Amy, as we discussed, below is the narrative for converting this MUI into an investigation. I will leave the CATS forms on your desk.

The staff received a complaint alleging that Bernard L. Madoff Investment Securities LLC, a registered broker-dealer in New York (BLM), operates an undisclosed multi-billion dollar investment advisory business, and that BLM operates this business as a Ponzi scheme. The complaint did not contain specific facts about the alleged Ponzi scheme, and the complainant was neither a BLM insider nor an aggrieved investor. Nevertheless, because of the substantial amounts at issue, the staff, in the abundance of caution, requested voluntary production of certain documents from BLM and two of its hedge fund customers, Fairfield Sentry Limited and Greenwich Sentry, L.P., affiliates of the New York-based Fairfield Greenwich Group (FGG) (collectively, the Sentry Funds). The staff also conducted a voluntary interview of an FGG officer. The staff found, first, that neither BLM nor the Sentry Funds disclose to investors that the investment decisions for the Sentry Funds are made by BLM rather than by FGG, and that, in substance, BLM acts as an undisclosed investment adviser to the Sentry Funds. Second, the staff found that, during an SEC examination of BLM that was conducted earlier this year, BLM - and more specifically, its principal Bernard L. Madoff, - mislead the examination staff about the nature of the strategy implemented in the Sentry Funds' and certain other hedge fund customers' accounts, and also withheld from the examination staff information about certain of these customers' accounts at BLM. Third, the evidence obtained so far suggests that BLM also acts as an undisclosed investment adviser to several additional hedge funds. The staff is now seeking additional evidence, in the form of documents and witness testimony from BLM and its hedge fund customers, on the issues of BLM's role in those hedge funds' investment activities and the adequacy of related disclosures. Additionally, the staff is trying to ascertain whether the complainant's allegation that BLM is operating a Ponzi scheme has any factual basis.

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