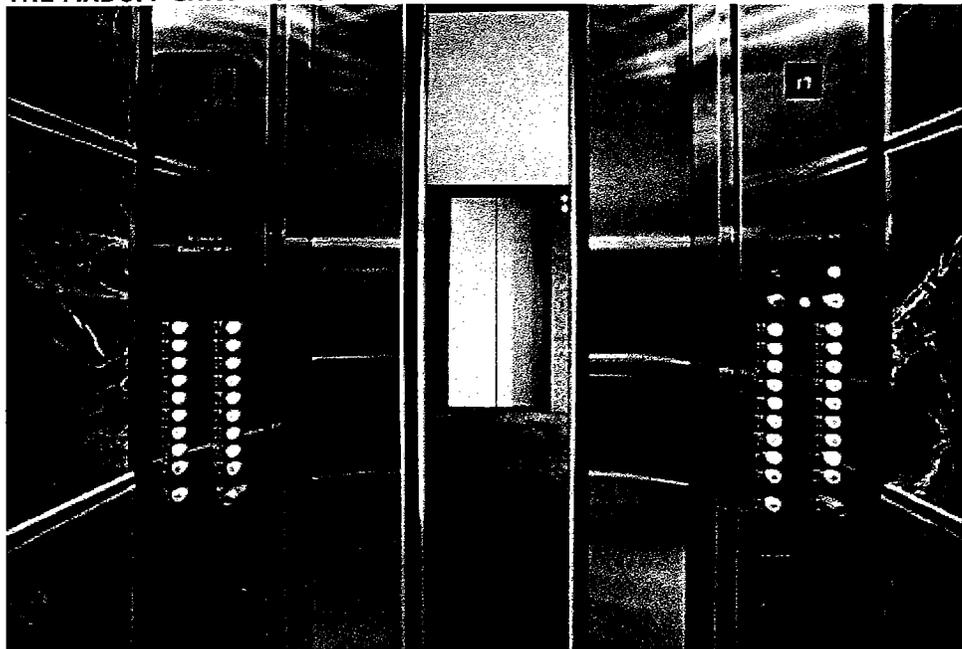


VANITY FAIR

THE MADOFF CHRONICLES



An elevator opening onto the mysterious 17th floor of the Lipstick Building, in Manhattan, where a small staff helped to manage Bernard Madoff's exclusive investment fund. *Photograph by Stephen Wilkes.*

Madoff's World

Among Bernard Madoff's many dupes were his closest friends, including two tycoons he loved as surrogate fathers: the late Norman F. Levy—whose girlfriend, supermodel Carmen Dell'Orefice, would lose her life savings—and the prominent philanthropist Carl J. Shapiro. Amid the sobs, screams, and curses in Aspen, Palm Beach, and New York, with victims sharing their stories, the author gets behind Madoff's affable façade, to reveal his most intimate betrayals.

By **MARK SEAL** April 2009

Over dinner in New York one night in January, I was airing my frustration concerning Bernard Madoff. Everybody had read about the losses he had inflicted on foundations associated with Steven Spielberg, Elie Wiesel, and Mort Zuckerman, I told my dinner companions, but after having interviewed nearly 40 of his other financial victims, I still couldn't get a picture of what the man was like. "If you want to know about Bernie Madoff," said Mary T. Browne, the renowned psychic and author, who counsels many heavy hitters on Wall Street, "you need to talk to my friend Carmen Dell'Orefice." She was referring to one of the original supermodels, the platinum-blond beauty who had posed for Richard Avedon, Irving Penn, Francesco Scavullo, and Norman Parkinson, and who had been a muse to Salvador Dalí. She had first appeared on the cover of *Vogue* in 1946, when she was 15. "Nobody can give you better insights into the Madoffs than Carmen," Browne told me. "I'll see if she'll talk to you."

Two days later, when I arrived at her Upper East Side apartment, Dell'Orefice was ready for me. Still gorgeous at 77, she led me to her bedroom, where she had laid out

VIDEO

on
her
king-
size



Madoff's victims speak out. *Above*, Irwin and Steven Salbe, longtime investors with Madoff, in their Fort Lauderdale restaurant. *Photograph by Stephen Wilkes.*

coverlet piles of intimate photographs, canceled checks, and reams of investment statements spelling out her relationship with Madoff. Mary T. Browne was right. She had quite a story to tell.

It began in the fall of 1993. Six years after the death of her fiancé, the legendary television impresario and talk-show host David Susskind, a neighbor introduced Carmen to Norman F. Levy, a giant of mid-century New York City real estate, who, along with such titans as Harry Helmsley and Samuel LeFrak, had helped shape the city by filling its skyscrapers with blue-chip tenants. Then 80 and a widower, Levy had retired to a good life of travel, philanthropy, and passive investing, most notably with his best friend, Bernie Madoff.

On Valentine's Day 1994, after four months of dating, Levy made what Carmen called his "grandstand play" for her affection. He instructed her to meet him at the office of Bernard L. Madoff Investment Securities, in the Lipstick Building, the oval red-granite monolith at 53rd Street and Third Avenue designed by Philip Johnson and John Burgee. "Bring your checkbook," he said.

Carmen arrived early, she remembered. "And there was a little man sitting behind a very big desk. 'Are you Mr. Madoff?,' I asked."

"Yes, and I'm expecting you," he said, his mouth pursed in what she would soon discover was his trademark smirk.

"In back of me, I hear this booming voice: 'Did you bring your checkbook?' I turned around and there was Norman, all six-foot-three, two-hundred-and-something pounds of him. 'Yes, Norman, I did.'"

"Then write one out for \$100,000," Levy told her. Carmen couldn't write a check for anywhere near that amount; she was still in arbitration after having lost most of her money in the stock market and having been forced to auction off her early modeling photographs at Sotheby's the year before.

"Bernie Madoff chuckled and said, 'Don't worry, the money is there.' He added, 'Mr. Levy put it in your account.'"

"He Is My Son"

"This is very special, what I am doing for you," Levy told Carmen, indicating what an honor it was to be admitted into Bernie's exclusive fund, which, while usually not as high as other funds in an up market, never lost in a down market. Its 10 and 12 percent annual returns were totally dependable. Levy's grandstand play worked. "I told Norman, yes, I would take a trip with him to London, and Bernie arranged for the honeymoon suite at the Lanesborough. It was the suite Bernie usually stayed in, but he gave it up for Norman. Bernie and Ruth, his wife, had a suite upstairs."

It was the beginning of a beautiful friendship. Along with her \$100,000 investment, which, with additional infusions and the fund's steady returns, grew into millions, Carmen got a new social life. She showed me pictures

and told me stories of dinners, family gatherings, charity balls, and Madoff company picnics, held at Madoff's home in Montauk, on Long Island, where the investment shaman would book every hotel room in the vicinity for his employees and their families. She recalled trips on yachts and outings in New York and evenings in the Madoffs' house in Palm Beach—12 years of Norman and Carmen and Ruth and Bernie. "The intimacy of those events," she said with a sigh. "Birthdays. Hanukkahs. Building a yacht for Mr. Levy in the last years of his life ..." She showed me a picture of Madoff on the yacht, bare-chested and wet from a dip in the sea, kissing the white-haired Levy on the cheek. "Norman said, innumerable times, 'He is my son,'" she told me, meaning that Levy considered Madoff his surrogate son, a member of his family.

