] jsh

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318A-14-301292-SEA [redacted] 2021-1-14
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SERIALIZED 100 FILED 100
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upgraded 11/10/08

SEA [redacted] 302-47
SERIALIZED 86 FILED 1/12
JAN 13 2009
FBI-NEW YORK
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/07/2009

[redacted] date of birth [redacted] was contacted by interviewing Agents on the 18th floor of 885 Third Avenue, New York, New York. After being advised of the identities of the interviewing agents and the purpose of the interview, [redacted] stated he would only talk with an attorney present. [redacted] was advised that agents only wanted to talk to him about his duties in the [redacted] Bernard Madoff Investment Advisors. [redacted] agreed to have his attorney contact the interviewing agents.

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Investigation on 01/05/2009 at New York, New YorkFile # 318A-NY-301292

Date dictated _____

by SA [redacted] jsh

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318A-NY-301292-51

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SERIALIZED	FILED
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11/10/08
Federal Agent

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/07/2009

On January 7, 2009, [redacted] an employee located on the 18th floor at 885 Third Avenue, New York, NY, provided to SA [redacted] a Fedex airbill tracking number [redacted] which was dated [redacted] and which showed a package being mailed from [redacted] at MADOFF ENERGY LLC, 885 Third Avenue, New York, NY 10022, to [redacted]

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[redacted] stated both [redacted] worked for MADOFF ENERGY LLC and that the package contained business files and were sent to [redacted] home address in [redacted] stated the package was mailed the day after BERNARD MADOFF's arrest, and that the files were wrapped in Christmas wrapping before being shipped.

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The Fedex airbill received from [redacted] is maintained in the 1-A section of this file.

Investigation on 01/07/2009 at New York, New York

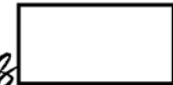
File # 318A-NY-301292

Date dictated _____

by SA [redacted]

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318A NY-30129252

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/06/2009

[redacted] (DOB: [redacted]) [redacted]
[redacted] telephone [redacted] was notified of
the interviewing agents' identities and the nature of interview
whereupon he voluntarily provided the information:

[redacted] began working for BERNARD MADOFF (MADOFF) on the 17th floor, 885 Third Avenue, as [redacted]

learned [REDACTED] also
[REDACTED] as a backup to the other employees who did it.

worked with [redacted] and had desks there. [redacted] duties were similar to [redacted] said [redacted] duties [redacted] was taught how to [redacted]

would manually

[redacted] said at the end of the year, time permitting, the process of [redacted] would be a two to three month process. [redacted] and other employees

Investigation on 01/06/2009 .at New York, NY

File # 318A-NY-301292

Date dictated 01/06/2009

by $\overline{SA}$
 SA

318A-NY-301292

Continuation of FD-302 of [redacted]

, On 01/06/2009

, Page 2

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[redacted]

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[redacted] said that there were [redacted]

[redacted]

[redacted] stated he was supervised by [redacted]

[redacted] said [redacted] did not tolerate tardiness.

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In November 2008, [redacted] asked [redacted] to work late to get a head start [redacted] said that he started the process but it was too late [redacted]

[redacted]

[redacted] said another duty was to [redacted]

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[redacted] It was prepared by 17th floor employees [redacted]

[redacted]

[redacted] said that [redacted] and given to 17th floor employees [redacted] so they could be [redacted] said there were about [redacted]

[redacted]



FBI NEW YORK PRESS OFFICE

DATE: January 6, 2009

TO: SQUAD C-1
SSA [redacted] x [redacted]

FROM: FBI NEW YORK PRESS OFFICE
SSA [redacted] ext. [redacted]
SA [redacted] ext. [redacted]
PAS [redacted] ext. [redacted]

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b7E

RE: 318A-NY-301292
SA [redacted] x [redacted]

FOR YOUR INFORMATION
AND THE CASE FILE

Clips prepared by: PAS [redacted]
Date: 1/6/2009

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Allan Goldstein, a retiree and investor with Bernard L. Madoff Investment Securities, testifies before the House Committee on Financial Services, Monday, Jan. 5, 2009, on Capitol Hill in Washington. (AP Photo/Haraz N. Ghanbari)



Madoff scandal, SEC role under scrutiny

By MARCY GORDON — 1 hour ago

WASHINGTON (AP) — Two more months of mortgage payments and retiree Allan Goldstein says he'll be broke, just another victim in what may be the biggest Ponzi scheme in history.

Goldstein, 76, was among the thousands of investors who trusted Wall Street figure Bernard Madoff with their money while counting on federal regulators to protect the investing public from fraud.

"Somewhere inside of me was the thought that this was a regulated industry. It wasn't. The warning flags were just pushed aside," Goldstein told a House panel Monday.

Red flags were raised to the Securities and Exchange Commission over a decade but weren't pursued, and Republican and Democratic House members said that reflected deep, systemic problems at the market watchdog agency.

Goldstein, a retired New York fabrics distributor, was among the witnesses as the House Financial Services Committee looked into why the SEC failed to uncover what may be a swindle amounting to \$50 billion.

Goldstein testified that "everything I worked for over a 50-year career is gone." He held an IRA retirement account with Madoff's firm for 21 years.

Now, he says, he's been forced to cash in life insurance policies to cover his mortgage, but "just can't make it" past April. The only choice he says he has is to sell his home — which he fears he won't be able to do in a housing market that has collapsed.

In a New York City courtroom Monday, a federal prosecutor asked that Madoff be jailed pending trial, saying the disgraced financier violated an agreement with the court by mailing watches, jewelry, cufflinks and mittens worth more than \$1 million to relatives and friends. The judge said he would rule on the request after both sides submitted written arguments.

Thousands of individuals, including ordinary people and Hollywood celebrities as well as big hedge funds, international banks and charities around the globe, lost money investing with Madoff. A prominent French financier who had entrusted his fortune and his clients' money to Madoff was found dead at his office in New York on Dec. 23, an apparent suicide.

The SEC's internal watchdog, Inspector General H. David Kotz, said he is so concerned about the agency's failure to uncover Madoff's alleged Ponzi scheme that he is expanding the inquiry called for last month by SEC Chairman Christopher Cox. Cox had pushed the blame squarely onto the SEC's career staff for the failure to detect what Madoff was doing.

Kotz told the House hearing he will examine the operations of the SEC's enforcement and inspection divisions and will make recommendations, steps beyond what Cox had called for.

It appears that the complaints against Madoff's operations by securities industry executive Harry Markopolos and others were "brought to the right place" within the SEC, Kotz said, and to enough people that action could have been taken.

Among other facets, Kotz's review will delve, as Cox had asked, into all SEC staff contacts and relationships with the Madoff family and the firm — and the possible impact on staff decisions.

Kotz is examining the relationship between a former SEC attorney, Eric Swanson, and Madoff's niece, Shana, who are now married. As an SEC attorney, Swanson was part of a team that examined Madoff's securities brokerage operation in 1999 and 2004. Neither review resulted in any action against Madoff, a former chairman of the Nasdaq Stock Market who was a member of SEC advisory committees.

If he were to find evidence of collaboration between SEC staff and Madoff's firm, Kotz told the hearing, he would call for the strictest measures against those involved, including dismissal and possible referral to the Justice Department for criminal prosecution.

To Rep. David Scott, D-Ga., such collaboration was self-evident. Madoff "could not have done it without some complicity," he insisted, and for SEC staff involved, "Their heads have got to roll."

"Clearly, our regulatory system ... failed miserably and we must rebuild it now," said Rep.

Paul Kanjorski, D-Pa., who presided over the first congressional airing of the Madoff scandal.

In the Senate, Banking Committee Chairman Chris Dodd, D-Conn., and Sen. Richard Shelby of Alabama, the panel's senior Republican, announced that they have opened an investigation of the Madoff affair.

The Securities Investor Protection Corp. and the trustee handling the liquidation of Madoff's firm announced that they mailed more than 8,000 claim forms to customers on Friday.

SIPC's president, Stephen Harbeck, faced pointed questioning at the hearing as lawmakers spelled out the math: an estimated \$50 billion in losses from Madoff, but just \$1.6 billion available to SIPC. The industry-funded organization, created by Congress to protect investors when a brokerage firm fails, can provide funds up to a maximum of \$500,000 for each customer.

Lawmakers, many of whom had received calls from constituents and charities in their districts that lost money, jumped on the opportunity to show concern. The hearing was held on the final day of the current Congress.

Republicans warned against rushing to new regulation as a response to the SEC breakdown.

"What we may have in the Madoff case is not necessarily a lack of enforcement and oversight tools, but a failure to use them," said Rep. Spencer Bachus of Alabama, the panel's senior Republican.

Associated Press writer Pete Yost contributed to this report.

The New York Times

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From Director
Danny Boyle

January 6, 2009

Bid to Revoke Madoff's Bail Cites His Gifts

By **ALEX BERENSON**

Contending that Bernard L. Madoff sent at least a million dollars worth of jewelry as gifts to family members and friends last month, federal prosecutors asked a judge on Monday to revoke his bail and send him to jail.

Mr. Madoff, who has been free after posting bail of \$10 million when he was charged last month with securities fraud, remained free after the hearing pending a ruling by the magistrate judge, Ronald L. Ellis of United States District Court in Manhattan.

Judge Ellis ordered each side to submit legal briefs on the matter by Wednesday.

United States Attorney Marc O. Litt asked for revocation of Mr. Madoff's bail, arguing that the gifts violated conditions that barred him from disposing of any of his assets.

The newly aggressive stance by prosecutors appeared to represent a serious deterioration in relations between the government and Mr. Madoff, who is said to have confessed to a huge Ponzi scheme last month and had seemed to be cooperating with investigators trying to unravel the fraud. In an interview on Monday evening, a lawyer for Mr. Madoff backed away from earlier statements that Mr. Madoff was helping investigators.

While Mr. Madoff faced the potential loss of his freedom in New York, the Securities and Exchange Commission came under heavy criticism from lawmakers in Washington.

At a hearing Monday afternoon, members of a House committee questioned why the agency had not uncovered Mr. Madoff's fraud long before early December, when he is said to have confessed it to F.B.I. agents. The S.E.C.'s inspector general, H. David Kotz, promised a full investigation.

At the court hearing in New York, Mr. Litt told Judge Ellis that Mr. Madoff and his wife, Ruth, had mailed packages of valuables in late December to his sons, his brother and friends. Since mid-December, Mr. Madoff has been under house arrest at his luxury apartment on the Upper East Side of Manhattan, guarded by private security guards paid for by his wife.

By sending the packages, Mr. Madoff violated the terms of his bail agreement with the government, Mr. Litt said. He said that Mr. Madoff was a flight risk and asked that his bail be revoked immediately.

"The case against the defendant is strong and it continues to grow stronger as the government's investigation continues," Mr. Litt said. "Given the defendant's age, the length of the likely sentence, the strength of the proof against the defendant, including his confessions, these facts present a clear risk of flight."

Ira Lee Sorkin, a lawyer for Mr. Madoff, said at the hearing that Mr. Madoff had not meant to violate the agreement and should not be sent to jail. Mr. Madoff is not a flight risk, and he and his wife tried to recover the valuables after speaking to their lawyers and realizing they should not have mailed them, Mr. Sorkin said.

But speaking after the hearing, Mr. Sorkin disavowed his earlier statements that Mr. Madoff was cooperating with prosecutors and F.B.I. agents seeking to unravel the Ponzi scheme.

"No one ever said he was cooperating with the government," Mr. Sorkin said — though he had previously said that "we" were helping investigators from the F.B.I. and the S.E.C. Mr. Sorkin said he had meant that Mr. Madoff's firm, Bernard L. Madoff Investment Securities L.L.C., was cooperating with the investigation.

Mr. Madoff told F.B.I. agents last month that he had overseen a financial fraud that had cost investors as much as \$50 billion, according to a criminal complaint filed in federal court in Manhattan. The fraud was continuing just days before Mr. Madoff confessed it to the F.B.I., according to a lawsuit filed by a New York company that claims Mr. Madoff took in \$10 million from it on Dec. 5.

A government-appointed receiver has now taken over his firm, and S.E.C. agents and F.B.I. investigators are conducting a far-flung investigation to see who might have aided Mr. Madoff. On Monday, the trustee overseeing the liquidation of Mr. Madoff's firm sent 8,000 claim forms to people who may have invested with Mr. Madoff, asking them to detail what they believe they are owed.

Judge Ellis, who is overseeing the criminal case that prosecutors filed last month, did not make an immediate decision on the government's request to revoke Mr. Madoff's bail. Prosecutors must submit a filing supporting the request by the end of the day on Tuesday, and Mr. Madoff's lawyers have until the end of the day on Wednesday to respond.

The allegations about the gifts came just days after the disclosure that Mr. Madoff was still accepting investor funds in the days leading up to the fund's collapse.

In documents filed in United States Bankruptcy Court last week, a family corporation set up by Martin Rosenman, a resident of Great Neck, N.Y., and the president of Stuyvesant Fuel Service, a heating oil distributor in the New York area, invested \$10 million in the Madoff funds on Dec. 5.

On Dec. 9, two days before Mr. Madoff was arrested, Mr. Rosenman was notified by the Madoff firm that his money had been received and invested, according to Mr. Rosenman's lawyer, Howard Kleinhendler of Wachtel & Masyr.

Last week, Mr. Madoff's sons, Andrew and Mark, received three packages, containing valuable jewelry and watches, as well as inexpensive items like cuff links and mittens, according to a person briefed on the contents of the packages. Within minutes of receiving the packages, Mr. Madoff's sons called the law firm of Paul, Weiss, Rifkind, Wharton & Garrison, which is representing them, to tell them about the packages, this person said.

Lawyers for Paul, Weiss then informed prosecutors of the packages and offered to pass them to the government. Prosecutors accepted the offer.

Mr. Madoff's sons worked for many years at their father's firm but have said through a spokesman that they were unaware of any wrongdoing and are cooperating with investigators. So far, they have not been named as targets of the investigation into the Ponzi scheme.

At the bail hearing, Mr. Sorkin, Mr. Madoff's lawyer, said other packages had been sent to Peter Madoff, Bernard's brother, as well as an unnamed couple who live in New York but were vacationing in Florida. He said many of the items were relatively inexpensive, including a pair of \$25 cuff links and \$200 mittens.

At the House hearing in Washington, both Democrats and Republicans said that the Securities and Exchange Commission had failed to follow up on warnings and red flags that might have uncovered Mr. Madoff's scheme years earlier.

"This elaborate Ponzi scheme fell through the cracks of our regulatory system," said Representative Paul Kanjorski, Democrat of Pennsylvania and a member of the House Financial Services Committee, which held the hearing.

But the star witness who had warned the S.E.C. for nearly a decade about Mr. Madoff, Harry Markopolos, a former investment manager, declined to appear at the last minute.

A lawyer for Mr. Markopolos, Philip R. Michael, said that his client was suffering from a sinus infection and had taken bed rest. Furthermore, Mr. Markopolos will testify as a friendly witness, seeking no bounty or compensation for his testimony.

"He's ready to tell them what he knows," Mr. Michael said.

Edmund L. Andrews and Michael J. de la Merced contributed reporting.

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NEW YORK POST

MADOFF MAULED OVER 'HEIR' MAIL

By BRUCE GOLDING and DAN MANGAN



**MY CLASSMATES
AND I HAVE ONE
THING IN COMMON:**

ADDITIONAL
BOX

January 6, 2009 --

What chutzpah!

Ponzi-scheme pilferer Bernard Madoff secretly mailed more than \$1 million worth of jewelry, valuables and Hanukkah gifts to relatives and friends after he was pinched, it emerged yesterday.

CONGRESS PROBES HOW SEC BLEW IT

PEYSER: PIGGY SKIPS POKEY TIME ONCE AGAIN

Prosecutors dragged the archswindler into court in an effort to jail him, saying he violated a bail agreement that prevented him from transferring any assets.

Madoff and his wife, Ruth, sent out four separate packages on Christmas Eve and possibly Dec. 27, lawyers revealed.

Defense lawyer Ira Sorkin said the objects were heirlooms innocently sent to Madoff's children - his two sons turned Madoff in to authorities after he confessed his scheme to them on Dec. 10 - and brother, Peter.

The mailings, which included expensive watches, pens, cufflinks and a \$200 pair of mittens meant as a Hanukkah gift, raised fears that the Madoffs were trying to hide assets from seizure by the government or Bernard's multitude of victims.

The defense lawyer offered to let the government take custody of any jewelry or other small assets, an offer Assistant US Attorney Marc Litt said would be impossible to act upon because there might be valuable small assets "scattered around the country and the world."

"We're seeking detention," Litt told Magistrate Judge Ronald Ellis during an emergency hearing in Manhattan federal court as Bernard Madoff looked on.

"The defendant's recent actions amount to obstruction of justice."

Madoff's lawyer argued that the items were not significant assets but "heirlooms," and that the mailings "happened innocently."

Ellis then allowed Madoff to remain free on \$10 million bail - albeit under house arrest - at least until the judge weighs written arguments by both sides over the next several days.

Madoff's arrogance outraged securities lawyer Bill Singer, a former stock regulator.

"Everything he has, he has as a result of theft, and anything - whether it be heirlooms or paintings - can be sold and the funds used to pay off the victims of his fraud," Singer said. "Frankly, Mr. Madoff belongs in jail right now."

Madoff, 70, was busted Dec. 11 on charges that he swindled thousands of investors with his firm out of an estimated \$50 billion by operating a Ponzi scheme. At the time, he said his business had about \$200 million remaining, and he wanted to give it to employees, family and friends. He originally was released on \$10 million bail, but a week later was placed under virtual house arrest in his Manhattan apartment.

On Dec. 18, another federal judge issued an injunction, which Madoff signed, freezing all of his assets because of a pending civil lawsuit by the Securities and Exchange Commission.

And on Dec. 26, Ruth Madoff agreed with the government to freeze of all of her assets.

But three days later, federal prosecutors said they learned the Madoffs had recently mailed four packages to their sons, Andrew and Mark, one of their daughters-in-law, and Bernard's brother, Peter.

"One [package] may value in excess of \$1 million," said Litt, the prosecutor, who noted that some of the items were now in the government's possession.

"It was accompanied by a handwritten note from the defendant that was a clear violation" of the other judge's injunction against transferring assets.

Defense lawyer Sorkin told Ellis he first learned of the mailings Dec. 30, when Ruth Madoff came to his office to prepare a statement listing assets for the SEC.

Also yesterday, a bankruptcy judge, Burton Lifland, granted an extension of a stay prohibiting anyone who did business with Madoff from suing him over the Ponzi scheme. The extension will be "until further order of this court," he wrote.

Additional reporting by Mark DeCambre

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Bernie Madoff's actions 'amount to obstruction of justice,' say prosecutors

BY THOMAS ZAMBITO AND DOUGLAS FEIDEN
DAILY NEWS STAFF WRITERS

Updated Monday, January 5th 2009, 10:58 PM

Arch-swindler Bernie Madoff is still playing the big con, prosecutors said Monday.

He secretly mailed more than \$1 million in jewelry and valuables to family and friends in the days after his arrest, a federal prosecutor charged.

Assistant U.S. Attorney Marc Litt demanded the fallen financier be jailed without bail - branding him a flight risk who violated a court order that froze his assets.

"The case against the defendant is strong - and continues to get stronger," Litt told Magistrate Judge Ronald Ellis in Manhattan Federal Court.

"His recent actions amount to obstruction of justice" and a clear-cut breach of the terms of his \$10 million bail, Litt said.

Clad in a crisp and expensive charcoal gray suit with a black tie, the accused mastermind of a \$50 billion Ponzi scheme sat silently with a bemused look on his face.

At issue were five packages Madoff or his wife, Ruth, mailed on Christmas Eve containing several antique watches, jewelry, cuff links and other heirlooms that the feds estimate to be worth more than \$1 million.

With the FBI watching the scamster 24-7, he quietly transferred the items - 13 days after his arrest - to a son, a daughter-in-law, his brother Peter and a friend in Florida.

At the time, he was under detention in his East Side penthouse.

Joel Sinkin, who fears money he invested with Madoff is gone, said word that the disgraced moneyman was moving jewelry left him "disgusted."

"This is just another dart in the back of us investors who trusted our retirement money to him and more," Sinkin said.

Madoff's lawyer Ira Sorkin minimized the mailings. He said the cuff links were worth only \$25 and mittens he sent were valued at \$200. Sorkin declined to put a value on the watches or Madoff's wife's jewelry.

To comply with a court order, the Madoffs met with their lawyers on Dec. 30 to compile a list of their financial assets, and during that meeting they mentioned mailing the packages, Sorkin said.

"They were told, 'You can't do that, you have to give it back,'" Sorkin said. "There was no attempt by Mr. Madoff or Mrs. Madoff to violate the terms of their bail."

That will be up to Ellis, who will rule later this week on the prosecutor's request to toss Madoff back in jail.

Meanwhile, a House committee met to determine how the Securities and Exchange Commission could have probed Madoff's operation eight times over the past 16 years - and never came close to uncovering fraud.

"Many of us have lost confidence in the SEC," said Rep. Carolyn Maloney (D-Manhattan). She joined a chorus of angry lawmakers who howled about chronic regulatory failures.

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Madoff in federal court in NYC for bail hearing

By LARRY NEUMEISTER – 19 hours ago

NEW YORK (AP) — Disgraced financier Bernard Madoff (MAY'-dawf) is in federal court in Manhattan awaiting a bail hearing.

A hearing was scheduled Monday afternoon for the 70-year-old Madoff, who is accused of duping investors out of as much as \$50 billion in a giant Ponzi scheme.

Madoff has been under house arrest in his Manhattan apartment under an earlier bail agreement. He also owns yachts and mansions in New York's Hamptons and Palm Beach, Fla.

The former Nasdaq stock market chairman was arrested Dec. 11 on securities fraud charges after the FBI said he confessed that his private investment business was a fraud.

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Madoff sends valuables to family

US prosecutors have called for Bernard Madoff to be locked up until his trial after it emerged he had been sending valuables to family and friends.

The prosecutor said that a single one of the packages sent in the post was worth more than \$1m (£685,000).

They included jewellery, watches, pens, cufflinks and a \$200 pair of mittens.

Mr Madoff's lawyer, Ira Sorkin, said that his client had not realised that the mailings violated the freezing of his assets.

He also said that some of the items sent belonged to Mrs Madoff and so were not covered by the freeze.

The parcels were sent to Mr Madoff's brother, his son and daughter-in-law and another New York couple.

'Not a threat'

Mr Sorkin said that it had been members of Mr Madoff's family who had brought the mailings to the attention of the authorities.

Mr Madoff was accused last month of running a fraudulent \$50bn scheme, which involved existing investors' returns being funded by cash from new investors.

At a bail hearing, Judge Ronald Ellis told both sides to submit written arguments and said he would rule later on whether Mr Madoff would have to go to prison until his trial.

"He's not a threat to the community and there's no danger he's going to flee," Mr Sorkin said.

Mr Madoff is currently under house arrest in his New York penthouse.

His \$10m bail is covered by that home as well as his houses in Long Island and Florida.

Story from BBC NEWS:
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January 6, 2009

Legal Affairs

Judge Urged To Jail Madoff Without Bail

by Jim Zarroli

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Morning Edition, January 6, 2009 · Prosecutors in New York are asking a judge to put Bernard Madoff behind bars without bail. They told the judge Monday that the disgraced financier had violated bail conditions by mailing about \$1 million worth of jewelry and other assets to relatives. At roughly the same time in Washington, a House hearing got under way on how regulators missed the alleged \$50 billion Ponzi scheme Madoff is accused of running.

Business

SEC Watchdog To Expand Madoff Inquiry

NPR.org, January 5, 2009 · The chief investigator for the Securities and Exchange Commission told a House subcommittee Monday that he is expanding a probe into why the agency didn't detect \$50 billion in alleged fraud by Bernard Madoff's investment firm.

Inspector General H. David Kotz said he is expanding the inquiry called for last month by SEC Chairman Christopher Cox. Kotz said he is so concerned about the SEC's failures in the Madoff case that he will examine the operations of the agency's enforcement and inspection divisions and will make recommendations.

"Our main goal will be to see that this doesn't happen again," said Rep. Barney Frank (D-MA) as the hearing opened Monday afternoon.

Allegations about Madoff went back to at least 1999 and were repeatedly brought to the attention of SEC staff, Cox has said.

Madoff was released on bond after his Dec. 11 arrest on securities fraud charges, and has been under home detention. At a hearing in New York late Monday, federal prosecutors asked a judge to revoke Madoff's bail, saying the business tycoon violated the conditions of release.

Assistant U.S. Attorney Marc Litt said Madoff mailed about \$1 million worth of jewelry and other items to his children and some

friends.

But defense lawyer Ira Sorkin said the items were heirlooms — including cuff links and antique watches — and were not significant assets. He said Madoff should remain confined to his home in Manhattan.

"He's not a threat to the community, and there's no danger he's going to flee," Sorkin told U.S. Magistrate Judge Ronald Ellis. The judge asked both sides to submit written arguments and said he would rule later.

Prosecutors have said Madoff ran a Ponzi scheme for years that bilked investors all over the world out of billions of dollars.

Madoff has not entered a plea to the charges.

In Washington, retiree and Madoff investor Allan Goldstein was among those scheduled to testify before House lawmakers. Goldstein, 76, said he lost his life savings because of Madoff's alleged schemes.

Meanwhile, the Securities Investor Protection Corp. and the trustee handling the liquidation of Madoff's firm said more than 8,000 claim forms were mailed to Madoff's investors, and a notice was published in major newspapers telling people how to apply for claims.

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Madoff Accused of Mailing \$1 Million Worth of Jewelry & Violating Bail

By Julie

Created 01/05/2009 - 11:07pm

Federal prosecutors charge that Bernie Madoff is still trying to pull a fast one, having mailed more than \$1 million in jewelry and valuables to family and friends in the days following his arrest. Assistant US Attorney Marc Litt is demanding that the disgraced financier be jailed without bail, labeling him a flight risk who violated a court order that froze his assets.



Litt told Magistrate Judge Ronald Ellis in Manhattan Federal Court on Monday, "The case against the defendant is strong - and continues to get stronger. His recent actions amount to obstruction of justice" and an obvious breach of the terms of his \$10 million bail.

At issue are five packages Madoff or his wife mailed on Christmas Eve. They contained several antique watches, jewelry, cuff links and other heirlooms that the government estimates to be worth more than \$1 million.

The alleged mastermind of a \$50 billion Ponzi scheme transferred the items under the watchful eyes of the FBI just 13 days after his arrest - to a son, daughter-in-law, his brother Pete, and a friend in Florida. During this time, he was on house arrest in his East Side penthouse.

The Madoffs met with their lawyers on Dec. 30 to go over a list of their financial assets, and at this meeting mentioned mailing the packages. Their attorney told them they couldn't do that and would have to get the items back. The attorney also said that they did not attempt to violate the terms of the bail.

Judge Ellis will rule later this week on whether or not he should honor the prosecutor's request to throw him back in jail.

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AP Associated Press

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Disgraced financier Bernard Madoff leaves U.S. District Court in Manhattan after a bail hearing in New York, Monday, Jan. 5, 2009. Prosecutors said Madoff violated bail conditions by mailing about \$1 million worth of jewelry and other assets to relatives and should be jailed without bail. (AP Photo/Kathy Willens)



US govt to NY judge: Jail Madoff without bail

By LARRY NEUMEISTER – 2 hours ago

NEW YORK (AP) — A prosecutor on Monday asked that Bernard Madoff be jailed pending trial, saying the disgraced financier violated an agreement with the court by mailing watches, jewelry, cufflinks and mittens worth more than \$1 million to relatives and friends.

"The defendant's recent actions amount to obstruction of justice," Assistant U.S. Attorney Marc Litt told U.S. Magistrate Judge Ronald Ellis at an hour-long bail hearing. The prosecutor said one package of items that was accompanied by a handwritten note from Madoff may alone be worth more than \$1 million.

The judge ordered both sides to submit written arguments this week and said he would rule later.

Madoff's lawyer, Ira Sorkin, said his client did not violate a court-imposed asset freeze by mailing heirlooms through the post office to his brother, a son and daughter-in-law and a New York couple vacationing in Florida. Besides watches and jewelry, other items included \$25 cufflinks, pens and a \$200 pair of mittens.

Sorkin called it an innocent mistake and said Madoff and his wife sought the return of the items they had sent on Dec. 24 as soon as they were told they could not send them out. He also suggested that some of the items mailed belonged to Madoff's wife, and therefore were not subject to a court order at that time.

"We maintain it happened innocently," Sorkin said. "He's not a threat to the community, and there's no danger he's going to flee."

The last-minute court hearing was the latest chapter in an ongoing struggle between prosecutors and Madoff over his bail.

Madoff was released without restrictions after his arrest, angering critics who thought it was unfair that a man accused of such a large fraud could walk the streets. Conditions of his bail were later tightened to the point that Madoff is now under constant surveillance and confined to his Manhattan penthouse around the clock, the only exception being court hearings.

His \$10 million bail was secured by his homes in Manhattan, Long Island and Florida.

The 70-year-old Madoff, a former Nasdaq stock market chairman, was arrested Dec. 11 on securities fraud charges alleging he duped investors out of as much as \$50 billion in a giant Ponzi scheme.

At some point during his home confinement, Madoff and his wife decided to start sending the personal items to relatives and friends, including cufflinks that had been given to him by his granddaughter.

Sorkin said lawyers learned for the first time that the watch and jewelry had been sent to relatives and the couple in Florida when they were preparing a statement of Madoff's assets on Dec. 30 that had to be turned over to the Securities and Exchange Commission a day later.

Litt said the government has taken possession of most of the items, including the most expensive ones.

The issue of Madoff's assets is an important part of the investigation because authorities are trying to determine what is left and use it as restitution for burned investors.

The defense lawyer offered to let the government take custody of any jewelry or other small assets belonging to Madoff, an offer that Litt said would be impossible to carry out because there might be valuable small assets such as paintings and sculptures "scattered around the country and the world."

The effort by the Madoffs to send property to family and friends was not the first time that Madoff sought to help out members of his inner circle since his alleged scheme unraveled, according to an FBI complaint.

The complaint filed at the time of Madoff's arrest said he had sought to distribute \$200 million to \$300 million he had left to selected employees, family and friends.



The prosecutor urged the magistrate judge to consider the "totality of actions" as Madoff carried out a sweeping fraud.

"Mr. Madoff has lied to many people over the years," Litt said as he alleged that the mailing of assets after his arrest made a lie of his promise to the courts not to disturb his assets.

The prosecutor told the judge the case against Madoff "is strong and getting stronger."

Madoff went to court in a gray suit with a white shirt and a black tie. As the magistrate judge entered court, Madoff straightened his suit coat and tie. He looked forward throughout the proceeding.

Afterward, court officers cleared the way for him as he hurried to a car in front of the courthouse. He did not reply to questions shouted at him by reporters.

He has not yet entered a plea in the case because an indictment had not been returned, though it was due within a week.

In court, the prosecutor had argued that Madoff obstructed justice by trying to dissipate assets and said that he was a danger to the community because he was liquidating assets needed by his investors.

The judge said he was concerned whether any previous cases have claimed that potential economic harm represented a danger to the community.

"In some instances, economic danger may be more severe than physical danger," he said.

Associated Press writer Tom Hays contributed to this report.



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NEWS AMERICAS

NY court urged to jail Madoff

A US prosecutor has asked a judge to jail Bernard Madoff, the former financier accused of Wall Street's biggest-ever fraud, saying he violated terms of his bail by trying to dispose of \$1m worth of jewellery.

The request came as a congressional hearing into Madoff's alleged \$50bn fraud drew calls from Democratic legislators for an overhaul of the US financial regulation system.

Madoff, a former chairman of the Nasdaq stock exchange, was charged with securities fraud in December over an investment scam that the government says cost investors, banks and charities worldwide billions of dollars.

According to court documents, Madoff confessed to investigators that he ran the scheme - in which early investors are paid off with the money of newer clients - over many years with losses of \$50bn.

The 70-year-old has been under house arrest in his \$7m Manhattan apartment as part of his \$10m bail, which has also required his assets to be frozen.

But Marc Litt, a prosecutor, told a Manhattan federal court on Monday that the items mailed nearly two weeks ago represented a "dissipation of assets" that threatened to compromise the value of any restitution and forfeiture that Madoff would have to make.

He said one item mailed by Madoff and his wife, Ruth, was valued at more than \$1m.

Ira Sorkin, Madoff's lawyer, told the judge that the items were some heirlooms, including watches and pens, and some things of nominal value including cufflinks worth \$25 and a pair of mittens valued at \$200.

"We attempted to get the items back before we ever learnt the government had this concern," Sorkin told Ronald Ellis, the judge.

The judge reserved judgement and asked both sides for more information concerning the purported \$50bn fraud by Thursday.

Regulation overhaul

In Washington, the Madoff scandal has emerged as a rallying point for Democrats intent on overhauling financial regulation this year, with the help of the incoming Obama administration as it moves to stabilise the troubled US financial system.

"Many of us have lost confidence in the SEC," Carolyn Maloney, a Democratic congresswoman, told David Kotz, the Securities and Exchange Commission inspector-general, as he testified before the House Financial Services Committee at a hearing on the Madoff case.

Kotz has set a January 16 deadline for SEC staff to turn over Madoff records and said "social and professional relationships" may have influenced investigators.

Source: Agencies



Madoff has been under house arrest in his \$7m apartment since being arrested last month [Reuters]

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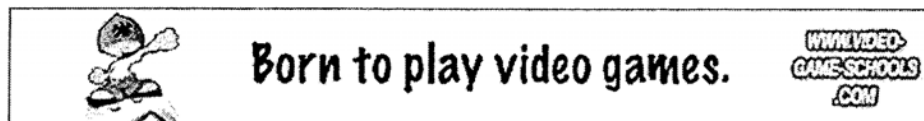
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THE INDEPENDENT

January 6, 2009

Madoff 'mailed heirlooms to relatives' after his arrest

Watchdog under pressure from Congress to explain its failure to uncover fraud

Bernard Madoff, accused of Wall Street's biggest ever fraud, mailed around \$1m (£680,000) of jewellery, watches and other family heirlooms to friends and relatives in the days after his arrest, prosecutors say, in an attempt to prevent the authorities from getting their hands on them.

Mr Madoff was brought before a New York court yesterday as the government sought to revoke his \$10m bail, claiming he had violated its terms and was likely to try to flee the country.

Last night, however, he remained free and under house arrest at his \$7m penthouse apartment on Manhattan's exclusive Upper East Side, with legal wrangling set to continue before a final ruling on whether he must go straight to prison.

His attorney, Ira Sorkin, said that the items posted by Mr Madoff and his wife, Ruth, included small Chanukah gifts for family members and were sent "innocently" before a formal court order freezing the couple's assets last month.

US marshals helped spirit Mr Madoff into a car and then through a service entrance at his apartment block to avoid a repeat of the scenes two weeks ago when he first attended court and was involved in a fracas with photographers on the streets outside his Manhattan home.

The Wall Street grandee admitted to his two sons last month that his decades-old investment business was "all just one big lie", and told the FBI that he was running a "giant Ponzi scheme" that investigators now believe stretched back to the Seventies.

Instead of investing his clients' money and generating the solid returns he claimed, Mr Madoff had been paying existing clients with money taken in from new investors. He told the FBI that losses could amount to \$50bn, making it the biggest Wall Street fraud in history.

The fallout from the affair has only grown since Mr Madoff's arrest, with celebrities and charities among those admitting they have lost money. Many big European banks have admitted billions of dollars in losses, and an international network of hedge fund managers who invested their clients' money with his firm, Madoff Investment Securities, face embarrassment, negligence claims and personal ruin.

And last night, a congressional committee was conducting a hearing into the fraud, and into the regulatory failures that allowed it to go undetected despite eight formal investigations of Madoff Investment Securities

over the past 16 years.

Assistant US attorney, Marc Litt, told the court yesterday that there was no practical way to prevent Mr Madoff from attempting once again to transfer valuables – assets that could eventually be needed to compensate some of his victims. "It is impractical for the government to go around and collect such items as jewellery or small items scattered around the United States and indeed the world," Mr Litt said.

Mr Sorkin, told the judge that the items were some heirlooms, including watches and pens, and some things of nominal value including cufflinks worth \$25 and a pair of mittens valued at \$200. Judge Ronald Ellis said he wanted legal arguments in writing before making a ruling on the government's request to revoke bail.

Dressed in a dark grey suit, white shirt and black tie, Mr Madoff sat silently during the hearing and ignored TV crews and photographers when he left the courthouse, flanked by marshals.

The scenes, including Mr Madoff's car journey home, were broadcast live on some news channels. Meanwhile, in Washington, politicians were holding hearings into the affair, and berating the Securities and Exchange Commission, Wall Street's watchdog.

Regulators including the SEC investigated Madoff Investment Securities at least eight times in the past 16 years, uncovering only minor irregularities. This despite repeated letters from Harry Markopolos, a Boston accountant, who first suggested Mr Madoff was running a Ponzi scheme as early as 1999. The firm was being run as a private investment business, similar to a hedge fund, until three years ago, and was not inspected even after formally registering with the SEC in 2005.

The commission's internal investigation into how it failed repeatedly to detect Mr Madoff's \$50bn Ponzi scheme is being widened to examine whether the organisation has enough powers to protect investors from rogue fund managers, and could presage a new regulatory clampdown on the investment industry and on hedge funds.

David Kotz, the SEC's inspector-general, said he was examining numerous reasons why the regulator may have failed to uncover Mr Madoff's fraud, including whether officials were dazzled by the veteran trader's reputation as a former chairman of Nasdaq, and whether social and sexual relationships between officials and members of the Madoff family caused conflicts of interest. And he added that he would also now examine whether the SEC needs more powers. It will consider "whether there are gaps in policies and procedures relating to operations involving voluntary private investment pools, such as hedge funds, because they are subject to limited oversight by the SEC, and whether any such gaps may lead to fraudulent activities not being detected".

Congress has begun considering ways to tighten regulation of the finance industry and of hedge funds, in light of the credit crisis, the meltdown on Wall Street last year and the Madoff affair. Democrat representative Paul Kanjorski, heading the sub-committee hearing into the Madoff scandal, said revelations to date "simply shock the conscience", and that they "raised even more troubling questions about the effectiveness of our regulatory system".

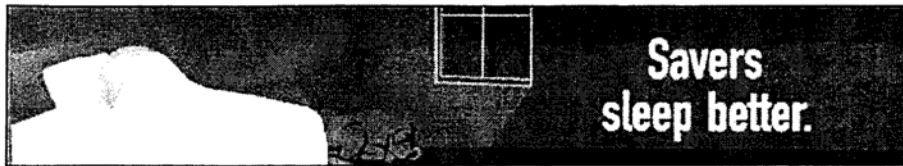
Yesterday, the Securities Investor Protection Corporation and the trustee handling the liquidation of Madoff Investment Securities said they had mailed more than 8,000 claim forms to customers who lost money during the alleged investment fraud. The SIPC was created by Congress in 1970 to protect investors when a brokerage firm fails, and is able to pay up to \$500,000 in compensation.

Aside from recovering money through the liquidation of Madoff's investment firm and the SIPC, investors could get some money back if some of Mr Madoff's personal assets are sold, including homes in Manhattan, Long Island and Palm Beach and numerous yachts.



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Send Madoff to jail

Commentary: Just what does a guy have to do to get locked up these days?

By Andy Serwer, managing editor
January 5, 2009: 8:24 AM ET

NEW YORK (Fortune) -- There was crime, now comes punishment. As Wall Street struggles to regain its footing this year, a yet-to-be resolved part of that rebalancing is investigating, charging, trying and, yes, punishing those who broke the law during the market's stunning rise and collapse.

Fortune's esteemed legal reporter, Roger Parloff, has written a must-read cover story on how this could play out for pooh-bahs at big financial firms. This process will of course take months and years. Eventually though, I would be surprised if some of these executives did not do time in jail.

There is one guy though, who I believe deserves to be locked up right now: Bernard Madoff.

In fact one of the most shocking pieces of the Madoff case, right up there with the outrageous betrayal, financial ruin, and even suicide, is the simple fact that Madoff is not in jail. That this destroyer of worlds is living, if not quite scot-free, then still in the lap of luxury is beyond unconscionable -- it is incomprehensible.

I would bet Bernie himself -- sociopath that he is -- is perplexed. As in: "What does a guy have to do to get thrown in jail in this country?!?"

