



Madoff Production

6/7/2006 7:12:21 PM

From: Suh, Simona

To: Cheung, Meaghan S. [Personal Privacy] Lamore, Peter [Personal Privacy] Johnson, Stephen [Personal Privacy]

Attachments: BLM 6.2.06 Let.pdf, BLM 8229-8230 (other accounts).pdf

On Monday, Madoff produced the attached explanation for the trades that Peter had pointed out during his review of the account statements, as well as the attached list of previously undisclosed accounts that Madoff trades pursuant to the split strike conversion strategy. In all, the list includes 86 accounts, with total value as of 4/30/06 of approximately \$336.5M. Most of the accounts are in the names of various trusts and seem to belong to approximately 10 families.

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Madoff also produced options trading data for January 2005-April 2006. (The file is in J:\Enf\CASES\MNY-07563 Certain Hedge Fund Trading Practices\BLM docs.) I have checked this data against the Fairfield account statements, and have found no discrepancies. From this, it does look like Madoff passes the options trades on to customers at the price he gets from the counterparties, with no markup or markdown. As we discussed, I will prepare document requests to two or three of the counterparties, so that we can check a sample of the trades against data from an independent source.

Also, because Madoff stated during his testimony that the newly disclosed accounts are traded pursuant to the same strategy as the accounts in the institutional trading program, I was thinking of calling him and telling him that, in our view, documents concerning these accounts are responsive to our earlier document requests, and that he should produce them. Let me know if you disagree.

(Below are the transcript excerpts concerning the newly disclosed accounts:

BY MS. BACHENHEIMER:

Q: Mr. Madoff, do you personally trade money for anybody else?

A: What do you mean trade money for anybody else?

Q: Is there anybody else who provides you capital to invest and you trade on their behalf, whether it be an individual [sic], an entity, a partnership, a corporation, your neighbor, anything or anyone?

A: We trade, as part of our market making strategy, we get non-held orders. That we trade. We have – there are some individual accounts, family accounts and friends that we trade as well. Is that what you mean?

Q: Yes. I don't mean - putting aside the market making business and putting aside the proprietary trading, but family, any kind of money that you trade pursuant to any strategy?

A: Yes. Not institutional funds.

BERNARD L. MADOFF

INVESTMENT SECURITIES LLC

885 Third Avenue New York, NY 10022

"Confidential treatment requested by Bernard L. Madoff"

212 230-2424

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00008228

Bernard L. Madoff

June 2, 2006

United States Securities and Exchange Commission
Northeast Regional Office
3 World Financial Center
Room 4300
New York, NY 10281

Attn: Simona K. Suh

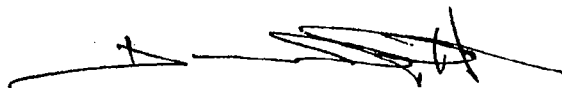
Re: Certain Hedge Fund Trading Practices
(NY-07563-A)

Dear Ms. Suh:

As per our telephone conversation of May 22, 2006, enclosed please find the information you requested.

In response to your question regarding the option transactions of April 2004 and March 2005, in both instances the call side of the conversion spread was removed and subsequently re-established. This event would occur (while positioned in a Split-Strike Conversion strategy) if one anticipated a short term upward spike in volatility. Unwinding the call leg of the spread allows for the stock portfolio's market movement to the upside without being capped.

Very truly yours,



Bernard L. Madoff
Bernard L. Madoff Investment Securities LLC

Confidential treatment requested by:

Bernard L. Madoff
885 Third Avenue
New York, NY 10022
(212) 230-2424

BLM/ep
Enc.

Affiliated with:

Madoff Securities International Limited
12 Berkeley Street, Mayfair, London W1J 8DT. Tel 020-7493 6222

MADOFF_EXHIBITS-05054

ACCOUNT TITLE

04/30/06 VALUE

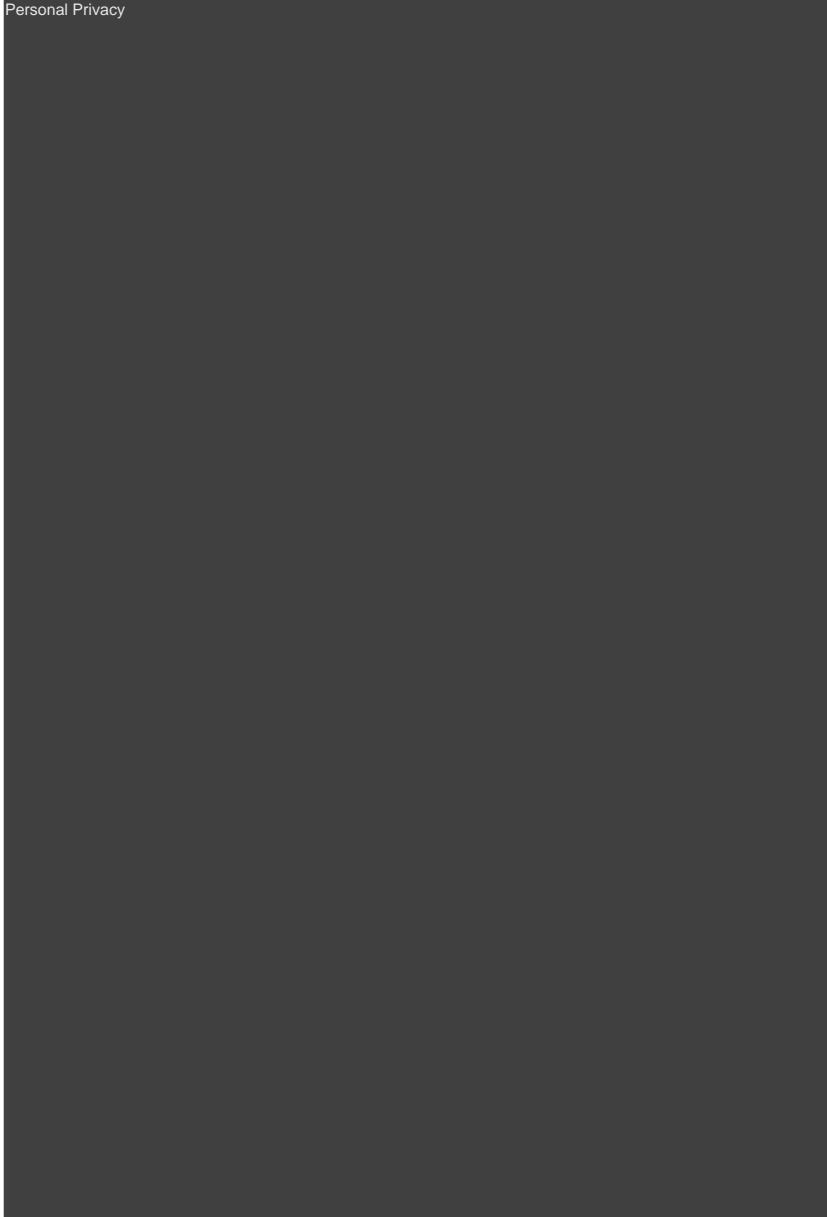
Personal Privacy

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ACCOUNT TITLE

04/30/06 VALUE

Personal Privacy



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