'Bernie was quiet, not a storyteller, not a conversationalist," said Carmen. "I often thought he was perhaps bored. He was just Bernie, pleasant and polite." He always deferred to Levy, who was 26 years his senior, and whom he called "my mentor of 40 years." I asked if Madoff was ever flirtatious. "Never!" Carmen exclaimed, adding that he rarely if ever touched alcohol. Even though Madoff didn't drink, he knew that Norman loved good red wine, so he meticulously planned wine-tasting tours for him. "He knew where all the vineyards were, and he arranged for Norman to do these excursions into the countryside.... *Everything* was about Norman."

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big." She said that Bernie and Ruth both still had a Queens accent, adding playfully, "You could tell they weren't raised in Switzerland." But then, Norman Levy had come from a similarly humble background. He had attended high school in the Bronx and worked his way up from selling magazines and Fuller brushes to taking a low-level job at the Cross & Brown brokerage firm, of which he became C.E.O. in 1976. Though at one point he had an ownership stake in 70 properties, including the Seagram Building and 21 shopping centers across America, one of his proudest treasures was his friendship with Madoff.

'Listen, it may have been bravado, Norman grandstanding to me that he spotted a genius early on. He would say, 'Bernie Madoff is the most honorable, smart person,'" said Carmen. Madoff responded in kind. "He was shy, but so sure of himself. He always did so much for Norman's comfort in the smallest details." Madoff had his suits tailor-made at Kilgour, on Savile Row, in London. Soon, Levy was having his suits custom-



Model Carmen Dell'Orefice, the girlfriend of the late Norman Levy, two days before she learned she had been cleaned out by Madoff. By David X. Prutting/PMC.

Showing me pictures of birthday parties and New Year's Eve celebrations—Madoff in a silly paper hat, his calves showing, lounging on a divan, with Ruth, as always, at his side—Carmen said, "This was their idea of fun." In other photographs, Madoff was whispering in Levy's ear or had his arm slung around the big man's shoulders. "I think of him as always smiling," said Carmen. "Bernie was poor and from Queens and made it

made in London, too.

When Levy decided to build a yacht so that he could stop chartering Malcolm Forbes's each season, Madoff helped oversee the construction of a 127-foot Royal Denship. "And when we were in the South of France, he arranged for an armed bodyguard for us. Bernie knew about piracy, because he was an oceangoing person." When Levy's yacht set sail, Bernie and Ruth were on board. "Norman and Bernie never talked business, except on the telephone," Carmen told me. When the men watched television or films, the choices were Levy's; when they listened to music, Levy selected and Madoff (whose tastes leaned to the likes of Neil Diamond) went along. After dinner, the Madoffs would depart, to their suite at the Hôtel du Cap-Eden-Roc, in Antibes, or to their house in the South of France. They'd return the next morning, sometimes with provisions, particularly Norman's favorite ice cream, and whether they were in Monte Carlo or Palm Beach, the two women would go shopping. Ruth was as polite, pleasant, and inconspicuous as her husband.

The Madoffs' favorite New York restaurant, I learned, was Primola, a friendly Italian place on Second Avenue near 64th Street. The waiters there told me how Madoff and his wife would arrive, always around 6:30, ask for a quiet table at the back, order the same thing (small salad, then chicken scarpellino and Diet Coke or red wine for him, fish and white wine for her, no dessert, no coffee), and be out in 50 minutes flat, leaving a 20 percent tip on what was always a modest bill. "I know him for 30 years," said the owner, Giuliano Zuliani, who met Madoff while working as a waiter. "When I would talk to him, though, his wife would look down at the table. In all the years she knew me, she never spoke to me." Dominick, the assistant maître d', said, "Now everybody is asking for 'the Madoff table,' but I always say, 'The F.B.I. already has it.'" One night when I was there, two women walked in, and one of them announced, "This is our last dinner at Primola. My family lost all of our money to Bernie Madoff."



Once, after Levy's health began to fail, Madoff arranged for a helicopter to transport him for medical treatment. And when Levy died, in 2005, at 93, Madoff delivered a eulogy at the funeral. "Norman told me that Bernie was the executor of his will," said Carmen. "Before Norman passed away, there was the Betty and Norman F. Levy Foundation," she said, referring

Madoff with Norman F. Levy on the older man's yacht. *By Carmen Dell'Orefice.*

to the charitable institution Levy had founded with his late wife and left to his heirs, with a reported \$244 million in assets in 2007, to be used for causes ranging from cancer research to Yeshiva University. "Long before he died, he had given both of his children their own money, and each had created a charitable foundation. All three foundations closed after December 11," she said—the day Madoff admitted to F.B.I. agents that his investment fund, into which approximately 13,500 individual investors and charities had put their money, was "one big lie." (Both of Levy's children, Jeanne Levy-Church and Francis Levy, declined to comment.)

After Levy's death, Carmen said, she went out to dinner several times with the Madoffs. But she got the news of Bernie's arrest by telephone. "At ten minutes to five, Lillian, a girlfriend, called me up. Lillian had \$400,000 with him, all she had in her life, and she's 68. She said, 'Are you all right?' I said, 'Of course I'm all right. Why?' She said, 'You didn't hear yet?' I said, 'Hear what?' She said, 'They've arrested Bernie Madoff!' And I said, 'For what?' And she said, 'It's all a fraud. Turn on the television.' By five minutes to five, I had moved past the fact that everything I thought I had on paper was gone. Ten minutes past five, I called Bernie's private office number, and a secretary picked up," she continued. "I said, 'This is Carmen Dell'Orefice.'"

"We just found out less than 45 minutes ago," the secretary said.

"Then it's so?"

"It seems so. I don't know," she said.

At that point in her story, Carmen shook her head. "I am accepting that what I thought I was experiencing was a projection of a person who wasn't there. If I didn't take all the pictures I took all those years, I would say, 'Carmen, you're delusional.' I know these people did not start out doing harm. So many people have been hurt, I feel badly about trying to say anything good. But I'm starting from where I was knowing them. Because I'm hurt, too. For the second time in my life, I've lost all of my life savings."

At seven p.m. on December 11, Carmen got a call from Norman Levy's daughter, Jeanne Levy-Church, who contributed millions to good causes around the world through her JEHT Foundation. (The name stands for Justice, Equality, Human dignity, and Tolerance.) "She said, 'I just want you to know: at four o'clock today, I had to close down my foundation.'"

Sitting there in Carmen Dell'Orefice's Park Avenue bedroom, listening to this elegant, charming woman speak about the Bernie Madoff she had known before his Waterloo, I realized that her remembrance of him as a generally quiet, caring, devoted little man was the most damning testimony I had heard yet. I thought to myself, If a son could loot the fortune of his father, what would he do to a stranger?

"Playing the Spread"

In truth, I had been trying for months to invest money with Madoff. As the stock market fell precipitously in the fall of 2008, I would hear my friends in Aspen, Colorado, the affluent resort town where I live, gloat about the kindly Jewish uncle, the financial genius, who didn't just keep their money safe but paid dividends, while everyone else's portfolio plummeted by 40 percent. "Bernie's gone to cash," one said. "Bernie's in Treasury bills," said another. "Thank God for Bernie!" said a third.

In November, I invited a friend and longtime Madoff investor to dinner and literally begged him to get me in. He listened politely, then shook his head slowly. "Forget it," he said. Bernie was closed; Bernie had a multi-million-dollar minimum; Bernie didn't need my money. His discouraging response only made me want Bernie all the more.