I understand that according to the letter of the law, it may make some sort of sense that Madoff is unincarcerated (give his lawyers points here), but it sure as hell violates the spirit of the law. This is a guy who has bankrupted charities, destroyed businesses (who knows how many jobs have been lost), impoverished widows, and undermined the confidence of our global markets.

And let's not forget he has already confessed! After all that, consider that he's now at home watching football and eating take-out from Le Cirque.

Meanwhile, I can assure that this very afternoon, some kid is being hauled into Rikers, busted for possession of a bag of pot. You tell me life is fair?

Remember, too, even Madoff's 'house arrest' (I thought that only happened in North Korea?) was incremental! At first he was pretty much free to do what he wanted, including wander around his tony Upper East Side neighborhood with that loathsome smirk plastered on his face. Now the authorities have restricted him somewhat.

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Way to go authorities!

I asked Roger Parloff, to explain why Madoff isn't behind bars. Roger noted that an arrested federal defendant is only supposed to stay in jail prior to trial if he poses a flight risk (that can't be controlled in other ways) or if he poses a threat to the community. The general principle is related to the fact that he hasn't been tried yet, so he might be innocent.

Roger also noted that the key thing is that Madoff more or less turned himself in, that he confessed to his sons, confessed to the FBI agent who came to arrest him, and appears to be cooperating. (This is as opposed to the accused lawyer-from-hell, Marc Dreier, who is in jail. According to the SEC, Dreier was trying to commit crimes over the phone even while locked up in Toronto, instructing subordinates and a banker to wire money out of client-escrow accounts into his personal accounts).

Madoff has a wife (unlike Dreier, who is divorced) who is also under scrutiny, so the feds might have some leverage over him if he flees (if she knew anything about the scheme, they could charge her), even beyond the \$10 million bond (secured by at least two of his or her homes).

That may all be well and good. But I beg to differ with the prosecutors. Madoff should be in jail, period.

For one, he is still a flight risk. Yes, he and his wife have surrendered their passports, but believe me, a guy with this kind of money and guile could still flee. Stranger things have happened.

Madoff may also be a suicide risk. And he's a potential target. There are thousands of very angry, shall we say, ex-investors, out there. Yes, Madoff is under guard. (And don't get me started that his wife is paying for the guards. With whose money?) But he is still at risk.

And there's one more thing: He's a self-acknowledged mastermind behind the greatest financial crime of our time. If that's not enough to go jail, what is? ■

'Financial psychopaths' wreak havoc

Don't blame the SEC: You shouldn't expect regulators to catch bigtime financiopaths like Bernie Madoff -- that's not how the world works.

Find this article at:

http://money.cnn.com/2009/01/05/magazines/fortune/madoff_jail.fortune

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Call for Madoff's bail to be revoked

Alex Berenson, New York
January 7, 2009 - 12:00AM

FEDERAL prosecutors have asked that Bernard Madoff's bail be revoked and that he be jailed, alleging he sent at least a million dollars' worth of jewellery as gifts to family and friends in December.

Madoff was charged in December with securities fraud but freed after posting bail of \$US10 million (\$A14 million). He remained free after Monday's hearing, pending a ruling by magistrate Ronald Ellis of the US District Court in Manhattan.

US attorney Marc Litt asked for revocation of Madoff's bail, arguing that the gifts violated conditions that barred him from disposing of any of his assets. The aggressive stance by prosecutors appeared to mark a serious deterioration in relations between the Government and Madoff, who confessed to a massive Ponzi scheme in December and had seemed to be co-operating with investigators trying to unravel the fraud.

While Madoff faced the potential loss of his freedom in New York, the Securities and Exchange Commission came under heavy criticism from politicians.

Members of a congressional subcommittee questioned why the commission had not uncovered Madoff's fraud long before he confessed it to FBI agents. The SEC's inspector-general promised a full investigation.

At the court hearing in New York, Mr Litt told Mr Ellis that Madoff, and his wife, Ruth, mailed packages of valuables to his sons, his brother and friends.

Since mid-December, Madoff has been under house arrest at his luxury apartment on Manhattan's Upper East Side.

By sending the packages, Madoff violated the terms of his bail agreement with the Government, Mr Litt said. He said that Madoff was also a flight risk.

Ira Lee Sorkin, a lawyer for Madoff, said at the hearing that Madoff had not meant to violate the agreement and should not be sent to jail.

In an interview, Mr Sorkin denied he had ever said Madoff was co-operating with the prosecutors and FBI agents who are seeking to unravel the Ponzi scheme.

Mr Sorkin said he had meant that Madoff's firm, Bernard L. Madoff Investment Securities LLC, was co-operating with the investigation.

Meanwhile, the head of the US sharemarket watchdog told a congressional hearing that he would quickly detail regulators' failings in the case.

"I absolutely agree that this matter has to be dealt with very expeditiously," David Kotz, inspector-general for the Securities and

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Exchange Commission, said.

Incensed politicians called the hearing to question why the SEC failed to stop the matter sooner.

Mr Kotz said: "I would hope that we would be able to get something out in a matter of months, certainly not years. We will also look at whether Mr Madoff's stature and reputation had any impact."

The failure of the SEC drew harsh words from some politicians.

Democratic representative Carolyn Maloney lamented that "when the key regulator is totally asleep even when whistleblowers are calling and trying to alert them, as was the case before us with the Madoff case", there were no "checks and balances in our complex regulatory system".

Agencies

This story was found at: <http://business.theage.com.au/business/call-for-madoffs-bail-to-be-revoked-20090106-7b6b.html>



Bernard Madoff to Appear in Court for Bail Hearing (Update1)

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By David Glovin and Christopher Scinta

Jan. 5 (Bloomberg) -- **Bernard Madoff** is scheduled to appear this afternoon in Manhattan federal court for a bail hearing, federal prosecutors said in an e-mailed statement.

Madoff, 70, was charged last month with one count of securities fraud for allegedly directing a \$50 billion Ponzi scheme out of his New York investment firm. He faces as much as 10 years in prison and a fine of \$5 million if convicted.

Bernard L. Madoff Investment Securities LLC collapsed in December after he told his sons it was a fraud, according to a criminal complaint by the FBI and a lawyer for the brothers. The firm is liquidating under the Securities Investor Protection Corp., whose funds cover securities and cash claims of as much as \$500,000 per customer, including as much as \$100,000 in cash.

The government may ask that Madoff's bail conditions be modified, including that bail be withdrawn and the former executive imprisoned. He was placed under 24-hour house arrest in his \$7 million New York City apartment last month after prosecutors warned of his "harm or flight." Madoff was originally ordered to have electronic monitoring and a 7 p.m. curfew. He is now barred from leaving his Upper East Side apartment except for court appearances, and his building is monitored by security guards and video surveillance.

Madoff's wife, Ruth, agreed to give up homes in Montauk, New York, and Palm Beach, Florida, if her husband flees. Madoff was arrested Dec. 11 after telling his sons that his firm was "one big lie," the Securities and Exchange Commission said. U.S. Magistrate Judge Gabriel Gorenstein in Manhattan also ordered the Madoffs to surrender their passports.

The case is U.S. v. Madoff, 08-mag-2735, U.S. District Court, Southern District of New York (Manhattan).

To contact the reporter on this story: **David Glovin** in New York federal court at dglovin@bloomberg.net and; **Christopher Scinta** in New York federal court at cglovin@bloomberg.net and;

Last Updated: January 5, 2009 14:05 EST



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FINANCIAL POST

Tuesday, January 06, 2009

Madoff faces jail over gifts to friends

Called 'Flight Risk'

Janet Whitman, Financial Post and wire services

Published: Tuesday, January 06, 2009

Presented by



Hiroko Masuike, Getty Images

U. S. prosecutors are seeking to have Bernard Madoff jailed after it emerged the alleged Ponzi schemer and his wife mailed US\$1-million worth of watches, cufflinks and other jewellery to family and friends.

Assistant U. S. Attorney Marc Litt argued before a judge at a court hearing in Manhattan yesterday that the transfer of the valuables violated an asset freeze order and showed Mr. Madoff was a flight risk.

Mr. Madoff's lawyer, Ira Sorkin, said the items, which included pens, watches, US\$25 cufflinks and a Hanukkah gift of US\$200 mittens, were heirlooms the couple sent "innocently" to family and friends.

Mr. Sorkin said they were mailed two days before Mr. Madoff's wife agreed to a voluntary freeze on her assets. The couple sought to get the items back after lawyers advised they shouldn't have been transferred, he added.

U. S. Magistrate Judge Ronald Ellis yesterday asked both sides to submit briefs on the matter before he rules on the government's request to revoke Mr. Madoff's bail.

After the hearing, Mr. Madoff returned to his Manhattan apartment, where he has been under house arrest for allegedly masterminding the largest "Ponzi," or pyramid, scheme in Wall Street history.

The disgraced broker, a former chairman of the Nasdaq, was arrested on Dec. 11 and charged with securities fraud after he confessed to his two sons that his investment firm was a giant sham that may lead to losses of as much as US\$50-billion for his investors.

Claim forms have been mailed out to more than 8,000 potential victims of the fraud, Irving Picard, the court-appointed trustee overseeing the unwinding of Mr. Madoff's firm, said yesterday.

The list of institutions and individuals could stretch to many thousands more amid signs the alleged fraud may have stretched back decades.

So far, the trustee has found US\$830-million worth of liquid assets belonging to the now-defunct brokerage firm,

Stephen Harbeck, chief executive of the nonprofit agency overseeing the liquidation, told lawmakers at a hearing yesterday in Washington D. C.

That tally is in addition to US\$29-million in debtor assets that the trustee obtained through a court order.

The Securities Investor Protection Corp., a non-profit funded by the securities industry to aid investors affected by failed brokerage firms, has only about US\$1.6-billion in funds to help with claims. Fraud victims are eligible for US\$500,000 each from SIPC.

Mr. Harbeck said his agency might have to go to the U.S. Congress and ask taxpayers to make up the shortfall.

The congressional hearing drew calls from Democratic lawmakers for an overhaul of financial regulation as their confidence ebbs in the U. S. Securities and Exchange Commission.

"Clearly our regulatory system has failed miserably, and we must rebuild it now," Rep. Paul Kanjorski said.

Witnesses at the hearing included SEC Inspector General David Kotz, who pledged a thorough inquiry of the agency's handling of the case.

The SEC has been under fire for not uncovering the alleged fraud until Mr. Madoff's sons told authorities he had confessed to a US\$50-billion fraud. The investor-protection agency has also been blamed for not following up on tips, and missing a number of red flags such as Mr. Madoff's ability to generate a steady rate of return in all types of market conditions.

"Many of us have lost confidence in the SEC," said Rep. Carolyn Maloney, a Democrat from New York.

"Where can we go to get the proper oversight? I don't have trust in them [the SEC] for the future," she said.

Rep. Brad Sherman, a California Democrat, said the SEC and the Financial Industry Regulatory Authority, a broker watchdog, should have been enforcing the securities laws in this case.

But Massachusetts Democratic Rep. Barney Frank, chairman of the House financial services committee, said it was inappropriate to blame SEC staff.

Rep. Spencer Bachus of Alabama, the ranking Republican on the panel, said he saw no need at this stage for broad new laws or rules for the securities industry.

"What we may have in the Madoff case is not necessarily a lack of enforcement and oversight tools, but a failure to use them," Mr. Bachus said.

newsday.com/services/newspaper/printedition/tuesday/business/ny-bzstuf0612330398jan06,0,6945352.story

Newsday.com

Madoff memorabilia gains attention on eBay

THE ASSOCIATED PRESS

January 6, 2009

Did you get fleeced by Bernard Madoff? Or did you buy that Madoff Securities fleece jacket on eBay?

Madoff, who was arrested last month after allegedly telling investigators he lost as much as \$50 billion of investors' money in a giant Ponzi scheme, once promoted his firm by putting its name on everything from T-shirts to beach towels, tote bags and umbrellas.

Dozens of the keepsakes are now being sold on eBay.

A seller from Glen Cove has put up a photocopy of a Madoff client's financial statement, postmarked Dec. 3, a week before Madoff's Dec. 11 arrest.

The item attracted interest from 10 bidders, fetching as much as \$102.50 as of yesterday afternoon.

The seller, who declined to be interviewed, was also auctioning a color copy of a Madoff redemption check stub. "This is the proof that some people were actually able to retrieve money from their account" before Madoff was arrested, the seller wrote.

Only three bidders had bitten as of yesterday afternoon, with the price at \$20.50.

Some of the sellers say they're former clients and employees.

Others, like John Mitchell, hawked a cigar humidor bearing Madoff's name.

"I find these things and then I resell them," Mitchell, of Fox Grove, Ill., said Sunday. He said he bought the humidor from the manufacturer before it ever got to Madoff's firm.

Other Madoff items for sale on eBay include insulated coolers, binoculars, golf caps and flashlights.

The highest of 30 bidders won a Madoff Securities black fleece jacket, size L, with a \$610.00 bid yesterday afternoon.

A seller put a Madoff Securities promotional backpack up for sale, writing, "These are the same ones that Bernie used to haul off all the loot!"

Staff writer Emi Endo contributed to this story.

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Clips prepared by: PAS [redacted]
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Bernard Madoff kept \$173M worth of checks in desk to send out in case of arrest - prosecutors

BY THOMAS ZAMBITO
DAILY NEWS STAFF WRITER

Updated Friday, January 9th 2009, 2:12 AM

Bernie Madoff had \$173 million in checks signed and made out to family and friends when the feds busted him and brought down the biggest Ponzi scheme ever, prosecutors said Thursday.

"The only thing that prevented the defendant from dissipating those assets was his arrest by the FBI on Dec. 11," Assistant U.S. Attorney Marc Litt wrote in court papers.

The filing was the feds' latest attempt to persuade Manhattan Federal Magistrate Judge Ronald Ellis to revoke Madoff's \$10 million bail.

Madoff is living in his \$7 million E. 64th St. penthouse while free.

Ellis is expected to rule today or Monday on whether Madoff must relocate to a jail cell while awaiting trial on charges of running a \$50 billion Ponzi scheme.

Litt said the plot to send out some 100 checks came after Madoff had confessed the scheme to his sons and as the feds were closing in.

Coupled with his Christmas Eve mailing of \$1 million in jewelry to family and friends, the checks show Madoff is trying to hide assets, which would be a violation of his bail.

Prosecutors are digging through decades worth of Madoff's books and sorting through claims from investors in an effort to determine who has a claim to his remaining assets.

"The defendant's recent distribution of jewelry and watches demonstrates a continuing intention to benefit those closest to him to the detriment of his victims," Litt said.

Madoff's lawyers contend he was simply sending out "family heirlooms" to his two sons, his brother and a New York couple.

The items included more than a dozen watches, four diamond brooches, an emerald ring and a jade necklace.

"What may be merely sentimental baubles to the defendant are, in the posture of this case, valuable assets that may comprise a meaningful part of the assets available to be forfeited," Litt wrote.

Meanwhile, Reuters reported that Madoff moved nearly \$160 million of his assets to a United Kingdom firm he controlled in 2007.

British prosecutors are investigating.

Also Thursday, the Fairfield Greenwich Group hedge fund was sued in Manhattan Federal Court by investors who say the firm did a lousy job of protecting their assets by investing \$7.5 billion with Madoff.

tzambito@nydailynews.com

**THE WALL STREET JOURNAL.**
ONLINE**White Collar Lawyerspeak: "We" Are Cooperating**

Posted By [Amir Efrati](#) On January 6, 2009 @ 10:58 am In [Madoff](#) | [11 Comments](#)

Some white-collar lawyering in the Madoff case had us scratching our head last night.

All along, Bernard Madoff's lawyers have stated, without elaborating, that "We are fully cooperating with the government in its investigations." The Law Blog assumed that by "we," they meant their client.

It made some sense. Madoff allegedly confessed to both his sons and, later, to the FBI, that he perpetrated a Ponzi scheme that may have cost investors upwards of \$50 billion.

And a person familiar with the matter said on Dec. 16 Madoff had a long meeting with prosecutors, the FBI, the Securities and Exchange Commission, and a lawyer for Lee Richards (currently the court-appointed receiver for Madoff's U.K.-based trading facility) at the U.S. attorney's office in Manhattan. (That could mean Madoff was giving information in a "proffer" session. Madoff's lawyers won't say.)

When asked Monday if the government's motion to revoke Madoff's bail would put a crimp on the oft-mentioned "cooperation," Dickstein Shapiro's Dan Horwitz (pictured) told the Law Blog that, "We are continuing to cooperate fully with the government's investigations."

But when asked if Madoff *himself* was cooperating, Horwitz declined to comment. "All we said is 'we' are cooperating and never said he is cooperating," Horwitz said. (His partner, Ike Sorkin, told NYT something similar.)

Help us out, white collar gurus. What's the purpose of this lawyerspeak? Do lawyers say "we are cooperating" even when their clients aren't?

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URL to article: <http://blogs.wsj.com/law/2009/01/06/white-collar-lawyerspeak-we-are-cooperating/>

Prosecutors: Madoff was ready to send off \$173M to friends, family

THE ASSOCIATED PRESS

Thursday, January 8th 2009, 1:45 PM

NEW YORK - Prosecutors said Thursday that investigators found 100 signed checks worth \$173 million in Bernard Madoff's office desk that he was ready to send out to his closest family and friends at the time of his arrest last month.

The detail was provided in a court filing Thursday as prosecutors argued that Madoff should have his bail revoked and be sent to jail. They said the checks were further evidence that he wants to keep his assets away from burned investors.

In the filing, Assistant U.S. Attorney Marc Litt said Madoff cannot be trusted because he had long engaged in a "scheme that required the defendant to lie routinely to thousands of people and a scheme which has caused extraordinary damage to individuals, families, and institutions all over the world."

The judge will now decide whether Madoff should be sent to jail or remain free on bail in his luxury Upper East Side penthouse.

Defense lawyers say bail should not be revoked because he is not a risk to flee or a danger to community.

Investigators previously have said that Madoff had planned on distributing more than \$200 million to his closest friends and family after he realized his scheme had unraveled. He also was accused of sending more than \$1 million worth of jewelry to friends and family over the holidays, prompting prosecutors to ask a judge to revoke his bail.

Prosecutors say he presents "grave" economic harm to the community because of the wide range of his alleged fraud, and they cited the attempt to distribute some of his wealth in the past month as proof of the damage he can do.

"The only thing that prevented the defendant from executing his plan to dissipate those assets was his arrest by the FBI on Dec. 11," prosecutors argued.

The letter was a response to a letter Madoff's lawyers had submitted to U.S. Magistrate Judge Ronald L. Ellis on Wednesday.

The defense lawyers had noted that Madoff and his wife had offered to give up their assets, including four properties in Manhattan, Montauk, N.Y., Palm Beach, Fla. and Antibes, France, along with four boats and three cars. The U.S. properties alone were estimated to be worth more than \$19 million.

"Mr. Madoff's conduct ... is not the conduct of a man who is unwilling to face justice in this matter," the lawyers wrote, noting that Madoff encouraged his sons at the outset to tell the authorities of the exact nature of his fraud and that he planned to turn himself in.

Litt, the prosecutor, wrote that Madoff's "effort to paint his pre-arrest actions in heroic terms should be viewed with great skepticism."

The New York Times

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January 9, 2009

Prosecutors Point to Signed Checks in Opposing Bail for Madoff

By **ALEX BERENSON**

Pressing the case that Bernard L. Madoff should have his \$10 million bail revoked, federal prosecutors said in court documents on Thursday that investigators found 100 signed checks worth \$173 million in Mr. Madoff's desk on the day of his arrest.

The checks, which were to be distributed to family members, employees and friends, are another indication that Mr. Madoff, the financier accused of running a \$50 billion Ponzi scheme, has tried to hide assets from his investors, prosecutors wrote in a brief to Magistrate Judge Ronald L. Ellis of United States District Court in Manhattan.

On Monday, prosecutors asked Judge Ellis to revoke Mr. Madoff's bail, contending that Mr. Madoff and his wife, Ruth, had violated his bail conditions by mailing more than \$1 million in valuables to family members in late December. By mailing the valuables, Mr. Madoff showed that he may be a flight risk, prosecutors said.

"When the defendant's office desk was searched, investigators found approximately 100 signed checks totaling more than approximately \$173 million, ready to be sent out," two assistant United States attorneys, Marc O. Litt and Lisa A. Baroni, wrote in a letter to the judge. "The only thing that prevented the defendant from executing the plan to dissipate those assets was his arrest by the F.B.I. on Dec. 11."

The prosecutors also criticized Mr. Madoff for referring to the jewelry and watches that he mailed to his sons in late December as personal items. "What may be merely sentimental baubles to the defendant are, in the posture of this case, valuable assets that may comprise a meaningful part of the assets available to be forfeited," they wrote.

They also called Mr. Madoff's explanation that he had mailed the jewelry and watches in an effort to reach out to friends and family "preposterous," adding, "That's what telephones, e-mails and personal letters are for."

Lawyers for Mr. Madoff have said he should not have his bond revoked but should instead remain under 24-hour house arrest at his luxury Manhattan apartment. Mr. Madoff has surrendered his passport, is wearing an electronic ankle bracelet and is under guard, so he does not represent a flight risk and should not be jailed, they said.

Judge Ellis may rule on the government's request as early as Friday.

Meanwhile, in London, Britain's Serious Fraud Office opened an investigation on Thursday into Mr. Madoff's business operations to unearth possible criminal offenses.

The British agency called on investors, clients, former employees and other stakeholders to step forward and help with the investigation, which intends to "discover the truth behind the collapse of these huge financial structures," its director, Richard Alderman, said in a statement. The agency said it had set up a special hot line and calls had already started to come in Thursday afternoon.

The investigation was prompted by an interim report about the British businesses by Grant Thornton, which is acting as the provisional liquidator of Mr. Madoff's operations in London, and followed talks with government authorities. The agency will work closely with the F.B.I. and other organizations in the United States.

The London businesses of Mr. Madoff were managed through Madoff Securities International, based in the wealthy Mayfair neighborhood that is home to many London hedge funds. The business is incorporated in Britain and documents filed with a British registry show that the unit had about \$170 million in assets when Mr. Madoff's firm, Bernard L. Madoff Investment Securities L.L.C., collapsed last month.

Julia Werdigier contributed reporting from London.

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January 9, 2009

Marc Rich Is One Victim Unlikely to Go to CourtBy ALISON LEIGH COWAN

Many investors who have lost money as clients of the financier Bernard L. Madoff have done what anyone might be expected to do in that situation: seek recourse through the courts.

But one victim, Marc Rich, would seem unlikely to go that route because of his own legal issues. Mr. Rich is the commodities trader who fled to Switzerland in 1983 to escape prosecution on charges of financial crimes and later received a pardon from President Bill Clinton on the last night of his administration in 2001.

Monika Meili, a spokeswoman for Mr. Rich's office in Zug, told Bloomberg News on Thursday, "We can confirm that the Marc Rich Group and Marc Rich have an insignificant exposure held indirectly, which has no material impact on the overall financial situation of the group."

The loss was \$10 million to \$15 million, according to someone with long knowledge of Mr. Rich's finances who insisted on anonymity because he had not been authorized to speak.

He and another person, also knowledgeable about Mr. Rich's finances, said the loss stemmed from Mr. Rich's association with the money manager J. Ezra Merkin.

Mr. Merkin, a hedge fund investor whose Park Avenue firm said until recently that it had \$5 billion under management, has invested for Mr. Rich for years. Mr. Merkin told his clients last month that he had entrusted more than \$1 billion of their money to Mr. Madoff and that the likelihood of recovery was difficult to gauge. At least two of those clients, New York University and New York Law School, have sued Mr. Merkin, claiming he mishandled their money and misrepresented how he operated.

Mr. Merkin's lawyer Andrew J. Levander was traveling on business and was not available, his office said.

Andy Merrill, a spokesman for Mr. Merkin, said, "As a matter of policy, they don't comment on specific investors."

The idea that Mr. Rich, once a fugitive, may now turn to an American court to seek redress struck some lawyers as fraught with problems and unlikely at best. "I don't think you'll ever see Marc Rich personally," as a plaintiff in an American courtroom, said John F. Fornaciari, a Washington defense lawyer at Sheppard Mullin, who stifled a laugh about the legal complications stemming from the flight from justice and the contested pardon.

"If there's some way for him to sue because the investments were made by a corporation, and it was arguably corporate money, and it had a president and it wasn't him, and they lost money in the Madoff scandal, then that corporation might be able to sue without him being required to show up," Mr. Fornaciari said. "But if

there's anything that required him to show up, he's not coming."

Gerald B. Lefcourt, a former president of the National Association of Criminal Defense Lawyers, also gauged the likelihood of Mr. Rich's pressing a claim as "little or none."

"He'll never appear for discovery proceedings that will be required, and he's not going to be sympathetic to any party, including the courts, after his failure to appear, notwithstanding the fact he was pardoned," Mr. Lefcourt said. The pardon backfired in some ways by igniting public outrage and inviting prosecutorial interest in the process for a man who has generally sought to keep a low profile. For that reason, one longtime associate said he doubted Mr. Rich, who he said was not an acquaintance of Mr. Madoff's, would seek any relief from the courts.

Born in Antwerp, Belgium, 74 years ago, Mr. Rich moved to the United States as a boy and rose to become a swashbuckling figure in international finance. He married Denise Eisenberg, now a songwriter, in 1966. They divorced 30 years later, but he relied heavily on her contacts as a Democratic fund-raiser to help obtain his pardon. He also enlisted scores of other influential people, including Ehud Barak, then prime minister of Israel, and the conductor Zubin Mehta, to help persuade Clinton administration officials to grant the pardon.

Mr. Rich apparently knew Mr. Merkin through the Fifth Avenue Synagogue, where he was once a member. Mr. Merkin's father, Hermann, was a founder of the synagogue a half-century ago and Mr. Merkin is its current president.

Many of the charitable institutions that once welcomed Mr. Merkin into their inner sanctums, boards and investment committees because of his investment acumen and success have been politely accepting his resignation from those roles in recent weeks as he battles to save his reputation and fortune from angry creditors.

Rabbi Yaakov Kermaier of the Fifth Avenue Synagogue, several of whose members have also had serious financial setbacks in recent weeks because of their association with Mr. Madoff or Mr. Merkin, said in an e-mail message this week that Mr. Merkin's term was winding down, though not because of the scandal.

"The elections for synagogue president (and other officers) are in the spring, though the formal nomination process begins months earlier," the message said. "Ezra Merkin's presidential term concludes this coming spring, and because of constitutional term limits, he is ineligible to run for another term as president. Ezra has led our community with extraordinary dedication and integrity, and I sincerely hope that after he concludes his presidential term, he will continue to serve our congregation in other capacities."

Zachery Kouwe contributed reporting.

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Bloomberg.com

Madoff Investigators Said to Be Struggling Over Scheme's Scope

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By Patricia Hurtado



Jan. 9 (Bloomberg) -- Almost a month after **Bernard Madoff** was arrested for securities fraud, investigators are still struggling to learn how the investment adviser directed an alleged \$50 billion Ponzi scheme and how widespread it may have been, a person familiar with the probe said.

Personnel from the Federal Bureau of Investigation, U.S. Securities and Exchange Commission and the U.S. Attorney's Office in Manhattan are examining a steadily growing mass of data in an effort to unwind the alleged fraud, said the person, who declined to be identified for lack of authorization to speak

publicly on the case. Documents include transaction records and investors' monthly statements, the person said.

Madoff, 70, was arrested Dec. 11 at his Manhattan apartment and charged with securities fraud for allegedly using billions of dollars from new investors to pay off older ones. Madoff told authorities that investors may have lost \$50 billion, prosecutors said.

"This is like an explosion that's ripped a hole which the investigators are pouring through, and it probably just doesn't relate to Madoff alone," said **Daniel Richman**, a Columbia Law School professor and former federal prosecutor. It may take months for investigators to finish the work, Richman said.

"These kinds of investigations are incredibly resource-intensive because of the paper trail involved and the level of sophistication needed to go through the paperwork," he said.

Madoff, who hasn't formally responded to the charge against him, is due to return to court Jan. 12, unless prosecutors indict him before then.

In a Dec. 18 interview, Madoff's lawyer, **Ira Sorkin**, said Madoff's company is "cooperating fully with the government." Madoff met with prosecutors earlier that week, according to people familiar with the case.

What Role

Investigators are seeking to determine what role people besides Madoff played, the person said. An official Web site established for Madoff investors has increased the flow of complaints and tips, the person said.

While Madoff already confessed to his sons that his business was "a giant Ponzi scheme" that cost clients \$50 billion, authorities are probably building a case against him carefully, Richman said. They're also likely to be seeking out others who can give them a road map to Madoff's activities, he said.

"The government needs to be doing a few things at the same time here," Richman said. "One is to familiarize themselves with the kinds of transactions involved," adding that "they're probably going

through all the paper and trying to figure out transactions and money transfers."

The professor said the probe faces an urgent need to "catch whatever funds they can in a very fast-moving system and get seizure orders on those funds in place."

100 Checks

A search of Madoff's desk at his Midtown Manhattan office after his arrest yielded 100 signed checks totaling about \$173 million that were ready to be sent to family, friends and employees, prosecutors said yesterday.

Assistant U.S. Attorney **Marc Litt** in Manhattan made the disclosure in a letter to U.S. Magistrate Judge **Ronald Ellis** as part of the government's effort to have Madoff jailed until his trial. Ellis plans to rule on the request today or Jan. 12, said his law clerk, who declined to be named.

Prosecutors previously disclosed that Madoff said before his arrest that he wanted to transfer from \$200 million to \$300 million of his investors' money to "selected family, friends, and employees."

"The only thing that prevented the defendant from executing his plan to dissipate those assets was his arrest by the FBI on Dec. 11," Litt wrote.

The case is U.S. v. Madoff, 08-mag-2735, U.S. District Court, Southern District of New York (Manhattan).

To contact the reporter on this story: **Patricia Hurtado** in New York State Supreme Court in Manhattan at pathurtado@bloomberg.net.

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Bernard Madoff



Madoff was about to mail millions of dollars: prosecutors

18 hours ago

NEW YORK (AFP) — US prosecutors alleged Thursday that Wall Street investor Bernard Madoff was about to send out checks worth some 173 million dollars just prior to his arrest.

The revelation came as prosecutors stepped up a campaign to have Madoff, who is free on a 10-million-dollar bail, put in jail ahead of his trial on charges of massive fraud.

A New York judge is expected to issue a written decision on the motion either Friday or Monday, his office told AFP.

"When the defendant's office desk was searched, investigators found approximately 100 signed checks totaling more than 173 million dollars, ready to be sent out," US attorney Lev Dassin said in a letter to the court.

"The only thing that prevented the defendant from executing his plan to dissipate those assets was his arrest by the FBI on December 11."

Madoff, 70, was arrested after allegedly confessing to running a 50 billion dollar pyramid scheme. All his assets have been frozen and he has been confined to house arrest in his luxury New York apartment.

Prosecutors argue the alleged plan to send out millions of dollars in checks was part of Madoff's attempt to hide his remaining wealth.

He was accused this week of having mailed more than a million dollars' worth of jewellery, including a diamond necklace and designer watches, to friends and family in violation of his bail terms.

Dassin said Thursday that Madoff showed "blatant disregard of a court order."

The presiding magistrate, who has heard from both prosecutors and the defence this week, will issue his ruling on whether or not to jail Madoff in a written decision, without holding a further hearing, his secretary said.

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Feds: Madoff Had Millions in Checks Ready to Go Out

Search of Alleged Scammer's Desk Yielded 100 Signed Checks Worth \$173 Million

By MADDY SAUER, JERIKA RICHARDSON, and RICHARD ESPOSITO

Jan. 8, 2009—

Prosecutors arguing that alleged \$50 billion scammer Bernard Madoff should be put in jail immediately say that when Madoff's desk was searched following his arrest, investigators found approximately 100 signed checks totaling more than \$173 million "ready to be sent out".

"The only thing that prevented the defendant from executing his plan to dissipate those assets was his arrest by the FBI," prosecutors say. "The defendant's recent distribution of jewelry and watches demonstrates a continuing intention to benefit those close to him to the detriment of his victims."

Prosecutors asked Judge Roland Ellis earlier this week to put Madoff in custody after they say Madoff violated the conditions of his bail agreement when he and his wife sent multiple packages worth more than \$1 million containing such valuables as watches, jewelry and cufflinks to relatives and friends.

An earlier court order barred Madoff from "dissipating, concealing, or disposing of any money" or "personal property".

A defense motion saying that Madoff saw the expensive gifts as "sentimental personal items" shows that he "misses the point entirely" according to prosecutors.

Madoff's lawyers concede that on Christmas Eve, Madoff and his wife sent a number of packages to friends and family.

"Mr. Madoff gathered a number of watches that he collected over the course of years, knowing that, due to the sudden change in his circumstances, he would never have an occasion to wear these watches again," according to a brief filed by Madoff's attorneys, who say packages were sent to the Madoffs' sons, a daughter-in-law, Madoff's brother and sister-in-law, Mrs. Madoff's sister and a married couple who are close friends.

Madoff, say his attorneys, "simply did not realize" that the SEC order he consented to "pertained to these personal items". The jewelry has all since been recovered, according to Madoff's lawyers.

At Monday's hearing Judge Ellis questioned the validity of the government's request to put Madoff in custody considering that Madoff's current bail terms -- home confinement in his posh Manhattan penthouse -- had earlier been agreed upon by the government.

A federal prosecutor argued that the "dissipation of assets" could potentially harm investors seeking to

recoup any of their losses from investing with Madoff.

On Monday, Madoff's attorney, Ira Sorkin made light of the government's claim, saying the cufflinks were worth twenty five dollars and the valuable property included a pair of \$200 mittens Mrs. Ruth Madoff sent a friend. Madoff's bail is secured by his assets including a posh Manhattan apartment appraised by some at \$7 million, an ocean retreat in Montauk, New York, and a Florida mansion in Palm Beach.

When Madoff was originally arrested in mid December, his bail terms included an electronic bracelet but allowed him to roam his exclusive upper East Side neighborhood during the daytime and only be confined in his home overnight. Within a week, and amid public outcry, those terms were amended to eliminate the provision that allowed Madoff freedom from confinement.

The judge's decision on whether or not Madoff should be sent to jail is expected tomorrow or Monday.

Was Madoff Running a Ponzi Scheme?

Madoff made headlines last month when an unsealed criminal complaint in federal court in New York charged that he has been running a decades long Ponzi scheme that defrauded investors of \$50 billion dollars.

A former chairman of NASDAQ, Madoff was an investment advisor who catered to a handful of high net worth clients, one of whom told ABC News that Madoff was so sought after that, as recently as two months ago, he was turning down potential new business. His handful of clients routinely expected -- and received -- double digit returns, up market or down.

Bernard Madoff Investment Securities and the SEC

According to a SEC document filed in Jan. 2008, and cited in the complaint, the firm had between 11 and 25 clients for the fiscal year ending Oct. 2007 and managed about \$17 billion in assets in 23 different accounts.

Bernard Madoff Investment Securities, in addition to that private client practice, is also a market maker that trades with other dealers in bonds, the S&P 500 and NASDAQ, according to Bloomberg News.

The firm was the 23rd largest market maker on NASDAQ in October, handling a daily average of about 50 million shares a day. The firm specialized in handling orders from online brokers in some of the largest U.S. companies, including General Electric Co. and Citigroup Inc., Bloomberg News reported.

But on Dec. 10, Madoff allegedly told senior employees at his firm that his entire business was a fraud. According to the federal complaint, Madoff told those employees that he was "finished" and that "it's all one big lie." Madoff estimated "the losses from the fraud to be at least approximately \$50 billion," the complaint states.

At that time Madoff also told those employees that he intended to surrender to authorities, but before he did he planned to use \$200-300 million he had left to make payments to "selected employees, family and friends," the complaint states.

Madoff started his business in 1960 with \$5000 in savings. He resides in New York City and, according to clients, also maintains a posh waterfront home. Known to his clients as Bernie, he has a long and

significant history on Wall Street and has been a chairman of the board of the NASDAQ and was a founding member of the board of the International Securities Clearing Corp. in London.

The Web site for Madoff's firm, in its company profile, says, "Clients know that Bernard Madoff has a personal interest in maintaining the unblemished record of value, fair-dealing, and high ethical standards that has always been the firm's hallmark."

Madoff was arrested last month by FBI agents and charged with criminal securities fraud by federal prosecutors in Manhattan. The complaint states that he used "manipulative and deceptive practices." The complaint cites two senior employees in describing how Madoff kept his client records "under lock and key" and how he left them in the dark about how he managed the private client funds. One of those employees, in interviews with the FBI, said that Madoff was "cryptic" in his statements. This, according to clients, is in keeping with the aura that Madoff cultivated among his clients, some of whom have kept funds under management with him for generations.

Madoff Struggled to Obtain Liquidity in December, Complaint Says

But by the first week of December, when clients began clamoring for redemptions -- to the tune of \$7 billion -- the complaint states that Madoff began a struggle to obtain the necessary liquidity. The stress began to show, the employees said.

In a meeting at their boss's Manhattan apartment -- held there following a confrontation in the office because Madoff wasn't sure "he would be able to "hold it together" if the conversation took place in the office -- the employees came away believing that Madoff was "saying, in substance that he had for years been paying returns to certain investors out of the principal received from other, different investors."

The next day, Dec. 11, Madoff spoke with FBI agent Theodore Cacioppi and invited the agent and another agent to his apartment. Cacioppo stated in the complaint that he told Madoff he came by to see if "there's an innocent explanation."

"There is no innocent explanation," Madoff replied, according to the sworn complaint.

Madoff's lawyer, Dan Horwitz, a partner at Dickstein Shapiro in New York, has said his client is cooperating fully with the federal investigation.

"Bernie Madoff is a long-standing leader in the financial services industry and he is cooperating fully with the government investigation into this unfortunate set of events," Horwitz said.

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Prosecutors: Madoff hoarded \$300M

Government prosecutors want the accused financier suspected of \$50 billion fraud scheme taken from his home and locked up while the case proceeds.

By Aaron Smith, CNNMoney.com staff writer
Last Updated: January 8, 2009: 6:12 PM ET



NEW YORK (CNNMoney.com) -- Prosecutors have accused financier Bernard Madoff - the alleged mastermind of a \$50 billion Ponzi scheme - of intending to transfer up to \$300 million worth of assets to protect them from seizure, and they want him locked up immediately.

In a court filing Thursday, the U.S. Justice Department accused Madoff of having signed about 100 checks - worth a total of \$173 million - "ready to be sent out" prior to his arrest by the FBI on Dec. 11 on a charge of securities fraud.

Prosecutors said the checks violate his \$10 million bail agreement and was an attempt to prevent his alleged victims from recovering their losses.

Until now, U.S. Magistrate Judge Ronald Ellis has allowed Madoff to remain under house arrest in his Manhattan apartment, where he lives with his wife, while the case proceeds. If guilty, the 70-year-old Madoff could spend up to 20 years in prison and face a \$5 million fine.

Authorities discovered the checks when they searched his office, according to a the filing by prosecutors at the U.S. District Court for the Southern District of New York.

Prior to his arrest, Madoff had "announced his intention to transfer \$200-\$300 million of the remaining investors' assets to selected family, friends and employees," wrote prosecutors in the filing.

Madoff defense lawyer Ira Lee Sorkin declined to comment.

This isn't the first time prosecutors have urged the court to put Madoff behind bars right away.

On Wednesday, prosecutors made public a written statement to the court, accusing Madoff of sending more than \$1 million worth of diamond-studded jewelry to friends and relatives, in violation of his bail.

"The defendant's recent distribution of jewelry and watches demonstrates a continuing intention to benefit those close to him, to the detriment of his victims," said prosecutors in the filing.

On Tuesday, defense attorneys filed court papers arguing that Madoff's current bail conditions are sufficient and detention is not necessary.

The defense document said Madoff "simply did not realize" that the order prohibiting him from transferring assets pertained to the "sentimental personal items" he had mailed.

Also, the defense said some of the items were sent by his wife and that she is not subject to the same restrictions.

Madoff's alleged \$50 billion Ponzi scheme disrupted an already fragile financial system, affecting hedge funds and well-heeled investors on Wall Street, in Florida and in Europe. Alleged victims include Banco Santander (STD) in Spain and HSBC (HBC) in Britain, as well as director Steven Spielberg and actor Kevin Bacon.

