

RE: The Madoff Dynasty

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From: Lamore, Peter
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Attachments: image001.gif

Ha. Thanks.

From: Ostrow, William D.
Sent: Wednesday, March 30, 2005 11:16 AM
To: Lamore, Peter; Pocress, Paul E.; Ostrow, William D.
Subject: The Madoff Dynasty

Family Influence

By
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The Madoff Dynasty

Bernie Madoff, Chairman and CEO of Bernard L. Madoff Investment Securities, is surrounded at the office by his brother, Peter, his nephew, Charles, his niece, Shana and his sons, Mark and Andrew. But back in 1960 when he started his firm with \$5,000 saved from lifeguarding at Rockaway Beach and later installing underground sprinkler systems, there was only his wife, Ruth-who helped with some bookkeeping-and dreams of Wall Street success.

Today, Bernard L. Madoff Investment Securities is a leading market maker in off-exchange and after-hours trading of U.S. stocks, including all companies in the S&P 500 and 200 leading Nasdaq stocks. It is also one of the largest market makers in convertible bonds, preferred stocks, warrants, units and rights. Madoff Securities has over \$300 million in firm capital and currently ranks among the top one percent of U.S. securities firms. But it took some time to get there.

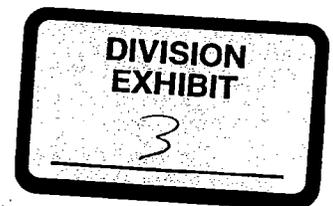
Back in the 1970s, the Madoffs found that NYSE Rule 390-which was only recently rescinded-gave them the advantage of being able to trade NYSE-listed stocks away from the floor, which NYSE members could not do. The Madoffs accessed those stocks through the National Market System (NMS) which was mandated by the Securities Acts Amendments of 1975 to stir competition in U.S. equity markets.

Subsequently, the Intermarket Trading System (ITS) was developed, an order-routing system linking the regional stock exchanges with the NYSE, AMEX and OTC market. In order to enhance the liquidity of their trading pool, the Madoffs became involved with Nasdaq and the Cincinnati Stock Exchange, which facilitated links to other exchanges.

The need to embrace technology early on just to get in the game has served the Madoffs well over the years. They were one of the first firms to automate when they hired TCAM Systems to develop execution software that would read the consolidated quote feed showing all specialists bids and offers on the regional exchanges, the NYSE and the AMEX. Because the executions were totally automated, faster and more efficient, and because the firm guaranteed to match the national best bid and offer for orders up to 5,000 shares-and price improvement if the spread was higher than the minimum increment-Madoff Securities Inc. began to attract significant order flow from regional and discount brokerage firms.

With such activity at the office, it's no wonder business found its way to the dinner table at home. "All of his family members grew up with this being our lives. When it is a family operated business you don't go home at night and shut everything off, so you take things home with you, which is how all of us grew up," says Mark Madoff, director of listed trading at Madoff Securities.

Mark joined the family team in 1986 when he graduated from the University of Michigan. By that time, he was the third family member to jump on board. Peter Madoff, senior managing director and head of trading, began at the firm in 1965 and graduated from Fordham Law School in 1967. That same year Peter had a daughter named Shana. She joined the firm in



1995 after graduating from the same law school her father attended and currently serves as in-house council. Following Peter came Charles Wiener, the son of Bernie's sister Sandra. Charles joined Madoff Securities in 1978 and now serves as director of administration. After Mark joined in 1986, Andrew Madoff, Bernie's youngest son, started in 1988 having graduated from the University of Pennsylvania's Wharton School of business and is currently director of Nasdaq trading. Peter's son Roger Madoff joined Primex Trading in 1999-Primex is an alternative trading system formed from a partnership of four large investment banks and Madoff Securities. "What's nice is that everyone has their own area, I have compliance, Mark has listing, Andy has Nasdaq. So even though we can work together, we're not all thrust into one position fighting over something to do," says Shana.

Mark says, "What makes it fun for all of us is to walk into the office in the morning and see the rest of your family sitting there. That's a good feeling to have. To Bernie and Peter, that's what it's all about." -Anthony Guerra

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