A few weeks later, on December 11, I was trying my luck again. My wife and I were having dinner in another

Aspen restaurant with another friend, who, thanks to investing with Madoff for 20 years, had recently retired to a life of golf and skiing. In the course of the evening, the cell phone of the investor's companion rang a number of times, but she didn't answer right away. When she finally did, she came away with unbelievable news: Bernie Madoff had been arrested and had reportedly confessed to cheating clients of nearly \$50 billion in a Ponzi scheme. Within hours we knew that half a dozen of our friends had been hit, and that my dinner companion's retirement was over.

Once the cell phones started ringing on the slopes, that day and the next, a previously unknown social class emerged in the fancy resort: the newly needy. People rushed home, where the flat screen was filled with the news, and gradually came to realize that one life was gone and another had begun. "Hysterical" was how one man described to me the mood in his home, adding that the hysteria was followed by humiliation and shame. As another said, Who wants to go out in a resort town where people are celebrating if you can't pay a restaurant tab and everybody around you knows it?

As Christmas turned to New Year's, the roster of the stricken had ballooned—too many to believe. How the Madoff pox had found its way to the Rockies and spread, however, was still unclear. Bernie had been in Aspen, people said, as had his brother, Peter, but never to solicit blatantly. Soon I knew of approximately 50 investors in Aspen who had been stung. As one of them told me, when the stock market began to slide, they had begun shifting "from the losers to the winners," until some of them had everything except their houses—which in this town can mean a \$10 million asset, frequently pure equity—invested with Madoff. Then, as Madoff kept performing and the market kept going to hell, the house would also go to him. "Everybody looked at it like a money market, backed by U.S. Treasuries," one business leader said. "They kept pulling money out and putting it in. Somebody—I don't want to mention his name—refinanced his house a couple years ago, when the rates were low, and put all of the money with Madoff. Now he has no money and no house."

They called it "playing the spread." Five years ago, if someone had a mortgage-free home in Aspen worth \$15 million, he could easily get a mortgage on it for \$10 million at 4 percent interest. The carrying costs on that \$10 million mortgage would have been \$400,000 per year. By investing the \$10 million proceeds of the mortgage with Madoff at a 12 percent return, the 8 percent difference between the carrying costs and the return would have given the owner \$800,000 per year. One friend said, "A lot of people here own their houses free and clear, so that would be a home run."

As the suffering increased, a certain inevitable Schadenfreude set in. Those who had begged to get into Madoff's fund and couldn't were now crowing about "what geniuses they were," as one major player who had "lost a few bucks" (meaning a few million, in Aspen parlance) told me. At the same time, I overheard the vultures plotting in the Jacuzzis of the Aspen Club and Spa. One said he was waiting for the "distress to deepen" so that he could swoop in and scoop up foreclosed homes and planes.

Then the locusts descended: the lawyers. They flew in from New York, three of them to start, and stood out in their business suits among the jeans and ski sweaters, addressing a somber audience in a 10,000-square-foot house that was rumored to be going on the market. "Grown men were hugging each other," a man who had been there told me. Once word got out that I was going to write an article about the Madoff mess, my cell phone never stopped ringing. Victims I hardly knew wanted to tell their stories, vent their anger, get revenge.

One day I called the Manhattan attorney Barry Slotnick, who has represented everyone from New York "subway vigilante" Bernie Goetz to Russian mobster Vyacheslav Ivankov. He had just been in Palm Beach, he said, where he had been speaking with Madoff victims who wanted to sue. Business was booming, he said, adding, "Remember, he took money from people who knew how to make money." Listening to Slotnick, I knew I was

getting only a small portion of the story. Within hours, I booked a flight to Florida.

“What Hitler Didn’t Finish, He Did!”

Madoff’s fall hit Palm Beach like a hurricane. In the best restaurants, diners blanched after learning by cell phone that their money was gone. Shell-shocked guests at the December 11 kickoff party for the International Red Cross Ball, at the home of Susan and Dom Telesco, the U.S. distributor of Tommy Hilfiger, looked as if they’d “just seen ghosts,” said someone who was there. “People came in and said, ‘Oh, my God, I lost this much, that much. How much did he hit *you* for?’” From the private clubs to the seaside mansions, “a curse of almost biblical proportions,” as it came to be called, descended like an evil cloud. “It spread like wildfire,” Laurence Leamer, author of *Madness Under the Royal Palms*, told me, singling out one of his early callers, a business titan who had lost \$50 million overnight. “His charity was wiped out, his foundation was wiped out, the retirement for his employees was wiped out.” Leamer got a frantic call from a woman who was at the annual ball of a Jewish charity. “She said it was like the *Titanic* going down—people screaming and yelling. She had never seen such emotion,” said Leamer. “Everybody was drunk—people that don’t drink—like their lives were over.”



The Madoffs’ Palm Beach residence.
Photograph by Stephen Wilkes.

It wasn’t just their money that Madoff stole from the Jews of Palm Beach; it was what their money enabled them to do. “Palm Beach is a Jewish majority,” Leamer said, explaining how over the years the resort had evolved from a bastion of Wasp anti-Semitism, where Jews were not allowed in many of the hotels, much less the private clubs—in some cases they’re still not—into a town whose business and social arenas were dominated by Jews. “They’re richer than Wasps,” said Leamer. “They’re basically more cultured, more generous. This is *their* island, or was—until December 11. This not only destroys them financially but also destroys a sense of superiority they had.”

“What Hitler didn’t finish, he did! To the community!” a doyenne of Palm Beach Jewish society who had lost double-digit millions told me in her beautiful home, surrounded by a sizable staff and priceless art.

The center of the storm was the predominantly Jewish Palm Beach Country Club. The sand-colored building, with its fine restaurants and 18-hole golf course, sits between the Atlantic Ocean and Lake Worth. Membership is based not on what you have—the \$350,000 initiation fee is the least concern of the admissions committee—but on what you give away. Madoff became a member in 1996. “You won’t get in unless you can demonstrate that you’ve been charitable in a big way,” said Richard Rampell, an accountant with a number of clients who are

members. "They want to see a history of many years of giving every year at least what the initiation fee is, and they ask you to prove it.... I have a few clients who give 10 to 20 times that much every year to charity." One member told me, "We built the hospital, we built the Kravis Center for the Performing Arts. We built it all. This is just not a come-and-have-a-party group."

With the arrival of Madoff in Palm Beach, the group renowned for giving became the group that got taken. According to some reports, as many as one-third of the 300 members invested with him. One woman told me to look at a recent issue of a local magazine, on the cover of which were three important philanthropists. "All big givers," she said. "They all got killed—their charitable trusts wiped out! They're all in their 80s, and they devoted their lives to helping others." She added, "And this bastard! Did you see him on television?" She mentioned the smirk Madoff turned on reporters. "I'd like to crack him!"

Next came an ugly wave of anti-Semitism. "It has opened up Pandora's box," said one society leader. *The Palm Beach Post* wouldn't even run most of the vitriolic posts that flooded its Web site. "When I started writing Madoff stories, the anti-Semitic messages started immediately," said *Post* columnist Jose Lambiet. "It took decades for the Jewish community to get past this thing, and now ... " His voice trailed off. "The anti-Semites are ecstatic," said one resident. "Supposedly, there was a crack made at a local club: 'This is terrific. Now maybe we'll get our land back.' These people were not pleased at the way Jewish wealth has come into this community, but they have been very happy to get Jewish philanthropists involved in their charitable endeavors."