In a Ponzi scheme, money from new investors is used to pay off early investors to create the appearance of legitimate returns. ■

First Published: January 8, 2009: 2:33 PM ET

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http://money.cnn.com/2009/01/08/news/newsmakers/madoff_checks/?postversion=2009010817

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Bloomberg.com

Madoff May Cost Insurers \$1 Billion to Cover Funds (Update1)

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By Erik Holm and Andrew Frye



Jan. 9 (Bloomberg) -- **Bernard Madoff's** alleged Ponzi scheme may cost insurers who cover financial institutions more than \$1 billion as they pay legal costs for investment managers who gave client money to Madoff, an industry executive said.

Insurers who sell such coverage never expected, or charged their clients, for the possibility of investor losses in such a massive fraud, said **Greg Flood**, the president of the management liability practice at Ironshore Inc., the Bermuda-based insurer.

"This isn't supposed to happen in America," Flood said. "There will be extraordinary losses paid for this year." About \$1 billion in

claims costs industrywide "wouldn't be too difficult to imagine."

The final cost to insurers will depend on how many of the hedge funds and banks that directed money to Madoff had insurance, and the results of legal proceedings. Insurers of executives and corporate boards, a group that includes Zurich-based **Ace Ltd.**, **XL Holdings Ltd.**, Chubb Corp. and American International Group Inc., already face a raft of claims after the collapse of the subprime mortgage market.

As Madoff cases go to court, expenses will accumulate because insurers selling "errors and omissions coverage" typically have an obligation to advance payment for defense, said **Matthew Schlesinger**, a partner at **Reed Smith LLP** in Washington.

"Defense costs for funds facing Madoff-related suits could be high," said Schlesinger, who specializes in recovering money from insurers. The cases "may turn on what funds knew about Madoff and whether or not funds managed investments appropriately."

Giant Ponzi Scheme

Before his arrest on a charge of securities fraud on Dec. 11, Madoff confessed to his sons that his "giant Ponzi scheme" may have cost clients as much as \$50 billion, according to an FBI complaint. Some of those investors include so-called funds-of-funds, which invest customer money in a variety of hedge funds.

A total of \$1 billion in claims from Madoff litigation "feels a little low to me," said **Lauri Floresca**, senior managing director at Nasdaq OMX Group Inc.'s Carpenter Moore insurance brokerage. "The big unknown is how many companies will end up having insurance."

Securities-fraud class-action lawsuits rose last year to the highest level since 2004. That may push insurer liability costs tied to subprime suits over \$4.5 billion, according to Floresca.

Chubb was spending more on professional liability claims and expenses in most of 2008 than the company collected in premiums for the coverage, Chief Executive Officer **John Finnegan** said in an Oct.

23 conference call.

Substantial Reserves

"It is an evolving situation, and obviously it has not been evolving favorably recently," Finnegan said. "But we are reserving pretty substantially for that class of business."

Hedge funds and unregulated investment vehicles catering to the wealthy, which made up a portion of Madoff's investors, often don't buy coverage, said Frank Vento, head of investment management practice at Marsh & McLennan Cos. New York-based Marsh & McLennan, the second-biggest insurance broker, hasn't noticed an increase in claims stemming from Madoff, Vento said.

"I think it's too early to tell," Vento said. Registered mutual funds and their advisers pay about \$250 million for errors and omissions insurance each year, Vento said.

AIG's **Christina Pretto**, Ace's **Stephen Wasdick** and Chubb's **Mark Greenberg** declined to comment. XL spokeswoman **Carol Parker Trott** didn't return a call.

To contact the reporters on this story: **Erik Holm** in New York at eholm2@bloomberg.net; **Andrew Frye** in New York at afrye@bloomberg.net.

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LAS VEGAS SUN

DAILY MEMO: CRIMINAL JUSTICE:

Madoff clients have kindred spirits here

Nevada scandal also involves alleged deception, paining investors further

By Jeff German

Thu, Jan 8, 2009 (2 a.m.)

The \$50 billion investment scandal involving longtime Wall Street stalwart Bernard Madoff is getting plenty of play in the national media.

That's only natural given that, on top of the enormous amount of money involved, Madoff also is accused of defrauding celebrities and some of this nation's wealthiest people in an elaborate Ponzi scheme.

Closer to home, though, Southern Nevada is embroiled in a similar, but smaller, investment scandal that hasn't gotten much publicity other than what has been reported in the Sun.

But this one, which involves about \$50 million, is no less important to the people who lost that money, many of whom are average senior citizens.

At the center of this scandal is longtime Pahrump developer Hans Seibt, who ruined the golden years of several hundred investors when he filed for bankruptcy protection Sept. 25, as his real estate empire was collapsing around him.

Unlike Madoff, Seibt hasn't been arrested by the FBI, but agents here are investigating Seibt's financial dealings, while many of his creditors are pouring their hearts out in bankruptcy court, hoping to recover the nest eggs they believe were stolen from them.

Lawyers representing the creditors and Lenard Schwartzner, the bankruptcy trustee assigned to help recover Seibt's assets, have suggested that his dealings also resembled a Ponzi scheme.

But there is another big difference between the Madoff and Seibt cases. Madoff has acknowledged defrauding his investors. Seibt hasn't.

At a recent creditors meeting, Seibt appeared oblivious to the pain and stress he has caused those who once trusted him with their hard-earned cash. When I asked him afterward whether he wanted to comment on how he wound up in bankruptcy court, he chose to criticize my reporting rather than express any remorse or any sympathy for his creditors.

His cavalier attitude has enraged those creditors even more, as they face an uphill battle to get even a portion of their life savings back.

The creditors have an important ally in this fight — the FBI. With its criminal investigation, the long arm of the law has the ability to put more pressure on Seibt to come clean with his assets.

So far, it looks as though the FBI has been sensitive to the devastating effect of Seibt's financial transgressions on his creditors.

About a month after Seibt filed for bankruptcy protection, the FBI sent letters to as many creditors as it could informing them that they have a number of rights as alleged victims during the investigation, including the right to restitution.

Restitution, however, doesn't happen overnight. Sometimes, it can take years. Many of these creditors, however, are elderly and may not live long enough to recoup any of their money.

"We try as best we can to make sure victims are made whole," U.S. Attorney Greg Brower says. "But it's not an easy process."

In most cases, even with government-obtained restitution, Brower says, the odds are slim that victims will get all of their money back.

"Chances are the money's no longer there," he says.

Neither Brower nor the FBI would comment on the Seibt investigation, but one option for the government is to pursue Seibt's assets through forfeiture proceedings, a complicated process that usually isn't completed until after the subject of a criminal probe is convicted and sentenced.

Forfeiture would put the vast power and resources of the government behind the effort to get the victims' money back. But it could also further delay any restitution.

Even so, the FBI's involvement may be Seibt's creditors' — or in some cases their estates' — best shot at a full accounting of Seibt's assets.

Madoff Lawyer

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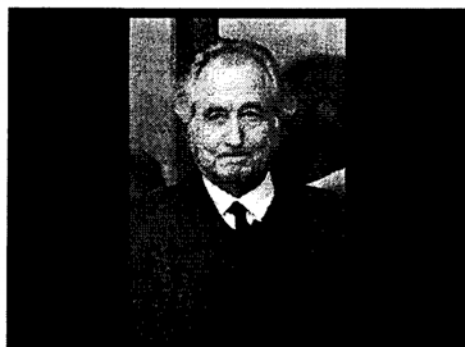
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Madoff Investor Suing Over 11th-Hour Transfer May Wait Months

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By Thom Weidlich and Tiffany Kary



Jan. 6 (Bloomberg) -- The family that gave **Bernard Madoff** \$10 million six days before he was charged with running a \$50 billion Ponzi scheme may have to wait months before a judge considers its lawsuit to recover the money.

Rosenman Family LLC, managed by **Martin Rosenman**, president of Bronx-based Stuyvesant Fuel Service Corp., sued **Irving Picard**, the trustee appointed to supervise the unwinding of Madoff's business. The suit was filed as a so-called adversary proceeding in bankruptcy court, which means it will follow typical litigation procedure.

"It's going to be months before it even comes before the judge, unless he asks for immediate relief through a motion," said Carren Shulman, a bankruptcy partner at the law firm **Sheppard Mullin Richter & Hampton** in New York who's not involved in the case.

Rosenman on Dec. 5 sent \$10 million to a Madoff account at JPMorgan Chase & Co. to hold until Bernard L. Madoff Investment Securities LLC reopened after the new year, according to the complaint filed Jan. 1 in bankruptcy court in Manhattan. Madoff, 70, was arrested Dec. 11, after he allegedly confessed to operating a \$50 billion Ponzi scheme.

Four days after Rosenman wired the money, he received confirmation from Madoff Investment that it had sold short \$10 million in U.S. Treasury bills, a transaction Rosenman never authorized, according to the complaint. Rosenman's research showed that the transaction never took place, according to the complaint.

No Claim

Rosenman is seeking a ruling that Picard has no claim to the \$10 million. Picard, a partner at Baker & Hostetler in New York, has said the money belongs to the Madoff Investment estate, according to the complaint.

"We think it'll be over in a matter of months," **Howard Kleinhendler**, a lawyer for Rosenman, said yesterday in a phone interview. "What we're looking at seriously is getting this case moving by asking the court for a conference."

George Stamboulidis, an attorney at Baker & Hostetler who represents Picard, didn't return a call seeking comment yesterday.

Kleinhendler, of Wachtel & Masys in New York, said he has "pretty reliable sources that there's a lot of money in" Madoff's JPMorgan account, including Rosenman's because it was deposited so close to Madoff's arrest. He declined to elaborate.

'Legal Title'

"Chase should give it back to us because it doesn't belong to him," Kleinhendler said. "Legal title never passed to Madoff because he's a thief."

Joseph Evangelisti, a JPMorgan spokesman, declined to comment.

Kleinhendler said he has been approached by other Madoff investors about bringing legal action. They include a man who invested in December and a woman who did so in November, he said. He declined to provide details, including how much the two invested.

"My feeling is that, like all bankruptcies, not much will happen right away because everybody's just trying to figure it out," Shulman said, referring to Rosenman's suit. "The big problem here is, because this is a Ponzi scheme, the trustee is going to say, 'We can't trust that any of these funds are your funds.'"

Kleinhendler said the money may have been segregated by client in the JPMorgan account. He doesn't know whether it was, he said. "Our case is different because the money went in so soon before he was arrested and because the account was frozen," he said. "We can make an argument, 'Look that's my money.'"

Claim Forms

The Securities Investor Protection Corp., a Washington-based group that oversees a fund to help investors at failed brokerage firms, said yesterday it sent out more than 8,000 customer-claim forms to Madoff investors. It said the deadlines for filing claims are March 4 and July 2. The SIPC is overseeing the Madoff Investment liquidation.

Kleinhendler said Rosenman would also "probably" file a SIPC claim. SIPC cash claims are limited to \$100,000.

Gregory Milmo, a lawyer who represented now-defunct New York futures trader Refco Inc. in its bankruptcy, said Rosenman and other Madoff customers may have difficulty distinguishing their situations by filing adversary lawsuits in the case. There isn't much legal precedent under SIPC that would allow securities customers to differentiate their claims for cash, he said.

Securities Customer

"What I think defines the family as a securities customer is they deposited cash with him for the purpose of investment in securities," said Milmo, a partner at Skadden Arps Slate Meagher & Flom in New York.

Madoff's firm collapsed last month after he told his sons it was a fraud, according to a criminal complaint by the FBI.

Madoff was charged by federal prosecutors with one count of securities fraud. He hasn't formally responded to the charge. U.S. prosecutors asked a federal judge yesterday to imprison him as he awaits trial. The judge said he will rule on that request later this week.

Rosenman's company, Stuyvesant Fuel, which the family turned into one of the largest independent heating-oil distributors in New York City, was bought by Hess Corp. last year.

The case is Securities Investor Protection Corp. v. Bernard L. Madoff Investment Securities LLC, 08-01789, U.S. Bankruptcy Court, Southern District of New York (Manhattan). The adversary proceeding is Rosenman Family LLC v. Picard, 09-1000-brl, U.S. Bankruptcy Court, Southern District of New York (Manhattan).

To contact the reporters on this story: **Thom Weidlich** in New York at tweidlich@bloomberg.net; **Tiffany Kary** in New York at tkary@bloomberg.net.

Last Updated: January 6, 2009 00:19 EST



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Is Bernard Madoff cooperating or not?

By jim

Created Jan 6 2009 - 8:42am

Well, is he or isn't he? It had been widely reported that Bernie Madoff, who might have orchestrated the biggest Ponzi scheme ever, was cooperating with investigators, but now that seems unclear. The news, from the *New York Times*, comes amid a rapidly deteriorating relationship between prosecutors and Madoff.

The latest: Madoff and his wife, Ruth, apparently sent packages of jewelry and other valuables worth more than \$1 million to his sons, his brother and friends. That may violate terms of his bail. Prosecutors are now asking that he be thrown in jail. Madoff's team says he immediately tried to retrieve the packages once he realized they may violate his terms. Stay tuned.

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FISHER INVESTMENTS™

January 12, 2009 --

You gotta be kidding!

Accused mega-Ponzi schemer Bernard Madoff will remain free on bail - but still under house arrest - after a judge today denied prosecutors' request to jail him because he gave relatives more than \$1 million worth of watches and other items in a possible bid to hide assets.

In their effort to lock him up pending trial, prosecutors further disclosed late last week that when the FBI busted Madoff on Dec. 11, his office desk contained \$173 million worth of checks that he had signed and planned to give to relatives, employees and others.

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Those 100 or so checks were written against money entrusted to Madoff's Manhattan investment firm by clients.

Manhattan Federal Court Magistrate Judge Ronald Ellis's decision is sure to outrage thousands of Madoff's alleged victims, who may have lost up to \$50 billion in his investment firm when it blew up last month.

Ellis rejected prosecutors' arguments that allowing Madoff, 70, to remain free on his \$10 million bail would give him the opportunity to continue to hide assets, or that he represents a serious flight risk.

"The court finds that the government has failed to meet its burden as to either ground," Ellis wrote in a 22-page decision. "Because the government has failed to meet its legal burden, the motion is denied."

The ruling means that Madoff will remain under house arrest in his Upper East Side penthouse while he awaits trial on a fraud charge. Madoff is being monitored with an electronic device, and is also under 24-hour guard from a security firm paid for by his wife, Ruth.

However, Ellis did impose three new conditions on Madoff's bail, most significantly that he "compile an inventory of all valuable, portable items in his

Manhattan home."

After that, Ellis ordered, the security firm that is guarding Madoff from fleeing - or another government-approved firm - must check the inventory against the contents of his residence once every two weeks, and must search "all outgoing physical mail to ensure that no object has been transferred."

And the bail agreement now incorporates existing judicial orders or legal agreements that bar Madoff and

Ruth from disbursing any assets.

Ellis' ruling comes exactly a week after federal prosecutors told him that Madoff and his wife over Christmas had mailed out more than \$1 million worth of antique watches, other jewelry and less-expensive items to relatives.

Those mailings, prosecutors said, violated another judge's Dec. 18 order barring Madoff from disbursing any of his assets, which may be used in the future to at least partially compensate his thousands of alleged victims. On Dec. 26, Ruth Madoff had signed an agreement with prosecutors not to dissipate any of her personal assets.

Madoff's lawyers had argued that he should not be jailed because the Christmas-time mailings were only family "heirlooms" that the Madoffs wanted to give relatives, and noted that many of the items were recovered by the government.

Defense lawyers also argued that he did not represent a flight risk.

But prosecutors retorted that Madoff had repeatedly showed he could not be trusted, and urged the judge to lock him up without delay.

Ellis, in his decision today, noted that during a Jan. 5 hearing on the issue, prosecutors had "admitted that the prior bail order substantially diminished [the risk of flight] by home detention, electronic monitoring, and ... 24-hour guard."

That concession "severely undermines any claim that there is a serious risk of flight," Ellis wrote.

"The government articulates an erroneous legal standard. [The law] does not require risk be zero, but that conditions imposed reasonably assure appearance" in court by a defendant, the judge wrote. "Aside from the bare assertion that there remains some risk of flight, the government has failed to articulate any flaw in the current conditions of release."

Ellis likewise rejected prosecutors' claim that Madoff's bail should be revoked because he had, and might continue to obstruct justice by mailing out his assets to others.

"Even if there were obstruction, and even if there remains potential obstruction in the future, the government has failed to demonstrate that no conditions can be set to reasonably protect the community from this form of obstruction," Ellis ruled.

Madoff was arrested a day after allegedly telling his two sons on Dec. 10 that his firm was actually a huge Ponzi scheme that had lost up to \$50 billion of its clients' money. When he was busted, Madoff allegedly repeated his confession to authorities.

Thousands of Madoff clients for years had believed they were making regular, large profits by having their money in the firm, which was supposed to be using the money to buy and sell securities.

But in reality, authorities charge, Madoff merely used the original money that had been invested to pay any clients that withdrew some or all of their money.

By last month, facing the same pressure that thousands of hedge funds have faced in the wake of a worldwide economic collapse, Madoff reportedly was facing demands for redemption of up to \$7 billion worth of client funds. Those demands caused his scheme to come crashing down, even as Madoff scrambled to raise new funds.

At the time of his arrest, Madoff told his sons, his firm had just \$200 million to \$300 million of investors funds left. And Madoff allegedly planned to give that money to them and other relatives before surrendering, according to authorities.

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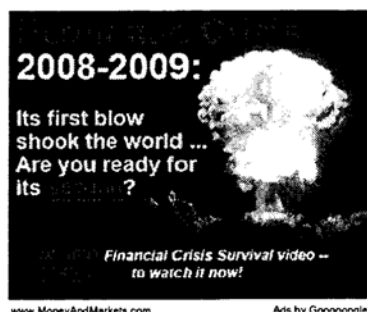
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Lock Madoff Up -- Now

January 12, 2009



By Deseret News editorial

The following editorial appeared recently in the Miami Herald:

Prosecutors in the Bernard Madoff case were initially willing to allow the alleged Ponzi scheme mastermind to post \$10 million bail and await trial ensconced in his Manhattan apartment. Madoff was cooperating with prosecutors, they said, beginning with his alleged confession to the FBI last month to being the author of a financial con game that bilked investors of as much as \$50 billion.

Given these facts, a federal magistrate sent Madoff home. So it was that newspapers around the country ran a photo of a bemused-looking (or was that really a smirk?) Madoff walking the streets of Manhattan just days after his alleged Ponzi scheme had rocked the financial world and destroyed the dreams of thousands of investors. It was difficult to reconcile the image of the free man with the human destruction he is accused of having wrought.

Madoff looked just as bemused leaving U.S. District Court in Manhattan last week even though prosecutors now want the magistrate, Judge Ronald L. Ellis, to revoke his bail.

It appears that Madoff is not being so cooperative after all. What's more, last month he violated the terms of his release by mailing an estimated \$1 million worth of watches, jewelry and other items to family and friends. The conditions of his release bar him from disposing of any assets.

Madoff's lawyer says that some of the items were heirlooms and others were low-value trinkets. Once his client learned that he had violated his agreement with prosecutors, says the attorney, Madoff tried to get the items back. The prosecutors aren't buying that story and have decided that Madoff is not so reliable after all. They now say he's a flight risk. We agree.

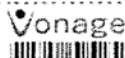
Given the scope of the alleged fraud scheme, Madoff's extensive overseas assets and the fact that none of that \$50 billion is to be found at this point, Madoff doesn't seem to have much to hang around for. Ellis should revoke Madoff's bail.

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Jan 12, 2009 6:55 pm US/Eastern

No Jail, Yet: Lucky Bernie Madoff Again

Disgraced Financier To Remain In \$7 Million Penthouse While Awaiting Trial

NEW YORK (CBS) — Bernard Madoff will continue to await trial from his \$7 million Manhattan penthouse after a judge rejected a bid by prosecutors to have his bail revoked on charges he violated its terms by attempting to protect his assets from the investors he scammed in his infamous Ponzi scheme.

The decision is sure to further outrage investors who have been clamoring for Madoff to be sent to jail for allegedly carrying out the largest financial fraud in history. Prosecutors said the gifts were grounds to have his bail revoked because what's left of Madoff's assets will have to be returned to burned investors.

But the judge was not swayed by the prosecution's arguments that Madoff represents an economic danger to the community because of the size of the fraud and his sending of the gifts. Judges in bail decisions normally consider two main factors: whether the defendant is a flight risk or a danger to the community.

"The government fails to provide sufficient evidence that any potential future dissemination of Madoff's assets would rise to the level of an economic harm," Magistrate Judge Ronald L. Ellis wrote.

Experts say that the judge stuck to the legal basis for revoking one's bail, and not personal opinion.

"On a strictly legal basis, I think what the judge did was correct," Professor Leon Friedman of Hofstra Law School told CBS 2.

Ellis acknowledged in his ruling the widespread public interest in Madoff's bail and the case, but said that proper legal considerations must take precedence.

"The issue at this stage of the criminal proceedings is not whether Madoff has been charged in perhaps the largest Ponzi scheme ever, not whether Madoff's alleged actions should result in his widespread disapprobation by the public, nor even what is appropriate punishment after conviction," the judge wrote. "The legal issue before the court is whether the government has carried its burden of demonstrating that no condition or combination of conditions can be set that will reasonably assure Madoff's appearance and protect the community from danger."



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Bernard Madoff, 76, may have scammed the many investors who trusted him with their money out of \$50 billion.
Hiroko Masuoka/Getty Images

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Friedman said he believed the government likely tried to go after Madoff because of the strong public opinion against him. "I think they're responding to the public feeling against him, that this is such a horrible thing that he did; so many innocent people who were affected," he said.

In a separate decision, another magistrate signed off on an extension for the deadline to indict Madoff until Feb. 11. That means Madoff will remain free for at least another month, provided he does not violate the terms of his bail during that time.

The anxiously awaited decision does put further restrictions on Madoff, including forcing him to come up with a list of items at his apartment and allowing a security firm to check on the items. The security company will also be allowed to search all outgoing mail from Madoff to ensure that no property has been transferred.

Defense lawyer Ira Sorkin says the "the opinion speaks for itself and we intend to comply with the judge's order." Sorkin has said the gifts were an innocent mistake and said he is neither a danger to the community nor a threat to flee.

Madoff has been confined to his lavish digs since his arrest, and was being monitored by an ankle bracelet. But prosecutors claimed while out on bail, he sent \$1 million worth of jewelry to friends and family as holiday gifts. Prosecutors said that the gifts were grounds to have his bail revoked because what's left of Madoff's assets will eventually be returned to burned investors.

The prosecution's argument appeared consistent with a discovery of 100 signed checks worth \$173 million that Madoff was ready to send out to his closest family and friends at the time he was arrested last month. Investigators found the checks in his Midtown office.

In the court filing against Madoff, Assistant U.S. Attorney Marc Litt said Madoff cannot be trusted because he had long engaged in a "scheme that required the defendant to lie routinely to thousands of people and a scheme which has caused extraordinary damage to individuals, families, and institutions all over the world."

The defense says Madoff has offered to give up properties in Manhattan; Montauk, N.Y.; Palm Beach, Fla.; and Antibes, France — along with four boats and three cars. The U.S. properties alone are valued at more than \$19 million.

Litt said Madoff has attempted to distribute some of his wealth over the last month.

"The only thing that prevented the defendant from executing his plan to dissipate those assets was his arrest by the FBI on Dec. 11," Litt said.

Earlier this week the government said Madoff and his wife sent through the mail jewelry worth some \$1 million, including 16 watches, some with diamonds from Tiffany and Cartier, four diamond brooches, two sets of cuff links and an emerald ring.

Madoff has posted \$10 million bail, signed over three homes, and is under 24 hour house arrest. His attorney has said his clients not a flight risk.

Madoff delivered impressive returns to investors for decades before authorities say he told his sons that it was "all just one big lie" and "basically, a giant Ponzi scheme."



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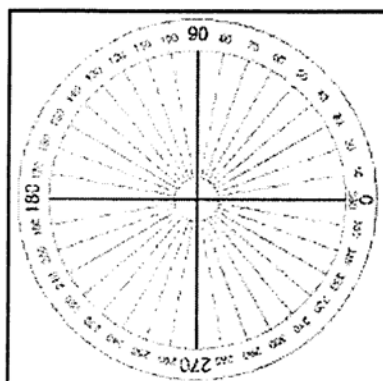
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Madoff 360°

January 13, 2009 at 11:34 am



It may feel like the Bernard Madoff case has been with us for years, but it was only Dec. 11, 2008, when news broke that the supposed Wall Street titan and former chairman of Nasdaq had been arrested for running a Ponzi scheme of unimaginable size.

According to a complaint filed that day by the Securities and Exchange Commission, Madoff informed two senior employees (his sons) that his investment advisory business was a fraud, that he was "finished," that he had "absolutely nothing," that "it's all just one big lie," and that it was "basically, a giant Ponzi scheme." Madoff reportedly admitted in this conversation that his firm was insolvent and had been for years, and that he estimated the losses from this fraud were at least \$50 billion.

The massive size of the alleged Madoff scheme, and some of the stunning details that have since emerged, have had a seismic effect in the investment community as well as the legal and regulatory worlds. The list of areas affected by the Madoff case is remarkably long: class-action and individual litigation, SEC enforcement, criminal enforcement, legislative action, bankruptcy law, auditing and insurance, to name just a few. To that end, here is a 360-degree view of the implications so far, and the thousand ships of challenge the case has launched.

Securities and Exchange Commission. The Madoff case's consequence for the SEC could be the subject of a lengthy article on its own:

- *Enforcement action.* The complaint against Madoff alleges "a stunning fraud that appears to be of epic proportions." The SEC states that of the more than \$17 billion in assets under management by Madoff's firm at the start of 2008, essentially all of that appears to be missing.
- *Receivership.* The court handling the SEC's case appointed a receiver for Madoff's business and set a Dec. 31 deadline for Madoff to provide the agency with a written account of all his assets held for his "direct or indirect benefit," with descriptions of "the source, amount, disposition, and current location of each." He reportedly has provided that list, but the details have not yet been disclosed.

- **Internal investigations.** On Dec. 16, SEC Chairman Christopher Cox made a startling announcement that "credible and specific allegations" about Madoff's possible fraud dated back to at least 1999, "but were never recommended to the Commission for action." Cox requested that the agency's inspector general, David Kotz, launch a review of the past allegations about Madoff and the reasons why nobody at the SEC found them credible enough to explore for so long.
- **Lawsuits.** On Dec. 22, an investor who lost nearly \$2 million investing with Madoff filed a claim against the SEC alleging that the agency was negligent in failing to detect Madoff's alleged fraud, and seeking \$1.7 million in damages. Legal experts, however, say the claim is likely doomed by the SEC's defense of sovereign immunity.

Department of Justice. On the same day that the SEC filed its case, the Justice Department also filed a criminal complaint against Madoff in New York charging him with securities fraud. According to the sworn statement of an FBI agent in the complaint, the FBI interviewed Madoff on Dec. 11 to inquire whether there was an innocent explanation for the statements he allegedly made to his senior employees that his operation was just a "big Ponzi scheme." Madoff's point-blank response: "There is no innocent explanation."

Class-action litigation. At least seven federal class-action lawsuits have been filed, against a range of different types of defendants. Madoff himself and his firm have been named as defendants, of course, but so have several of the so-called "feeder funds" that gathered and directed investor capital to Madoff and his firm (as well as the individuals running those funds and corporations affiliated with those funds). Auditors for the feeder funds, such as BDO Seidman and Ernst & Young, have also been sued for allegedly grossly negligent audits. At least one class action has been filed in state court, as well.

Individual litigation. Although most of these cases have yet to be filed, several law firms have announced that they now represent scores of Madoff investors who have retained the firms to represent them in individual cases. By late December 2008, the Milberg law firm had reportedly gained more than 100 Madoff investors as clients, and the firm believed the group could reach 150 investors in a matter of weeks.

And plaintiff law firms were not the only law firms offering their services in connection with the Madoff litigation. By the end of December, nine law firms had established "Madoff practice groups," including large defense firms such as Duane Morris, Holland & Knight, Greenberg Traurig, and Nixon Peabody.

Congress. Lawmakers were irate over the SEC's admission that it had failed to pursue credible leads that Madoff was running a Ponzi scheme. On New Year's Eve, the House Financial Services Committee announced that it would hear testimony in January on the Madoff case and the need for regulatory reform. The committee planned to call witnesses including SEC Inspector General Kotz and Stephen Harbeck, head of the Securities Investor Protection Corp.

Securities Investor Protection Corp. The SIPC was created by Congress in 1970 to replace customer cash and securities in brokerage accounts in situations including the theft of customer assets. But the legal limits on amounts covered make it clear the SIPC was not designed to handle a \$50 billion fraud. On Dec. 23, a federal bankruptcy judge approved the SIPC's liquidation plan in the Madoff case where Madoff victims are eligible for maximum compensation of \$500,000 worth of securities, with no more than \$100,000 of that amount in the form of cash.

Bankruptcy. The SIPC's actions are not technically bankruptcy cases, but the Securities Investor Protection Act provides that the liquidation of a failed securities business is conducted as if it were a Chapter 7 bankruptcy case. That has prompted many observers to compare the Madoff case to the collapse of the Bayou Funds in 2005, which also involved a complex Ponzi scheme. Most of the assets recovered in the Bayou matter were obtained through the pursuit of "fraudulent conveyance" claims against investors that had redeemed some or all of their money before bankruptcy proceedings started. Accordingly, some Madoff investors who were fortunate enough to withdraw their funds before the alleged fraud was disclosed in December could be forced to return that money under these "clawback" procedures.

Other disputes will also arise in the bankruptcy proceedings. Already, the trustee appointed by the SIPC to supervise the liquidation of Madoff's business has been sued by a family that claims that it sent Bernard Madoff \$10 million just six days before he was arrested and charged with running the Ponzi scheme. Rosenman Family Corp. claims that the Madoff trustee has no claim to the \$10 million because Madoff told the Rosenmans that the fund was closed until Jan. 1, 2009, but that Rosenman could wire money before that date into a Madoff firm

account, which he did. The trustee maintains that the \$10 million is property of the firm's estate.

International. Victims from around the world have emerged over the past few weeks, including reports of huge losses by Banco Santander (Spain, \$2.87 billion); Bank Medici (Austria, \$2.1 billion); and Fortis (Holland, \$1.35 billion); significant losses have also been reported by institutions in Japan, Britain, Korea, Switzerland, and Belgium. These losses have led to harsh criticism of the U.S. regulatory system from people such as Nicola Horlick, fund manager of the Bramdean Alternatives fund in Britain. Horlick, whose fund reportedly invested an estimated \$30.4 million with Madoff, was quoted as saying that "[i]t is astonishing that this apparent fraud seems to have been continuing for so long, possibly for decades. The allegations appear to point to a systemic failure of the regulatory and securities markets regime in the U.S."

All of this and more occurred in the three holiday-shortened weeks between the time Madoff was arrested on Dec. 11 and the end of 2008. But the Madoff story is just beginning, and will no doubt continue to expand and be driven into other areas in 2009 by investors determined to recover as much of their funds as possible.

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January 13, 2009

Madoff Still Free on Bail; Signs Seen of Plea Deal

By **DIANA B. HENRIQUES**

A federal magistrate refused to revoke bail on Monday for Bernard L. Madoff, the financier accused of operating a \$50 billion Ponzi scheme, while signs emerged that his lawyer was actively negotiating a plea agreement that could conclude the baffling fraud case without a trial.

Federal prosecutors acknowledged in a court order released Monday that Mr. Madoff's lawyer, Ira Lee Sorkin, is "engaging in discussions concerning a possible disposition of this case."

While Mr. Sorkin would not comment, several former prosecutors said that language clearly indicated that the discussions were about a deal in which Mr. Madoff would agree to plead guilty in exchange for some type of leniency.

"He's trying to cut a deal," said Marvin G. Pickholz, a former securities regulator and specialist in white-collar crime. "The only other possible 'disposition' that could be negotiated would be for the government to drop the whole case — and that's not going to happen."

The information was contained in an order, signed by the United States Magistrate Judge Ronald L. Ellis, that approved a 30-day delay in a hearing on Mr. Madoff's case that otherwise would have been held on Monday.

The judge also denied a government request that Mr. Madoff be jailed until he can be tried, saying that the government had not proved that he was a flight risk or a security risk.

Lev L. Dassin, the acting United States attorney in Manhattan, notified the judge late Monday that he planned to appeal the ruling, which has been stayed for 48 hours to permit that appeal.

The judge's ruling allows Mr. Madoff to remain in his Manhattan apartment, wearing an electronic monitoring device and being watched around the clock by a security team paid for by his wife.

Prosecutors had asked the court to revoke Mr. Madoff's \$10 million bail, secured by various family homes held in his wife's name, after he violated a court-ordered asset freeze by mailing about \$1 million in expensive watches and jewelry to family and friends on Christmas Eve.

In addition to the jewelry that was sent out, prosecutors said, Mr. Madoff had plans to transfer \$200 million to \$300 million of investors' money to family members and friends. When authorities searched Mr. Madoff's office desk, they found \$173 million in signed checks ready to be sent.

"The decision speaks for itself, and we intend to comply with all the conditions of his bail," Mr. Sorkin said

after the ruling was released. "But we have no comment with respect to its impact on his day-to-day life."

The judge did place additional restrictions on the bail requirements, many of which had already been imposed by Judge Louis L. Stanton of United States District Court, who is handling the civil suit.

In denying the request, Judge Ellis wrote that he was not satisfied that the government had proved "by clear and convincing evidence" that jailing Mr. Madoff before trial was the only way to ensure that he did not flee or obstruct justice.

Included in the restrictions is one that bars Mr. Madoff from transferring any assets. Mr. Madoff's wife, Ruth, must also comply with restrictions on the transfer of assets.

In addition, the ruling said, Mr. Madoff shall compile an inventory of all "valuable portable items" in his Manhattan apartment and supply it to the government. Casale Associates or another security company approved by the government must check the inventory every two weeks, the judge said. Mr. Madoff and the government must agree on a threshold value of the items within a week.

The security firm will also be required to examine all outgoing mail to assure no property has been transferred.

Meanwhile, a federal bankruptcy judge overseeing the liquidation of Mr. Madoff's brokerage firm granted a request from the trustee in the case, Irving Picard, for broad power to subpoena witnesses and gather documents as part of Mr. Picard's investigation of the alleged fraud scheme.

The trustee was appointed at the request of the Securities Investor Protection Corporation, which provides limited insurance coverage for the brokerage customers affected by the firm's collapse.

Mr. Madoff was charged last month with securities fraud but has remained free since posting bail.

So far, Mr. Madoff has not been indicted. Under federal court rules designed to assure a defendant a speedy trial, Monday would have been the deadline for a hearing at which the prosecution would have had to show "probable cause" for bringing Mr. Madoff to court.

Typically, the prosecution fulfills that requirement by issuing an indictment.

It was known on Friday that an agreement had been reached to postpone the hearing. But Judge Ellis's order on Monday showed the reason: so that further discussions could be held with Mr. Madoff's lawyer.

"Obviously, both sides had to agree to delay the hearing, so there must be some discussions under way that the defendant believes are in his best interest," said Robert A. Mintz, a lawyer at McCarter & English in Newark and a former federal prosecutor in New Jersey.

Mr. Sorkin and Daniel J. Horwitz, who represent Mr. Madoff, have argued that jailing him would be unfair and wrong.

Moreover, Mr. Madoff is too widely known at this point, they said, and too disliked to get very far.

Mr. Madoff's lawyers characterized the jewelry he sent to family and friends as "a few sentimental personal items." Mr. and Mrs. Madoff's decision to mail it, they said, was an honest mistake.

Prosecutors said the gifts included 13 watches, 4 diamond brooches, a jade necklace and 2 sets of cufflinks. Most of the items were recovered.

Mr. Madoff told F.B.I. agents last month that he had overseen a financial fraud and estimated that it had cost investors as much as \$50 billion, according to the criminal complaint filed in federal court in Manhattan. The fraud was continuing just days before Mr. Madoff confessed it to the F.B.I., according to a lawsuit filed by a New York company that asserts Mr. Madoff took in \$10 million from it on Dec. 5.

Along with the court-appointed trustee, agents from the Securities and Exchange Commission and F.B.I. are investigating whether other people aided Mr. Madoff.

Benjamin Weiser contributed reporting.

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ROURKE****January 13, 2009**

DEALBOOK COLUMN

In Madoff, a Court Trusts

By **ANDREW ROSS SORKIN**

"Is Madoff here yet?"

"Where's Bernie?"

"Do you think he's going to jail today?"

A scrum of 20 photographers gathered in the January chill on Monday morning outside the courthouse on Pearl Street in downtown Manhattan, waiting to know if Bernard L. Madoff, accused in a Ponzi scheme extraordinaire, would have his bail revoked and be sent to jail.

They had come to catch a glimpse of the supervillain of the financial crisis, each hoping to get "the last shot of him before he gets hauled away," as one photographer put it. Another team of photographers was camped outside of Mr. Madoff's apartment building on East 64th to catch him as he left for the courthouse.

By now, you probably know what happened: Mr. Madoff never left home. And he did not go to jail, either. He is probably lounging around his living room watching repeats of "SportsCenter" on his flat-panel television.

Ronald L. Ellis, the federal magistrate judge, had promised to make his ruling by noon, and a few minutes after 12 o'clock, the news arrived that Mr. Madoff would not be remanded.

Despite Mr. Madoff's sending 16 watches — including diamond-encrusted timepieces from Tiffany and Cartier — 4 diamond brooches and an emerald ring to family and friends, and having 100 signed checks worth \$173 million in his desk ready to be sent, Judge Ellis decided that Mr. Madoff could remain under house arrest.

Mr. Madoff's investors are fuming. The authorities say that he admitted to stealing as much as \$50 billion, which, if true, would place him at the top of financial scoundrelism. Mr. Madoff also may have sought to obstruct justice by trying to get rid of whatever valuables remain — which ostensibly should go to the estate and its victims.

Someone without Mr. Madoff's bank account surely would be locked up by now. Of course, this has always been the way of the white-collar world — though Martha Stewart never tried to smuggle jewelry through the mail. Kenneth L. Lay, L. Dennis Kozlowski and Bernard J. Ebbers all remained out on bail until and during their trials by posting millions of dollars in bail. Phillip R. Bennett, the former chief executive of Refco and a British national, was required to post a whopping \$50 million to stay out of jail.

Welcome to the two-tiered system of justice: one for the super-rich, the other for the rest of us.

Judge Ellis's explanation is not very satisfying. He says that to be remanded to jail, a defendant must pose a flight risk or be at risk of obstructing justice. Fair enough.

But he goes on to justify his decision by essentially saying that Mr. Madoff can afford to buy his way out of the pokey. Indeed, as part of Mr. Madoff's house arrest, his wife has agreed to pay for personal security to "monitor" him by video 24 hours a day at a cost of tens of thousands of dollars. By doing so, the chances are low that Mr. Madoff will hop a flight to Namibia. (His passport has also been confiscated.)

And the judge added a new condition (with another expense) to keep him from trying to obstruct justice: Mr. Madoff will no longer be able to try to transfer assets because all of his valuables will be taken by a security firm and locked in a vault; the items that remain portable and in his apartment will be monitored by another security firm, which is supposed to take an inventory every two weeks.

All of those services will be paid for by Mrs. Madoff. (Oddly enough, Judge Ellis instructed Mr. Madoff to conduct the initial inventory of assets, which puts the entire idea of monitoring them into question.)

Judge Ellis clearly understands that people who lost money with Mr. Madoff are outraged. "The issue at this stage of the criminal proceedings is not whether Madoff has been charged in perhaps the largest Ponzi scheme ever, nor whether Madoff's alleged actions should result in his widespread disapprobation by the public, nor even what is appropriate punishment after conviction," he wrote in his opinion.

"The legal issue before the court," he continued, "is whether the government has carried its burden of demonstrating that no condition or combination of conditions can be set that will reasonably assure Madoff's appearance and protect the community from danger."

At this point, it appears Mr. Madoff and his lawyer are playing for time. Ira Lee Sorkin, Mr. Madoff's lawyer (and no relation to me), seems to know his client is going to jail; the real question is how long he can prevent it. So far, he's done a good job a convincing the judge that Mr. Madoff can finance his own incarceration — in a penthouse apartment.

