



11/22/2005 11:29:00 AM

RE: Madoff Investment Securities

From: Bachenheimer, Doria G.
To: Calamari, Andrew M. Personal Privacy

The exam team doesn't think that there's anything here. Simona is going to seek information from some of the hedge funds on a voluntary basis to test some of the explanations that Madoff gave to the exam team. If they work out we won't do anything.

-----Original Message-----

From: Calamari, Andrew M.
Sent: Tuesday, November 22, 2005 10:23 AM
To: Bachenheimer, Doria G.
Subject: RE: Madoff Investment Securities

Did you resolve what to do with this?

-----Original Message-----

From: Bachenheimer, Doria G.
Sent: Friday, November 04, 2005 9:33 AM
To: Calamari, Andrew M.; Cheung, Meaghan S.; Suh, Simona
Subject: FW: Madoff Investment Securities

fyi

-----Original Message-----

From: Sollazzo, Robert A.
Sent: Thursday, November 03, 2005 5:38 PM
To: Bachenheimer, Doria G.
Cc: Nee, John
Subject: Re: Madoff Investment Securities

These are basically some of the same issues we investigated and I recognize at least one of the hedge funds (Fairfield Sentry). Some of these comments are not new, I remember looking into a similar allegations back in the 90's at Madoff. John Nee supervised the exam (he is not in on Friday), but I can get you a copy of the report. You should definitely speak to John and the exam team before you move forward.

BOBS

-----Original Message-----

From: Bachenheimer, Doria G. <BachenheimerD@SEC.GOV>
To: Sollazzo, Robert A. Personal Privacy
Sent: Thu Nov 03 17:18:08 2005
Subject: FW: Madoff Investment Securities

Hi Bob,

We're going to look into this. Do you know who the exam team is on Madoff?

From: Dugan, John T. (BDO)
Sent: Thursday, November 03, 2005 2:54 PM
To: Glotzer, Helene T.; Rosenfeld, David; Calamari, Andrew M.

Subject: FW: Madoff Investment Securities

I don't know if Mark forwarded this to any of you, or if NERO is interested in investigating this, but the informant who brought this to us wants to come in and talk about it some more. If NERO plans to investigate this, I would prefer to just hook the informant up with someone in your office. Could you let me know either way?

Thanks, John Dugan, Assistant District Administrator, BDO

From: Ricciardi, Walter
Sent: Wednesday, October 26, 2005 9:16 AM
To: Schonfeld, Mark
Cc: Bergers, David; Dugan, John T. (BDO); Caverly, Andrew D.; Garrity, Michael
Subject: Madoff Investment Securities

Mark, As outlined below, we met yesterday with an informant that raised some significant concerns about Bernard Madoff and his broker-dealer, Madoff Investment Securities. Since Madoff is in New York, and NERO recently conducted an examination, we thought you might want to follow up on this. Additional details are available from John Dugan. Thanks.

From: Dugan, John T. (BDO)
Sent: Tuesday, October 25, 2005 4:26 PM
To: Ricciardi, Walter; Bergers, David
Cc: Garrity, Michael; Caverly, Andrew D.
Subject: Meeting with Informant Today

We met this morning with an informant who passed on information about Bernard L. Madoff and the registered broker-dealer entity that he operates, New York-based Madoff Investment Securities, LLC.

In a nutshell, the informant believes that although Madoff holds himself out as a B-D, he actually manages money for hedge funds. Various hedge funds apparently raise money from investors and hand it over to Madoff to manage, and they don't disclose this to the investors in writing (because Madoff does not want them to reveal that he is managing the money). The hedge funds apparently want Madoff to manage the money because he purportedly has some system that is extremely successful. In fact, the informant believes that Madoff cannot possibly be achieving the returns that the hedge funds claim he is getting. The informant believes that Madoff may be running one giant Ponzi scheme, and there are signs that it may be close to crashing down on him. According to the informant, if that happens, it would have widespread ramifications, as a lot of people have placed a lot of money with Madoff (including some Swiss banks and a lot of Europeans). A few of the hedge funds that have apparently placed money with Madoff are Fairfield Sentry, Ltd; Access International Advisors; and Broyhill All-Weather Fund, L.P.

The informant apparently believes there are many other people on Wall Street and elsewhere also believe that Madoff is

operating a fraud (almost as though it is an "open secret" among a lot of Wall Street firms).

The informant passed along a lot of other information about this situation. There is too much to include it all here, but I'll just mention a couple of other things. As an alternative to the Ponzi scheme theory, the informant believes that Madoff may actually be achieving the claimed returns, but is doing so by front-running. Also, Madoff apparently will not allow any hedge fund to have an independent auditor look at his books. He will only allow his own personal auditor to do so, and that auditor happens to be his brother-in-law.

There are no open investigations of Madoff or the hedge fund entities I mentioned above that may have placed their money with him. NERO apparently recently (in September 2005) conducted an exam of Madoff's broker-dealer entity, and the exam report that Andy obtained touches on some of the same issues that the informant was discussing.

Because Madoff is in New York and NERO may already be interested in this as a result of its exam, I recommend that we refer this to NERO for investigation.

Thanks, John.