Shortly after Madoff's arrest, Rabbi Moshe Scheiner advised his congregation at the Palm Beach Synagogue to look beyond money, beyond financial losses, to matters of deeper importance. In New York, Rabbi Marc Gellman wrote in an open letter to Madoff in *Newsweek* about the pain he had inflicted on the Jewish community: "There must be some new word invented to describe the way you have redefined betrayal." Rabbi Mark Borovitz, a reformed scamster and alcoholic himself, whose Los Angeles foundation lost between \$200,000 and \$300,000 to Madoff, called Madoff's crooked style "affinity theft," in which the con man preys on the idea that you can trust your own people. "Whether it's Latino or black or Jewish or Christian, everybody wants to trust their own. Bernie Madoff took our trust and raped it," said Borovitz. "He took advantage of every vulnerability, because he knew our vulnerable spots."

When asked to describe Madoff's personality, most of the people I interviewed in Palm Beach could come up with very little. "Pleasant, charming, but reclusive," said one. "I go out nine nights out of seven, and I never saw him out once," said another. "We'd never heard of him before December 11," said Jeff Ostrowski, of *The Palm Beach Post*. Madoff's barber, who had cut his hair and given him manicures and pedicures at least once a month for 17 years, couldn't recall Madoff saying anything other than greetings and small talk.

"A Lot of Arrogance in That Family"

"The one thing we could all agree on is that we should curse the Madoff bloodline," Roger Madoff, Bernie's nephew, wrote in *Leukemia for Chickens*, a memoir about his fight with the disease, which was published in 2007, a year after his death. Cancer runs in the Madoff family, but Roger's words have recently acquired much larger implications.

Bernard Madoff must have been a split personality, "pure Jekyll and Hyde," according to Stephen Raven, the head of Madoff's London office, which he explains was involved exclusively in proprietary trading with Madoff family money. Raven, who has known Madoff for more than 30 years, told me, "I haven't spoken to anybody in America since that tragic night when I saw he was arrested on television. I was shivering, shaking. I still find it hard to believe. I don't know the person they're talking about, and I know Bernie Madoff very well." Other people assured me, however, that when Madoff was away from the mob groveling for entry into his fund he was the opposite of the quiet, kindly, smiling Uncle Bernie he presented to the world. According to some close

observers, he ruled his family by fear.

The Madoffs could often be found in a cabana at the Breakers hotel, in Palm Beach, where, according to a family friend, they considered themselves royalty: "There was a lot of arrogance in that family. Bernie would talk to people who were as rich as he was, but he didn't want to be bothered with the little people." Bernie and Ruth had come a long way from Laurelton, Queens, where they had started going steady in junior high. "Laurelton was a middle-class, substantially Jewish suburb, and everybody in Laurelton knew everybody," said a close friend from those days. Bernie's parents, Ralph Z. and Sylvia "Susie" Muntner Madoff, were both children of immigrants (his from Poland, hers from Romania and Austria). They had married in 1932, at the height of the Great Depression. On the marriage license, Ralph's occupation was listed as "Credit" and Susie's as "None." "Heavysset, fairly dark, Bernie was Ralph's son in terms of looks," one friend remembered. Ralph "was either a stockbroker or a customer's man [an account representative]," another friend told reporters. Whatever Ralph's business was, it apparently went sour in August 1963, when the S.E.C. began "proceedings ... to determine whether" 48 broker-dealers, including Bernie's mother, "Sylvia R. Madoff [doing business as] Gibraltar Securities," had "failed to file reports of their financial condition ... and if so, whether their registrations should be revoked." The address of Sylvia's broker-dealer account was the family home on 228th Street, and since in those days few mothers worked, there is now some speculation that she may have been fronting for Ralph.



Ruth and Bernie Madoff on the yacht of Norman F. Levy, the multi-millionaire who considered Bernie his surrogate son. *By Carmen Dell'Orefice.*

Ruth's father, Saul Alpern, was a quiet, successful C.P.A. "The only time I was in debt was when I borrowed \$50,000 from my wife's parents to start my own firm, and I paid that back," Madoff once boasted to Credit Suisse and other investors, according to Bloomberg News. "I can't imagine that his father-in-law would invest \$50,000 in his son-in-law," one friend protested. "That was a hell of a lot of money!" She said Bernie and Ruth had been married in a "very nice Jewish wedding—sit-down dinner," on the Saturday night after Thanksgiving 1959, at the Laurelton Jewish Center, the only synagogue in town. "Their first apartment was in Bayside. I know the rent was \$87 a month, so that will give you an idea of what \$50,000 was like," she added. "We never thought Bernie was going to set the world on fire." Ruth, however, might have. While Bernie spent his freshman year at the University of Alabama—at that time, some say, an easier entrance portal for students who couldn't get accepted into eastern colleges—Ruth passed the entrance requirements for Queens College. "She graduated and had a job on the stock market in Manhattan. She was a very smart girl and a very good student." Once Bernie had gotten through Hofstra University and attended Brooklyn Law School for a year, the couple fled Queens and never looked back. In 1960 they began working together at Bernard L. Madoff Investment Securities, which Bernie founded with his savings of \$5,000 from lifeguarding and installing sprinkler systems. From the start, Ruth's office was right next to her husband's.



Madoff at ease, celebrating New Year's Eve aboard the yacht of his closest friend and mentor, Norman Levy, who died in 2005. *By Carmen Dell'Orefice.*

Saul Alpern was an early feeder for them. After retiring, Ruth's father attracted investors through word of mouth, especially when he stayed at the Sunny Oaks, a Borscht Belt hotel in the Catskills. As David Arenson, a relative of the owner, wrote on his blog, "Way back when, our little hotel turned out to be fertile ground for investors for Bernie. Almost everyone in the family had a Madoff account. Accounts radiated out through the guest population, through our distant relatives and the distant relatives of guests. All told, I can think of a dozen people I know who are, collectively, out at least \$5 million, and I am sure those people know another dozen people."

With information from a variety of reliable sources, it is possible to get a fairly clear picture of Bernard Madoff. He reportedly has a major case of obsessive-compulsive disorder and is an "anal retentive" neatness freak, Julia Fenwick, the manager of Madoff's London office, told me. The offices in New York and London were almost identical—starkly modern in shades of black and gray—and everything in them had to be perfectly in place. A messy desk, scratches or scuffs on furniture, even an undrawn window blind, could drive Madoff crazy. He installed two cameras on the trading floor of the London office so that he could monitor it from New York, and he had a videoconferencing camera ripped out of the office wall in London because he couldn't stand the circular shape of its casing. Last year Fenwick flew with the family on a golf trip to Mexico. That same week Bernie celebrated his 70th birthday. "It was a brand-new plane, and he was maniacal about keeping it pristine, to the point that his brother, Peter, told me, 'You can't put your luggage with metal edges on that seat! Bernie will kill me!'" she said. "He was very insistent that we did everything by F.S.A. [Britain's Financial Services Authority] guidelines," she continued. "Everything was by the book in the U.K. office. And he wanted to make sure—as it says in his brochures and on his Web site—that his name was on the door. His name was the most important thing."

"Bernie is not what you would call Mr. Nice Guy, not someone you would want to have a beer with," one insider volunteered. "He was imperial, above it all. If he didn't like the conversation, he would just get up and walk away. It was 'I'm Bernie Madoff and you're not.'" In view of the fact that Madoff looted so many charities, it is therefore interesting to note that his own favorite charity—the Lymphoma Research Foundation—did not invest in his fund.