What is less clear is whether Mr. Madoff is cooperating with the authorities. Mr. Sorkin has waffled on this, at one moment saying that his client was cooperating and at another saying that he, Mr. Sorkin, was cooperating. Mr. Madoff hasn't been indicted in the Ponzi scheme as the investigation continues, and he probably won't for at least another month, if not longer.

Whatever the case, Mr. Madoff will probably find himself in his living room on the couch for as long as an entire year before he gets officially "hailed away." And the photographers will still be waiting to get the shot.

The latest news on mergers and acquisitions can be found at nytimes.com/dealbook.

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TIMES ONLINE

From Times Online

January 12, 2009

Timeline: Bernard Madoff's downfall

Alexi Mostrous

December 10, 2008

Bernard Madoff, 70, allegedly confesses to his two sons that he has been operating a \$50 billion "Ponzi scheme" through his Bernard L. Madoff Investment Securities business. Mr Madoff tells his sons he is "finished", that he has "absolutely nothing", and that "it's all just one big lie".

December 11 2008

Mr Madoff is arrested by the FBI on criminal charges of securities fraud and released on the same day after his wife, Ruth, uses the couple's \$7 million Manhattan apartment as part of a \$10 million bail bond.

December 12

The fallout begins. Some of the biggest names in finance, including Nicola Horlick, Santander and Union Bancaire Privée, admit they have been caught up in the alleged fraud.

December 15

Royal Bank of Scotland emerges as one of the UK's highest profile victims of Madoff, with an estimated £400 million exposure to the alleged fraud as the list of casualties grows.

December 16

Officials begin the process of liquidating any remaining assets in Bernard L. Madoff Investment Securities. Mr Madoff sons, Mark and Andrew, who are believed to have blown the whistle on their father, break their silence to deny any involvement in the alleged scam.

Mr Madoff is given an extra day to find co-signers to guarantee \$10 million bail terms, in addition to his wife, and Mr Madoff's brother, Peter.

December 17

Christopher Cox, chairman of the Securities and Exchange Commission (SEC), the US financial regulator, admits it could have averted the \$50 billion alleged fraud if it had acted on numerous warnings about Mr Madoff's financial impropriety over a ten-year period.

Mr Madoff is electronically tagged and placed under house arrest at his \$7 million Manhattan apartment after failing to find enough people to secure his bail. He is ordered not to leave his apartment between 7pm and 9am and both Mr Madoff and his wife are ordered to turn over their passports to the courts.

December 18

President-elect Barack Obama announces Mary Schapiro, head of Wall Street's new self-regulator, the Financial Industry Regulatory Authority, as the new chairman of the SEC following widespread criticism of the regulator's failure to spot Mr Madoff's alleged fraud.

December 22

City regulators plan to scrutinise the operations of Madoff Securities International, the London business

controlled and chaired by Bernard Madoff, after Grant Thornton is appointed to conduct a "forensic investigation" into the London firm.

December 23

French hedge fund manager Thierry de la Villehuchet is found dead in his Madison Avenue office after apparently committing suicide. Mr de la Villehuchet entrusted \$2.1 billion (£1.42 billion) with Mr Madoff.

Liliane Bettencourt, the world's wealthiest woman and heiress to the L'Oreal empire, entrusted part of her \$22.9 billion fortune to Mr Madoff through Mr de la Villehuchet.

December 29

Credit Suisse reveals its clients could have lost as much as SwFr1 billion in the Madoff scandal.

January 1

The Hollywood acting community is dragged into the Madoff scandal when it emerges that Kevin Bacon, the actor, and his wife, Kyra Sedgwick, had been caught up in the financier's alleged \$50 billion scam.

January 2

Martin Rosenman sues the trustee liquidating Mr Madoff's assets after claiming the New York fund manager took \$10 million from the investor just five days before he confessed.

January 5

Prosecutors call for Mr Madoff's bail to be revoked and for the fund manager to be jailed after his sons tell authorities he sent \$1 million worth of jewellery through the post.

David Kotz, inspector general of the SEC, is grilled by US politicians over the regulator's repeated failure to spot the alleged fraud by Mr Madoff. It emerges the SEC was tipped off about fund eight times in 16 years.

January 7

Mr Madoff took \$250 million from Carl Shapiro, one of his closest friends and the man who first set him up in business in the 1960s, less than a fortnight before allegedly confessing to the \$50 billion fraud.

January 8

The Serious Fraud Office (SFO) launches an investigation into Madoff's UK business focusing on the British victims of the fraud.

January 12

Mr Madoff may be forced to leave his luxury Manhattan penthouse for jail after allegedly violating the terms of his \$10 million bail.

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TIMESONLINE

From The Sunday Times

January 11, 2009

Bernard Madoff pair among fraud victims

Iain Dey

TWO directors of Bernard Madoff's London-based trading business are believed to be among the victims of their former employer's alleged \$50 billion (£33 billion) fraud.

A Serious Fraud Office investigation was launched last week into the business operations of Madoff Securities International, run from a recently refurbished office in Mayfair. It is also launching an investigation into British victims of the affair.

The probe followed a report from accountancy firm Grant Thornton, which was appointed as liquidator to the group's London business after Madoff was turned in to the US authorities.

Sources close to the London business claim senior figures at the firm invested their own money in the Madoff investment scheme. They join a long list of victims around the world that includes everyone from Hollywood actor Kevin Bacon to Spanish banking giant Santander.

Records at Companies House confirmed last week that Madoff was forced to resign from the board of the UK firm on December 16. His brother Peter and sons Andrew and Mark also resigned on the same day.

The London operation still holds more than £20m in cash deposits with a handful of British banks, including Barclays, which acted as its prime broker.

Although this cash could eventually contribute towards a pot to compensate investors, it is frozen pending the outcome of investigations on both sides of the Atlantic.

Directors of the London firm also thought they owned about \$150m of US Treasuries, held at an account with Madoff's brokerage business in New York.

The brokerage business was supposedly run separately from the investment-management arm where Madoff allegedly committed the fraud.

The Treasuries were bought on November 12 after Madoff instructed that his assets be moved out of sterling into dollars. The London business was given all the appropriate documentation by Madoff's New York brokerage to confirm the trade. However, liquidators at Grant Thornton have yet to track down the assets.

It has also emerged that Madoff informed his brother of the alleged fraud one day before confessing to his sons, who then handed him in to the US authorities.

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INTERNATIONAL
Herald Tribune

Judge rules Madoff can remain free on bail

By Diana B. Henriques

Monday, January 12, 2009

A U.S. magistrate on Monday refused a government request that Bernard Madoff be jailed until he can be tried on charges of operating a \$50 billion global Ponzi scheme, saying that the government had not proved that he was a flight risk or a security risk.

The ruling, by United States Magistrate Judge Ronald L. Ellis, allows Madoff to remain in his Manhattan apartment, wearing an electronic monitor device and watched around the clock by a security team paid for by his wife.

Prosecutors had asked the court to revoke Madoff's \$10 million bail, secured by various family homes held in his wife's name, after he violated a court-ordered asset freeze by mailing out roughly \$1 million in expensive watches and jewelry to family and friends on Christmas Eve.

The judge did add some additional restrictions to the bail requirements.

Madoff was charged last month with securities fraud but has remained free since posting bail.

He had been under house arrest at his luxury apartment on the Upper East Side of Manhattan, guarded by private security guards paid for by his wife.

So far, Madoff has not been indicted, but has been charged in a criminal complaint with a single count of securities fraud. Typically, such complaints contain fewer details about the crime than a formal indictment does.

Under U.S. government court rules, Monday would have been the deadline for the prosecution to indict Madoff, or submit to a preliminary hearing to explain to a judge why a formal indictment had not yet been issued. On Friday, lawyers for Madoff agreed to a 30-day extension of that deadline.

Monday's ruling came a week after prosecutors first went to court to have Madoff's bail revoked for violating the terms of his bail, one of which was a requirement not to dispose of any assets.

Prosecutors said that Madoff and his wife sent at least a million dollars worth of jewelry as gifts to family members and friends. In addition, prosecutors said, Madoff had plans to transfer \$200 million to \$300 million of investors' money to family members and friends. Indeed, when authorities searched Madoff's office desk, they found \$173 million in signed checks ready to be sent off.

The packages Madoff sent, prosecutors said, contained 13 watches, 4 diamond brooches, a jade necklace, 2 sets of cufflinks and other jewelry. Most of the items sent were recovered.

In a response, Ira Sorkin and Daniel Horwitz, who represent Madoff, have argued that jailing him would be unfair and wrong. Madoff is already being watched around the clock, both for his protection and to prevent flight, and has an electronic monitoring device, his lawyers wrote.

In addition, they said, Madoff is too widely known at this point and too disliked to get very far in any effort to flee. Instead of jail, they said, Madoff would accept having his property inventoried and all his outgoing mail checked to make sure he did not try to transfer valuables again.

Madoff's lawyers characterized the jewelry he sent as "a few sentimental personal items." and Madoff's decision to mail it, they said, was an honest mistake.

" Madoff gathered a number of watches that he had collected over the course of years, knowing that, due to the sudden change in his circumstances, he would never have an occasion to wear these watches again. To and Madoff, the value of these items was purely sentimental," the lawyers wrote.

Marc Litt, an assistant United States attorney, first asked for bail revocation at a hearing a week ago. "The case against the defendant is strong and it continues to grow stronger as the government's investigation continues," Litt said at the hearing. "Given the defendant's age, the length of the likely sentence, the strength of the proof against the defendant, including his confessions, these facts present a clear risk of flight."

Madoff told FBI agents last month that he had overseen a financial fraud and estimated that it had cost investors as much as \$50 billion, according to a criminal complaint filed in federal court in Manhattan. The fraud was continuing just days before Madoff confessed it to the FBI, according to a lawsuit filed by a New York company that asserts Madoff took in \$10 million from it on Dec. 5.

A government-appointed receiver has now taken over his firm, and agents from the Securities and Exchange Commission agents and FBI investigators are conducting a far-flung investigation to see who may have aided Madoff. On Monday, the trustee overseeing the liquidation of Madoff's firm sent 8,000 claim forms to people who may have invested with Madoff, asking them to detail what they believe they are owed.

Correction:

Notes:

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**INTERNATIONAL
Herald Tribune****Bid to revoke Madoff's bail cites his gifts****By Alex Berenson**

Tuesday, January 6, 2009

Contending that Bernard Madoff sent at least a million dollars worth of jewelry as gifts to family members and friends last month, U.S. prosecutors asked a judge on Monday to revoke his bail and send him to jail.

Madoff, who has been free after posting bail of \$10 million when he was charged last month with securities fraud, remained free after the hearing pending a ruling by the magistrate judge, Ronald Ellis of U.S. District Court in New York.

Ellis ordered each side to submit legal briefs on the matter by Wednesday.

A U.S. attorney, Marc Litt, asked for revocation of Madoff's bail, arguing that the gifts violated conditions that barred him from disposing of any of his assets.

The newly aggressive stance by prosecutors appeared to represent a serious deterioration in relations between the government and Madoff, who is said to have confessed to a huge Ponzi scheme last month and had seemed to be cooperating with investigators trying to unravel the fraud. In an interview on Monday evening, a lawyer for Madoff backed away from earlier statements that Madoff was helping investigators.

While Madoff faced the potential loss of his freedom in New York, the U.S. Securities and Exchange Commission came under heavy criticism from lawmakers in Washington.

At a hearing Monday afternoon, members of a House committee questioned why the agency had not uncovered Madoff's fraud long before early December, when he is said to have confessed it to FBI agents. The commission's inspector general, H. David Kotz, promised a full investigation.

At the court hearing in New York, Litt told Judge Ellis that Madoff and his wife, Ruth, had mailed packages of valuables in late December to his sons, his brother and friends. Since mid-December, Madoff has been under house arrest at his luxury apartment in New York, protected by private security guards paid for by his wife.

By sending the packages, Madoff violated the terms of his bail agreement with the government, Litt said. He said that Madoff was a flight risk and asked that his bail be revoked immediately.

"The case against the defendant is strong and it continues to grow stronger as the government's investigation continues," Litt said. "Given the defendant's age, the length of the likely sentence, the strength of the proof against the defendant, including his confessions, these facts present a clear risk of flight."

Ira Lee Sorkin, a lawyer for Madoff, said at the hearing that Madoff had not meant to violate the agreement and should not be sent to jail. Madoff is not a flight risk, and he and his wife tried to recover the valuables after speaking to their lawyers and realizing they should not have mailed them, Sorkin said.

Speaking after the hearing, Sorkin disavowed his earlier statements that Madoff was cooperating with prosecutors and FBI agents seeking to unravel the suspected Ponzi scheme, in which money from new investors would be used to pay previous investors.

"No one ever said he was cooperating with the government," Sorkin said □ though he had previously said that "we" were helping investigators from the FBI and the commission. Sorkin said he had meant that Madoff's firm, Bernard L. Madoff Investment Securities, was cooperating with the investigation.

Madoff told FBI agents last month that he had overseen a financial fraud that had cost investors as much as \$50 billion, according to a criminal complaint filed in U.S. court in New York. The fraud was continuing just days before Madoff confessed it to the FBI, according to a lawsuit filed by a New York company that claims Madoff took in \$10 million from it on Dec. 5.

A government-appointed receiver has now taken over his firm, and SEC agents and FBI investigators are conducting a far-flung investigation to see who might have aided Madoff. On Monday, the trustee overseeing the liquidation of Madoff's firm sent 8,000 claim forms to people who may have invested with Madoff, asking them to detail what they believe they are owed.

Ellis, who is overseeing the criminal case that prosecutors filed last month, did not make an immediate decision on the government's request to revoke Madoff's bail. Prosecutors must submit a filing supporting the request by the end of the day on Tuesday, and Madoff's lawyers have until the end of the day on Wednesday to respond.

The allegations about the gifts came just days after the disclosure that Madoff was still accepting investor funds in the days leading up to the fund's collapse.

In documents filed in U.S. Bankruptcy Court last week, a family corporation set up by Martin Rosenman, a resident of Great Neck, New York, and the president of Stuyvesant Fuel Service, a heating oil distributor in the New York area, invested \$10 million in the Madoff funds on Dec. 5.

On Dec. 9, two days before Madoff was arrested, Rosenman was notified by the Madoff firm that his money had been received and invested, according to Rosenman's lawyer, Howard Kleinhendler of Wachtel & Masyr.

Last week, Madoff's sons, Andrew and Mark, received three packages, containing valuable jewelry and watches, as well as inexpensive items like cuff links and mittens, according to a person briefed on the contents of the packages. Within minutes of receiving the packages, Madoff's sons called the law firm of Paul, Weiss, Rifkind, Wharton & Garrison, which is representing them, to tell them about the packages, this person said.

Lawyers for Paul, Weiss then informed prosecutors of the packages and offered to pass them to the government. Prosecutors accepted the offer.

Madoff's sons worked for many years at their father's firm but have said through a spokesman that they were unaware of any wrongdoing and are cooperating with investigators. So far, they have not been named as targets of the investigation.

At the bail hearing, Sorkin, Madoff's lawyer, said other packages had been sent to Peter Madoff, Bernard's brother, as well as an unnamed couple who live in New York but were vacationing in Florida. He said many of the items were relatively inexpensive, including a pair of \$25 cuff links and \$200 mittens.

At the House hearing in Washington, both Democrats and Republicans said that the securities commission had failed to follow up on warnings and red flags that might have uncovered Madoff's scheme years earlier.

"This elaborate Ponzi scheme fell through the cracks of our regulatory system," said Representative Paul Kanjorski, Democrat of Pennsylvania and a member of the House Financial Services Committee, which held the hearing.

But the star witness who had warned the commission for nearly a decade about Madoff, Harry Markopolos, a former investment manager, declined to appear at the last minute.

A lawyer for Markopolos, Philip Michael, said that his client was suffering from a sinus infection and had taken bed rest. Furthermore, Markopolos will testify as a friendly witness, seeking no bounty or compensation for his testimony.

"He's ready to tell them what he knows," Michael said.

Correction:

Notes:



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www.baltimoresun.com/business/bal-madoff0108,0,2553402.story

baltimoresun.com

Prosecutors: Madoff had \$173M in signed checks ready to send

By Larry Neumeister

The Associated Press

1:37 PM EST, January 8, 2009

NEW YORK

Prosecutors said today that investigators found 100 signed checks worth \$173 million in Bernard Madoff's office desk that he was ready to send out to his closest family and friends at the time of his arrest last month.

The detail was provided in a court filing today as prosecutors argued that Madoff should have his bail revoked and be sent to jail. They said the checks were further evidence that he wants to keep his assets away from burned investors.

In the filing, Assistant U.S. Attorney Marc Litt said Madoff cannot be trusted because he had long engaged in a "scheme that required the defendant to lie routinely to thousands of people and a scheme which has caused extraordinary damage to individuals, families, and institutions all over the world."

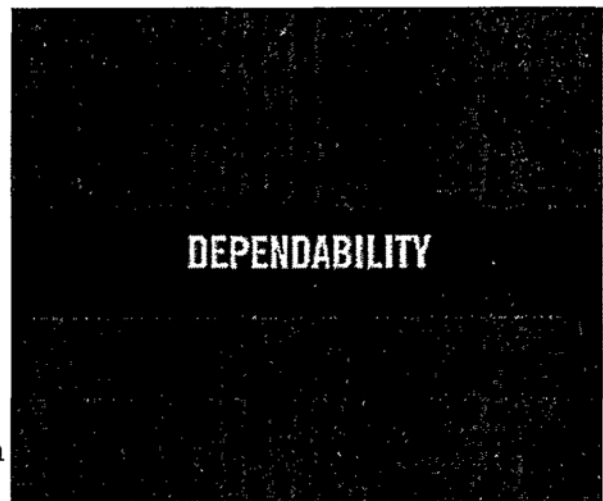
The judge will now decide whether Madoff should be sent to jail or remain free on bail in his luxury Upper East Side penthouse.

Defense lawyers say bail should not be revoked because he is not a risk to flee or a danger to community.

Investigators previously have said that Madoff had planned on distributing more than \$200 million to his closest friends and family after he realized his scheme had unraveled. He also was accused of sending more than \$1 million worth of jewelry to friends and family over the holidays, prompting prosecutors to ask a judge to revoke his bail.

Prosecutors say he presents "grave" economic harm to the community because of the wide range of his alleged fraud, and they cited the attempt to distribute some of his wealth in the past month as proof of the damage he can do.

"The only thing that prevented the defendant from executing his plan to dissipate those assets was his arrest by the FBI on Dec. 11," prosecutors argued.



The letter was a response to a letter Madoff's lawyers had submitted to U.S. Magistrate Judge Ronald L. Ellis yesterday.

The defense lawyers had noted that Madoff and his wife had offered to give up their assets, including four properties in Manhattan, Montauk, N.Y., Palm Beach, Fla. and Antibes, France, along with four boats and three cars. The U.S. properties alone were estimated to be worth more than \$19 million.

"Mr. Madoff's conduct ... is not the conduct of a man who is unwilling to face justice in this matter," the lawyers wrote, noting that Madoff encouraged his sons at the outset to tell the authorities of the exact nature of his fraud and that he planned to turn himself in.

Litt, the prosecutor, wrote that Madoff's "effort to paint his pre-arrest actions in heroic terms should be viewed with great skepticism."

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Madoff Remains Free, Judge Rules

Government Will Appeal, But Alleged \$50 Billion Fraudster Remains In Posh Penthouse

By RICHARD ESPOSITO and JERIKA RICHARDSON

Jan. 12, 2009—

Bernard Madoff, the man who allegedly committed the largest financial crime in history, will not go to jail while he awaits trial. Instead he will remain under house arrest, in the comfort of his posh penthouse apartment in Manhattan, despite prosecutors' somewhat belated efforts to put him behind bars.

In a written decision handed down at noon Monday, Federal Magistrate Ronald Ellis rebuffed the argument prosecutors made last week that charged circumstances warranted that the alleged \$50 billion fraudster's bail be revoked. Late Monday, the US attorney sent a letter to Ellis saying the government intends to appeal the decision.

Ellis said that the government's arguments that Madoff was a danger to the community - an economic danger in that he might further dissipate assets that could be used to pay back the allegedly defrauded investors and an increased flight risk now that the case against him is more substantial - did not warrant any changes.

Madoff will remain confined to his \$7 million home in the heart of Manhattan's posh Upper East Side, with an armed guard, an electronic security bracelet, and immediate links to the FBI and US Marshals should he attempt to leave without permission and an escort.

The federal magistrate imposed some additional, minor conditions to the current terms of Madoff's bail. They included additional restrictions on the transfer of any assets and the requirement that Madoff provide the court a list of all valuable in his Manhattan home and that a security company search "all outgoing physical mail to ensure that no property has been transferred."

"The issue at this stage of the criminal proceedings is not whether Madoff has been charged in perhaps the largest Ponzi scheme ever, nor whether Madoff's alleged actions should result in his widespread disapprobation by the public, nor even what is appropriate punishment after conviction. The legal issue before the Court is whether the Government has carried its burden of demonstrating that no condition or combination of conditions can be set that will reasonably assure Madoff's appearance and protect the community from danger." The government had not, the judge decided.

[Click here to read Judge Ellis' decision.](#)

The government's bail revocation argument was made orally last Monday and a written brief was submitted last Tuesday. In each case, prosecutors argued that a million dollars worth of heirloom jewelry and watches that Madoff and his wife, Ruth, shipped through the mail during the holidays was an effort to circumvent restrictions on dissipating assets that might need be returned to allegedly defrauded investors. Madoff had shipped the items to his sons and to a friend who allegedly was also a

victim of his fraud.

The government said that the economic danger plus flight risk required detention - this after initially structuring remarkably lenient bail terms for Madoff and suffering public outcry and derision on cable television business news outlets.

Madoff's lawyers conceded that on Christmas Eve, Madoff and his wife sent a number of packages to friends and family.

"Mr. Madoff gathered a number of watches that he collected over the course of years, knowing that, due to the sudden change in his circumstances, he would never have an occasion to wear these watches again," according to a brief filed by Madoff's attorneys, who say packages were sent to the Madoffs' sons, a daughter-in-law, Madoff's brother and sister-in-law, Mrs. Madoff's sister and a married couple who are close friends.

Madoff, say his attorneys, "simply did not realize" that the SEC order he consented to "pertained to these personal items". The jewelry has all since been recovered, according to Madoff's lawyers.

Madoff was arrested on December 11th and his initial bail conditions left him free to come and go as he wished during daytime hours, with restriction to his home only at night. Within a week those conditions were changed and on December 18th, Madoff was restricted to his home on a 24 hour basis.

In another development in the case, the prosecution and defense agreed this past weekend to extend the time within which the prosecution could continue developing its case without either seeking an indictment or submitting to a preliminary hearing. Madoff was charged in a federal complaint, and under the court guidelines, the government had 20 days in which to make a case. That time frame has expired, but as is often the case, the two parties agreed to give the government more time. The preliminary hearing rule would have required the government to present its case today. It now has until mid-February. And the judge has the right to grant additional extensions.

Prosecutors Wanted Madoff Behind Bars

Last week prosecutors argued that Madoff should be put in jail immediately saying that when Madoff's desk was searched following his arrest, investigators found approximately 100 signed checks totaling more than \$173 million "ready to be sent out".

"The only thing that prevented the defendant from executing his plan to dissipate those assets was his arrest by the FBI," prosecutors said. "The defendant's recent distribution of jewelry and watches demonstrates a continuing intention to benefit those close to him to the detriment of his victims."

An earlier court order barred Madoff from "dissipating, concealing, or disposing of any money" or "personal property".

Was Madoff Running a Ponzi Scheme?

Madoff made headlines last month when an unsealed criminal complaint in federal court in New York charged that he has been running a decades long Ponzi scheme that defrauded investors of \$50 billion dollars.

A former chairman of NASDAQ, Madoff was an investment advisor who catered to a handful of high

net worth clients, one of whom told ABC News that Madoff was so sought after that, as recently as two months ago, he was turning down potential new business. His handful of clients routinely expected -- and received -- double digit returns, up market or down.

Bernard Madoff Investment Securities and the SEC

According to a SEC document filed in Jan. 2008, and cited in the complaint, the firm had between 11 and 25 clients for the fiscal year ending Oct. 2007 and managed about \$17 billion in assets in 23 different accounts.

Bernard Madoff Investment Securities, in addition to that private client practice, is also a market maker that trades with other dealers in bonds, the S&P 500 and NASDAQ, according to Bloomberg News.

The firm was the 23rd largest market maker on NASDAQ in October, handling a daily average of about 50 million shares a day. The firm specialized in handling orders from online brokers in some of the largest U.S. companies, including General Electric Co. and Citigroup Inc., Bloomberg News reported.

But on Dec. 10, Madoff allegedly told senior employees at his firm that his entire business was a fraud. According to the federal complaint, Madoff told those employees that he was "finished" and that "it's all one big lie." Madoff estimated "the losses from the fraud to be at least approximately \$50 billion," the complaint states.

At that time Madoff also told those employees that he intended to surrender to authorities, but before he did he planned to use \$200-300 million he had left to make payments to "selected employees, family and friends," the complaint states.

Madoff started his business in 1960 with \$5000 in savings. He resides in New York City and, according to clients, also maintains a posh waterfront home. Known to his clients as Bernie, he has a long and significant history on Wall Street and has been a chairman of the board of the NASDAQ and was a founding member of the board of the International Securities Clearing Corp. in London.

The Web site for Madoff's firm, in its company profile, says, "Clients know that Bernard Madoff has a personal interest in maintaining the unblemished record of value, fair-dealing, and high ethical standards that has always been the firm's hallmark."

Madoff was arrested last month by FBI agents and charged with criminal securities fraud by federal prosecutors in Manhattan. The complaint states that he used "manipulative and deceptive practices." The complaint cites two senior employees in describing how Madoff kept his client records "under lock and key" and how he left them in the dark about how he managed the private client funds. One of those employees, in interviews with the FBI, said that Madoff was "cryptic" in his statements. This, according to clients, is in keeping with the aura that Madoff cultivated among his clients, some of whom have kept funds under management with him for generations.

Madoff Struggled to Obtain Liquidity in December, Complaint Says

But by the first week of December, when clients began clamoring for redemptions -- to the tune of \$7 billion -- the complaint states that Madoff began a struggle to obtain the necessary liquidity. The stress began to show, the employees said.

In a meeting at their boss's Manhattan apartment -- held there following a confrontation in the office

because Madoff wasn't sure "he would be able to "hold it together" if the conversation took place in the office -- the employees came away believing that Madoff was "saying, in substance that he had for years been paying returns to certain investors out of the principal received from other, different investors."

The next day, Dec. 11, Madoff spoke with FBI agent Theodore Cacioppi and invited the agent and another agent to his apartment. Cacioppo stated in the complaint that he told Madoff he came by to see if "there's an innocent explanation."

"There is no innocent explanation," Madoff replied, according to the sworn complaint.

Madoff's lawyer, Dan Horwitz, a partner at Dickstein Shapiro in New York, has said his client is cooperating fully with the federal investigation.

"Bernie Madoff is a long-standing leader in the financial services industry and he is cooperating fully with the government investigation into this unfortunate set of events," Horwitz said.

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Madoff To Stay Out of Jail For Now

Date Published: Monday, January 12th, 2009

Bernard Madoff is going to be allowed to stay in his posh Manhattan while he awaits trial on charges of securities fraud. A Federal judge rejected a prosecution request to revoke the alleged Ponzi-schemer's \$10 million bail today, but added more conditions to Madoff's bail agreement.

Madoff has been under house arrest since his December 11 arrest for securities fraud. The 70-year-old Madoff - once a chairman of the Nasdaq stock exchange - is the founder and primary owner of Bernard L. Madoff Investment Securities LLC. The firm is primarily known for its business in market-making, or serving as the middleman between buyers and sellers of shares. However, Madoff also oversaw an investment-advisory business that managed money for high-net-worth individuals, hedge funds and other institutions.

According to the FBI complaint against Madoff, that business was largely a Ponzi scheme. The FBI said Madoff "deceived investors by operating a securities business in which he traded and lost investor money, and then paid certain investors purported returns on investment with the principal received from other, different investors, which resulted in losses of approximately billions of dollars." Madoff reportedly told employees that his fraud could cost investors as much as \$50 billion.

Last week, U.S. Prosecutor Marc Litt asked U.S. Magistrate Judge Ronald Ellis in Manhattan to revoke Madoff's \$10 million bail after it was discovered that he or his wife mailed several packages of valuables to family and friends. Litt said that this constituted a transfer of assets in violation of a court order. Other court papers filed by the prosecution charged that Madoff had intended to give \$200 million to \$300 million in investor assets that remained to select family, friends and employees. That amount included \$173 million in checks he had personally signed.

Despite the prosecution's plea, Judge Ellis did not revoke Madoff's bail. In his decision, the Judge wrote that the government failed to show that "no condition or combination of conditions will reasonably assure the safety of any other person and the community; or by a preponderance of the evidence, that there is no condition or combination of conditions that would reasonably assure the presence of the defendant at trial if released."

However, additional restrictions were added to Madoff's bail terms, including "restrictions of transfer of all property whatsoever, wherever located" belonging to Madoff. Madoff's wife must also comply with that restriction, the order said.

The judge also ordered Madoff to compile an inventory of all "valuable portable items" in his Manhattan apartment and give it to the government. He will also be required to have a security company check the inventory every two weeks and inspect outgoing mail.

This entry was posted on Monday, January 12th, 2009 at 10:17 am and is filed under Legal News, Stock Fraud.

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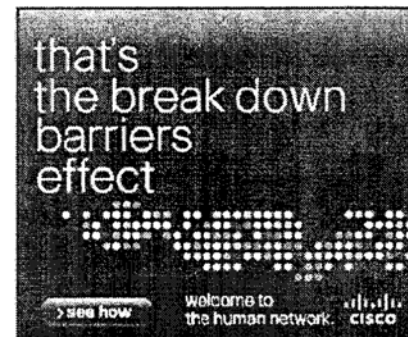
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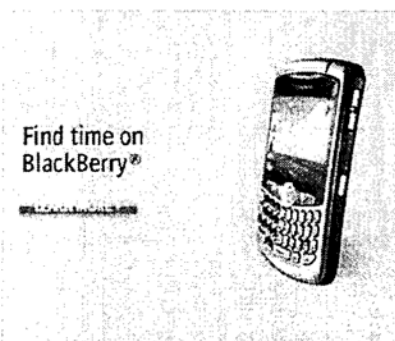
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Madoff had US\$173M in cheques signed, ready for the postie

Janet Whitman, Financial Post

Published: Thursday, January 08, 2009

NEW YORK -- Bernard Madoff had 100 cheques totaling more US\$173-million signed and ready to be sent to select family, friends and employees when he was arrested last month after confessing to running a US\$50-billion pyramid scheme.

U.S. prosecutors highlighted the new detail in a court document Thursday as they sought to persuade a judge to revoke Mr. Madoff's bail and have him jailed.

Prosecutors argued that the cheques, which F.B.I agents found stashed in the Wall Street broker's desk after his Dec. 11 arrest, show his willingness to benefit those closest to him at the expense of the thousands of victims of his giant fraud.



Disgraced financier Bernard Madoff is escorted by police and photographed by the media as he departs U.S. Federal Court after a hearing in New York, Jan. 5, 2009.

Reuters/Lucas Jackson

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They added that people shouldn't be fooled by Mr. Madoff's attempt to paint his "pre-arrest actions" -- which allegedly included a detailed confession of his fraud -- in

"heroic terms."

"What the defendant failed to highlight for the court in his rendition of events is the fact that, prior to his arrest, he announced his intention to transfer US\$200-million to US\$300-million of the remaining investors' assets to selected family, friends and employees," the prosecutors wrote. "The only thing that prevented the defendant from executing his plan [to award the cheques] was his arrest."

Prosecutors first made their case to jail Mr. Madoff on Monday, when it emerged that he and his wife, Ruth, mailed more than US\$1-million worth of diamond brooches, Cartier watches, cufflinks and other valuables to family and friends over the holidays.

Sending the packages violated an order barring the wealthy couple from disposing of any assets.

Prosecutors argued that the plan to pay out hundreds of millions of dollars and mailing the valuables show Mr. Madoff can't be trusted.

The former Nasdaq chairman has been confined to house arrest and 24-hour surveillance in his US\$7-million Manhattan penthouse while he is out on US\$10-million bail.

All of Mr. Madoff's assets, including jewelry and his other homes in Palm Beach and Long Island, could be sold to pay claims in the event he is convicted of swindling investors in his money-management firm by running a "Ponzi," or pyramid, scheme.

Mr. Madoff estimated in his alleged confession to his sons and F.B.I. agents that his investors may have lost as much as US\$50-billion.

At this stage, it looks as though the victims, including Jewish charities, a group of carpenters with pensions and thousands of others, may be lucky to retrieve as little as 10 cents on the dollar.

Mr. Madoff's lawyer, Ira Sorkin, explained to the judge that the packages of valuables were an innocent attempt by his client to "reach out to immediate family and close friends with whom contact had been cut off."

In their rebuttle filing, prosecutors called that notion "preposterous."

"That's what telephones, e-mails and personal letters are for," they said. "Given the many ruptured relationships of the defendant, and their depth, one only can imagine the value of the items that might have been included in the defendant's next set of mailings...."

U. S. Magistrate Judge Ronald Ellis is expected to rule on the prosecution's request either Friday or Monday.

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U.S. Judge to Rule on Madoff Bail on Monday

Jan. 12, 2009

Edith Honan and Grant McCool--Reuters

A U.S. judge will issue a written ruling at noon on Monday on a request by U.S. prosecutors to revoke the bail of accused swindler Bernard Madoff and jail him, a court spokesman said on Friday.

Separately, a court hearing tentatively scheduled for Monday on the criminal charges against Madoff has been adjourned, his lawyer Ira Sorkin said.

The government had until 30 days from Madoff's Dec. 11 arrest to bring an indictment or decide to continue the case for now as a criminal complaint.

"The hearing has been adjourned at the request of the government and on consent of Mr Madoff," Sorkin said on Friday night.

Prosecutors this week asked the judge to revoke Madoff's bail, saying he violated a Dec. 18 court order freezing his assets by mailing more than \$1 million worth of valuables to relatives and friends.

They also argued that Madoff was a flight risk and was trying to disperse assets that might be part of restitution to victims of his purported scheme that bilked rich people, banks and charities worldwide.

Madoff's lawyers responded in a brief to the court that Madoff "simply did not realize" that mailing personal items contravened the court order. They said he was not a flight risk because he was under house arrest and 24-hour surveillance in his Manhattan apartment.

On Thursday, a clerk for Magistrate Judge Ronald Ellis of U.S. District Court in Manhattan said the judge would issue his decision on Friday or Monday.

But on Friday night a court spokesman told reporters, "The judge will make his ruling at noon on Monday."

Madoff, 70, a former chairman of the NASDAQ stock market, was arrested and charged on Dec. 11 for what would be Wall Street's biggest Ponzi scheme, one in which early investors are paid off with the money of new clients.

If convicted, he faces up to 20 years in prison and millions of dollars in fines. Madoff confessed to his sons a month ago that for many years he ran a "giant Ponzi scheme" with losses of \$50 billion, according to court documents.

The investment adviser has not formally answered the charge. He appeared in court at an initial hearing after his arrest and again on Jan. 5 when the government demanded his bail be revoked.

An FBI agent said Madoff told him "that he personally traded and lost money for institutional clients and that it was all his fault," according to court papers.

Fraud experts said the purported scheme was too complicated and went on too long to have been carried out by Madoff alone.

The investment adviser who has been a Wall Street figure for more than 40 years is the only person accused in the scandal surrounding his Bernard L. Madoff Investment Securities LLC. The firm had a brokerage-trading arm and an investment advisory arm.

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Thomson Financial News

U.S. judge to rule on Madoff bail or jail

01.12.09, 10:26 AM EST

THOMSON

By Grant McCool

NEW YORK, Jan 12 (Reuters) - A

U.S. judge rules on Monday on

whether or not to send accused swindler Bernard Madoff to jail while investigators probe a worldwide \$50 billion investment fraud they said he confessed to last month.

Prosecutors last week asked a judge to revoke Madoff's bail, saying he violated a Dec. 18 court order freezing his assets by mailing more than \$1 million worth of valuables to relatives and friends.

The items included a diamond necklace, 13 watches, an emerald ring, two sets of cufflinks, a diamond bracelet and diamond brooches, according to court papers. Prosecutors said he was a flight risk and had tried to disperse assets that the government might want to pay for investor losses.

Madoff's lawyer argued that he 'simply did not realize' that sending personal items would contravene the court order. They added that he was not a flight risk because he is under house arrest and 24-hour surveillance.

U.S. Magistrate Judge Ronald Ellis of U.S. District Court in Manhattan will make his written ruling 'no earlier than 12 noon' according to a recorded message Monday on the telephone at his chambers.

Madoff, 70, a former chairman of the NASDAQ stock market, was arrested and charged on Dec. 11 for what would be Wall Street's biggest Ponzi scheme, one in which early investors are paid off with the money of new clients.

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If convicted, he faces up to 20 years in prison and millions of dollars in fines. Madoff confessed to his sons a month ago that for many years he ran a 'giant Ponzi scheme' with losses of \$50 billion, according to court documents.

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The investment adviser has not appeared in court to formally answer the charge. He appeared in court at an initial hearing after his arrest and again on Jan. 5 when the government

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demanded his bail be revoked.

A court hearing tentatively scheduled for Monday on the criminal charges against Madoff has been adjourned for 30 days, his lawyers said.

The government had until 30 days from Madoff's Dec. 11 arrest to bring an indictment or decide to continue the case for now as a criminal complaint.

An FBI agent said Madoff told him 'that he personally traded and lost money for institutional clients and that it was all his fault,' according to court papers.

Fraud experts said the purported scheme was too complicated and went on too long to have been carried out by Madoff alone.

The investment adviser who has been a Wall Street figure for more than 40 years is the only person accused in the scandal surrounding his Bernard L. Madoff Investment Securities LLC. The firm had a brokerage-trading arm and an investment advisory arm.

(Reporting by Grant McCool and Edith Honan, editing by Dave Zimmerman) Keywords: MADOFF/

(grant.mccool@thomsonreuters.com; +1-212-393-9461; Reuters Messaging: grant.mccool.reuters.com@reuters.net)

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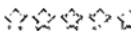
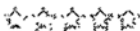
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Date of transcription 12/31/2008

On December 29, 2008, [redacted]

[redacted] New York, New York, telephone number [redacted] returned the following documents which were used in the compilation of the financial situation of BERNARD and [redacted]

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1. [redacted]

2. [redacted]

3. [redacted]

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4. [redacted]

5. [redacted]

The documents were then taken into FBI custody and placed into evidence on the 17th floor of 885 Third Avenue, New York, New York.

Investigation on 12/31/2008 at New York, New YorkFile # 318A-NY-301292Date dictated 12/31/2008by SA [redacted] jsh
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Date of transcription 12/29/2008

13/14

ANDREW MADOFF, date of birth 04/08/1966, was interviewed at the offices of PAUL WRESS in the presence of his attorneys [REDACTED] by the writer (in person) and the following via conference call: AUSA [REDACTED] SEC attorney [REDACTED] SEC attorney [REDACTED] and, for a portion of the call, SEC attorney [REDACTED] MADOFF provided the following information:

[REDACTED]

[REDACTED]

[REDACTED]

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~~Media reports indicate that a MADOFF investor named Rene Thierry Magon de la Villehuchet of a hedge fund known as ACCESS INTERNATIONAL committed suicide on or about late Monday December 22, 2008 or early Tuesday December 23, 2008 at his office at 509 Madison Avenue, New York, NY.~~

On Saturday, December 26, 2008 SA [] spoke with NYPD Det. [] of the Mid Town North Precinct. Det. [] confirmed that the death was indeed a suicide and that the NYPD would not need to talk to any investors. In the event investigation involving the corporate entity or investors becomes necessary, the NYPD will coordinate with the FBI.