“Mostly Tough Love and Fear”

“All of his family members grew up with this being our lives,” the Madoffs’ elder son, Mark, then director of listed trading, said in a 2000 interview. “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.” Mark, who is 44, and his more reserved brother, Andrew, 42, were the heirs apparent, both trying to carve out a place for themselves within their father’s daunting shadow. “He loved his sons, but he never showed it,” said a family friend. “Mostly tough love and fear. People were afraid of Bernie. He wielded this influence. They were afraid of his temper.”

The second Madoff family is headed by Bernie’s brother, Peter, a lawyer and computer whiz, who is seven years his junior. Peter became senior manager of trading and compliance director, but he and his two children—his daughter, Shana, a rules-compliance lawyer for the trading division of her uncle’s firm, and his late son, Roger, a Bloomberg News business writer who joined the firm before his death, in 2006—were strictly second-tier Madoffs, working for the company but owning only a very small part of it. “Bernie’s little brother, Peter, is a sweet kid,” said one insider, adding what many add when describing Peter Madoff: *poor Peter*. “Peter could never live up to Bernie.” But Bernie rarely made a move without his brother. “Peter would watch over Bernie’s ass. Peter is much more religious, more even-keeled. Bernie is more cocky, arrogant, a showman. Shrewd like a fox.” Peter’s wife, Marion, a bridge player and dog-lover, could never quite make the grade in the eyes of the powerful, matriarchal Ruth. (All of the Madoffs point out that they have no involvement in the firm’s asset-management business.)



Peter Madoff, senior manager of trading and compliance director at his brother’s firm. *By Carmen Dell’Orefice.*

“When everybody thinks your dad’s a god, why shouldn’t his own sons think that?,” Mark Madoff once said to a friend. Mark and Andrew sat at adjacent elevated desks overlooking the trading floor. Friends described them as caring, considerate all-American guys, passionate about baseball, fly-fishing, their children, and their families. They both lived very large. Mark owns numerous properties, including a multi-million-dollar Vicente Wolf–designed apartment on East 72nd Street, in Manhattan. Until his recent separation from his wife, Deborah, Andrew lived at fashionable 10 Gracie Square. Each brother has an expansive country house in Greenwich, Connecticut.

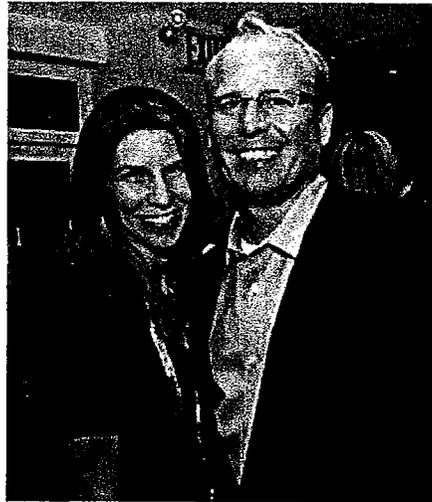
“Mark got divorced and married a babe—hot, blonde Stephanie,” said a friend. “They had a million-plus wedding on Nantucket.” Meanwhile, Andrew was diagnosed with mantle-cell lymphoma in March 2003, and had to consider radical treatment, “which would quarantine him for at least half a year,” as Roger Madoff wrote in his memoir. Andrew didn’t want to take more time than necessary away from the family firm. He eventually survived the disease and returned to work. He became chairman of the Lymphoma Research Foundation in January 2008, but he resigned a few weeks after his father’s arrest.

In November 2007, Mark and Andrew led a private investment group in acquiring Abel Automatics, a manufacturer of fly-fishing equipment, and invested in Urban Angler, a Manhattan fishing shop. Andrew also acquired a new girlfriend, Catherine Hooper, who owned Urban Angler with her previous boyfriend. Hooper was once on the cover of *Fish & Fly* magazine, her black hair in Bo Derek braids, wearing the scantiest of bikinis. There were six more pictures of her inside, holding a rod, with a tool belt slung across her hips. “Come *here* you big, shiny hunk of hard-swimming silver!” read the caption for one picture of her reeling in a bonefish. The article, which she wrote, was “the fascinating tale of how I came to be the tropical boatmate of an Israeli commando and 10 guys filled with fish-lust in the wild, wild west of the Indian Ocean—home to the biggest,

brightest bonefish in the world.”

Andrew's wife, Deborah, happened to file for divorce the day Bernie was arrested. “She got the house and everything in it,” said L.A.-based interior designer Paul Fortune, whom Andrew flew from L.A. to New York to decorate an apartment on East 74th Street for him and Catherine. “They'd gotten basically a Crate & Barrel sofa and a bed. They wanted to get it pulled together.” On December 11, however, Fortune got an e-mail from the couple: *Have you seen the paper today?* “So everything was kind of canceled,” he concluded.

Despite her colorful manner, Catherine Hooper seems fairly tame compared with Bernie Madoff's niece, Shana, who is 38. She began working for Uncle Bernie when she was 26, straight out of Fordham Law School. In 1997 she married tall, handsome Scott Skoller, the manager of a men's-wear store called Tyrone, in Roslyn, on Long Island. The couple had a daughter, Rebecca, before they divorced. “She had a thirst for social climbing,” said someone who knows Shana well. “It was all about image. She was proud she was a Madoff, but she wasn't getting as much juice from the economics.” According to Julia Fenwick, “Her responsibility was looking over everything, the rules and regulations. She was very strict with compliance rules.” Shana's job, however, did not cover the firm's private-investment division.



Shana Madoff, Bernie's niece, and her husband, former S.E.C. lawyer Eric Swanson, at a Whitney Museum party, March 2008. By JP Pullos/PMC.

After her uncle was arrested, Shana's friends rushed to extol her intellect and her charitable endeavors—she had recently been honored as a Girl Scouts of America Woman of Distinction. Then an article about her that had appeared in *New York* magazine in 2004 resurfaced. In it, Shana asks her daughter, “Rebecca, what color does Mommy wear a lot of?” The child, who was then four and a half years old, exclaims, “Black!” The article included the following assessment of Shana:

Her salespeople at Jeffrey messenger a shipment of [Narciso] Rodriguez's clothes and shoes to her at the beginning of each season and simply charge her for what she doesn't return. “If I see something I like, I call around,” explains Madoff, a securities lawyer. “I just don't have time to shop. I get a little bit aggravated when I go into a store because I could be doing so many other things that are so much more productive. And the salespeople are around the clothes all day. They know them much better than I do.”

She can be quite determined about getting certain items. Last summer, while sitting on Georgica Beach [in East Hampton], she was thumbing through Harper's Bazaar when she stumbled across a tweed Prada bag she knew would go perfectly with her Rodriguez basics. She left her friends and walked down the beach saying she had “to make an important phone call.” She ordered the bag on her cell phone. When it arrived two days later, she came clean to her boyfriend. “That was my important phone call!”

“Shana had a shoe fetish—like 30, 35 pair of Manolos. She was a real fashion victim, always wanted to be on the best-dressed list. She only cared about the labels,” said a friend. “Her focus was on clothes and yoga. Private instructor—Ashtanga. She wore very skintight clothes.”

After her divorce from Scott Skoller, Shana began dating some of the young masters of Wall Street—“bad boys living the fast life,” as a friend described them. These were exciting, good-looking men, in the social pages more than the business press. That is why many people thought it out of character for Shana, in 2007, to marry a man some say is the polar opposite

VIDEO



Madoff's victims speak out. *Above*, Maureen Ebel, a Palm Beach widow left destitute by Madoff, with her dog, Scarlett. *Photograph by Stephen Wilkes.*

of her prior swains: Eric Swanson, who was a lawyer for the S.E.C. for 10 years. (Swanson resigned from the S.E.C. four months after his romance with Shana began.) “She went for these Wall Street stud muffins, some of the most eligible men in New York, but then goes to a pudgy, sort of non-sexy, mid-level S.E.C. attorney,” the friend said. At a 2007 business roundtable meeting, Bernie Madoff bragged about his “very close” relationship with an S.E.C. regulator, adding, “In fact, my niece even married one.”

Like Shana, Ruth Madoff also appreciated the finer things, especially when it came to her husband. For one of Bernie’s recent birthdays, she went to Davidoff of Geneva, the cigar boutique on Madison Avenue, and bought him a \$14,500 humidor, inlaid with a buffalo motif and filled with his favorite cigars. According to one observer, Ruth allegedly did not allow her husband to travel alone for more than one day. “She didn’t let Bernie out of her sight.”

“All Your Problems Are Over”

“Bernie was such an unbelievable figure that people would move into areas or join clubs just to get a chance to talk to him,” said a man who had gotten his break one afternoon in 2007. It was after a round of golf, and he and his associates met Madoff in the bar, in a scene repeated at all of Madoff’s clubs, from Fresh Meadow, in Lake Success, New York, to the Palm Beach Country Club, to the Boca Rio, in Boca Raton. Madoff breezed in, and the subtle groveling began. “You almost had to do a solicitation to him. It never got down to pleading and begging, but we wanted in,” said the man. The minimum required to get into the fund was up to Madoff. “There was never a fixed number. It was subject to a person’s individual wealth.” The day they met, Madoff was his typical “sweet, never arrogant, happy self.” As they spoke, the man realized that Madoff had already sized them up and calculated their net worth. He said, “Your minimum to me is \$10 million.” Not prepared to open with that much, they declined. “We were pissed! But there was no bargaining. It was what it was, and if you couldn’t handle it, it was tough shit.” He added, “We were lucky.”

On a cross-country tour to speak with those who weren’t lucky, I felt like the Angel of Death, knocking on the doors of the once privileged, *chosen* people who had gained admission into Bernie Madoff’s amazing investment vehicle, only to be fleeced by him. They all shared the same stacks of now worthless paper (monthly statements from Bernard L. Madoff Investment Securities) and an overnight obsession with terms such as “feeder funds” (the myriad individuals and businesses that funneled money to Madoff) and “claw back” (the government’s threat to make investors return money they’d taken out of Madoff’s fund from as far back as six years).

Many of the victims I visited in Palm Beach were widows, including a lady of leisure with the mouth of a truckdriver, who cursed “that ganef, that thief, that nasty son of a bitch.” She had lost millions, but at least she had a roof over her head. “There are widows down there who lost everything, because their husbands, when they were dying, told them, ‘Honey, keep your money with Bernie,’” said Muriel Siebert, the first woman to gain a seat on the New York Stock Exchange, who is counseling many of the bereft. “Emotionally, they’re totally confused. They don’t know how it could happen. You’re dealing with an era where husbands would say, ‘Don’t

worry, my little darling, I'll always take care of you.' Now, that's tough. One said, 'I have to go and live with my daughter.' That's a hard thing when you were on top of the world."

Maureen Ebel, 60, was introduced to me by a real-estate agent after she put her home, on a lagoon within the grounds of the International Polo Club Palm Beach, on the market. Following the untimely death in 2000 of her physician husband, she got sucked into the Madoff fund. "All your problems are over," said an elderly relative of her late husband's. "My guy Madoff has agreed to take you as a favor to me. I pulled on his heartstrings." Feeling blessed, she eventually transferred everything she had: \$7.3 million. Now she was sitting among the ruins, having returned Christmas gifts, begged back her annual \$5,000 International Polo Club membership fee, persuaded the Leukemia & Lymphoma Society to return her \$1,000 donation, sold valuable jewelry, put her Lexus up for sale online, and listed her home. Gone were her days of extended lunches and tennis; gone was her boyfriend, from whom she separated when she had to take a job caring for a wealthy friend's 93-year-old mother, which devolved into "basically being a maid," she said. On the day of my visit, she had just been informed by her employer, "We're interviewing a Hispanic woman to do the work. We have to do what's best for us." But she won't let this defeat her, she stressed as she sat on her porch with her dog, Scarlett (for O'Hara), on her lap. "If I have to feed myself," she said, "I can go and work as a waitress."

I dialed another widow who, I was told, had obeyed her husband's deathbed instructions and invested the whole of his estate with Madoff. I got no response, so I drove to her gated community, where the guard called the woman, who said she would receive me. It was an expensive home on a sunny street, but when the door opened, I was facing a disheveled lady in her late 60s with an odd facial tic. One minute she looked as if she was about to cry; the next minute she would break into a broad smile. She had lost everything, I had been told, but she said she couldn't talk about it now. She promised to call me back that evening but never did.

I want justice!" screamed Joan Sinkin, who, along with her husband, Arnold, a retired contractor, had sunk every cent from 55 years of work and the proceeds from the sale of several houses into Madoff. After learning that they had lost everything, she was hospitalized with what seemed like a stroke, and her husband collapsed. "I want to be treated like G.M. and A.I.G. and Bank of America! I can't wait years! I want S.I.P.C. [Securities Investor Protection Corporation, which insures investors up to \$500,000] to put people like us back on our feet!" Out of her husband's hearing, she whispered, "We had a good life, and it's gone." The night the news hit, her husband "turned old overnight," she said. "It was such a blow to him, to realize that everything he worked for all of his life, someone else just"—she snapped her fingers—"plucked."

Irwin Salbe had considered himself privileged to be able to invest with Madoff since 1984, and his parents had had the account 20 years before him. The returns were so steady that he got his kids into Madoff, then his grandchildren, then his entire family. "It's a four-generation account," he said. "I trusted him with multiple I.R.A.'s and all my other money. And all of a sudden we woke up one afternoon and we have nothing." He was sitting with his son Steven, 42, in the Fort Lauderdale restaurant they own. "I'm 72 years old and I have to worry about Social Security taking care of me?," Irwin demanded angrily. Steven said, "I have two daughters, six and seven, and they asked, 'Why is Daddy crying? Why is Grandpa crying?' We showed them the newspapers and pictures of Mr. Madoff and said, 'This man stole our money.' And they asked, 'How do we get it back?'"

"It's boring now, the poor-victims story," said Larry Leif, a Florida investment adviser who lost \$8 million, and who has since become a lightning rod for victims' rights. "I'm into legislation and action for those who were fooled. I've been on CNN six times, and it looks like Fox is going to give me a one-hour show, and we're going to a town-hall victims' meeting in Boca next week." His ex-wife, Ronnie Sue Ambrosino, called me from Surprise, Arizona, where she said she's been stranded since she learned that she'd lost all she had, \$1.7 million. "Everybody knows we're penniless and can't pay our mortgages," she said. "That's not what people need to hear anymore. They need to hear the next step. Write about how the government let this happen and how the

government is letting the victims down. I need people to know that the S.E.C. failed miserably for at least 10 years, if not more, that they were warned, and that they didn't stop this devil from doing his deed. I need people to know that S.I.P.C. has taken more than a month to get a claim form out to help the victims. I need people to know that the I.R.S. has been collecting taxes on phantom income for at least 10 years. I need people to know that Bernard Madoff has given money to senators across the country in their campaign funds. So you tell me how our government is helping support the victims, or are they supporting themselves?" At that point her cell phone went dead, and she couldn't afford to call me back—"thanks to Mr. Madoff," she wrote in an e-mail.