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MARK MADOFF, date of birth 03/11/1964, was interviewed at the offices of PAUL WIESS, in the presence of his attorneys [redacted] by the writer (in person) and the following via conference call: AUSA [redacted] SEC attorney [redacted] and SEC attorney [redacted] MADOFF provided the following information:

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UNITED STATES DEPARTMENT OF JUSTICE
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Receipt for Property Received/Returned/Released/Seized

File #

318 A-M-301292

On (date)

12/31/2008

item(s) listed below were:

- ☒ Received From
☐ Returned To
☐ Released To
☐ Seized

(Name)

(Street Address)

(City)

Description of Item(s):

Four packages as follows:

① two shirt wood cufflinks, seven blue buttons, one diamond necklace, one emerald ring, two watches with metal bands eleven watches with leather bands, handwritten note

② one gold watch one diamond bracelet

③ one spring like bracelet, eleven fifteen thin bracelets (11 with diamonds, 4 without), one wide gold bracelet, one wooden bracelet, one Tiffany women's watch, one Cartier women's watch, four diamond pendants, one pearl necklace, one green ring

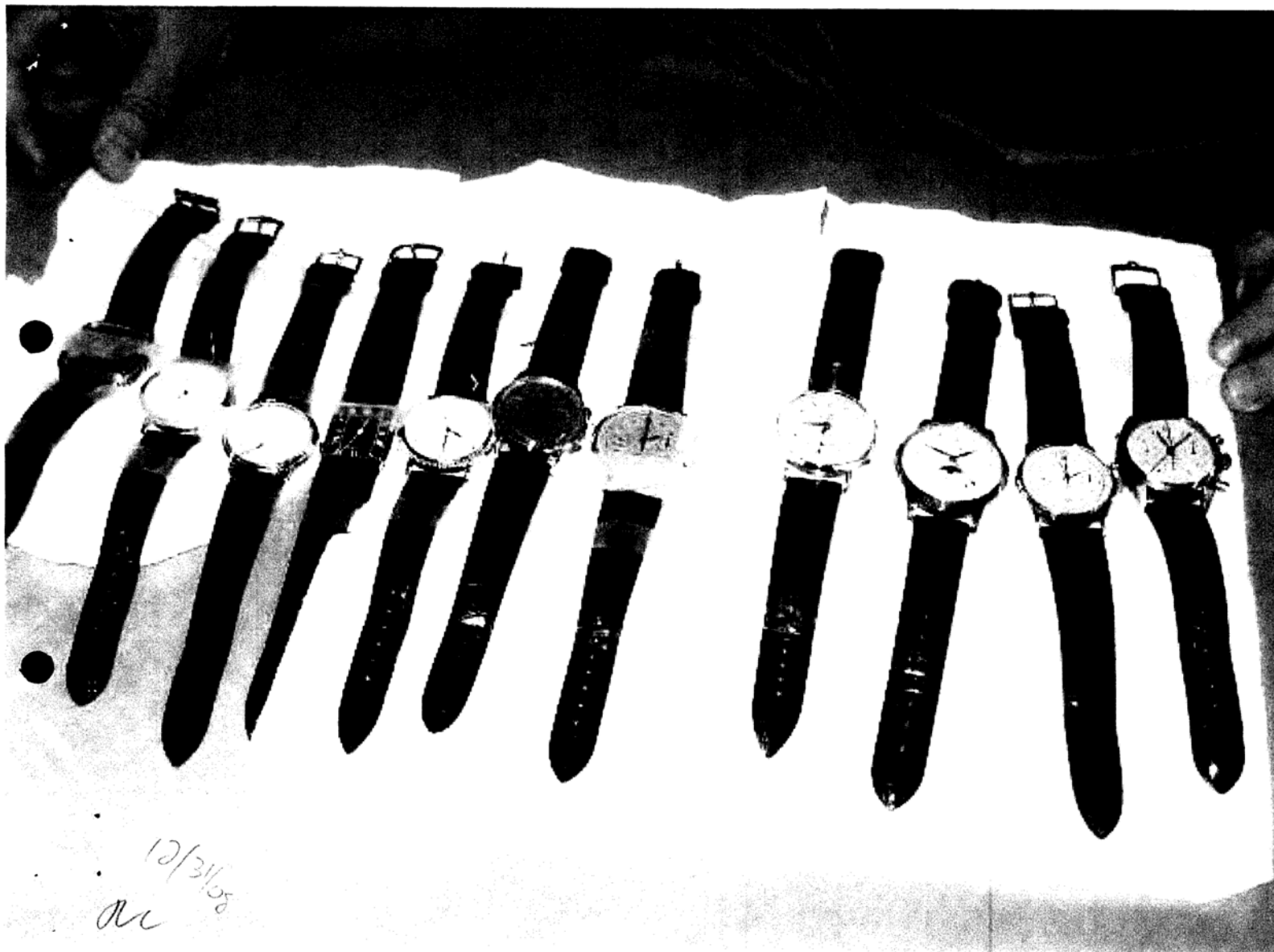
④ one pair fur, gloves, one pair blue cufflinks

AS reflected in attached photos

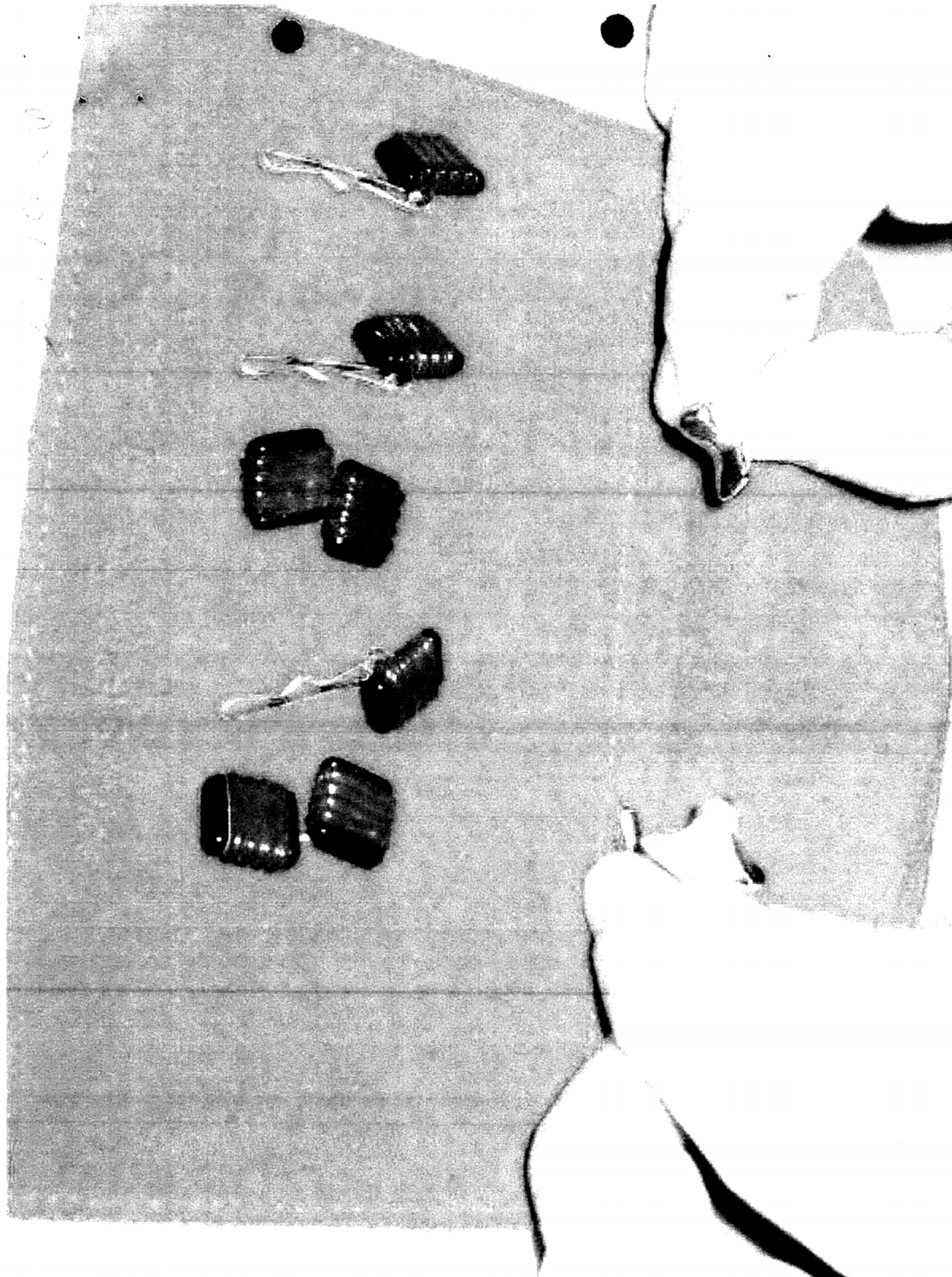
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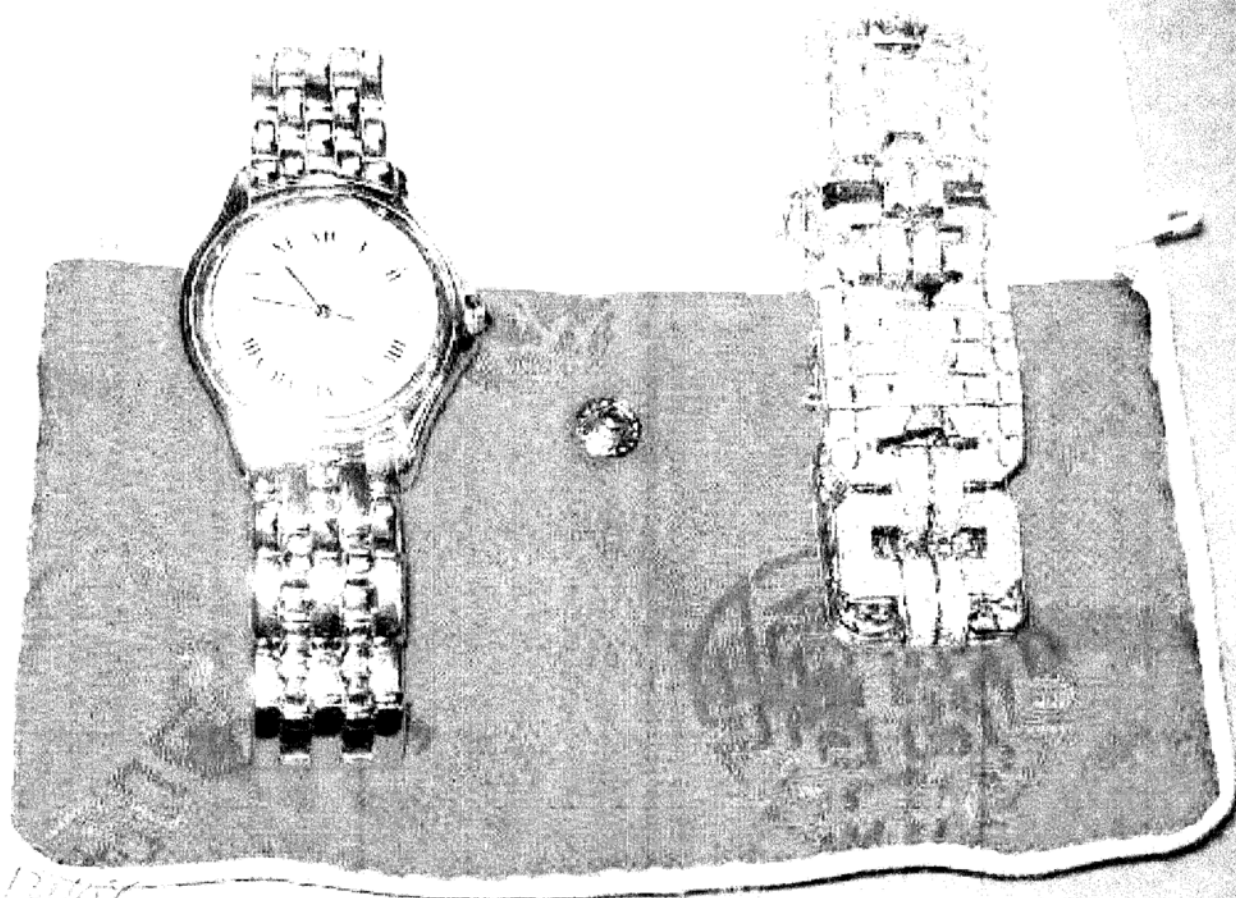
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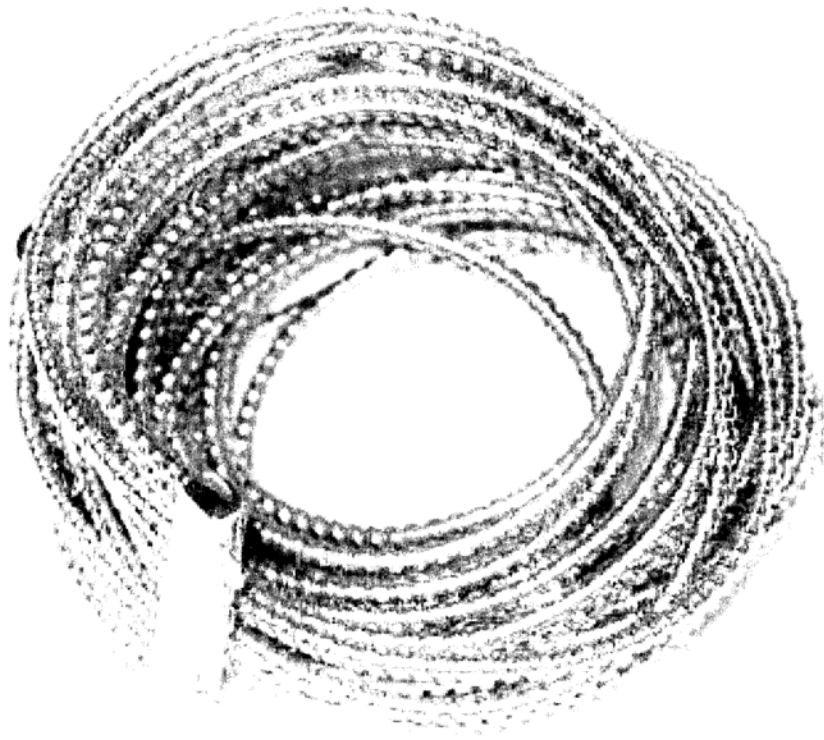


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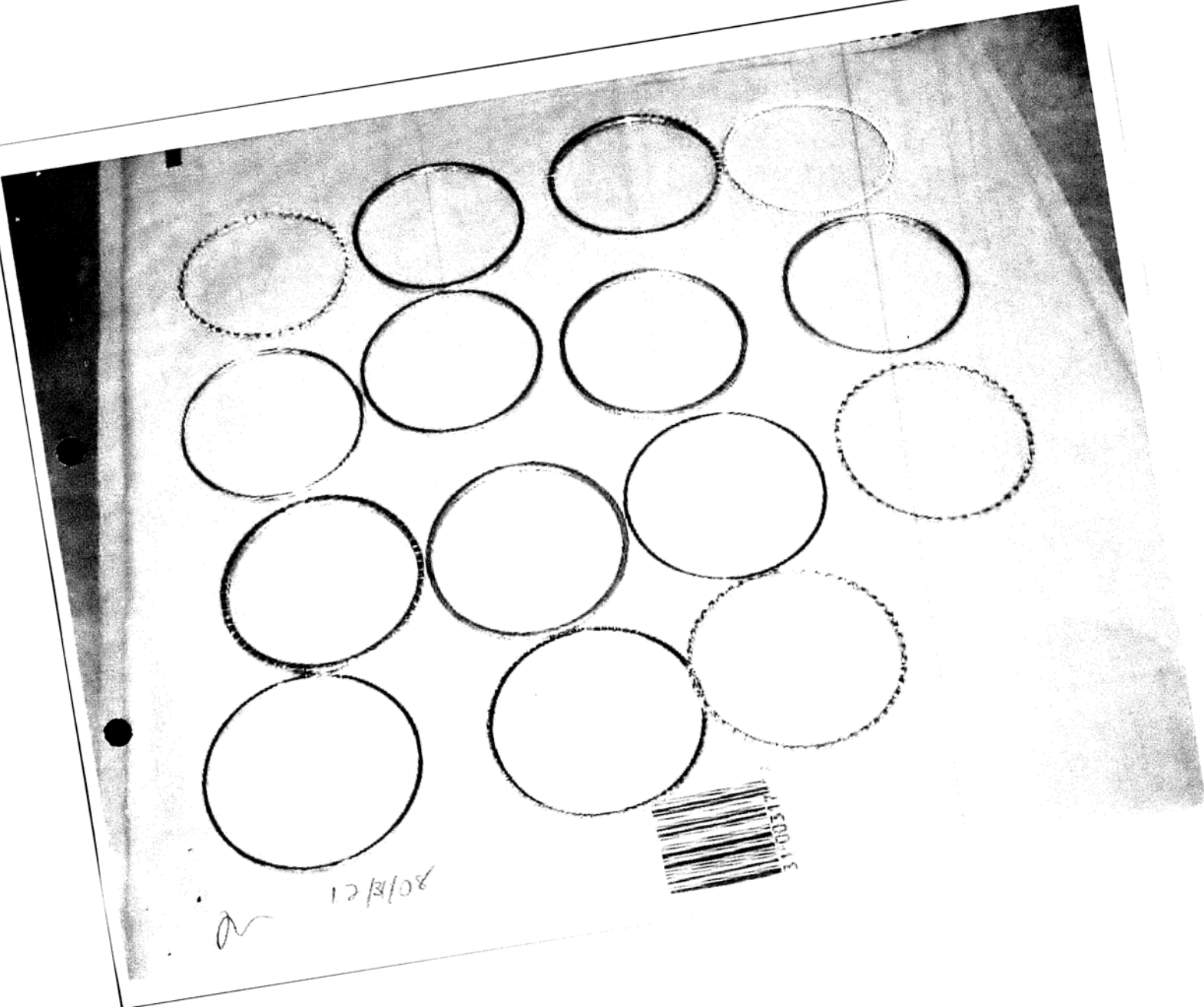




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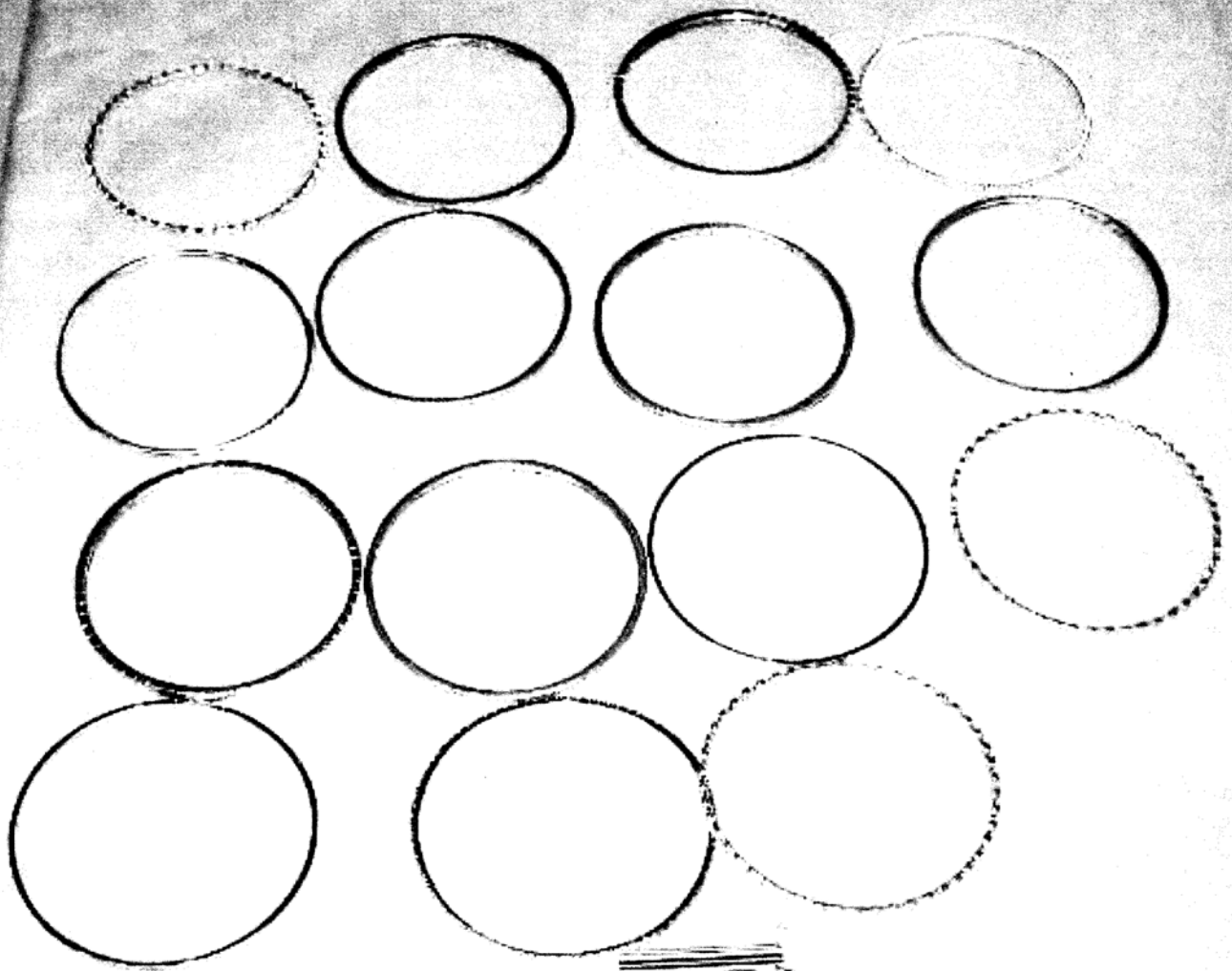
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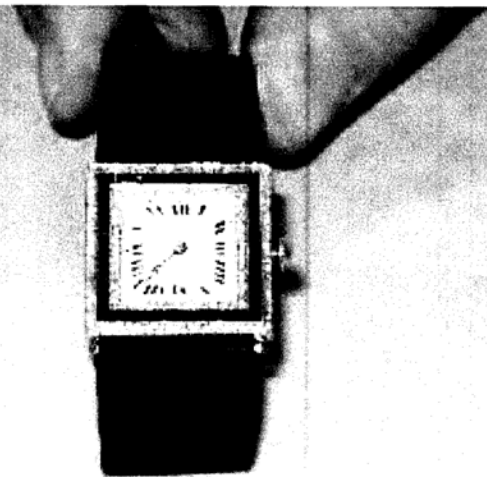
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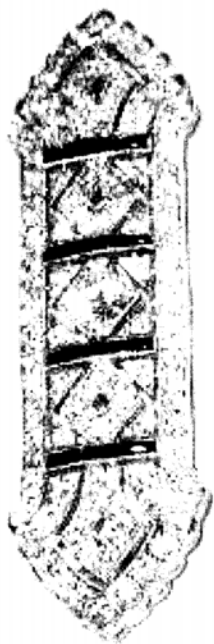
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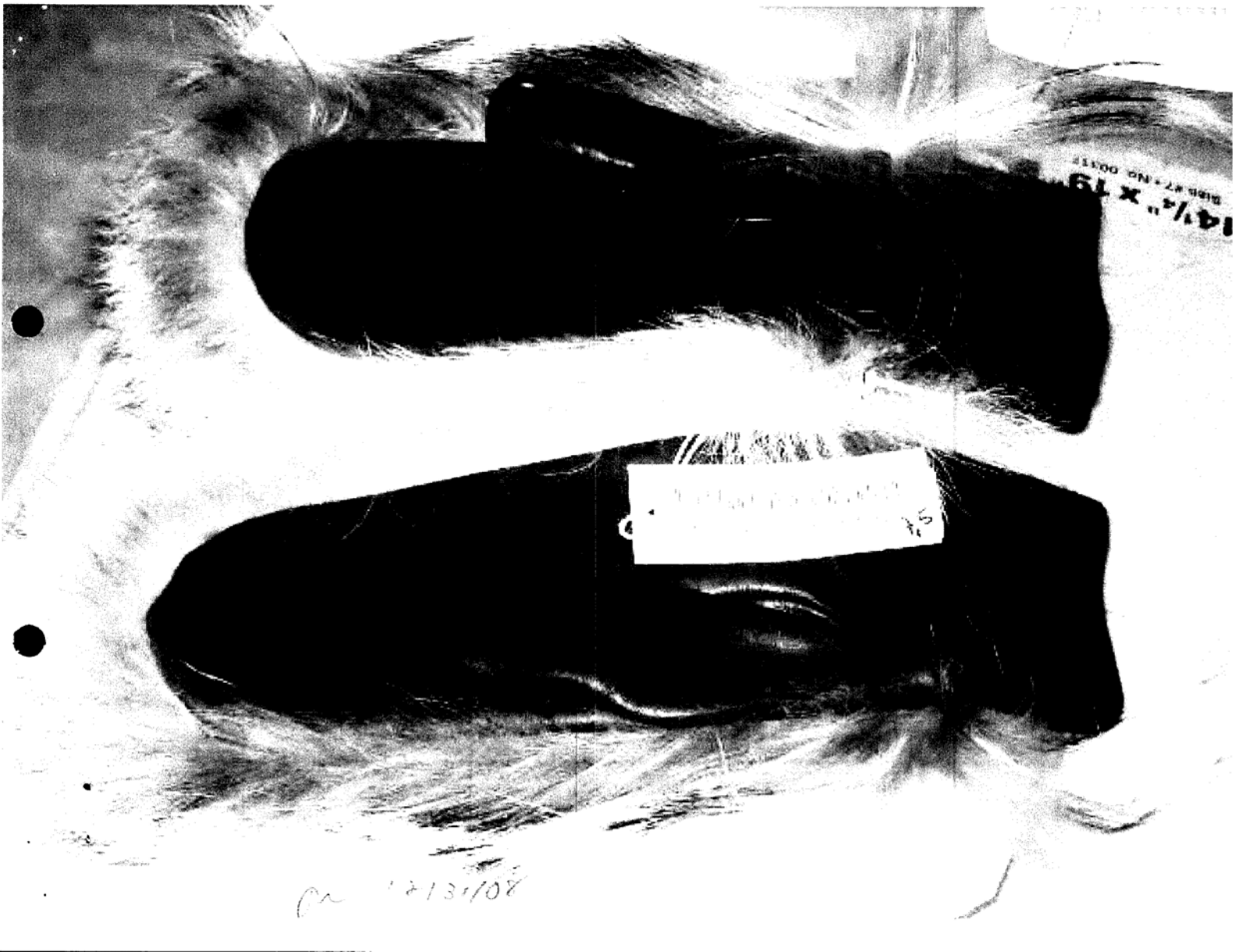
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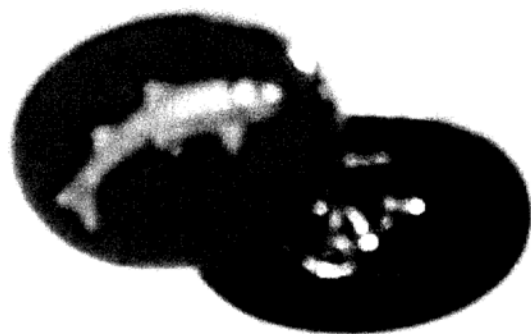
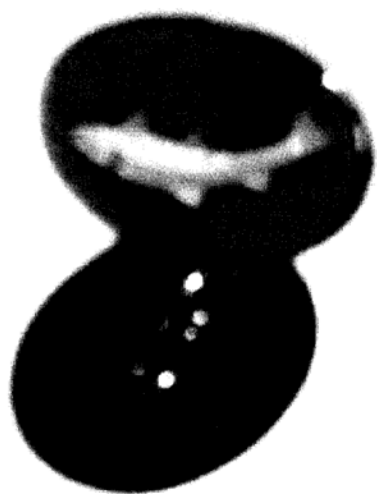
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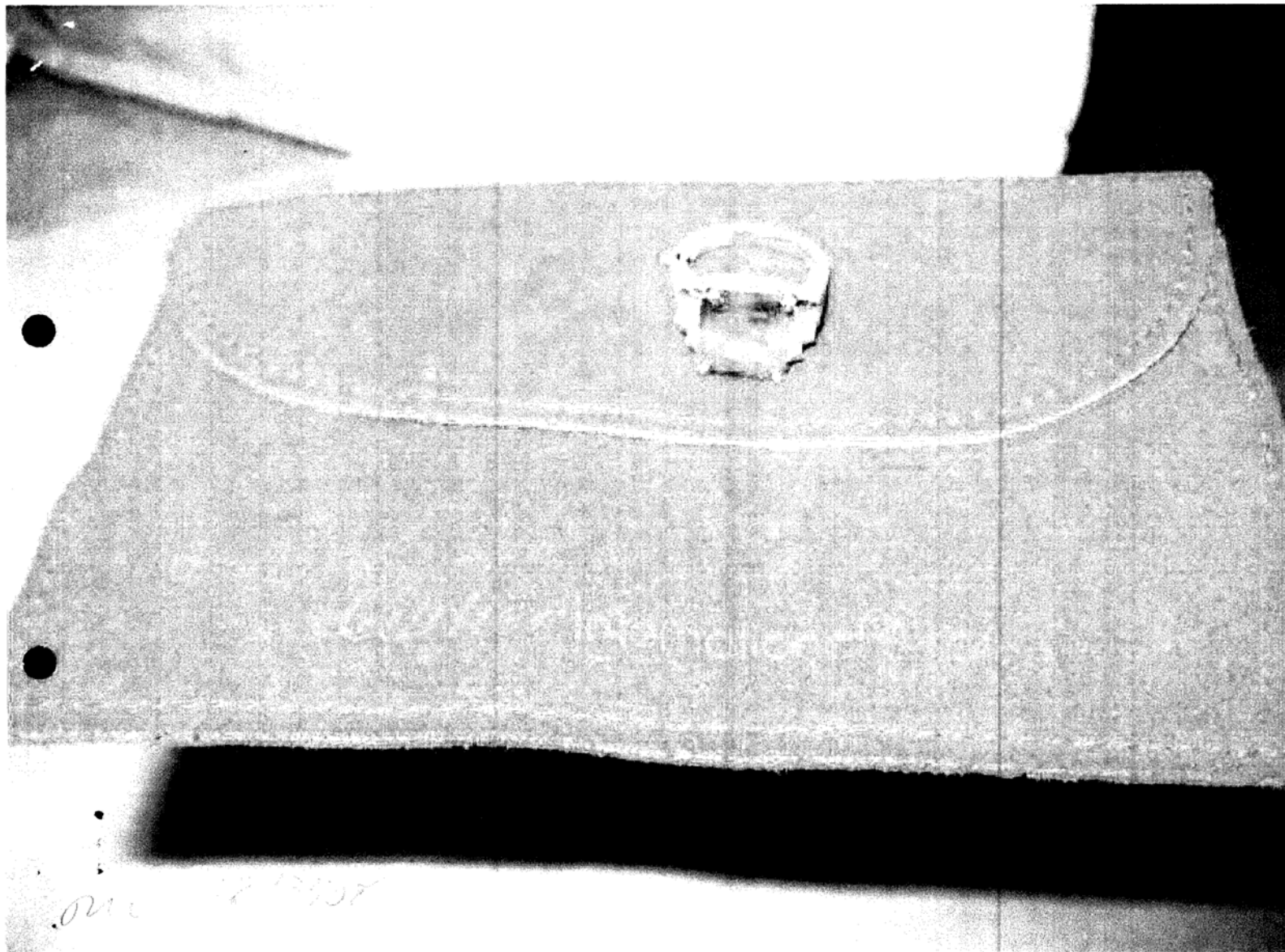
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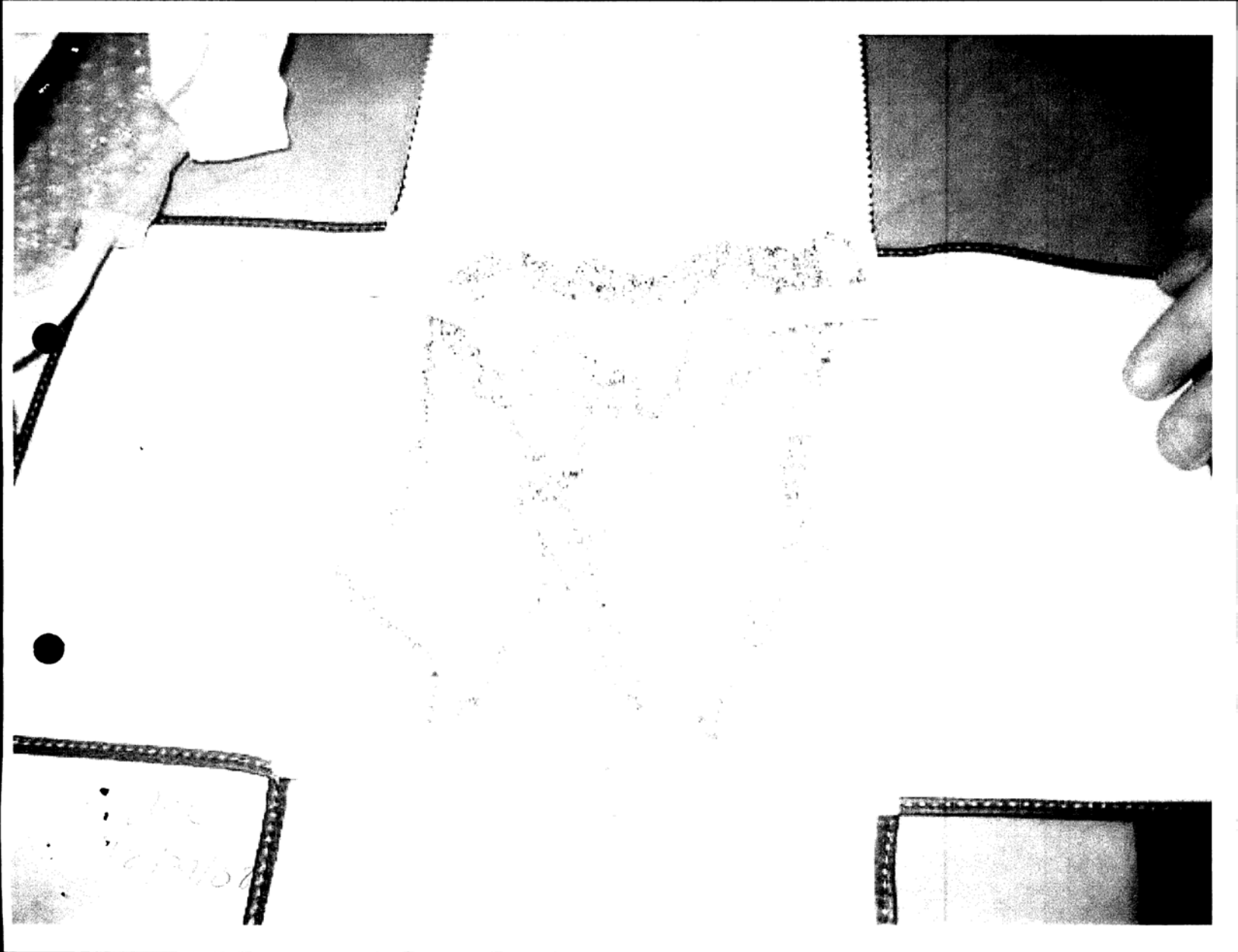
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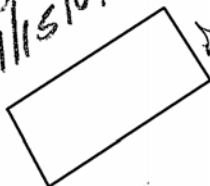
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(case # pending)
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**FOR YOUR INFORMATION
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Clips prepared by: PAS [redacted]
Date: 12/15/2008

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Losses in Madoff Case Spread

Alleged Ponzi Scheme's Victims Include Lautenberg, Zuckerman, Spielberg's Charity

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By PETER LATTMAN and AARON LUCCHETTI

Investigators dug through financial records at Bernard Madoff's investment firm as the list of victims of his alleged Ponzi scheme widened to include real-estate magnate Mortimer Zuckerman, the foundation of Nobel laureate Elie Wiesel, Sen. Frank Lautenberg and a charity of movie director Steven Spielberg.



BERNARD MADOFF

The scandal reverberated around the world, with banks including Spain's Grupo Santander and France's BNP Paribas saying that their clients and shareholders together face billions of euros of losses.

Monday morning in Tokyo, Nomura Holdings Inc. said its exposure to investments with Mr. Madoff totaled 27.5 billion yen (\$302 million). A spokesman described the firm's potential losses as "limited."

At Mr. Madoff's office in midtown Manhattan, guards have been positioned 24 hours a day. Investigators from the Federal Bureau of Investigation, Securities and Exchange Commission and the Financial Industry Regulatory Authority are trying to identify if any assets remain, a person familiar with the matter said.

The office has been sealed since Thursday, when the 70-year-old Mr. Madoff was arrested and, according to authorities, admitted he had carried out a \$50 billion Ponzi scheme. Mr. Madoff's track record of steady investment returns attracted high-profile clients to invest billions of dollars over the course of decades.



INFphoto

Real-estate magnate Mort Zuckerman faces losses.

Saturday were put up for sale by owners who had invested with Mr. Madoff, said Nadine House, a prominent local real-estate agent.

Bernard L. Madoff Investment Securities, founded by Mr. Madoff in 1960, has long handled stock trades for banks and investment houses. In recent years, the firm has also expanded its business managing money for wealthy individuals and institutions -- and it's that operation now swept up in scandal. Despite common ownership, the two businesses were largely kept

separate, a person familiar with the matter said.

Full Image

As soon as Monday, the Securities Investor

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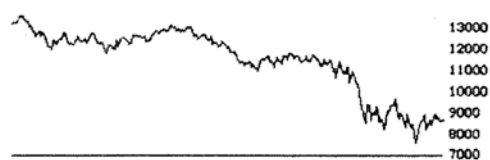
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Fear Feeds Drop in European Trades

'Fear Gauge' Stays Below 60

Associated Press
Nobel laureate and Holocaust survivor Elie Wiesel

A person familiar with the firm says employees of the trading arm have been told

to come to work Monday while the firm's receiver attempts to find out whether the trading operation was truly separate from its investment-advisory business, as Mr. Madoff's sons told the FBI it was. If it is determined that the trading arm was independent, it might represent a valuable asset whose sale could benefit investors, that person said.

Mr. Zuckerman, the chairman of real-estate firm Boston Properties and owner of the New York Daily News and U.S. News & World Report, had significant exposure through a fund that invested substantially all of its assets with Mr. Madoff, according to a person familiar with his investments. A spokesman for Mr. Zuckerman declined to comment.

Investors and others exposed to losses include:

Fred Wilpon, owner of New York Mets
Norman Braman, former owner of Philadelphia Eagles
Carl Shapiro, founder and former chairman of apparel company Kay Windsor Inc., and his wife
Sen. Frank Lautenberg and his family foundation
Leonard Feinstein, co-founder of retailer Bed Bath & Beyond
J. Ezra Merkin, GMAC chairman
The Elie Wiesel Foundation for Humanity
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EIM Group
Fairfield Greenwich Advisors Tremont Capital Management
Maxam Capital Management Ascot Partners

The Spielberg charity, the Wunderkinder Foundation, in the past appears to have invested a significant portion of its assets with Mr. Madoff, based on regulatory filings. In 2006, the Madoff firm accounted for roughly 70% of the foundation's interest and dividend income, according to regulatory filings.

A representative of Mr. Spielberg confirmed that the foundation has suffered losses on its investments with the Madoff firm. He said he didn't know the size of the losses and couldn't comment further, including on whether Mr. Spielberg had any of his own money invested with the Madoff firm.

Jewish schools and charities have been particularly hard hit by losses that government authorities estimated last week at \$50 billion. Among them: the Elie Wiesel Foundation for Humanity, founded by the famed Holocaust survivor and writer, according to two people familiar with the organization's investments.

Another investor was New Jersey's Sen. Lautenberg and his family foundation. "Sen. Lautenberg was an investor in Bernard Madoff's investment fund, primarily in the form of his family's charitable foundation," said an aide to the senator. The Lautenberg foundation has donated to the Breast Cancer Research Foundation, Catholic Relief Services and the New Jersey Performing Arts Center.

Much of Mr. Madoff's assets appear to have come from big banks and investment advisers that steer clients' money into investments such as the accounts that Mr. Madoff managed. These banks and advisers now face monetary losses and angry clients, and perhaps lawsuits challenging whether they vetted Mr. Madoff's services sufficiently.

Santander, one of Europe's largest banks by market value, said its clients held €2.33 billion (\$3.11 billion) in the Madoff investment funds, mainly through its Optimal Strategic US Equity fund. More than €2 billion belongs to institutional investors and international clients of its private-banking business, which provides services to wealthy individuals, it said. The remaining €320 million belongs to private-banking customers in Spain, where Santander is based.

Royal Bank of Scotland Group PLC said Monday it stands to lose about £400 million and that it had exposure to Madoff funds through trading and collateralized lending.

BNP, France's biggest bank by market value, said it could lose as much as €350 million as a result of the alleged fraud. The bank said it has no investment of its own in the accounts and funds managed by Mr. Madoff's firm. BNP Paribas, however, said it is exposed through its trading business and lending to hedge funds that had invested in Mr. Madoff's funds. French investment bank Natixis SA, meanwhile, said its exposure to Madoff funds was around €450 million. It said it didn't make direct investment for its own account in Madoff funds, but that some investments made on behalf of its customers in several funds of international repute could have

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ended up being managed by Mr. Madoff.

Swiss private bank **Reichmuth & Co.** had an exposure of some 385 million Swiss francs to Madoff funds. The bank said **Reichmuth Matterhorn**, a fund that invests in other hedge funds, faced a potential loss of about 8.6% on its exposure to Madoff funds. That amount represented about 3.5% of the 11 billion Swiss francs (\$9.3 billion) Reichmuth & Co. has under management, the bank said.

Through private-banking networks, EIM Group, the European investment manager with about \$11 billion in assets, had a number of non-U.S. investors in funds overseen by Mr. Madoff, according to people familiar with the matter. Overall, EIM assets at risk are less than 2% of what it manages, according to a person familiar with the firm.

Swiss bank UBS AG said Monday that Madoff wasn't one of its prime brokerage clients. But the Zurich-based bank's wealth-management arm helped clients in Europe and possibly elsewhere invest with Mr. Madoff, according to investment professionals in Europe who spoke with some of these clients.

Lawyers were gathering clients and trying to determine how to recover lost investments. Scott Berman, a New York lawyer, has been retained by investors in investment-management firms Tremont Capital Management and Fairfield Greenwich Advisors, which were heavily invested in Mr. Madoff's firm.

Among the issues Mr. Berman says he is looking into: whether the investment-management firms told clients that their investments were diversified, when in fact they were primarily only in Mr. Madoff's funds. He is also looking into whether the firms failed to perform adequate due diligence on Mr. Madoff's business.

"Tremont was victimized by not just a person but also a scheme and a complex process designed to deceive individuals and organizations, managers and analysts — including some of the largest and sophisticated financial institutions in the world," said Tremont spokesman Montieth Illingworth.

A Fairfield spokesman said in a statement that investors in Fairfield Sentry, the fund with the most exposure to Mr. Madoff's firm, "knew that Madoff was executing broker, and they understood they were getting a portfolio operated by Madoff." Marc Kasowitz, a lawyer for Fairfield, said in a statement that the firm "conducted extensive due diligence and risk monitoring in its investments and dealings" with Mr. Madoff's firm.

Government investigators are trying to determine whether other individuals at Mr. Madoff's firm had any involvement in the alleged fraud, according to people familiar with the inquiry.

According to the criminal complaint, the scheme came to light when Mr. Madoff told two people about it last week, and they contacted a lawyer and then the authorities. According to people familiar with the matter, those two people were Mr. Madoff's sons.

Several other family members have worked at the firm, including Mr. Madoff's brother and niece. None have been implicated in the case. Mr. Madoff's two sons, Mark and Andrew, both worked on the trading side of the firm.

Mark Madoff told at least one client of the trading business in recent years that the money-management operation didn't impact how customer orders were handled in trading, according to a person familiar with the matter. In recent days, he said he believed the money-management operation traded through European counterparties, not the Madoff trading firm, this person added.

Banks and charities scrambled to assess the damage. The Elie Wiesel foundation, whose stated mission is combating "indifference, intolerance and injustice," reported roughly \$10 million in assets at the end of 2007, according to tax records.

Emails and telephone calls to its treasurer Elisha Weisel, a managing director at Goldman Sachs, weren't returned.

—John R. Emshwiller, Jenny Strasburg, Amir Efrati, Lauren A.E. Schuker, Kara Scannell, Dana Cimilluca, Thomas Catan, Dionne Searcey and Alison Tudor contributed to this article.

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Bernard Madoff: RBS and Man latest to reveal exposure to \$50bn alleged fraud

Royal Bank of Scotland, the high street bank, and Man Group, the UK listed hedge fund, have become the latest to reveal exposure to Bernard Madoff's alleged \$50bn fraud.

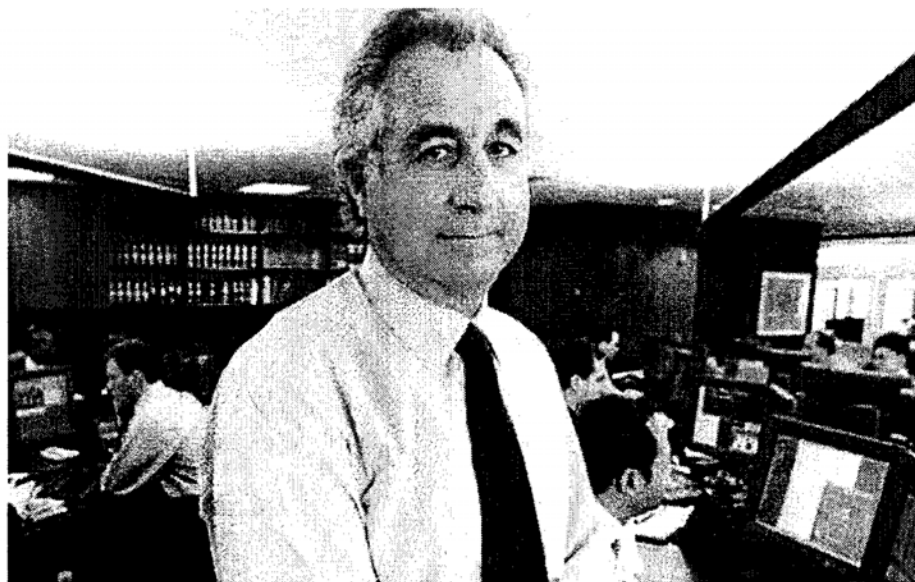
By Jamie Dunkley

Last Updated: 1:21PM GMT 15 Dec 2008

RBS said in a stock exchange announcement that should the value of Madoff's funds fall to zero, its potential loss will amount to about £400m.

It follows the revelation last week that the former chairman of the Nasdaq stock market had been arrested and charged with the alleged fraud. It could become the biggest-ever case of its kind. Mr Madoff ran a hedge fund which allegedly racked up \$50bn (£33.5bn) of fraudulent losses.

Man Group said it had invested about \$360m through its RMF institutional fund of funds business, representing 0.5pc of its total funds.



Bernard Madoff: at the centre of the alleged \$50bn fraud Photo: AP

Among the other's institutions affected is Spain's largest bank, Santander, which owns UK banks Abbey, Alliance & Leicester and Bradford & Bingley. The bank said one of its funds had \$3.1bn invested in the firm run by Bernard Madoff.

City "superwoman", Nicola Horlick, whose Bramdean Alternatives portfolio had nearly £21m – or 9.5pc of its assets – invested with Mr Madoff, has launched a scathing attack on US financial regulators following the emergence of the alleged investment scam.

Ms Horlick said a "systemic failure" of American regulators seems to have allowed Mr Madoff to preside over the alleged swindle for years. "It is astonishing that this apparent fraud seems to have been continuing for so long, possibly for decades, while investors have continued to invest more money into the Madoff funds in good faith. The allegations appear to point to a systemic failure of the regulatory and securities markets regime in the US," she said.

Here is list of the banks and financial institutions affected so far, according to company statements and

agency reports:

- **Access International Advisors** said some of its funds were invested with Bernard Madoff. The New York-based investment firm said it was working with counsel to assess the situation, describing it as "a shocking development".
- Insurer **Axa** said that it faced losses because of the Madoff scandal, but said that its exposure amounted to less than €100m (£90m).
- Spain's **Banco Santander**, which owns Abbey and Alliance and Leicester, said its hedge fund unit invested €2.33bn (£2bn) of client funds with Bernard Madoff.
- The Geneva-based **Banque Benedict Hentsch Fairfield Partners SA** said its exposure is 56m Swiss francs (£32m) of client assets.
- Spain's second-largest bank, **BBVA**, said it could potentially lose €300m (£270m) in the alleged scam run by New York trader Bernard Madoff.
- Boston philanthropist **Carl Shapiro's charitable foundation** - \$145m (source Boston Globe).
- **Bramdean Alternatives Ltd** - 9.5pc of its assets, according to a company statement.
- **BNP Paribas**, France's biggest listed bank, said it could face a potential €350m (£313) loss from an exposure to Bernard Madoff's investment activities.
- **EIM Group** - \$230m (£153m) (source Reuters, citing Le Temps Newspaper).
- **Elise Wiesel Foundation for Humanity** - undertermined (source Wall Street Journal).
- **Fairfield Greenwich Group** - \$7.5bn, according to a company statement.
- **Fix Asset Management** - \$400m (£266m), according to a company statement.
- **GMAC chairman Jacob Ezra Merkin's Ascot Partners** - Most of its \$1.8bn (£1.2bn) of assets (Wall Street Journal).
- **Harel Insurance Investments and Financial Services** - \$14.2m (£9.5m), according to a company statement.
- **HSBC** said it has a potential exposure of about \$1bn (£688m) in loans provided to a small number of institutional clients who invested in funds with Madoff.
- **Julian J. Levitt Foundation** - \$6m (£4m) (source Washington Post).
- **Kingate Management Ltd** - \$3.5bn (£2.3bn) (source Bloomberg).
- **Korea Life Insurance** - \$50m (£33m) (source Yonhap news).
- **Korea Teachers' Pension** - \$9.1m (£6m), according to a company statement.

- **Man Group** said that its institutional fund of funds business RMF has approximately \$360m (£239m) invested in two funds that are directly or indirectly sub-advised by Madoff Securities and for which Madoff Securities acts as broker/dealer executing the investment strategy.
- **Madoff Family Foundation** - \$19m (£13m) - (source Washington Post).
- **Maxam Capital Management** - \$280m (£186m) - (source Wall Street Journal).
- **Neue Privat Bank**, a Zurich-based bank, said its clients may lose as much as \$5m (£3m) invested in the fund linked to Bernard Madoff. The money was invested through Nomura Bank International, Neue Privat Bank said in a release.
- **New York Met's owner Fred Wilpon's Sterling Equities** - undertermined, according to a company statement.
- **Nomura Holdings**, Japan's largest brokerage, said it has 27.5 billion yen (\$302 million) at risk linked to Bernard Madoff's investment funds
- **Norman Braman, former owner of the Philadelphia Eagles Football Team** - undertermined (source Wall Street Journal).
- **North Shore-Long Island Jewish Health System** - \$5m (£3.3m), according to a company statement.
- **Notz, Stucki & Cie** - undertermined (source Reuters, citing Le Temps newspaper)
- **Pioneer Alternative Investments** - almost all of its \$280m (£187m) of assets (source Bloomberg).
- **Robert I. Lappin Charitable Foundation** - \$8m (£5.3m) (source Washington Post).
- **Royal Bank of Scotland** said it had exposure through trading and collateralised lending to funds of hedge funds invested with Bernard L Madoff Investment Securities. If as a result of the alleged fraud the value of the assets of these hedge funds is nil, RBS's potential loss could amount to approximately £400m.
- **Reichmuth and Co's Reichmuth Matterhorn fund** - \$330m (£221m) (source letter to clients).
- **Societe Generale** - less than €10m, according to a company statement.
- **Tremont Capital Management** - undertermined (source Wall Street Journal).
- **Yeshiva University** - undetermined (source Washington Post)

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Elementary, dear SEC

Posted by Tracy Alloway on Dec 15 10:39.

There are, clearly, some striking regulatory failings regarding the estimated £50bn fraud propagated by Bernard Madoff.

That the SEC didn't recognise what was essentially a Ponzi scheme is worrying in itself. What's more frightening, however, is that the US agency had so many near-misses, including a previous investigation for front-running, in identifying it.

Of note is this document from Aksia, via Clusterstock. In it the advisory firm clarifies why for years it steered clients away from Madoff's company. Its range of "red flags" are strikingly simple — from models that could not be replicated or understood to aging auditors. Of note:

The Madoff feeder funds marketed a purported "Split-strike Conversion" strategy that is remarkably simple; however its returns could not be nearly replicated by our quant analyst.

The feeder funds had recognized administrators and auditors but substantially all of the assets were custodied with Madoff Securities. This necessitated Aksia checking the auditor of Madoff Securities, Friehling & Horowitz (not a fictitious audit firm). After some investigating we concluded that Friehling & Horowitz had three employees, of which one was 78 years old and living in Florida, one was a secretary and one was an active 47 year old accountant (and the office in Rockland County, NY was only 13ft x 18ft large). This operation appeared small given the scale and scope of Madoff's activities.

There was at least 13bn in all the feeder funds, but our standard 13F review showed scatterings of small positions in small (non-S&P100) equities. The explanation provided by the feeder fund managers was that the strategy is 100% cash at every quarter end.

Madoff's website claimed the firm was technologically advanced...and the feeder managers claimed 100% transparency. But when we asked to see the transparency during our onsite visits, we were shown paper tickets that were sent via U.S. mail

- daily to the managers. The managers had no demonstrated electronic access to their
- funds account at Madoff. Paper copied provide a hedge fund manager with the end of the day ability to manufacture trade tickets that confirm the investment results.

So at least one advisory firm appears to have picked up on the discrepancies. Why did others, including Nomura which was selling Madoff's services to clients according to Clusterstock, (presumably) not? Not to mention the regulators?

The key seems to be the structure of Madoff's business. Madoff wasn't running a hedge fund (at least, it wasn't registered) — but a securities firm, allowing him to keep custody over customers' accounts and process trades himself. His only check would have been the tiny auditor outlined by Aksia above. What's really perplexing though, is that entities like Nomura, which are audited by legitimate firms, did not find the fraud as Aksia did above. Judging by the red flags outlined above, this isn't just the SEC's failing but the failing of anyone silly enough to have invested in the scheme with out properly looking into it first.

We haven't yet heard the SEC's side of the story, but is it any surprise we're already hearing rumblings like this, via Marketwatch?

"Of course, the fact that the SEC routinely audited Madoff's investment company and found nothing wrong is further proof that government regulation of the securities industry is ineffective and has done more harm than good," he said.

"Rather than protecting investors, it merely lulls them into a false sense of confidence. If government stayed out, private-sector due diligence would do a much better job of ferreting out such massive and poorly conceived scams."

Related links:

How we knew Bernie Madoff was a fraud - Clusterstock

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This entry was posted by Tracy Alloway on Monday, December 15th, 2008 at 10:39 and is filed under Capital markets, Hedge funds, People. Tagged with Bernard Madoff.

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User3859426 Dec 15 13:01

It is mind boggling that the Freihling firm missed this

User4068198 Dec 15 12:44

Questions were raised back about mandating back to 99 either those at SEC were complicit or damned right irresponsible lock them up and throw away the key

IdiotBox Dec 15 12:28

On the whole I'd wager that the regulators have caught more abuse than Marketwatch or Clusterstock.

But reporting the strike rate of all three would be far less-handwavingly tabloid, wouldn't it

Cabin Fever Dec 15 11:15

Of course the SEC giving a clean bill of health to 'suspects' reminds one of similar failures here in the UK with our social workers e.g. Baby P's killers, the Soham murders

TheWord Dec 15 11:01

Doh! SEC = Stoopid Expensive Cretins.

[Don't I feel like one of their employees!]

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Was it Buffet who talked about no pants when the tide goes out?

TheWord Dec 15 11:00

SEC = Stoopid Expensive Fools

Kurtosis Dec 15 10:56

This story will run and run. Expect some hedge funds to be absolutely whacked. 2007-2008 will be the greatest boon to the finance book ever, we have enron style frauds as well as banking collapses. The next Micheal Lewis is probably penning the next best seller as we speak

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Feds say Bernard Madoff's \$50 billion Ponzi scheme was worst ever

BY THOMAS ZAMBITO AND GREG B. SMITH
DAILY NEWS STAFF WRITERS

Saturday, December 13th 2008, 12:43 AM

The secret life of Bernard Madoff unraveled as he stood in his upper East Side apartment in pale blue bathrobe and slippers, facing two FBI agents.

"We're here to find out if there's an innocent explanation," Special Agent Theodore Cacioppi told him at the Thursday morning encounter.

"There is no innocent explanation," Madoff replied.

Within hours, investors who had trusted the 70-year-old Madoff for years - including the owner of the New York Mets - were reeling at charges that one of the most trusted names on Wall Street was a full-time fraud.

Manhattan federal prosecutors disclosed a long-running scheme that may have resulted in \$50 billion in losses - perhaps the biggest scam in Wall Street history.

The one-time Nasdaq chairman, investigators charged, operated a classic Ponzi scheme, paying off early investors with funds from subsequent clients to keep the illusion of profit alive.

He tallied his deals in secret books locked in a filing cabinet a floor away from Madoff Securities' main offices, they said.

His victims included Fred Wilpon and Saul Katz, co-owners of the Mets, who Friday acknowledged that their Sterling Equities had invested an unknown amount with Madoff.

Spokesman Richard Auletta insisted Madoff's arrest "does not affect the day-to-day operations and long-term plans of the Mets organization and Citi Field."

Wilpon even trusted Madoff to invest hundreds of thousands of dollars from family charities, documents show.

In May, Madoff's wife, Marion, joined Wilpon's wife, Judy, to raise money for the United Jewish Association Federation in a charity bridge tournament.

Since its founding in 1960, Madoff Securities won wealthy clients like the Wilpons by delivering steady profits through markets both bull and bear.

In January, the firm claimed Madoff's investment advisory business managed \$17.1 billion for 11 to 25 clients. Madoff Securities boasted of an "unblemished record of value, fair-dealing and high ethical standards."

Last week, the truth began to emerge as investors, spooked by the battered economy, decided to pull out their money.

Madoff told an employee clients wanted \$7 billion in redemptions; court papers state. He was "struggling" to get it, he said.

By Tuesday, Madoff announced he wanted to distribute employee bonuses, two months ahead of time. A suspicious senior employee said Madoff was "under great stress."

On Wednesday, employees challenged Madoff's claim the firm recently made profits. He declared he couldn't speak of the situation at the office because he "wasn't sure he would be able to hold it together."

They went to his E. 64th St. apartment, where he revealed his business was a fraud, that he was "finished," that he owned "absolutely nothing."

Shocked employees, including his sons Andrew and Mark, called the Securities and Exchange Commission, which told the FBI.

When the agents showed up at his apartment, Madoff admitted he'd "paid investors with money that wasn't there," was "broke" and knew "it could not go on."

Friday, angry investors crowded a Manhattan federal courtroom hoping to find out if the SEC would come to their rescue. Manhattan Federal Judge Louis Stanton issued an order freezing Madoff's assets, as well as those of his firm, and named lawyer Lee Richard to oversee the business.

The hearing was canceled, leaving investors bewildered.

"The one thing my father always told me was, 'Never sell your Madoff,'" said a Florida investor who believes he's out \$3million he'd hoped to give to his children.

"My only question is whether [the feds] will be able to salvage anything," he said. "My gut tells me no."

tzambito@nydailynews.com

With Bill Madden

Arnold and Joan Sinkin open up about being swindled

BY VERONIKA BELENKAYA
DAILY NEWS STAFF WRITER

Sunday, December 14th 2008, 4:00 AM

For a half-century, Arnold and Joan Sinkin worked hard to raise their four kids, put a roof over their heads and build up a nice nest egg for retirement.

The Brooklyn-born couple moved out to Long Island and then down to Florida, where they planned to spend their golden years living off their nearly \$1 million life savings.

That all came crashing down this past week when Wall Street legend Bernie Madoff's empire of fraud collapsed.

"I put my kids through college, made four weddings, did everything to put away some money," said Arnold Sinkin, 76, a retired carpet salesman, from the couple's condo in Boynton Beach, Fla. "Two days ago, it was all wiped out."

The couple lost about 85% of their life savings and their retirement dreams are gone with the cash.

"Nobody in our lives gave us anything. We worked hard for every penny that we had," Joan Sinkin, 75, said through tears. "There's really no more lowlife than that man. My whole life fell apart."

The Sinkins are among scores of victims who lost everything when Madoff's exclusive securities firm was exposed as a giant Ponzi scheme.

For years, Madoff claimed to be making fat profits and even sent out official-looking statements to prove it.

It was all lies, and only a steady stream of new money kept the scheme afloat for years.

And the pain has hit the entire family; a granduncle was the first to invest with Madoff. The whole family jumped in over the years to take advantage of the unbelievably high returns Madoff achieved - even when the stock market was going down.

Now the entire extended family is suffering near-total financial devastation:

- The Sinkins' aunt and uncle lost their entire savings - \$40,000 in all.
- The Sinkins' son, Joel Sinkin, lost \$100,000.
- Joel's aunt lost \$4 million - and his cousin also lost several million.

Joel Sinkin, 50, who owns a mergers and acquisition firm, says it's his parents and other older family members who are suffering the most.

"For people like me, it's a paper loss," said Sinkin, who is now concerned about putting his two kids through college. "But people like my parents...woke up on Thursday morning and they were poor. They can't stop crying."

They're not alone.

Lawyer Brad Friedman said he has been flooded with dozens of calls from Madoff's victims, many of whom have lost their entire life savings.

"You're dealing with a lot of emotion, tears," said Friedman, a lawyer with the Milberg LLP law firm who specializes in investment fraud. "I've seen an awful lot of men cry."

The average profile of the victim is a wealthy - but not super-rich - older man who invested perhaps \$5 million to \$10 million with Madoff.

Richard Spring thought he was worth \$11 million. Now he has nothing.

"I lost all of my net worth, all of it, every cent," said Spring, of Boca Raton. "I'm broke. I can't feed my family."

Tough decisions must now be made.

The Sinkins, who used to split their time between Florida and Long Island, where they own two small condos, plan to put their Melville condo on the market.

They're also going to have to cut expenses like a golf club membership and trips to see their children and grandkids.

"They're going to have to come to see me or send me tickets," said Joan Sinkin.

Arnold Sinkin, who has prostate cancer, doesn't know how Madoff can live with himself, knowing he ruined the lives of so many honest and hardworking people.

"When I got up in the morning...I looked at myself in the mirror and I was proud of what my wife and I accomplished," he said. "How could you look at yourself in the mirror?"

vbelenkaya@nydailynews.com

With Matthew Lysiak

December 12, 2008

Prominent Trader Accused of Defrauding Clients

By DIANA B. HENRIQUES and ZACHERY KOUWE

On Wall Street, his name is legendary. With money he had made as a lifeguard on the beaches of Long Island, he built a trading powerhouse that had prospered for more than four decades. At age 70, he had become an influential spokesman for the traders who are the hidden gears of the marketplace.

But on Thursday morning, this consummate trader, Bernard L. Madoff, was arrested at his Manhattan home by federal agents who accused him of running a multibillion-dollar fraud scheme — perhaps the largest in Wall Street's history.

Regulators have not yet verified the scale of the fraud. But the criminal complaint filed against Mr. Madoff on Thursday in federal court in Manhattan reports that he estimated the losses at \$50 billion. "We are alleging a massive fraud — both in terms of scope and duration," said Linda Chatman Thomsen, director of the enforcement division at the Securities and Exchange Commission. "We are moving quickly and decisively to stop the fraud and protect remaining assets for investors."

Andrew M. Calamari, an associate director for enforcement in the S.E.C.'s regional office in New York, said the case involved "a stunning fraud that appears to be of epic proportions."

According to his lawyers, Mr. Madoff was released on a \$10 million bond. "Bernie Madoff is a longstanding leader in the financial services industry," said Daniel Horwitz, one of his lawyers. "He will fight to get through this unfortunate set of events."

Mr. Madoff's brother and business colleague, Peter Madoff, declined to comment on the case or discuss its implications for the Madoff firm, which at one point was the largest market maker on the electronic Nasdaq market, regularly operating as both a buyer and seller of a host of widely traded securities. The firm employed hundreds of traders.

There was some worry on Wall Street that Mr. Madoff's fall would shake more foundations than his own.

According to the most recent federal filings, Bernard L. Madoff Investment Securities, the firm he founded in 1960, operated more than two dozen funds overseeing \$17 billion.

These funds have been widely marketed to wealthy investors, hedge funds and other institutional customers for more than a decade, although an S.E.C. filing in the case said the firm reported having 11 to 23 clients at the beginning of this year.

At the request of the Securities and Exchange Commission, a federal judge appointed a receiver on Thursday evening to secure the Madoff firm's overseas accounts and warned the firm not to move any assets until he

had ruled on whether to freeze the assets.

A hearing on that request is scheduled for Friday.

Regulators said they hoped to have a clearer picture of the losses facing investors by that court hearing.

"We have 16 examiners on site all day and through the night poring over the records," said Mr. Calamari of the S.E.C.

The Madoff funds attracted investors with the promise of high returns and low fees. One of Mr. Madoff's more prominent funds, the Fairfield Sentry fund, reported having \$7.3 billion in assets in October and claimed to have paid more than 11 percent interest each year through its 15-year track record.

Competing hedge fund managers have wondered privately for years how Mr. Madoff generated such high returns, in bull markets and bear, given the generally low-yielding investment strategies he described to his clients.

"The numbers were too good to be true, for too long," said Girish Reddy, a managing director at Prisma Partners, an investment firm that invests in hedge funds. "And the supporting infrastructure was weak." Mr. Reddy said his firm had looked at the Madoff funds but decided against investing in them because their performance was too consistently positive, even in times when the market was incredibly volatile.

But the essential drama is a personal one — one laid out in the dry language of a criminal complaint by Lev L. Dassin, the acting United States attorney in Manhattan, and a regulatory lawsuit filed by the S.E.C. According to those documents, the first alarm bells rang at the firm on Tuesday, when Mr. Madoff told a senior executive he wanted to pay his employees their annual bonuses in December, two months early.

Just days earlier, Mr. Madoff had told another senior executive he was struggling to raise cash to cover about \$7 billion in requested withdrawals from his clients, and he had appeared "to have been under great stress in the prior weeks," according to the S.E.C. complaint.

So on Wednesday, the senior executive visited Mr. Madoff's office, maintained on a separate floor with records kept under lock and key, and asked for an explanation.

Instead, Mr. Madoff invited the two executives to his Manhattan apartment that evening. When they joined him there, he told them that his money-management business was "all just one big lie" and "basically, a giant Ponzi scheme."

The senior employees understood him to be saying that he had for years been paying returns to certain investors out of the cash received from other investors.

In that conversation, according to the criminal complaint, Mr. Madoff "stated that he was 'finished,' that he had 'absolutely nothing.'"

By this account, Mr. Madoff told the executives he intended to surrender to the authorities in about a week but first wanted to distribute approximately \$200 million to \$300 million to "certain selected employees,

family and friends.”

On Thursday morning, however, he was arrested on a single count of securities fraud, which carries a maximum penalty of 20 years in prison and a maximum fine of \$5 million.

According to the S.E.C., Mr. Madoff confessed to an F.B.I. agent that there was “no innocent explanation” for his behavior and he expected to go to jail. He had lost money on his trades, he told the agent, and had “paid investors with money that wasn’t there.”

Although not a household name, Mr. Madoff’s firm has played a significant role in the structure of Wall Street for decades, both in traditional stock trading and in the development of newer electronic networks for trading equities and derivatives.

In building those new trading networks, his firm had formed partnerships with some of the largest brokerage businesses on Wall Street, including Goldman Sachs and Merrill Lynch.

Mr. Madoff founded Bernard L. Madoff Investment Securities in 1960 and liked to tell interviewers about earning his initial stake by working as a lifeguard at city beaches and installing underground sprinkler systems.

By the early 1980s, his firm was one of the largest independent trading operations in the securities industry. The company had around \$300 million in assets in 2000 at the height of the Internet bubble and ranked among the top trading and securities firms in the nation.

Mr. Madoff ran the business with several family members, including his brother Peter, his nephew Charles, his niece Shana and his sons Mark and Andrew.

Vikas Bajaj and Gretchen Morgenson contributed reporting.

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December 15, 2008

The 17th Floor, Where Wealth Went to Vanish

By DIANA B. HENRIQUES and ALEX BERENSON

The epicenter of what may be the largest Ponzi scheme in history was the 17th floor of the Lipstick Building, an oval red-granite building rising 34 floors above Third Avenue in Midtown Manhattan.

A busy stock-trading operation occupied the 19th floor, and the computers and paperwork of Bernard L. Madoff Investment Securities filled the 18th floor.

But the 17th floor was Bernie Madoff's sanctum, occupied by fewer than two dozen staff members and rarely visited by other employees. It was called the "hedge fund" floor, but federal prosecutors now say the work Mr. Madoff did there was actually a fraud scheme whose losses Mr. Madoff himself estimates at \$50 billion.

The tally of reported losses climbed through the weekend to nearly \$20 billion, with a giant Spanish bank, Banco Santander, reporting on Sunday that clients of one of its Swiss subsidiaries have lost \$3 billion. Some of the biggest losers were members of the Palm Beach Country Club, where many of Mr. Madoff's wealthy clients were recruited.

The list of prominent fraud victims grew as well. According to a person familiar with the business of the real estate and publishing magnate Mort Zuckerman, he is also on a list of victims that already included the owners of the New York Mets, a former owner of the Philadelphia Eagles and the chairman of GMAC.

And the 17th floor is now an occupied zone, as investigators and forensic auditors try to piece together what Mr. Madoff did with the billions entrusted to him by individuals, banks and hedge funds around the world.

So far, only Mr. Madoff, the firm's 70-year-old founder, has been arrested in the scandal. He is free on a \$10 million bond and cannot travel far outside the New York area.

According to charges against Mr. Madoff, his firm paid off earlier investors with money from new investors, fitting the classic definition of a Ponzi scheme. It unraveled as markets declined and many investors who lost money elsewhere sought to withdraw money from their investments with Mr. Madoff.

But a question still dominates the investigation: how one person could have pulled off such a far-reaching, long-running fraud, carrying out all the simple practical chores the scheme required, like producing monthly statements, annual tax statements, trade confirmations and bank transfers.

Firms managing money on Mr. Madoff's scale would typically have hundreds of people involved in these administrative tasks. Prosecutors say he claims to have acted entirely alone.

"Our task is to find the records and follow the money," said Alexander Vasilescu, a lawyer in the New York

office of the Securities and Exchange Commission. As of Sunday night, he said, investigators could not shed much light on the fraud or its scale. "We do not dispute his number — we just have not calculated how he made it," he said.

Scrutiny is also falling on the many banks and money managers who helped steer clients to Mr. Madoff and now say they are among his victims.

Mr. Madoff was not running an actual hedge fund, but instead managing accounts for investors inside his own securities firm.

While many investors were friends or met Mr. Madoff at country clubs or on charitable boards, even more had entrusted their money to professional advisory firms that, in turn, handed it to Mr. Madoff — for a fee. Investors are now questioning whether these paid advisers were diligent enough in investigating Mr. Madoff to ensure that their money was safe. Where those advisers work for big institutions like Banco Santander, investors will most likely look to them, rather than to the remnants of Mr. Madoff's firm, for restitution.

Santander may face \$3.1 billion in losses through its Optimal Investment Services, a Geneva-based fund of hedge funds that is owned by the bank. At the end of 2007, Optimal had 6 billion euros, or \$8 billion, under management, according to the bank's annual report — which would mean that its Madoff investments were a substantial part of Optimal's portfolio.

A spokesman for Santander declined to comment on the case.

Other Swiss institutions, including Banque Bénédict Hentsch and Neue Privat Bank, acknowledged being at risk, with Hentsch confirming about \$48 million in exposure.

BNP Paribas said it had not invested directly in the Madoff funds but had 350 million euros, or about \$500 million, at risk through trades and loans to hedge funds. And the private Swiss bank Reichmuth said it had 385 million Swiss francs, or \$327 million, in potential losses. HSBC, one of the world's largest banks, also said it had made loans to institutions that invested in Madoff but did not disclose the size of its potential losses.

Calls to Mr. Zuckerman and his representatives were not returned on Sunday night.

Losses of this scale simply do not seem to fit into the intimate business that Mr. Madoff operated in New York. By the elevated standards of Wall Street, the Madoff firm did not pay exceptionally well, but it was loyal to employees even in bad times. Mr. Madoff's family filled the senior positions, but his was not the only family at the firm — generations of employees had worked for Madoff and invested their savings there.

Even before Madoff collapsed, some employees were mystified by the 17th floor. In recent regulatory filings, Mr. Madoff claimed to manage \$17 billion for clients — a number that would normally occupy far more than the 20 or so people who worked on 17.

One Madoff employee said he and other workers assumed that Mr. Madoff must have a separate office elsewhere to oversee his client accounts.

Nevertheless, Mr. Madoff attracted and held the trust of companies that prided themselves on their diligent investigation of investment managers.

One of them was Walter M. Noel Jr., who struck up a business relationship with Mr. Madoff 20 years ago that helped earn his investment firm, the Fairfield Greenwich Group, millions of dollars in fees. Indeed, over time, one of Fairfield's strongest selling points for its largest fund was its access to Mr. Madoff.

But now, Mr. Noel and Fairfield are the biggest known losers in the scandal, facing potential losses of \$7.5 billion, more than half the firm's assets.

Jeffrey Tucker, a Fairfield co-founder and former federal regulator, said in a statement posted on the firm's Web site: "We have worked with Madoff for nearly 20 years, investing alongside our clients. We had no indication that we and many other firms and private investors were the victims of such a highly sophisticated, massive fraudulent scheme."

The huge loss comes at a time when the hedge fund industry has already been wounded by the volatile markets. Several weeks ago, Fairfield had halted investor redemptions at two of its other funds, citing the tough market conditions as dozens of hedge funds have done. The firm reported a drop of \$2 billion in assets between September and November.

Fairfield was founded in 1983 by Mr. Noel, the former head of international private banking at Chemical Bank, and Mr. Tucker, a former Securities and Exchange Commission official. It grew sharply over the years, attracting investors in Europe, Latin America and Asia.

Mr. Noel first met Mr. Madoff in the 1980s, and Fairfield's fortunes grew along with the returns Mr. Madoff reported. The two men were very different: Mr. Madoff hailed from eastern Queens and was tied closely to the Jewish community, while Mr. Noel, a native of Tennessee, moved in the Greenwich social scene with his wife, Monica.

"He was a person of superb ethics, and this has to cut him to the quick," said George L. Ball, a former executive at E. F. Hutton and Prudential-Bache Securities who knows Mr. Noel.

Fairfield boasted about its investigative skills. On its Web site, the firm claimed to investigate hedge fund managers for 6 to 12 months before investing. As part of the process, a team of examiners conducted personal background checks, audited brokerage records and trading reports and interviewed hedge fund executives and compliance officials.

In 2001, Mr. Madoff called Fairfield and invited the firm to inspect his books after two news reports questioned the validity of his returns, according to a person close to Fairfield. Outside auditors hired to inspect Mr. Madoff's operations concluded that "everything checked out," this person said.

The Fairfield Greenwich Group "performed comprehensive and conscientious due diligence and risk monitoring," Marc Kasowitz, a lawyer for Fairfield, said in a statement. "FGG, like so many other Madoff clients, was a victim of a highly sophisticated massive fraud that escaped the detection of top institutional and private investors, industry organizations, auditors, examiners and regulatory authorities."

Now, Fairfield is seeking to recover what it can from Mr. Madoff.

"It is our intention to aggressively pursue the recovery of all assets related to Bernard L. Madoff Investment Securities," Mr. Tucker said in a statement. "We are also committed to the operation of our continuing funds. We hope to have a better idea of the entire situation as the facts develop."

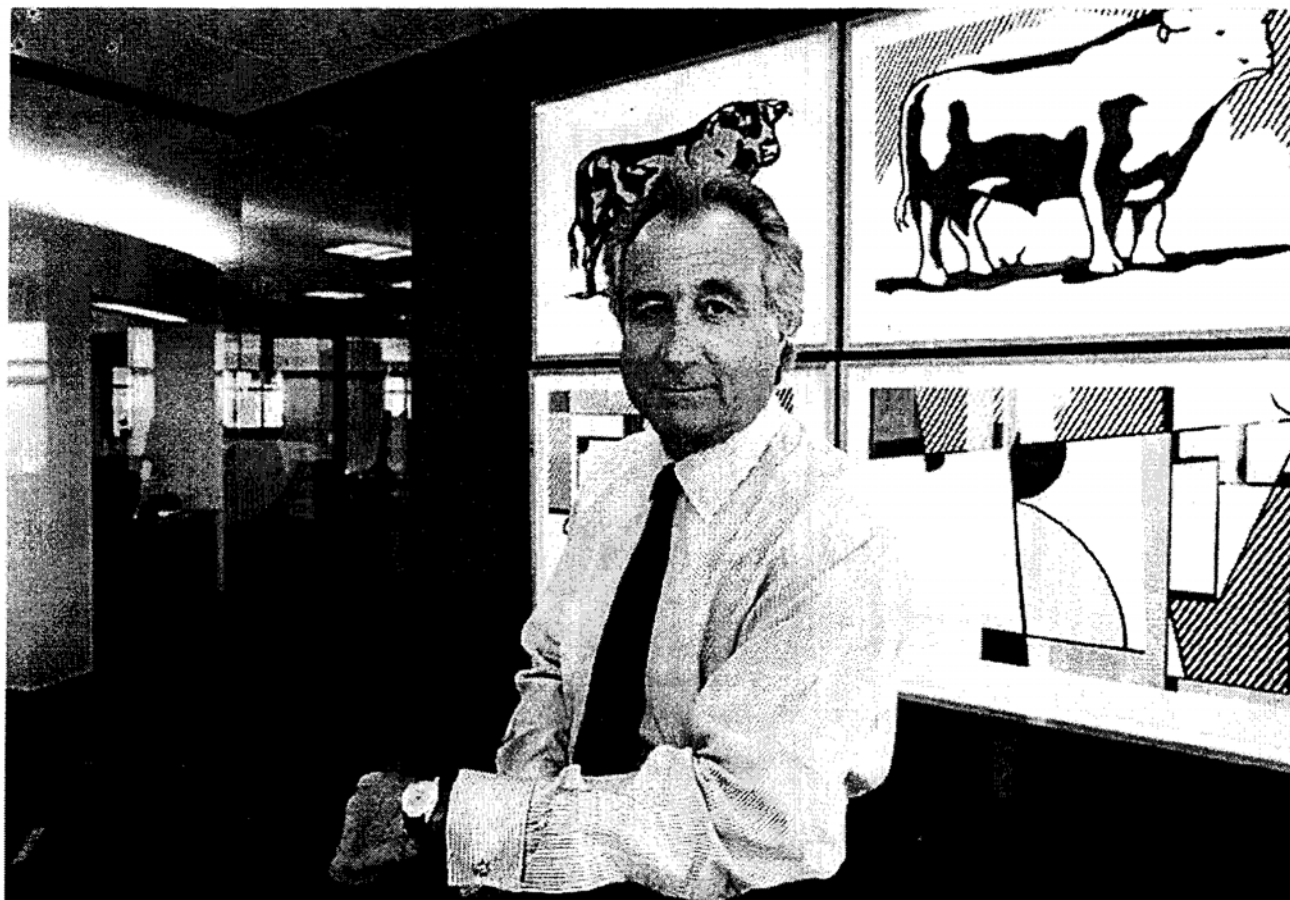
Working alongside the federal investigators on Madoff's 17th floor, staff workers for Lee S. Richards 3d, the court-appointed receiver for the firm, are trying to determine what parts of the firm can keep operating to preserve assets for investors.

"We don't have anything to report to investors at this time," he said. "We are doing everything we can to protect the assets of the Madoff entities that are subject to the receivership, and to learn what we can about the operations of those entities."

Eric Dash, Jennifer 8. Lee, Zachery Kouwe, Michael J. de laMerced and Nelson D. Schwartz contributed reporting.

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December 13, 2008

Look at Wall St. Wizard Finds Magic Had Skeptics

By **ALEX BERENSON** and **DIANA B. HENRIQUES**

For years, investors, rivals and regulators all wondered how Bernard L. Madoff worked his magic.

But on Friday, less than 24 hours after this prominent Wall Street figure was arrested on charges connected with what authorities portrayed as the biggest Ponzi scheme in financial history, hard questions began to be raised about whether Mr. Madoff acted alone and why his suspected con game was not uncovered sooner.

As investors from Palm Beach to New York to London counted their losses on Friday in what Mr. Madoff himself described as a \$50 billion fraud, federal authorities took control of what remained of his firm and began to pore over its books.