Joan and Arnold Sinkin, retired Palm Beach residents who lost their life savings to Madoff. *Photograph by Stephen Wilkes.*

“A Svengali for Rich People”

“This isn't about a bunch of widows and orphans that got taken in by some huckster selling vacuum cleaners door-to-door,” said one observer. “He hit smart people. The ones who are really rich have big egos, and they don't want to look stupid.” Most of the big losers insisted on speaking without attribution. “It's just incredible that the man could have been such an evil sociopath that he came into this community, came to the country club, smiled at everybody, shook our hands, greeted us while he knew he was stealing our money,” said a member of the Palm Beach Country Club who reportedly added to his sizable investment just 11 days before Madoff was arrested. “It's safe to say he had a very limited circle of friends in this community. He didn't participate in a lot of the local activities. He kept pretty much to himself.”

New
York
Mets



Madoff's victims speak out. *Above*, Irwin and Steven Salbe, longtime investors with Madoff, in their Fort Lauderdale restaurant. *Photograph by Stephen Wilkes.*

principal owner Fred Wilpon had hundreds of millions invested with Madoff, his buddy since the 1960s. "Wilpon would tell anyone he met what a terrific friend Bernie Madoff was," said a Wall Street insider. "He must feel like a total fool. Here's a nice enough guy, decent and honorable, but he tended to brag that he had deals that were better than other people's." (Wilpon didn't respond to requests for a comment.) Hit even harder was Long Island developer Edward Blumenfeld, known to many as Madoff's best friend—they had been neighbors in Roslyn in the 1970s. They shared vacations and a \$24 million jet, and Mark Madoff was best friends with Blumenfeld's son David and Wilpon's son Jeff. "I assume this will affect Eddie's liquidity, and his liquidity is his business," said Bert Brodsky, an entrepreneur and Madoff investor who knows both men. "He told me he's not sure if he feels worse that he lost all of his money or that it was his friend who did it to him—his absolute best friend, who, I hear, he had dinner with on the Tuesday night before the Thursday night [when Madoff was arrested]." Blumenfeld's public-relations representative said, "Mr. Blumenfeld was a friend to a man who apparently didn't exist," adding that his client would be making no comment. On December 18, however, Blumenfeld reportedly walked into a meeting of the Association for a Better Long Island wearing a T-shirt that read, I WAS A FRIEND OF BERNIE MADOFF AND ALL I GOT WAS THIS LOUSY T-SHIRT.

Donald Trump flew into Palm Beach the week I was in town. "Madoff said to me one time, 'Why don't you invest in my fund?' Which was a little different than what I'd been hearing, in terms of his philosophy. Usually he'd tell people they *couldn't* invest," said Trump, adding that Bernie and Peter Madoff played golf at his Trump International Golf Club, where Bernie's game was as steady as his returns. "Out of hundreds and hundreds of rounds, he never shot lower than 80 or more than 89," said Trump. "Experts said he's either the most consistent golfer in the world or he's cheating." Trump said he had declined Madoff's offer to invest. "Many people gave 100 percent of their net worth to this maniac, and what do they have for it?" he continued. "They have nothing. They'll be golf pros.... This guy was a Svengali for rich people. He took their money like it was candy, chewed it up and spit it out."

I visited the Palm Beach branch of Circa, which specializes in buying and selling high-end jewelry, and met the manager, Tracy Sherman, who has become something of a counselor to Madoff's victims. She described one "home visit" to a Palm Beach mansion where three generations of women investors—grandmother, mother, and daughter—had lined up three generations of jewelry on their dining-room table, eager to sell it all. "Earrings and bracelets and things that went together," said Sherman. "Every decade had a different look."

Houses were the only asset remaining to many investors. I sat with six real-estate agents in the offices of Fite Shavell & Associates, in Palm Beach. "Three condos went up for sale in Breakers Row," one of the men said of the exclusive oceanfront estate where nothing *ever* opens. "All Madoff. Two houses on Via Los Incas, one on Tangier. Madoff, Madoff, Madoff. These are beautiful properties, between \$3 and \$5 million, and the ones in the Breakers are \$7 to \$17 million. But their AmEx bills are due, and they're \$100,000 to \$500,000 a month. Most of these guys are Marquis Jet. They charge it on AmEx for points. They need cash to pay their bills."

"Don't Invest with This Guy"

Naturally, there are those who now say they knew all along it was a sham. One early skeptic told me that, when he and some friends expressed doubt about Madoff's complicated strategy of puts and calls, Madoff told them bluntly, "I know what I'm doing," and insinuated that he was smarter than the men he was pitching. (They didn't invest.) Joyce Z. Greenberg, a stockbroker from Houston, had a bundle with Madoff. She had inherited an investment from her husband, but when Madoff discovered that she had resumed a part-time job at a brokerage, he called her in 1999, fuming. "I never manage money for *anyone* who works at a brokerage," he said, and demanded she choose between her account with him and her job. He gave her one week to decide. She chose her job, and Madoff immediately closed her account and wired her the money. "That's the good part," she told me. "The stupid part is that I retired in 2001 and asked to open a new account." She showed me a letter from

Madoff's secretary: "Bernie says the answer is yes." She sighed and said, "And now that's gone with the wind."

The most relentless skeptic was Harry Markopolos, an accountant and private fraud investigator mostly unknown outside of Boston, who repeatedly sounded the alarm about Madoff to the S.E.C., starting in 2000. When the S.E.C. took no action, Markopolos began a crusade to prove his point. In 2005 he sent regulators a 19-page memo entitled "The World's Largest Hedge Fund Is a Fraud." He was referred to the New York branch chief, Meaghan Cheung, who, he wrote in an e-mail to one of her colleagues last year, didn't "have the derivatives or mathematical background to understand the violations," much less prosecute them. The S.E.C. eventually opened an investigation into Madoff but closed the matter in November 2007 without bringing any claims against him. Cheung, 37, who left the S.E.C. last September, had difficulty defending her findings in the Madoff case, telling the *New York Post* after his arrest, "If someone provides you with the wrong set of books, I don't know how you find the real books." Markopolos, who lambasted the S.E.C. in a congressional hearing in February, said, "I felt like I was an army of one."

Laura Goldman, now of the Tel Aviv-based LSG Capital, told me she had met Madoff at the lunch counter of Green's Pharmacy in Palm Beach in 1992, when she was a broker with Paine Webber in Philadelphia, visiting South Florida in search of clients. "When I fortuitously bumped into Madoff, I thought I'd found my lottery ticket," she remembered. He was dressed Palm Beach casual—polo shirt and slacks—on his way to play golf. As soon as the name Bernie Madoff floated across the counter, she knew who he was—the Jewish T-bill. They talked about politics, the weather, golf—everything except business, because Madoff didn't talk business with strangers. "Finally, in 1997, I said to him, 'Isn't it time we started talking turkey?'" By then she was at a smaller firm, so Madoff got serious. "At this meeting he changed. He was still charming, but he did not tolerate my style of many questions," she said.