But some investors said they had questioned Mr. Madoff's supposed investment prowess years ago, pointing to his unnaturally steady returns, his vague investment strategy and the obscure accounting firm that audited his books.

Despite these and other red flags, hedge fund companies kept promoting Mr. Madoff's funds to other funds and individuals. More recently, banks like Nomura, the Japanese firm, began soliciting investors for Mr. Madoff internationally. The Securities and Exchange Commission, which investigated Mr. Madoff in 1992 but cleared him of wrongdoing, appears to have been completely surprised by the charges of fraud.

Now thousands, possibly tens of thousands, of investors confront losses that range from serious to devastating. Some families said on Friday that they believed they had lost all their savings. A charity in Massachusetts said it had lost essentially its entire endowment and would have to close.

According to an affidavit sworn out by federal agents, Mr. Madoff himself said the fraud had totaled approximately \$50 billion, a figure that would dwarf any previous financial fraud.

At first, the figure seemed impossibly large. But as the reports of losses mounted on Friday, the \$50 billion figure looked increasingly plausible. One hedge fund advisory firm alone, Fairfield Greenwich Group, said on Friday that its clients had invested \$7.5 billion with Mr. Madoff.

The collapse of Mr. Madoff's firm is yet another blow in a devastating year for Wall Street and investors. While Mr. Madoff's firm was not a hedge fund, the scope of the fraud is likely to increase pressure on hedge funds to accept greater regulation and transparency and protect their investors.

On Thursday, the Federal Bureau of Investigation and S.E.C. said that Mr. Madoff's firm, Bernard L. Madoff Investment Securities, ran a giant Ponzi scheme, a type of fraud in which earlier investors are paid off with money raised from later victims — until no money can be raised and the scheme collapses.

Most Ponzi schemes collapse relatively quickly, but there is fragmentary evidence that Mr. Madoff's scheme may have lasted for years or even decades. A Boston whistle-blower has claimed that he tried to alert the S.E.C. to the scheme as early as 1999, and the weekly newspaper Barron's raised questions about Mr. Madoff's returns and strategy in 2001, although it did not accuse him of wrongdoing.

Investors may have been duped because Mr. Madoff sent detailed brokerage statements to investors whose money he managed, sometimes reporting hundreds of individual stock trades per month. Investors who asked for their money back could have it returned within days. And while typical Ponzi schemes promise very high returns, Mr. Madoff's promised returns were relatively realistic — about 10 percent a year — though they were unrealistically steady.

Mr. Madoff was not running an actual hedge fund, but instead managing accounts for investors inside his own securities firm. The difference, though seemingly minor, is crucial. Hedge funds typically hold their portfolios at banks and brokerage firms like JPMorgan Chase and Goldman Sachs. Outside auditors can check with those banks and brokerage firms to make sure the funds exist.

But because he had his own securities firm, Mr. Madoff kept custody over his clients' accounts and processed all their stock trades himself. His only check appears to have been Friehling & Horowitz, a tiny auditing firm based in New City, N.Y. Wealthy individuals and other money managers entrusted billions of dollars to funds that in turn invested in his firm, based on his reputation and reported returns.

Victims of the scam included gray-haired grandmothers in Florida, investment companies in London, and charities and universities across the United States. The Wilpon family, the main owners of the New York Mets, and Yeshiva University both confirmed that they had invested with Mr. Madoff, and a Jewish charity in Massachusetts said it would lay off its five employees and close after losing nearly all of its \$7 million endowment. Other investors included prominent Jewish families in New York and Florida.

On Friday afternoon, investors and lawyers for investors with Mr. Madoff packed Judge Louis L. Stanton's courtroom at federal court in Manhattan, hoping to question lawyers for Mr. Madoff and the S.E.C. But a deputy for Judge Stanton canceled the hearing, leaving investors with few answers. Several investors said they were planning to file lawsuits against the firm in the hope of recovering some money.

Based on the vagueness of the complaints against Mr. Madoff, his confession, as detailed in court filings, seems to have taken the F.B.I. and S.E.C. by surprise. Investigators have not explained when they believe the fraud began, how much money was ultimately lost and whether Mr. Madoff lost investors' money in the markets, spent it, or both. It is not even clear whether Mr. Madoff actually made any of the trades he reported to investors.

The F.B.I. and S.E.C. have also not said whether they believe Mr. Madoff acted alone. According to the authorities, Mr. Madoff told F.B.I. agents that the scheme was his alone. He worked closely with his brother, sons and other family members, many of whom have retained lawyers.

Also likely to face very difficult questions are the hedge funds, investment advisers and banks that raised money for Mr. Madoff. At least some big investment advisers steered clients away from putting money with Mr. Madoff, believing the returns could not be real.

Robert Rosenkranz, principal of Acorn Partners, which helps wealthy clients choose money managers, said the steadiness of the returns that Mr. Madoff reported did not make sense, and the size of his auditor raised further concerns.

"Our due diligence, which got into both account statements of his customers, and the audited statements of Madoff Securities, which he filed with the S.E.C., made it seem highly likely that the account statements themselves were just pieces of paper that were generated in connection with some sort of fraudulent activity," Mr. Rosenkranz said.

Simon Fludgate, head of operational due diligence for Aksia, another advisory firm that told clients not to invest with Mr. Madoff, said the secrecy of his strategy also raised red flags. And Mr. Madoff's stock holdings, which he disclosed each quarter with the Securities and Exchange Commission, appeared to be too small to support the size of the fund he claimed. Mr. Madoff's promoters sometimes tried to explain the discrepancy by explaining that he sold all his shares at the end of each quarter and put his holdings in cash.

"There were no smoking guns, but too many things that didn't add up," Mr. Fludgate said.

However, the S.E.C. had already investigated Mr. Madoff and two accountants who raised money for him in 1992, believing they might have found a Ponzi scheme. "We went into this thing just thinking it might be a huge catastrophe," an S.E.C. official told The Wall Street Journal in December 1992.

Instead, Mr. Madoff turned out to have delivered the returns that the investment advisers had promised their clients. It is not clear whether the results of the 1992 inquiry discouraged the S.E.C. from examining Mr. Madoff again, even when new red flags surfaced.

According to an S.E.C. statement released on Friday night, the agency looked at Mr. Madoff's operations twice in recent years — in 2005 and 2007. The 2005 review found only three technical violations of trading rules. The 2007 inquiry found nothing that prompted the regional enforcement staff to take further action by referring the matter to Washington, the statement said.

Meanwhile, Fairfield Greenwich Group, whose clients have \$7.5 billion invested with the Madoff firm, said it was "shocked and appalled by this news."

"We had no indication that we and many other firms and private investors were the victims of such a highly sophisticated, massive fraudulent scheme."

At the court hearing, an individual investor, who declined to give his name to avoid embarrassment, expressed a similar sentiment.

"Nobody knows where their money is and whether it is protected," the investor said.

"The returns were just amazing and we trusted this guy for decades — if you wanted to take money out, you always got your check in a few days. That's why we were all so stunned."

Zachery Kouwe and Stephanie Strom contributed reporting.

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Wall Street poised for mixed start

Investors to focus on outlook for Detroit's Big Three, losses from Madoff case.

By CNNMoney.com staff

Last Updated: December 15, 2008: 8:43 AM ET

NEW YORK (CNNMoney.com) -- U.S. stocks were set for a mixed open Monday, reflecting the uncertainty about the auto industry as the Bush administration weighs a possible rescue plan.

At 8:41 a.m. ET, Dow Jones industrial average and Standard & Poor's 500 futures were lower, while Nasdaq 100 futures were higher.

Futures measure current index values against perceived future performance and give an indication of how markets will open when trading begins in New York.

Robert Brusca, chief economist at Fact and Opinion Economics, said that bailout hopes are the prime factor in influencing the markets Monday, outweighing the importance of a slew of industrial indicators.

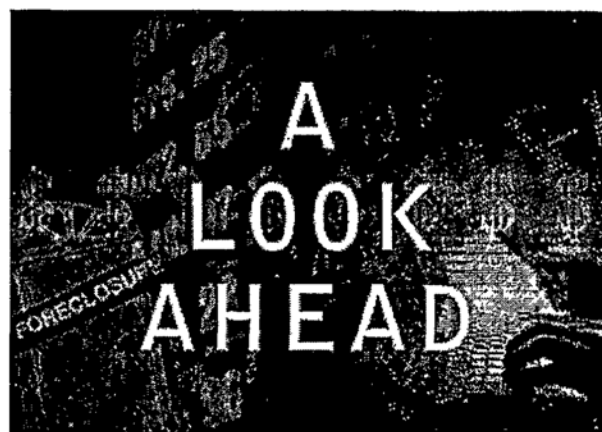
"I don't think today is going to hang on economic reports," said Brusca. "I think today is going to hang on what the president says, and what he's going to do to help Detroit. The automakers don't have a lot of time. The market continues to need President Bush to hold its hand."

Dave Rovelli, managing director of Canaccord Adams, said the markets stand a strong chance of rallying. He said "oversold" stocks have become resilient in the face of bad news and are waiting for a positive catalyst.

Auto rescue: The Bush administration said Friday it might use taxpayer dollars set aside to bail out banks and Wall Street firms to keep troubled U.S. automakers out of bankruptcy. ([Full story](#))

In a discussion with reporters aboard Air Force One en route to Afghanistan, Bush said it was a "possibility" that money from the \$700 billion bailout earmarked for Wall Street could be used to aid the Big Three automakers.

Details of when the help might be provided, how much money would be made available, and any restrictions on the cash were not immediately available.



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Madoff case: Spreading losses from an alleged \$50 billion scheme run by money manager and ex-Nasdaq chief Bernard Madoff weighed on confidence as the list of victims grew.

On Monday, Japan's largest brokerage, Nomura Holdings, said it has about \$306 million in exposure to the scheme. French bank BNP Paribas and Spain's Grupo Santander also said they had exposure to Madoff's investment funds.

Fed meeting: The Federal Reserve kicks off a two-day meeting Monday. The central bank is widely expected to cut the fed funds rate, a key short-term interest rate, by a half-percentage point to 0.5%. The decision is due Tuesday.

World markets: Global markets advanced on revived hopes of a U.S. auto bailout. Japan's Nikkei index soared 5%. The major exchanges in Europe were all in positive territory in morning trading.

Oil and money: Oil prices rose \$2.72 a barrel to \$49 in electronic trading. The dollar fell against a wide spectrum of international currencies, including the yen, the euro and the British pound.

Economy: A report on the nation's industrial activity is expected to show continuing declines, according to consensus of economist projections compiled by Briefing.com.

At 9:15 a.m. ET, the Federal Reserve is expected to report capacity utilization of 75.9% for November, down from 76.4% the prior month, and a decline in industrial production by 0.5%, compared to a gain of 1.3% the month before. ■

First Published: December 15, 2008: 5:18 AM ET

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Bloomberg.com

Madoff Arrest Forces Nonprofit's Closing, Stirs Worry at Others

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By Philip Boroff

Dec. 15 (Bloomberg) -- From a Massachusetts charity that sends teenagers to Israel to the Manhattan theater that introduced "Hair" in 1967, nonprofits around the nation are bracing for fallout following the arrest of New York money manager **Bernard Madoff**.

The 70-year-old Madoff, whom the Securities and Exchange Commission accused of operating a Ponzi scheme, managed money for the foundations of wealthy philanthropists such as **Avram J. Goldberg**, the founder of the **Stop & Shop** supermarket chain, New York Mets owner **Fred Wilpon** and clothier Carl Shapiro, according to tax returns.

"I am in shock," said Deborah Coltin, executive director of the Robert I. Lappin Charitable Foundation in Salem, Massachusetts, which discontinued operations on Friday because it invested with Madoff. This year the nonprofit sent 124 local teens to Israel.

Last year, the \$19 million Madoff Family Foundation donated \$50,000 to New York's **Public Theater**, where Madoff's 44-year-old son, Mark, is a trustee. The year before, it gave \$30,000 to the **Robin Hood Foundation**, a charity popular on Wall Street, according to the Madoff's foundation tax return.

A Public Theater spokesman didn't return an e-mail from Bloomberg News. **Mark Madoff** didn't return a call or respond to an e-mail. Robin Hood Executive Director David Saltzman declined to comment.

Less to Give

"Will it affect my philanthropy?" said Joyce Z. Greenberg, a retired financial adviser in Houston who had money with Madoff for two decades. "It will."

Greenberg is a donor to the Jewish Heritage Program of the **World Monuments Fund**, which has supported conservation in 20 countries. Greenberg and others are waiting for an accounting of how much, if any, of their investments they'll salvage.

Wilpon's family foundation donated \$50,000 to New York's City Center and \$10,000 to New York's Jewish Museum in 2006, according to its most recent tax return posted on guidestar.org.

The foundation operates out of Sterling Equities Inc., the investment firm led by Wilpon. A call yesterday wasn't returned, but Sterling said last week it has accounts at Bernard L. Madoff Securities and is "shocked" by its founder's alleged confession to fraud.

The Boston Globe reported Madoff managed about 45 percent of the \$324 million Carl and Ruth Shapiro Foundation, citing a spokeswoman. The foundation has been a major donor to Brandeis University and Boston's **Museum of Fine Arts**. A call to the foundation wasn't returned yesterday. Shapiro sold his Kay Windsor Inc. women's clothing business to VF Corp., then Vanity Fair Corp., in 1971.

Lincoln Center Donor

In 2006, Bernard Madoff's foundation gave \$77,500 to **Lincoln Center Theater**, where Mark Madoff was on the board. He has since resigned. A spokeswoman for Lincoln Center Theater declined to

comment.

Bernard Madoff is listed as the sole contributor of the family foundation, and both he and his wife, Ruth, are named as managers.

Other beneficiaries of the foundation in 2006 were the anti-hunger program **City Harvest** (\$15,000) and **Prep for Prep** (\$25,000), which aids minority students in New York City independent schools.

The same year, the foundation gave \$1 million to the **Gift of Life Bone Marrow Foundation**, a Boca Raton-based nonprofit that maintains a computerized public record of potential donors for bone marrow transplants.

Madoff's nephew, **Roger Madoff**, a former Bloomberg News reporter, was diagnosed with leukemia in 2002 and died in 2006, at 32. A bone marrow transplant can cure many types of leukemia.

The gift made up more than one-third of the organization's public support that year, according to its tax return.

'Shocked'

The Madoffs' support, which includes other gifts, "has certainly been very important," said Jay Feinberg, the organization's executive director. "The contributions resulted in 50,000 bone marrow donors joining us and 200 transplants."

New York's Yeshiva University said in a statement that it was "shocked at this revelation" about Madoff's arrest. The school, North America's oldest Jewish educational institution, said Madoff resigned from all involvement with the university. He was chairman of its **Sy Syms School of Business**.

Yeshiva said its lawyers "are investigating all aspects of his relationship to Yeshiva University."

To contact the writer on the story: **Philip Boroff** in New York at pboroff@bloomberg.net.

Last Updated: December 15, 2008 00:00 EST



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Madoff's Investors Had \$24 Billion at Firm: Table (Update1)

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By Jesse Westbrook and Saijel Kishan

Dec. 15 (Bloomberg) -- Investors had more than \$24 billion in funds overseen by **Bernard Madoff**, the money manager arrested last week in an alleged fraud, according to data compiled by Bloomberg and media reports.

Madoff, 70, told employees before his arrest last week that his firm was "a giant Ponzi scheme" that may have cost clients as much as \$50 billion. The following is an alphabetical list of Madoff's investors.

Client	Total	Source
Access International Advisors	\$1.4 billion	Company statement, Bloomberg Data
Banco Santander SA	2.33 billion euros (\$3.1 billion)	Company statement
Banque Benedict Hentsch & Cie. SA	\$48 million	Company statement
Benbassat & Cie.	\$935 million	Reuters Citing Le Temps Newspaper
BNP Paribas SA	Up to 350 million euros	Company statement
Boston philanthropist Carl Shapiro's charitable foundation	\$145 million	Boston Globe
Bramdean Alternatives Ltd.	9.5 percent of assets	Company statement
EIM Group	\$230 million	Reuters Citing Le Temps Newspaper
Elie Wiesel Foundation For Humanity	Undetermined	Wall Street Journal
Fairfield Greenwich	\$7.5 billion	Bloomberg News,

Group		Company Statement
Fix Asset Management	\$400 million	Company Statement
GMAC LLC Chairman Jacob Ezra Merkin's Ascot Partners LLC	Most of its \$1.8 billion of assets	Wall Street Journal
Harel Insurance Investments & Financial Services Ltd.	\$14.2 million	Company statement
HSBC Holdings Plc	\$1 billion	Company statement
Julian J. Levitt Foundation	\$6 million	Washington Post
Kingate Management Ltd.	\$3.5 billion	Bloomberg News, Bloomberg Data
Korea Life Insurance Co.	\$50 million	Yonhap News
Korea Teachers Pension	\$9.1 million	Company statement
Madoff Family Foundation	\$19 million	Washington Post
Man Group Plc	\$360 million	Company statement
Maxam Capital Management LLC	\$280 million	Wall Street Journal
M&B Capital Partners	137.4 million euros	El Mundo
Mirabaud & Cie.	A few million Swiss Francs	Reuters Citing Le Temps
Natixis	Up to 450 million euros	Company statement
Neue Privat Bank	\$5 Million	Bloomberg News
New York Mets owner Fred Wilpon's Sterling Equities Inc.	Undetermined	Company statement
Nomura Holdings Inc.	\$302 Million	Company statement
Nordea Bank AB	48 million euros	Company statement
Norman Braman,	Undetermined	Wall Street Journal

Former owner of the
Philadelphia Eagles
Football Team

North Shore-Long Island \$5 million Company statement
Jewish Health System

Notz, Stucki & Cie Undetermined Reuters Citing Le Temps
Newspaper

Pioneer Alternative Almost all Bloomberg News
Investments of its \$280
million of
assets

Robert I. Lappin \$8 million Washington Post
Charitable Foundation

Royal Bank of \$360 million Company statement
Scotland Group Plc

Reichmuth & Co.'s \$330 million Letter to clients
Reichmuth Matterhorn
fund

Societe Generale SA Less than 10 Company statement
million euros

Tremont Capital Undetermined Wall Street Journal
Management

U.S. Senator Frank Undetermined Bergen Record,
Lautenberg's Bloomberg News
Charitable Foundation

UniCredit SpA 75 million Company statement
euros

Union Bancaire Privee # Less than
1.26 billion
Swiss francs Company statement
(\$1.08 billion)

Reuters Citing
Le Temps Newspaper

Steven Spielberg's
Wunderkinder Foundation Undetermined Wall Street Journal

Yeshiva University Undetermined Washington Post
and statement

Mortimer Zuckerman Undetermined Wall Street Journal

Total (approximate) \$24.3 billion

Notes:

Based on 1 percent of assets under management as of June 30.

To contact the reporters on this story: **Jesse Westbrook** in Washington at **Jwestbrook1@bloomberg.net**; Saijel Kishan in New York at **Skishan@bloomberg.net**.

Last Updated: December 15, 2008 08:21 EST



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Bloomberg.com

Madoff Auditor Under Investigation by New York State Prosecutor

Email | Print | A A A

By Karen Freifeld



Dec. 15 (Bloomberg) -- The auditor for Bernard L. Madoff Investment Securities LLC, whose namesake was charged in a \$50 billion Ponzi scheme last week, is under investigation by the district attorney in New York's Rockland County, a northern suburb of New York City.

The New City, New York, auditing firm Frierling & Horowitz signed off on the annual financial statement of Madoff's Manhattan-based investment advisory business through Oct. 31, 2006, according to a copy obtained by Bloomberg News.

Madoff was charged by federal prosecutors in Manhattan and sued by the U.S. Securities and Exchange Commission on Dec. 11. He told senior employees that the firm was insolvent and "had been for years," prosecutors said in the criminal complaint. David Frierling, whose name is on the door to the store-front accounting office, hasn't been charged.

"We're trying to determine if there have been any state crimes here," Rockland County District Attorney Thomas Zugibe said in a telephone interview yesterday. "When you have a key player like that operating in your county, you have to look."

Frierling didn't return calls for comment.

Zugibe said, among other things, he was probing to see whether any other Rockland-based businesses or other organizations might be affected.

"The implication is pretty broad," Zugibe said.

Frierling is on the board of the JCC Rockland, a Jewish center in the county. He also is a past-president and a current board member of the Rockland chapter of the New York State Society of Certified Public Accountants.

Hedge Fund Adviser

Hedge fund investment adviser Aksia LLC warned clients last year not to put their money with Madoff after learning of "red flags" at his company, including that its books were audited by a three-person accounting firm.

Frierling & Horowitz included one partner in his late 70s who lives in Florida, a secretary, and one active accountant, Aksia said.

The copy of the four-page annual financial statement, dated Dec. 18, 2006, attested that the financial statements of Madoff's securities firm were "in conformity with accounting principles generally accepted in the United States."

The financial analysis said Madoff Securities had \$1.3 billion in assets, including \$711 million in

- marketable securities and \$67 million in U.S. debt. Members' equity, the firm's net worth, was \$604 million, according to the document.

The firm operates from a storefront office in the Georgetown Office Plaza in New City, New York, sandwiched between a pediatrician's office and another medical office.

Leslie Cousar, who works in a nearby office, said on Dec. 12 that the man who comes to the auditor's office does so for 10-to- 15 minute periods and leaves. She said he drives a Lexus and doesn't dress in business attire.

The case is U.S. v. Madoff, 08-MAG-02735, U.S. District Court for the Southern District of New York (Manhattan).

To contact the reporter on this story: **Karen Freifeld** in New York state Supreme Court at **kfreifeld@bloomberg.net**.

Last Updated: December 15, 2008 00:01 EST



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NJ Sen. Lautenberg among potential fraud victims

18 hours ago

TRENTON, N.J. (AP) — New Jersey U.S. Sen. Frank Lautenberg is on the growing list of potential victims of what prosecutors are calling a multibillion-dollar Ponzi scheme run by New York money manager Bernard Madoff.

Lautenberg spokesman Scott Mulhauser says the senator was an investor in Madoff's investment fund — primarily in the form of the Lautenberg family's charitable foundation.

The 70-year-old Madoff was arrested Thursday in what prosecutors say was a \$50 billion scheme by the Wall Street veteran to defraud investors.

Lautenberg is among a growing roster of potential victims. Those who have acknowledged potential losses so far include former Philadelphia Eagles owner Norman Braman, New York Mets owner Fred Wilpon and J. Ezra Merkin, the chairman of GMAC Financial Services, among others.

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FINalternatives

Published on FINalternatives (<http://www.finalternatives.com>)

Madoff Assets Frozen, First Lawsuits Are Readied

A federal judge has frozen the assets of Bernard Madoff, the Wall Street legend and hedge fund manager accused of orchestrating a \$50 billion Ponzi scheme, as more details of the scandal emerge and the first lawsuits are filed.

On Friday, U.S. District Judge Louis Stanton froze the assets of Madoff and his firm, Bernard L. Madoff Investment Securities, granting a motion for emergency relief sought by the Securities and Exchange Commission, the agency said. Judge Stanton also appoint a receiver, Lee Richards of New York law firm Richards Kibbe & Orbe.

Madoff was arrested and charged last week with running what might be the biggest Ponzi scheme in history, defrauding investors of as much as \$50 billion. His list of alleged victims [0] includes prominent hedge funds and investors, as well as several philanthropic organizations, at least two of which have been forced to close due to the losses.

The 70-year-old was released on \$10 million bond after being charged with one count of securities fraud. He has also been sued by SEC, and is due back in court on Friday for a hearing in that case.

According to the criminal complaint against Madoff, the former chairman of the Nasdaq Stock Market, confessed to two senior employees on Wednesday. Those senior employees are reportedly his sons, Mark, who ran the Madoff firm's proprietary trading business, and Andrew, who also worked on the prop desk.

After Madoff told his sons that the firm's investment advisory business was "just one big lie," they contacted a lawyer, who told them to tell the authorities. They did so on Wednesday night; their father was arrested by the Federal Bureau of Investigation on Thursday morning.

That lawyer, Martin Flumbebaum of Paul Weiss Rifkind Wharton & Garrison, made sure to emphasize that Mark and Andrew were not involved in the fraud at the firm, which in addition to the disgraced investment advisory business includes a leading market-making unit and the prop desk.

"Mark and Andrew Madoff are not involved in the firm's asset management business, and neither had any knowledge of the fraud before their father informed them of it on Wednesday," Flumbebaum said in a statement.

The first of what is expected to be an avalanche of lawsuits against Madoff and his firm have also made it to the courthouse. One suit, which is seeking class-action status, was filed on Long Island on Friday. Other aggrieved investors have retained law firms, which are preparing lawsuits.

Meanwhile, one of the most-cited red flags in the Madoff case—the firm's auditor—is getting some unwanted attention of its own. The Rockland County district attorney said the New City, N.Y.,

accounting firm Friehling & Horowitz was under investigation. That firm signed off on the investment advisory business' annual financial statement through Oct. 31.

"We're trying to determine if there have been any state crimes here," Thomas Zugibe told *Bloomberg News*. "When you have a key player like that operating in your county, you have to look."

Some have point to Madoff's use of Friehling & Horowitz as something that should have raised eyebrows. The accounting firm is run out of a 13-foot-by-18-foot storefront in an office plaza 30 miles north of Manhattan. The firm is said to employ just three people, a secretary, an active accountant and a partner in his late 70s who has long since retired to Florida. That said, firm namesake David Friehling—who has not been charged—is a former president and current board member of the Rockland County chapter of the New York State Society of Certified Public Accountants.

According to *Bloomberg*, an employee of a nearby office said that a man comes to the Friehling & Horowitz office for 10- to 15-minute periods and then leaves.

- **MORE ON THE MADOFF SCANDAL** [0]

Source URL:

<http://www.finalalternatives.com/node/6359>

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Hedge Funds Brace For Madoff Fallout



Bernard Madoff Suffice it to say, the Bernard Madoff scandal was just about the last thing hedge funds needed in a year that was already set to go down as one of the industry's worst.

But in a year in which the average hedge fund has lost double-digits amidst the economic instability, investor confidence is likely to be further undermined by Madoff, who was charged last week with running a \$50 billion Ponzi scheme, to say nothing of the potential for billions in further losses.

Hedge funds made up roughly half of the client list of Bernard L. Madoff Investment Securities, including some prominent industry names, including Fairfield Greenwich Group, Bramdean Alternatives, Pioneer Alternative Investments and Tremont Capital Management.

"Anyone on the fence regarding redemptions to the fund industry over the next several months will likely put in their requests for capital withdrawal, as confidence in the system and in investment managers has been irreparably impaired," Douglas Kass of hedge fund Seabreeze Partners Management told *Reuters*. Some estimates have hedge funds losing some 25% of their assets to withdrawals at the end of the month.

Some hedge funds, already battered by big losses, may not survive the association with Madoff at all.

"Is this going to be the nail in the coffin for a few hedge funds already teetering on the edge? I absolutely think so," Peter Tureck of risk consultancy Kroll Inc. told *Reuters*.

Some of the hedge fund burned by Madoff are placing the blame squarely in the lap of someone else, namely, U.S. regulators.

"It is astonishing that this apparent fraud seems to have been continuing for so long, possibly for decades, while investors have continued to invest more money into the Madoff funds in good faith," Nicola Horlick of London's Bramdean told *The Telegraph*. "The allegations appear to point to a systemic failure of the regulatory and securities markets regimes in the U.S."

Those fighting words are certainly a change of tune for the hedge fund manager dubbed "Superwoman" by London's tabloids. She once told the *Financial Times* of Madoff, "This guy has managed to return 1% to 1.2% per month, year after year after year."

- Bramdean had 9.5% of its assets invested with Madoff, totaling some £21 million (US\$31.3 million).

Other alternative investment firms were not so lucky: Substantially all of Fairfield Greenwich's \$7.3 billion Fairfield Sentry Fund were invested with Madoff, as were those of Pioneer's \$280 million Primeo Select Fund, alternative investmet shops Access International Advisors, Fix Asset Management, Kingate Management, Banco Santander's Optimal Investment Services and Maxam Capital Management are among Madoff's client list. Ascot Partners, the hedge fund founded by GMAC Financial Services Chairman Ezra Merkin and managed by Madoff, is also thought to have lost all \$1.8 billion in the Ponzi scheme. Some reports have Fred Wilpon, the owner of baseball's New York Mets and founder of hedge fund Sterling Stamos Capital Management, losing some \$500 million.

- **MORE ON THE MADOFF SCANDAL** [0]

Source URL:

<http://www.finalalternatives.com/node/6365>



Former Nasdaq chairman arrested for fraud

Madoff reportedly told employees Ponzi scheme lost billions for customers

The Associated Press

updated 3:36 p.m. ET, Fri., Dec. 12, 2008

NEW YORK - A Wall Street powerbroker for nearly 50 years who built an influential firm has confessed to a massive fraud scam that will cost investors at least \$50 billion, federal authorities say.

Bernard L. Madoff, 70, facing a single count of securities fraud, declined to speak with reporters after a federal magistrate judge in U.S. District Court in Manhattan ordered him released Thursday night on \$10 million bail.

Andrew M. Calamari, associate director of enforcement in the Securities and Exchange Commission's New York office, said the SEC had filed a civil securities fraud charge as well and was alleging "a stunning fraud that appears to be of epic proportions."

The SEC said it was seeking emergency relief for investors, including an asset freeze and the appointment of a receiver for the firm. A hearing was scheduled for Friday.

If the allegations contained in a criminal complaint are true, it may be the largest fraud ever blamed on a single individual. Nearly all of the allegations stem from an FBI agent's recounting of what Madoff told two FBI agents and three senior employees of his firm, Bernard L. Madoff Investment Securities LLC.

It would be a steep fall for Madoff, a former Nasdaq stock market chairman who founded his business in 1960 with \$5,000 he earned in part working as a lifeguard on Long Island beaches.

His firm was a market maker, handling trades in some of the largest securities on various stock exchanges, matching buyers and sellers. Investigators say Madoff's crime originated in a separate and secretive investment-advising business that served between 11 and 25 clients and had a total of about \$17.1 billion in assets under management.

Stephen A. Weiss, a lawyer for several dozen investors, said there are many more investors. He said he "personally spoke with over 30 investors" who are believed to have invested more than \$1 billion with Madoff.

The criminal complaint signed by FBI Agent Theodore Cacioppi said Madoff told at least three senior employees at his Manhattan apartment Wednesday that the investment adviser business was a fraud and had been insolvent for years, losing at least \$50 billion.

Madoff told the employees he was "finished," that he had "absolutely nothing," that "it's all just one big lie" and it was "basically, a giant (pyramid) scheme," according to the complaint filed in court.

The employees understood Madoff's admission to mean that "he had for years been paying returns to certain investors out of the principal received from other, different, investors," said the complaint, which did not identify the investors impacted by the scam.

Cacioppi said one of the employees told him that Madoff was "cryptic" about the firm's investment advisory business and kept its financial statements locked up. The FBI agent said another employee told him that Madoff last week said clients had asked for about \$7 billion in redemptions and he was struggling to meet those obligations but thought he could do so.

Cacioppi said two senior Madoff employees told him that Madoff said during the Wednesday meeting that he planned to surrender to authorities in a week but first wanted to distribute \$200 million to \$300 million he had left to certain selected employees, family and friends.

Cacioppi said he and another FBI agent arrived Thursday at Madoff's apartment, where Madoff invited them in and acknowledged knowing why they were there.

"Madoff stated, in substance, that he had personally traded and lost money for institutional clients, and that it was all his fault," Cacioppi said.

The agent wrote that Madoff said he had "paid investors with money that wasn't there" and that he was broke and insolvent and had decided that "it could not go on" and that he expected to go to jail.

Defense lawyer Dan Horwitz called Madoff "a person of integrity" and said he intends to fight the charge.

If convicted, Madoff could face up to 20 years in prison and a maximum fine of \$5 million. Bernard L. Madoff Investment Securities LLC ranks among the top 1 percent of U.S. securities firms, according to the company's Web site.

In 2001, Barron's reported that Madoff's firm was one of the three top market makers in Nasdaq stocks and the third-largest firm matching buyers and sellers of securities on the New York Stock Exchange.

Shortly after leaving law school, Madoff founded his firm in 1960. It was one of five broker-dealers most closely involved in developing the Nasdaq Stock Market, where he served as a member of the board of governors in the 1980s and as chairman of the board of directors.

In the 1990s, Madoff was viewed as a maverick. He angered leaders of the New York and American stock exchanges by taking away some of their business by paying brokerage firms a penny a share to route orders through his system.

More on corporate scandals | Ponzi scheme

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Bloomberg.com**Madoff Confessed \$50 Billion Fraud Before FBI Arrest (Update3)**

Email | Print | A A A

By David Voreacos and David Glovin



Dec. 12 (Bloomberg) -- **Bernard Madoff** confessed to two sons this week that his **investment** advisory business was "a giant Ponzi scheme" that cost clients \$50 billion before two FBI agents showed up yesterday morning at his Manhattan apartment.

"We're here to find out if there's an innocent explanation," Agent Theodore Cacioppi told Madoff, who founded Bernard L. Madoff Investment Securities LLC and was once chairman of the Nasdaq Stock Market.

"There is no innocent explanation," Madoff, 70, told the agents, saying he traded and lost money for institutional clients. He said

he "paid investors with money that wasn't there" and expected to go to jail. With that, agents arrested Madoff, according to an FBI complaint that provided a timeline.

The 8:30 a.m. arrest capped the downfall of Madoff and businesses bearing his name that specialized in trading securities, making markets, and advising wealthy clients. Many questions remain unanswered in this family drama, including whether his customers lost \$50 billion. The complaint and a civil lawsuit by regulators describe a man spinning out of control.

Madoff's sons, Andrew and Mark, turned him in to U.S. authorities on the night of Dec. 10 after his confession, according to Martin Flumenbaum, an attorney for the brothers.

"Mark and **Andrew Madoff** are not involved in the firm's asset management business, and neither had any knowledge of the fraud before their father informed them of it on Wednesday," according to a statement by Flumenbaum of Paul, Weiss, Rifkind, Wharton & Garrison in New York.

Brothers

Mark Madoff, 42, ran the proprietary trading business and Andrew Madoff, 40, is a director of that unit, according to a person familiar with the matter.

Their father is free on a \$10 million bond after appearing yesterday in federal court in Manhattan, wearing a white-striped shirt and dark-colored pants.

Madoff's firm had about \$17.1 billion in assets under management as of Nov. 17, according to NASD records. At least half of its clients were hedge funds, and others included banks and wealthy individuals, according to the records. The firm was the 23rd-largest market maker on Nasdaq in October, handling an average of about 50 million shares a day, exchange data show.

The biggest loser may be **Walter Noel's** Fairfield Greenwich Group, whose \$7.3 billion Fairfield Sentry Ltd. invested with Madoff's firm, three people familiar with the matter said. Another was Kingate Management Ltd., whose \$2.8 billion Kingate Global Fund Ltd. invested with Madoff, they said.

Dozen Inspectors

Prosecutors joined the **Securities and Exchange Commission**, which filed a civil lawsuit, in unraveling the collapse of Madoff's investment advisory firm. More than a dozen SEC inspectors assembled yesterday at the company, housed in a lipstick-shaped **building** at 885 Third Ave. A U.S. judge yesterday appointed a receiver to oversee the business.

A series of events in early December preceded the firm's demise, according to the arrest complaint and SEC lawsuit. The arrest complaint discusses Senior Employee Nos. 1 and 2, which refers to Madoff's sons, said a person familiar with the matter.

In the first week of December, Madoff told Senior Employee No. 2 that clients had requested \$7 billion in redemptions, he was struggling to find liquidity, and he thought he could do so, according to the FBI and SEC.

Senior employees "previously understood" that the investment advisory business managed between \$8 billion and \$15 billion in assets, according to the documents.

'Under Great Stress'

On Dec. 9, Madoff told a Senior Employee No. 1 that he wanted to pay bonuses in December, or two months earlier than usual. The next day, Madoff got a visit at his offices from the employees. They said he appeared "under great stress" in prior weeks, according to the documents.

Madoff told the visitors that "he had recently made profits through business operations, and that now was a good time to distribute it," according to the FBI complaint.

When the workers challenged that explanation, Madoff said he "wasn't sure he would be able to hold it together" at the office and preferred to meet at his apartment, Senior Employee No. 2 told investigators. He ran his investment advisory business from a separate floor of his firm's offices, keeping financial statements "under lock and key," prosecutors said.

At his apartment, Madoff told the employees that his investment advisory business was a "fraud" and he was "finished," according to the FBI complaint.

'One Big Lie'

He said he had "absolutely nothing," that "it's all just one big lie," and that it was "basically, a giant Ponzi scheme," Agent Cacioppi wrote in the complaint. The senior employees understood Madoff to be saying he had paid investors for years out of principal from other investors, the agent wrote.

The business had been insolvent for years, said Madoff, who then estimated losses at more than \$50 billion. Madoff said he had \$200 million to \$300 million left, and he planned to pay employees, family, and friends.

Madoff, who had also confessed to a third senior employee, said he planned to surrender to authorities within a week, according to the complaint.

Cacioppi and another agent beat Madoff to the punch.

After saying he had no "innocent explanation," Madoff confessed "it was all his fault," Cacioppi wrote.

"Madoff also said that he was 'broke' and 'insolvent' and that he had decided that 'it could not go on,' and that he expected to go to jail," the agent wrote. "Madoff also stated that he had recently admitted what he had done to Senior Employee Nos. 1, 2, and 3."

Firm's Founder

Madoff founded the firm in 1960 after leaving law school, according to the company's Web site. His brother, Peter, joined the firm in 1970 after graduating from law school, it said.

Bernard Madoff was influential with the Nasdaq Stock Market, serving as chairman of the board of directors in 1990, 1991 and 1993, according to a Nasdaq spokeswoman.

He was chief of the Securities Industry Association's trading committee in the 1990s and earlier this

decade. He represented brokerages in talks with regulators about new stock- market rules as electronic- trading systems and networks grew.

Madoff won an assignment to manage a \$450,000 stock offering for A.L.S. Steel Corp. of Corona, New York, two years later, according to an SEC news digest.

He was an early advocate for electronic trading, joining roundtable discussions with SEC regulators considering trading stocks in penny increments. His firm was among the first to make markets in New York Stock Exchange listed stocks outside of the Big Board, relying instead on Nasdaq.

Madoff resigned today as a trustee of Yeshiva University, North America's oldest Jewish educational institution.

His firm's Web site touts its "high ethical standards."

"In an era of faceless organizations owned by other equally faceless organizations, Bernard L. Madoff Investment Securities LLC harks back to an earlier era in the financial world: The owner's name is on the door. Clients know that **Bernard Madoff** has a personal interest in maintaining the unblemished record of value, fair-dealing, and high ethical standards that has always been the firm's hallmark."

The case is U.S. v. Madoff, 08-MAG-02735, U.S. District Court for the Southern District of New York (Manhattan).

To contact the reporter on this story: **David Voreacos** in New York at dvoreacos@bloomberg.net and **David Glovin** in U.S. District Court in New York at dglovin@bloomberg.net.

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Madoff to FBI: "There is No Innocent Explanation"

December 12, 2008 at 6:22 am

Read the startling excerpt below from the criminal complaint against Bernard Madoff. It is FBI agent Theodore Cacioppi's sworn account of its meeting with Bernard Madoff yesterday, December 11:

5. On December 11, 2008, I spoke to BERNARD L. MADOFF, the defendant. After identifying myself, MADOFF invited me, and the FBI agent who accompanied me, into his apartment. He acknowledged knowing why we were there. After I stated, "we're here to find out if there's an innocent explanation." MADOFF stated, "There is no innocent explanation." MADOFF stated, in substance, that he had personally traded and lost money for institutional clients, and that it was all his fault. MADOFF further stated, in substance, that he "paid investors with money that wasn't there." MADOFF also said that he was "broke" and "insolvent" and that he had decided that "it could not go on," and that he expected to go to jail. MADOFF also stated that he had recently admitted what he had done to Senior Employee Nos. 1, 2, and 3.

Read the Criminal Complaint against Bernard Madoff

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Structure Theme

NATIONAL POST

Friday, December 12, 2008

'No innocent explanation' in Madoff fraud

Financier allegedly pulled off US\$50-billion Ponzi scheme

Presented by

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Araminta Wordsworth, **National Post**

Published: Friday, December 12, 2008



Handout

Normally the victims are unsophisticated investors in such Third World countries as Albania or Argentina. But in the US\$50-billion Ponzi swindle pulled off by Bernard Madoff -- a former chairman of Nasdaq no less -- they were residents of such swank enclaves as Palm Beach and Manhattan seduced by the better-than-average returns apparently on offer.

It could be one of the largest frauds ever, but in the classic American success story, Mr. Madoff, 70, started small. His US\$5,000 seed money was earned by working as a lifeguard on Brooklyn beaches.

Bernard L. Madoff Investment Securities grew to become a major Wall Street player, regularly buying and selling securities in huge volumes.

It prided itself on advising wealthy clients and employed hundreds of traders on one floor of a lipstick-shaped building on Manhattan's Third Avenue. An investment advisory business was on a separate floor, and Mr. Madoff kept its financial statements "under lock and key."

This week, the house of cards that was the advisory business came crashing down.

On Wednesday, Mr. Madoff confessed to his sons, Andrew and Mark, what he had done and they immediately alerted U.S. authorities.

On Thursday morning at 8:30, FBI agent Theodore Cacioppi confronted Mr. Madoff. "We're here to find out if there's an innocent explanation," the agent said.

"There is no innocent explanation," Mr. Madoff, told the agent, saying he traded and lost money for institutional clients. He said he "paid investors with money that wasn't there" and expected to go to jail.

He said he had "absolutely nothing," "it's all just one big lie," and it was "basically, a giant Ponzi scheme," Mr. Cacioppi said in a complaint filed in court.

On Thursday, the Securities and Exchange Commission charged the firm and its founder with a "stunning fraud" of "epic proportions," a "multi-billion-dollar Ponzi scheme that he perpetrated on advisory clients of his firm." The SEC is asking the federal court in Manhattan to freeze the firm's assets and appoint a receiver.

Mr. Madoff could face up to 20 years in prison, but has been released on US\$10-million bail.

Senior employees have told investigators they "previously understood" the investment advisory business managed between US\$8-billion and US\$15-billion in assets, according to the FBI complaint.

But Mr. Madoff had been conducting a Ponzi scheme since at least 2005, the U.S. authorities said. Around the first week of December, Mr. Madoff told a senior employee that hedge fund clients had requested about \$7-billion of their money back, and that he was struggling to pay them.

Mr. Madoff also told a colleague identified in the FBI documents as Senior Employee No. 1 he wanted to pay bonuses in December, or two months earlier than usual. The next day, he got a visit at his offices from employees. They said he appeared "under great stress" in prior weeks, according to the documents.

Their boss told them "he had recently made profits through business operations, and that now was a good time to distribute it," according to the FBI complaint.

When the workers challenged that explanation, he said he "wasn't sure he would be able to hold it together" at the office and preferred to meet at his apartment in Manhattan, Senior Employee No. 2 told investigators.

There, Mr. Madoff confessed his investment advisory business was a "fraud" and he was "finished."

The business had been insolvent for years, added Mr. Madoff, who estimated losses at more than US\$50-billion. He planned to use the US\$200-million to US\$300-million left to pay employees, family and friends.

For years, competitors had wondered how he did it, paying high returns through good markets and bad, despite the generally low-yielding investment strategies he described to his clients.

"The numbers were too good to be true, for too long," Girish Reddy, a managing director at Prisma Partners, an investment firm that invests in hedge funds, told The New York Times.

Mr. Reddy said his firm had looked at the Madoff funds, but decided against investing in them because their performance was too consistently positive, even in times when the market was incredibly volatile.

"If you look at his performance, it was a straight line up. That's silly," said a Wall Street professional who at one point worked with a firm that did business with Madoff feeder funds.

"He met with very very few people, and if you did meet him, you got 20 minutes with him," the person said, who requested anonymity because he was not authorized to speak to the media.

Among the victims was Susan Leavitt, 46, of Tampa Bay, Fla.

"I expect to get back zero," she said yesterday. "When he tells the Feds, he has US\$200-million to US\$300-million left out of billions, what can you expect."

She said she had recently added US\$500,000 to a Madoff fund in which she invested substantial amounts since the early 1990s.

Many Madoff clients were recruited at New York and Florida country clubs, such as the Palm Beach Country Club, where he was a long-time member.

These wealthy investors believed in him, typically entrusting money to him for decades, and were often intimates of the financier, Stephen Weiss of the law firm Seeger Weiss LLP told reporters at the Federal Court in Manhattan.

"Their children grew up together. They had the utmost faith in his abilities and propriety," said Mr. Weiss, who with lawyer Brad Friedman of law firm Milberg LLP, represents dozens of people who invested more than US\$700-million with Mr. Madoff.

"Many of these people are going to go from being very wealthy to virtually destitute," Mr. Friedman said. "People trusted him and ... he told them, quarter after quarter, that he was making money for them."

Not everyone was taken in though. Norman Goldblum, a former town council member in Palm Beach, said he docks a boat near one owned by Mr. Madoff and knew him casually at the oceanside Palm Beach Country Club.

"I used to say, 'Hello,' " he said. "But I never invested with him and I won't say who did. I don't like to spread rumours."

National Post, with files from Bloomberg News and Reuters

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December 15, 2008



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SEC: Wall Street kingpin with LI ties admits \$50B fraud

The Associated Press
5:26 AM EST, December 12, 2008

A Wall Street powerbroker for nearly 50 years who commanded billions of dollars in investments and built an influential firm has confessed a fraud of historic proportions, admitting he squandered more than \$50 billion and was likely doomed to prison, federal authorities say.



Bernard L. Madoff, 70, facing a single count of securities fraud, declined to speak with reporters after a federal magistrate judge in U.S. District Court in Manhattan ordered him released Thursday night on \$10 million bail.

Madoff, a former Nasdaq stock market chairman, founded his business in 1960 with \$5,000 he earned in part working as a lifeguard on Rockaway beaches.

Andrew M. Calamari, associate director of enforcement in the SEC's New York office, said the SEC had filed a civil securities fraud charge as well and was alleging "a stunning fraud that appears to be of epic proportions."

Related links

SEC complaint against Bernard L. Madoff (PDF)

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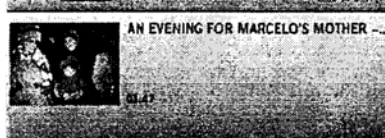
CLICK HERE

Video

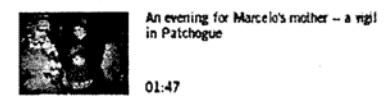
An evening for Marcelo's mother -- a vigil in Patchogue 01:47



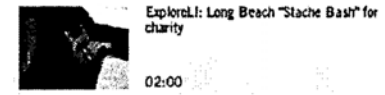
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ON LI CENTRAL SUFFOLK MORE



01:47



02:00

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'Survivor' winner Bob Crowley tons Jessica 'Sugar'

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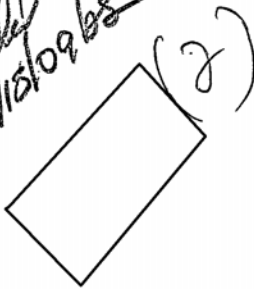
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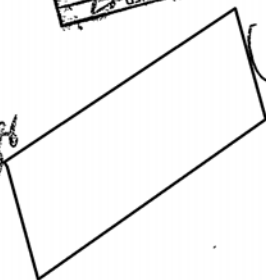
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1 See 1A18 Copy 302

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/10/2009

On January 5, 2009, two boxes of original documents from the office of [redacted] located at the 18th floor of 885 Third Avenue, New York, New York, were provided to [redacted]

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[redacted] telephone number [redacted]. The documents had been previously identified for copying by [redacted] attorney, [redacted] in the presence of Special Agent (SA) [redacted]

[redacted] signed a FD-597 which stated [redacted] would agree to copy and return the items and not provide original items to [redacted] or any other party. [redacted] was also present when the items were released to [redacted]

On January 7, 2009, [redacted] provided the two boxes of original documents referred to above to SA [redacted]. SA [redacted] took custody of the documents and placed them into FBI space [redacted] New York, New York. [redacted] provided a list of employees who worked on the copying of the documents. The FD-597 and list of employees were placed in the FD-340/1A section of this case file.

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Investigation on 01/05,07/2009 at New York, New York

File # 318A-NY-301292

Date dictated NA

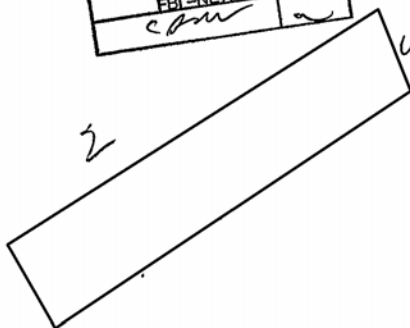
by SA [redacted] jsh

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SERIALIZED	FILED
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FBI-NEW YORK	

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WPD

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/18/2008

12,579,443

[redacted] was interviewed [redacted]
 [redacted] in the presence of his attorneys [redacted]
 [redacted] at the offices of the United States
 Attorney's Office, SDNY. Present were the following: SA [redacted]
 [redacted] (FBI), SA [redacted] (FBI), AUSA [redacted] (USAO
 SDNY), AUSA [redacted] (USAO SDNY), [redacted] (SIPC), [redacted]
 [redacted] (Alix Partners), [redacted] (RK&O), [redacted] (SEC),
 [redacted] (SEC), [redacted] (SEC), [redacted]
 (SEC), [redacted]

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Certain individuals were not present for the entire interview, but
 each government agency had at least one representative present at
 all times. [redacted]

[redacted] provided the
 following information:

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[redacted]

[redacted]

[redacted]

[redacted]

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[redacted]

[redacted]

Investigation on 12/16/2008 at New York, NYFile # 318A-NY-301292

Date dictated

SA [redacted] tvc
 by SA [redacted]

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318A-NY-301292-76

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SEARCHED	INDEXED
SERIALIZED	FILED
JAN 13 2009	
FBI - NEW YORK	

UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/10/2009

To: New York

From: New York

Squad C-1

Contact: [redacted]

ext [redacted]

Approved By: [redacted]

Drafted By: [redacted]

jsh

Case ID #: 318A-NY-301292 (Pending)

Title: BERNARD L. MADOFF;
BLM SECURITIES LLC;
BLM SECURITIES LLP;
BLM INVESTMENT SECURITIES LLC

Synopsis: To document personal items released to [redacted]
[redacted] attorney's for [redacted]

Details: On January 6, 2009, Special Agent (SA) [redacted]
[redacted] received a telcall from [redacted] attorney for [redacted]
[redacted] telephone number [redacted] requesting access to
[redacted] office to obtain personal items. SA [redacted] agreed to
meet [redacted] telephone number [redacted] the
following day.

On January 7, 2009, SA [redacted] met [redacted]
[redacted] in the lobby of the 18th floor of 885 Third Avenue, New
York, New York and escorted them to [redacted] office. SA [redacted]
requested [redacted] to remain by the door and instruct her
attorney's where items were. [redacted] then filled two boxes of
[redacted] personal items after the items were reviewed by SA
[redacted] Several items that were deemed by SA [redacted] important to
the investigation and were set aside for copying. No items were
removed from the space that evening.

On January 8, 2009, SA [redacted] met [redacted] in the
lobby of the 18th floor of 885 Third Avenue, New York, New York
and escorted them to [redacted] office. [redacted] requested to
further review items for copying which they did as SA [redacted]
watched. During their review SA [redacted] noticed [redacted]

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UNCLASSIFIED

To: New York From: New York
Re: 318A-NY-301292, 01/10/2009

were not reviewing for personal items but instead looking at company documents. SA [] then requested [] to cease their review and contact AUSA [] regarding review of company documents. [] agreed to do so. The two boxes of personal items were transported by [] to the front desk of the 18th floor to be picked up by a messenger. [] then exited the building.

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/10/2009

To: New York

From: New York

Squad C-1

Contact: [redacted]

ext [redacted]

Approved By: [redacted]

Drafted By: [redacted]

jsh

Case ID #: 318A-NY-301292 (Pending)

Title: BERNARD L. MADOFF;
BLM SECURITIES LLC;
BLM SECURITIES LLP;
BLM INVESTMENT SECURITIES LLC

Synopsis: To document analysis of checks obtained from the drawer of Bernard Madoff's office on December 12, 2008.

Details: On December 12, 2008, one hundred (100) checks were obtained from the desk of Bernard Madoff's office, the checks were dated December 11, 2008. Those checks are now held in FBI evidence. Copies of the checks were used to obtain a total for use in a bond brief, the total of the one hundred (100) checks is \$173,788,956.82. (X)

Each check listed a client account number which corresponded to the recipient of the check. FTI Consulting, a Forensic Accounting Group, took the client account numbers and obtained an account balance for the client accounts as of November 30, 2008. This account balance was then compared to the amount of the related check.

The total amount of the November 30, 2008 account balances were \$177,177,394.80. The difference from the checks written was \$3,328,437.82 or 0.82%.

The following items are attached to this EC:

A spreadsheet totaling the December 11, 2008 checks.

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318A-NY-301292-77

SEARCHED	INDEXED
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JAN 13 2009	
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checksEC.mpd

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UNCLASSIFIED

To: New York From: New York
Re: 318A-NY-301292, 01/10/2009

A spreadsheet comparing the checks and the client's
November 30, 2008 balance.

Copies of the checks used to complete the check
spreadsheet.

♦♦

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318A-NY-301292-78

[Handwritten signature]

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 08 2009	
FBI-NEW YORK	

[Handwritten signature]

POCLabPC-WPP

UPLOADED

WITH/TEXT
WITH/OUT TEXT
BY *BB*
DATE *1/15/09*

*Due to EL being Set
+ Typed in wrong format.
WORD vs. Word perfect.*

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/09/2009

To: Records Management

Attn: UC [redacted]
Room [redacted] ICRC-2 Winchester

b6
b7C

From: New York

Contact: SA

Approved By:

850 1/2

Drafted By:

|tvc

h

Case ID #: 318A-NY-301292

Title: BERNARD L. MADOFF;
Et. Al.

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Synopsis: To request that the Document Conversion Laboratory (DocLab), Records Management Division (RMD), provide scanning and automation assistance in support of captioned investigation.

Details: Pursuant to 01/08/2009 phone conversation between SA [REDACTED] and Doc Labs, Management & Logistics Unit Chief [REDACTED] it is requested that the DocLab provide scanning and automation assistance in support of captioned investigation.

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BERNARD L. MADOFF conducted what appears to be the largest and longest running Ponzi scheme in history. He was recently arrested after confessing to FBI agents and family members as the scheme began

All material should be considered Grand Jury 6(e) material. NO material will be classified at any level.

All coordination for the temporary transfer of evidentiary material to the Document Conversion Laboratory will be coordinated directly with New York Evidence Control Technician (ECT). Please be sure to only send documentary evidence. This may require that your ECT split the 1B if documentary and non-documentary evidence are co-mingled in one 1B. Also, any documentary evidence requiring forensic analysis must be submitted to the Laboratory Division first, not DocLab.

b7E

FEDERAL BUREAU OF INVESTIGATION

Please ship evidence to:

DocLab -- Evidence Room
Federal Bureau of Investigation
170 Marcel Drive
Winchester, Virginia 22602

Please ship Non Evidence to:

DocLab Management & Logistics Unit
Federal Bureau of Investigation
170 Marcel Drive
Winchester, Virginia 22602

FEDERAL BUREAU OF INVESTIGATION

LEAD(s) :

Set Lead 1:

RECORDS MANAGEMENT

AT WASHINGTON, DC

To request that the DocLab, RMD, provide scanning and automation assistance in support of captioned investigation.

UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/16/2009

To: New York ✓

Attn: SA [REDACTED]

Squad C-1

International Operations

Attn: Europe Unit

From: London

Contact: ALAT [REDACTED]

Approved By: [REDACTED] *nsb*

Drafted By: [REDACTED]

rjm

Case ID #: 318A-NY-301292 (Pending) *oo*

Title: BERNARD MADOFF

Synopsis: To provide New York with information [REDACTED]

Details: [REDACTED]

1. [REDACTED]

2. [REDACTED]

3. [REDACTED]

4. [REDACTED]

5. [REDACTED]

6. [REDACTED]

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UNCLASSIFIED

To: New York From: London
Re: 318A-NY-301292, 01/16/2009

LEAD(s) :

Set Lead 1: (Info)

NEW YORK

AT NEW YORK, NY

Read and clear.

♦♦

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NY

From: [REDACTED]

Sent: Monday, December 22, 2008 12:04 PM

To: NY

Subject: WHERE DID THE MONEY GO?

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THE FOLLOWING BLOG MIGHT INTEREST YOU::

"It's all just one big lie."

- Bernard Madoff to his sons about his \$50 billion "Ponzi" scheme



So who is Bernard L. Madoff? Apart from running his "investment company" and being a former chairman and director of the National Association of Securities Dealers (NASDAQ), Madoff is a very committed Jewish Zionist who has served as the treasurer of two leading Zionist organizations. Bernard L. Madoff was national treasurer of the American Jewish Congress and Yeshiva University (YU). Founded by the Hungarian Zionist rabbi Stephen S. Wise, the American Jewish Congress (AJC) claims to be "the first Jewish Defense Agency to support the establishment of a Jewish state" and to boycott Germany in the 1930s. In 1936 the American Jewish Congress was instrumental in establishing the World Jewish Congress (WJC). Wise, president of the AJC, was also elected president of the WJC.

The latest massive financial scandal is the giant \$50 billion pyramid or "Ponzi" scheme run by a New York Zionist Jew, Bernard Lawrence Madoff. Madoff was chairman of the Syms business school at Yeshiva University with his partner, Sy Merns, a.k.a. Sy Syms, who has been a director at **Israel Discount Bank (IDB)** since 1991. His business partner at YU was Sy Syms, the long-standing director of the Israel Discount Bank of New York... a bank charged for laundering billions of dollars in 2005. So where did the \$50 billion go? The IDB bank is well known for its money laundering business.

318A-NY-301292-81

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[REDACTED]
[REDACTED]

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12/22/2008



Madoff at Yeshiva University's (YU) 79th Hanukkah dinner, from the left: Bernard L. Madoff, YU's treasurer and chairman, Syms School and Sy Syms, **vice chairman**, Board of Trustees. It should be noted that **Sy Syms has long been a director of the Israel Discount Bank**, a scandal plagued Israeli bank based in Tel Aviv.

SYMS AND THE ISRAEL DISCOUNT BANK

On Dec. 17, 2005, the *New York Times* reported that some \$2.2 billion of illegal funds had been transmitted from Brazil through the IDB in New York (IDBNY). *The Jerusalem Post* reported on November 2, 2006, that the scale of money-laundering going on at the Israeli bank was much, much larger than the Brazil case reported in the *New York Times*. The *Post* reported that U.S. regulators fined the Israel Discount Bank of New York \$12 million for violating federal and state laws designed to thwart money laundering. The Israeli bank now controlled by the Bronfmans had failed to set up an adequate program to identify and report money laundering, according to federal and state regulators. A "substantial" part of \$35.4 billion in third-party wire transfers during the year ended March 2005 showed traits common to laundering operations, the complaint said.

So, how did Madoff lose \$50 thousand million? How does \$50 billion vanish? Did it disappear to Israel through the Israel Discount Bank?

While Madoff has said that he acted alone in orchestrating the fraud, this is seen as very unlikely. There was probably a very sophisticated team working on wire transfers to secret bank accounts, perhaps at Israel Discount Bank's Swiss branch, which opened in Switzerland in 2000. (The very building Madoff carried out his fraud from, the so-called "lipstick building" in Manhattan, is itself Israeli owned. Israeli companies have been aggressively acquiring commercial real estate in the United States -- but where does their capital come from? Israel, after all, is a recipient of billions of dollars in financial aid from the U.S. taxpayer every year.)

John Coffee, a professor at Columbia Law School, said: "It is very rare that a fraud of this proportion could be handled by just one man. There are trades and redemptions to be done that a 70-year-old man would have to work 20 hours a day to do."

WHERE DID THE MONEY GO?



Bernard L. Madoff, YU's treasurer and chairman and Sy Syms, at Yeshiva University's Syms School



Sy Syms has been a Director of Israel Discount Bank of New York since December 1991. The Israeli bank's 2004 annual report shows Syms (standing third from left) with the other directors of the bank. The tall one in the back is Lt. Colonel (res.) Giora Offer, president & CEO of Israel Discount Bank. The New York bank has long been the IDB's main source of profit.



Belfer Hall is the main building at Yeshiva University. Madoff has been a member of Yeshiva University's Board of Trustees since 1996, and was elected chairman of the board of Syms School of Business in 2000.



The Lipstick Building: Madoff rented three floors in this Israeli-owned tower in Manhattan. He, however, "worked" on a separate floor with a small team that used a computer system that was not connected to the rest of the company network.

One site keeps you connected to all your email: AOL Mail, Gmail, and Yahoo Mail. [The NEW AOL.com.](#)

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/19/2009

To: New York

Attn: C-1,
SA [redacted]

Criminal Investigative
International Operations

Attn: Financial Crimes Section;
Attn: MEU, Room [redacted]

From: [redacted]

Contact: Legat [redacted]

Approved By: [redacted]

Drafted By: [redacted]

jbw

Case ID #: 318A-NY-301292-82 (Pending)

Title: BERNARD L. MADOFF;
BLM SECURITIES LLC;
BLM SECURITIES LLP;
BLM INVESTMENT SECURITIES LLC

Synopsis: To notify the New York Division [redacted]

Details: On January 12, 2009, [redacted]

Legal Attache' Office

Fax [redacted]

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318A-NY-301292-82
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UNCLASSIFIED

To: New York From: [redacted]
Re: 318A-NY-301292, 01/19/2009

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Dear [redacted]

b6
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[redacted]
[redacted]
Should you have any questions regarding this matter please
contact my office at [redacted] or my cell phone [redacted]

Sincerely
Best regards,

[redacted]
Head
[redacted]

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UNCLASSIFIED

UNCLASSIFIED

To: New York From: [REDACTED]
Re: 318A-NY-301292, 01/19/2009

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b7E

LEAD(s):

Set Lead 1: (Action)

NEW YORK

AT NEW YORK, NEW YORK

Request the New York Division review the enclosed
request [REDACTED] and provide an appropriate
response.

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b7E

Set Lead 2: (Info)

ALL RECEIVING OFFICES

For information purposes only, read and clear.

♦♦

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[Redacted]

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CT-N
315A-NY-301272-83

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FBI-NEW YORK	

Q

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/10/2009

[redacted] voluntarily continued to provide the following information:

[redacted] of BERNARD L. MADOFF (MADOFF) (deceased) [redacted] telephone [redacted] MADOFF maintained contact with [redacted] Her contact information is telephone [redacted]

b6
b7C

MADOFF's [redacted] BERNARD L. MADOFF INVESTMENT SECURITIES (BLMIS) cell phone was [redacted] [redacted] stated the only contact information she had was a home address of [redacted] His sister is [redacted] telephone [redacted]

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[redacted] said that immediately prior to his arrest MADOFF asked for the contact information for [redacted] telephone [redacted] where [redacted] believed MADOFF had an investment account.

1-6
7-10
a

[redacted] stated MADOFF had scheduled a meeting with [redacted] telephone [redacted] for January 7 2009.

[redacted] said that [redacted] by MADOFF to [redacted] was another attorney [redacted]

b6
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[redacted] was responsible for [redacted]

[redacted] stated [redacted] was not only a [redacted]

b6
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[redacted] provided a copy of a blank undated client agreement which MADOFF had [redacted]

Investigation on 01/05/2009 at New York, NY

File # 318A-NY-301292 83 Date dictated 01/05/2009

by SA [redacted]
SA [redacted]

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318A-NY-301292

Continuation of FD-302 of [REDACTED]

, On 01/05/2009 , Page 2

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[REDACTED] referred to the page titled [REDACTED]
which [REDACTED] of MADOFF and [REDACTED]

[REDACTED] stated NORMAN E. LEVY, was a very wealthy
businessman who dealt in real estate. His estate maintains offices
on the 33rd floor of 885 Third Avenue. LEVY died about 3-4 years
ago. The office continues to be staffed [REDACTED]
[REDACTED] telephone [REDACTED]
[REDACTED] a deceased BLMIS cage employee TONY TELITNECK also worked
there.

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LEVY also established the JEHT FOUNDATION which MADOFF is
the trustee. [REDACTED]

b6
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[REDACTED] stated that MADOFF [REDACTED]
[REDACTED] During 2008,
MADOFF refused to take calls from [REDACTED]

[REDACTED] said MADOFF [REDACTED]

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b7C

[REDACTED] said that [REDACTED] was also
represented by [REDACTED] said [REDACTED]
[REDACTED] resides at [REDACTED]
telephone [REDACTED]

[REDACTED] said that ANDY MADOFF had spoken with MADOFF's
[REDACTED] and said
[REDACTED] is devastated by the news of MADOFF.

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[REDACTED] said MADOFF [REDACTED]
[REDACTED] home telephone
[REDACTED] and cell [REDACTED]

318A-NY-301292

Continuation of FD-302 of [REDACTED], On 01/05/2009, Page 3

b6
b7C

copies of the statements and [REDACTED] might also have access to them. [REDACTED]

[REDACTED] said the [REDACTED] home telephone [REDACTED] cell [REDACTED] regarding MADOFF with [REDACTED]

b6
b7C

[REDACTED] said [REDACTED] informed [REDACTED] about MADOFF's arrest. Prior to being informed, [REDACTED]

After that, [REDACTED] came to the 19th floor and was informed by [REDACTED] about MADOFF's arrest. [REDACTED] said [REDACTED] did [REDACTED] said that [REDACTED]

b6
b7C

[REDACTED] said that [REDACTED] asked [REDACTED] what was going on to which [REDACTED] replied that MADOFF had been arrested. [REDACTED] said [REDACTED]

b6
b7C

[REDACTED] stated that [REDACTED] heard that [REDACTED]

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318A-NY-301292

Continuation of FD-302 of [REDACTED], On 01/05/2009, Page 4

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b7C

[REDACTED]
[REDACTED]
[REDACTED]

b6
b7C

[REDACTED] continued to [REDACTED]
[REDACTED] for a select group of
clients. [REDACTED] stated that MADOFF started to [REDACTED]
[REDACTED]

[REDACTED] recalled that [REDACTED]
[REDACTED] stated that [REDACTED]
[REDACTED]
[REDACTED]

b6
b7C

[REDACTED] stated that [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] said that BLMIS 18th floor [REDACTED]
[REDACTED]

b6
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[REDACTED] stated that [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] said she believed that [REDACTED] was at one
time [REDACTED]

b6
b7C

[REDACTED] told [REDACTED] that [REDACTED]
[REDACTED]

[REDACTED] believes MADOFF had [REDACTED]
[REDACTED]

[REDACTED] said several BLMIS employees had computers at
home installed by BLMIS. These included: [REDACTED]
[REDACTED] said that [REDACTED]
[REDACTED]

b6
b7C

[REDACTED] said that MADOFF [REDACTED]
[REDACTED]

318A-NY-301292

Continuation of FD-302 of [REDACTED], On 01/05/2009, Page 5 b6 b7C

[REDACTED] said that MADOFF had a home office in his New apartment [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] said that MADOFF had told [REDACTED]
[REDACTED]
[REDACTED]

One time MADOFF told [REDACTED]
[REDACTED]
[REDACTED] MADOFF agreed and had [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] said that [REDACTED] was hired as the [REDACTED]
[REDACTED] of BLMIS. [REDACTED]
[REDACTED] at BLMIS. [REDACTED] said that [REDACTED]
[REDACTED] said that [REDACTED]
[REDACTED]

[REDACTED] said that [REDACTED] said that GORDON MACKLIN, deceased, a NASDAQ founder and former board member of WORLD COMM was also a friend of MADOFF.

[REDACTED] said that [REDACTED]
[REDACTED]

[REDACTED] said that [REDACTED]
[REDACTED] borrowed
[REDACTED] from MADOFF [REDACTED] did not know the status
of the loan.

[REDACTED] said [REDACTED]
[REDACTED] also borrowed money from MADOFF. MADOFF also wrote a letter to the United States IRS [REDACTED]

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Continuation of FD-302 of [redacted], On 01/05/2009, Page 6

b6
b7C

[redacted] thought this was [redacted]
[redacted]

[redacted] stated that [redacted] had provided the name of
[redacted] to MADOFF. [redacted]
[redacted]

b6
b7C

[redacted] said that MADOFF had contact with [redacted]
[redacted]

[redacted] said that [redacted]
[redacted]
[redacted]

[redacted] said [redacted]
MADOFF was beginning to pay his bills more slowly. [redacted] said
that [redacted]

[redacted]

b6
b7C

[redacted] indicated that [redacted] called
MADOFF about [redacted]

[redacted] said that MADOFF [redacted]
[redacted]
[redacted]

[redacted] said that [redacted]
[redacted]
[redacted]

b6
b7C

[redacted] said that MADOFF had [redacted]
[redacted]

[redacted] stated that [redacted]
[redacted] said [redacted]

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Continuation of FD-302 of [REDACTED]

, On 01/05/2009 , Page 7

b6
b7C

[REDACTED] asked if [REDACTED] had lost money with
MADOFF. [REDACTED] told [REDACTED] that [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] said that MADOFF [REDACTED]
[REDACTED] said MADOFF [REDACTED]
[REDACTED]
[REDACTED]

b6
b7C

[REDACTED] said that MADOFF would [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] stated that the three weeks prior to MADOFF's
arrest. [REDACTED]
[REDACTED]

The interview continued on January 8 2009:

b6
b7C

[REDACTED] told [REDACTED] that after MADOFF's arrest
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] told [REDACTED] she had also spoken with [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] stated
that [REDACTED]
[REDACTED] Shortly thereafter, MADOFF
called [REDACTED]
[REDACTED]
[REDACTED]

b6
b7C

[REDACTED] said that at the end of October or the
beginning of November 2008 MADOFF [REDACTED]
[REDACTED]
[REDACTED]

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Continuation of FD-302 of [REDACTED]

, On 01/05/2009 , Page 8

[REDACTED] said that after MADOFF [REDACTED]

b6
b7C

Prior to his arrest, MADOFF [REDACTED]

[REDACTED] discussed [REDACTED]

[REDACTED] said [REDACTED]

[REDACTED] said that [REDACTED]

b6
b7C

[REDACTED] stated the [REDACTED]

[REDACTED] said [REDACTED]

[REDACTED] said [REDACTED] a former 17th floor employee

b6
b7C

[REDACTED] said people at the time believed [REDACTED]

[REDACTED] said that [REDACTED]

[REDACTED] stated that MADOFF [REDACTED]

[REDACTED] stated that [REDACTED] would come to BLMIS

b6
b7C

[REDACTED] stated [REDACTED]

[REDACTED] stated [REDACTED]

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Continuation of FD-302 of [REDACTED]

, On 01/05/2009 , Page 9

[REDACTED] said a review of MADOFF's contacts showed a
[REDACTED]

b6
b7C

[REDACTED] repeated that [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] stated that [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] stated that [REDACTED]
[REDACTED]

[REDACTED] stated that MADOFF enjoyed the company
of his wife [REDACTED] and considered her a "good companion."

b6
b7C

[REDACTED]
[REDACTED]
[REDACTED] MADOFF said political contributions were paid by
[REDACTED] from BLMIS accounts payable. They did not come from
MADOFF's personal draw account. [REDACTED] said that [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED] In March 2008, [REDACTED] had an outstanding loan
balance of [REDACTED] A letter states that [REDACTED]
[REDACTED]

b6
b7C

Other BLMIS London employees included [REDACTED]
[REDACTED]

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Continuation of FD-302 of [redacted], On 01/05/2009, Page 10

b6
b7C

[redacted] said that [redacted]
[redacted]

[redacted]
[redacted] said the only time MADOFF [redacted]
[redacted]

b6
b7C

[redacted] stated [redacted]
[redacted]

318A-NY-30192-84
L2A Evidence 032

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 10 2009	
FBI-NEW YORK	

C13

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/18/2009

On January 13 2009 Federal Bureau of Investigation (FBI) Special Agent (SA) [redacted] seized evidence from the storage unit of BERNARD L. MADOFF INVESTMENT SECURITIES (BLMIS) 885 Third Avenue Storage Unit located on L2 which has been designated for administrative purposes "L2A":

b6
b7C

The following evidence was moved into the nearby BLMIS storage unit known administratively as "L2."

Two boxes marked "MDMOO MARK MADOFF OFFICE"
One box marked LEVY checks January through April 1996
One box marked NFL 3 Ave Tax Returns
One box marked NFL Large Red Diaries
One box marked NFL Estate-BLM

The following evidence was moved to the [redacted] evidence area:

b7E

One box marked [redacted] MARK MADOFF
One box marked BLM NFL
One box marked BLM Personal
One box marked [redacted] COHMAD
One box marked BLM LSE Transactions
One box marked [redacted]
One box marked Budget 2005/2006/2007
One box marked [redacted] American Express and COHMAD stock certificate
One box marked BLM/MJJ STARR DELTA FUND
One box marked MJJ-BLM Personal
Three boxes containing various binders from INFOVALUE

b6
b7C

Investigation on 01/13/2009 at New York, NY

File # 318A-NY-301292 - 84 Date dictated 01/18/2009

by SA [redacted]

b6
b7C

3181-11301292 -85

SEARCHED	INDEXED
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JAN 13 2009	
FBI-NEW YORK	

see Exhibit
1.124

CID

upd b6
b7C

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/18/2009

[redacted] date of birth [redacted] Social
Security Account Number [redacted]

[redacted] who resides at [redacted]
[redacted] telephone number [redacted] was interviewed.

[redacted] was interviewed regarding a complaint he had been taking
photographs of the interior of BERNARD L. MADOFF offices [redacted]

[redacted] After being advised of the
identity of the interviewing Agent and the purpose of the
interview, [redacted] provided the following information:

[redacted] showed interviewing Agent his telephone which was
not working as the battery was too low, no photographs were observed
on the cellular telephone. [redacted] stated he did not talk any
photographs. [redacted] advised [redacted]

[redacted] he had been trying to make a call on his telephone but could not as
the battery was low. Each time [redacted] tried to make the call the
phone beeped. [redacted] assumed that was why others thought he had
been taking photographs with his cellular telephone.

[redacted] was asked if he knew what company was located on
the 18th floor; [redacted] did not know. When the interviewing Agent
told [redacted] it was the offices of BERNARD L. MADOFF, [redacted] was
visibly surprised and upset. [redacted] then requested to apologize to
the individuals he scared when his telephone was out. He again
stated he did not take any pictures and would not have had his
telephone out if he had known. [redacted] then apologized to the
individuals and was allowed to go back to work. [redacted]

Investigation on 01/12/2009 at New York, New York

File # 318A-NY-301292

Date dictated _____

by SA [redacted] jsh

UNCLASSIFIED

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/18/2009

To: New York

From: New York

Squad C-1

Contact: [redacted]

ext [redacted]

Approved By: [redacted]

Drafted By: [redacted]

jsh

Case ID #: 318A-NY-301292 (Pending)

Title: BERNARD L. MADOFF

Synopsis: To document telcal with Deputy Police Chief Gary MacNamera of the Fairfield, Connecticut Police Department and AUSA [redacted] on January 15, 2009.

Details: On January 15, 2009, Special Agent (SA) [redacted] and Assistant United States Attorney (AUSA) [redacted] were telephonically contacted by Deputy Police Chief Gary MacNamera of the Fairfield, Connecticut Police Department. MacNamera advised following a press conference on January 12, 2009, by First Selectman [redacted] an investigation has been opened by Fairfield Police Department. (The Fairfield-Sun article from 01/13/2009 is attached)

MacNamera agreed to send Lieutenant [redacted] telephone number [redacted] to meet with Federal Investigators. MacNamera was advised by AUSA [redacted] to coordinate all activity with Federal investigators so as not to hurt the Federal case. It was agreed an FBI Agent would contact [redacted] to set up a meeting regarding the case.

UNCLASSIFIED

318A-NY-301292-86

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 18 2009	
FBI-NEW YORK	

cl F
Fairfield ec.wpd

Fairfield investigators to nip at Madoff's heels

Written by Bill Bittar

Tuesday, January 13, 2009

Disgraced Wall Street financier Bernard L. Madoff avoided going to prison at a bail hearing on Tuesday, allowing him to stay in his luxury New York City apartment before defending himself in court for allegedly running the biggest Ponzi scheme in history, a scheme that defrauded investors of about \$50 billion.

But his problems are about to grow. The town of Fairfield, which stands to lose \$42 million in employee pensions, is hitting him with a two-pronged attack.

On Wednesday afternoon, First Selectman Kenneth Flatto held a press conference to announce the town is exploring all avenues of litigation against any party that could be responsible for defrauding Fairfield's two pension boards, as well as launching a criminal investigation.

"It's no secret that Mr. Madoff admitted to federal officials that he committed one of the biggest frauds in history, and the federal process is ongoing," Fairfield Deputy Police Chief Gary MacNamara said.

But the Fairfield Police Department Detective Bureau is now pursuing an investigation of its own under the direction of Lt. Christopher Lyddy, MacNamara said.

The town also hired David S. Golub, an attorney with Silver Golub & Teitell LLP in Stamford, to work with Pullman & Comley, Fairfield Town Attorney Richard Saxl and a five-member Joint Pension Board subcommittee in recouping as much of the town's losses as they can.

Fairfield Joint Pension Board Chairman John Starr said the board formed the committee and voted to hire Golub at a meeting last week. It also voted to terminate its contractual relationships with its pension consultants.

Flatto said up to \$25,000 has been approved to pursue litigation efforts.

Madoff, 70, the former chairman of NASDAQ and a once respected figure on Wall Street, was arrested by federal agents Nov. 11 for allegedly running a \$50 billion Ponzi scheme.

Fairfield town employees, police officers and firefighters stand to lose \$42 million in pensions from a portfolio that the town's fund manager, Maxam Capitol GP LLC, had hired Bernard L. Madoff Investment Securities LLC to handle. A total of 1,567 people, including active town employees, those who have left the town but are still vested in the plan, and retired beneficiaries may be affected, according to numbers provided by Town Fiscal Officer Paul Hiller.

Despite the anticipated losses, First Selectman Kenneth Flatto said the pension advisor, New England Pension Consultants, produced a financial statement showing the town will need about \$270 million to meet pension obligations over the next 50 years, and there is about \$232 million in the funds now.

Flatto said this means that if no more money is invested, the town should be able to meet its obligations over the next 30 to 40 years.

The \$42 million makes up nearly 15% of Fairfield's total \$285 million in pension funds, according to its Oct. 31 financial statement.

A betrayal of trust

Saxl says Golub is a "superb litigator" with experience in complex cases. For example, Golub represented 70 Connecticut towns in litigation against the Connecticut Resources Recovery Authority, he said.

Golub said he will look at all of the professionals who advised Fairfield on its pension funds, including pension consultants, money managers, hedge fund managers and auditors who came in and "purported to audit."

"I look at the professionals involved, who advised the pension funds, and whether they knew or didn't know something criminal was going on," Golub said. "All had obligations of due diligence."

Golub noted that "many" financial institutions refused to do business with Madoff and advised their clients not to do business with him.

The lead attorney also said the town will go after people who helped feed the Ponzi scheme, some of whom live in Connecticut. Golub said these people would have known something was wrong but were "willfully blind."

"There is no way this is a one person fraud, in my opinion," Flatto said. "I believe there had to be multiple individuals. There were too many people who have been hurt."

The first selectman said he recently learned that the city of Danbury and the town of Manchester also believe they were defrauded by Madoff, making three Connecticut municipalities among the scheme's victims. He said Fairfield lost the most.

Both Flatto and Starr want to make it clear that the town's pension board volunteers simply listened to advisors and other financial professionals they had trusted to make recommendations in the best interests of Fairfield's pension holders.

Flatto said the advisor, Tremont, told the pension boards that having Bernard L. Madoff Investment Securities LLC manage a portion of its portfolio "was a good investment" in 1999. He said New England Pension Consultants told them it was a good investment shortly before Madoff's arrest, and that the fund had gotten a clean audit.

"Our pension board never got a warning from our advisors that something may be wrong — ever," Flatto said.

In times like these, it can be easy to point fingers. But Starr says any blame of volunteers serving on the town's two pension boards would be misplaced.

"I think it's a terrible injustice to the volunteers on the board to be maligned as if they did something wrong," Starr said. "Bernard Madoff has done more than stolen money. He has stolen trust."

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JComments