"He would try to change the subject by saying that I was lucky to invest with him." Look at the returns, he told her, and talk to some of his clients. But Goldman felt that she needed specifics. She knew almost everyone in the options business, she said, but she couldn't find anyone who was trading with Madoff. "I found that strange."

She asked him about custody issues, types of accounts, and Madoff came up short on everything, especially his auditing firm—two people in a 13-by-18-foot office in the sticks outside of New York. "I'm saving a few pennies on the auditors so I can give my clients more return," she said Madoff told her. Why, she asked, wasn't he set up like a typical hedge fund, which takes a 2 percent management fee and 20 percent of the profits? "He told me, 'I'm making up for the lower fees by attracting greater volume.'" He added, "Jews like a discount."

Goldman decided not to invest. In 2001, two skeptical articles appeared about Madoff, one in *Barron's* and another in a hedge-fund trade publication (articles, sources said, that upset Mark Madoff but that Bernie seemed to take in stride). "Wherever I went, I'd tell people, 'Don't invest with this guy!,'" Goldman said. She even sent the articles to members of the Palm Beach Country Club. "I was expecting a thank-you, and all I got back in return was a hostile response. Some of the Madoff investors said that I was behaving unprofessionally and was bad-mouthing a competitor. Oh, they were nasty! *Nasty!* They said all these publications were jealous of Bernie. They were being anti-Semitic. People called me an anti-Semite. I'm not only a Jew, I live in Israel!"

Her detractors said there could be no question whatsoever about Madoff's integrity, because he had been chosen by a man considered to be a god among the Jewish communities of Palm Beach and Boston: Carl J. Shapiro, a wealthy philanthropist of epic proportions.

"Shapiro Went from Rich to Big Rich"

"Bernie Madoff was the son Carl Shapiro never had," wrote Shannon Donnelly in the *Palm Beach Daily News* five days after Madoff was arrested. The story had a photograph of Madoff sitting at the family table at Carl

Shapiro's 95th-birthday celebration, wearing a tuxedo and a Cheshire-cat grin. As with Norman F. Levy, Madoff became a surrogate son to the wealthy Shapiro, not only looking after the older man's money but also, according to Donnelly's story, traveling with him and appearing "on the short list of invitees to every family birthday, anniversary, bat mitzvah, wedding or graduation."

Known as the cotton king of the garment industry, Shapiro had sold Kay Windsor, Inc., his women's-apparel company—which he founded in 1939 in New Bedford, Massachusetts, and built into one of the country's largest clothing manufacturers—in 1971 and devoted his life to philanthropy, moving between his lavish condominiums at the Taj hotel, in Boston, and on Breakers Row, in Palm Beach. With Ruth, his wife of 70 years, he has three daughters and three sons-in-law. Everyone I met described him as a devoted father, husband, and giver—hundreds of millions to Brandeis University, the Dana-Farber Cancer Institute, Brigham and Women's Hospital, in Boston (where the Carl J. and Ruth Shapiro Cardiovascular Center recently opened), the Museum of Fine Arts, the Boston Symphony Orchestra, and the Beth Israel Deaconess Medical Center, to name a few—until he lost more than half a billion dollars in Madoff's Ponzi scheme, more than any other individual investor.

Shapiro met Madoff in 1960. Back then Madoff was involved in arbitrage: buying stocks, commodities, and currencies low and selling them high. "He was 22 years old, a smart young guy," Shapiro told the *Palm Beach Daily News* in his only interview. "A friend asked me to meet him and maybe throw him a little business. I had plenty of irons in the fire so I declined. But my friend insisted. In those days it took three weeks to complete a sale," Shapiro continued. "This kid stood up in front of me and said, 'I can do it in three days,' and he did." Shapiro gave him \$100,000 to invest. "And he did very well with it. That was the beginning."

Shapiro insisted that he had never steered his friends to Madoff. "In fact, we agreed when our friendship began that I would not introduce him to potential clients. I wanted to avoid putting him in the awkward position of saying 'no' to a friend of mine." No introductions were needed. Everyone at the Palm Beach Country Club *knew* that Madoff had made Shapiro rich. "It was like *Fiddler on the Roof*," said the accountant Richard Rampell, breaking into "If I Were a Rich Man," Tevye's song about the wisdom conferred upon the wealthy: "When you're rich, they think you really *know*!" According to Rampell, "Everyone had long whispered that Carl Shapiro went from rich to big rich because of investing early with Madoff." Shapiro's wealth and ostentatious philanthropy provided an irresistible siren call for potential Madoff investors, and eventually Shapiro's son-in-law Robert Jaffe took a job at a company founded by Madoff. "Bernie would not solicit business," Jaffe said after Madoff's arrest. "People went to him." They found him through feeders such as Jaffe, the son of a middle-class construction executive, who had worked in a Boston clothing store to put himself through Suffolk University. In 1969 he married Shapiro's daughter Ellen, and he was immediately admitted into the family's rarefied world. "The clothing I wear is more—dare I say—cutting edge," Jaffe told a men's-wear publication in 1998, explaining that his wardrobe included Kiton, Brioni, and Zegna. "Once you've had filet mignon, you don't want to go back."

He spent 11 years working for E. F. Hutton and 9 years at another investment firm, and in 1989 he joined Cohmad Securities—founded by Madoff and his friend and former neighbor Maurice "Sonny" Cohn—whose offices are on the same floor in the Lipstick Building as Bernard Madoff Investment Securities. Eventually Jaffe moved to Palm Beach, where he now lives in a \$17 million, 11,800-square-foot home two houses over from Madoff's \$9.4 million house, on the property that once belonged to newspaper heir Peter Pulitzer. Jaffe and his wife, Ellen, were among the top charitable figures of Palm Beach. With his slicked-back hair and bespoke clothing, behind the wheel of his antique roadster, whose top was *always* down, Jaffe seems to have become an unwitting show pony for Madoff's scam. "He never has a hair out of place, he almost marches when he walks, and he's a classic, dashing presence straight out of an F. Scott Fitzgerald novel," said Richard Rampell. An excellent golfer, Jaffe would tee off at his clubs—the Palm Beach Country Club and Pine Brook, near Boston—and prospective investors would clamor for his attention. For those he deemed worthy, Jaffe would receive a 1-or-2-percentage-point commission on their first trade. Thus, Jaffe became another front man for what Rampell

calls “country-club investing, where, once one person who everybody thinks is smart gets in on something, everybody wants in on it, too. It’s a herd instinct.”

It was brilliant. With the most revered Jewish philanthropist in Palm Beach as his surrogate father, and the philanthropist’s glamorous son-in-law as his local feeder, Madoff could remain aloof and say no while Jaffe—who many insist was duped along with his father-in-law—attracted investors. (A spokesperson for Robert Jaffe and Carl Shapiro says, “Both men are victims and had no knowledge of Madoff’s fraudulent scheme.”) As late as Thanksgiving of last year, two weeks before Madoff’s arrest, Jaffe was reportedly considering new clients in Palm Beach. While Jaffe and other middlemen were pulling in money, however, Ruth Madoff was withdrawing: \$5.5 million on November 25 from Cohmad Securities, the investment entity co-owned by Madoff, of which Jaffe is vice president.

By late 2008, as the market continued its slide, Madoff needed more and more money, more grist for the mill, and he apparently didn’t care where it came from. The deaths of friends and family were reduced to dollars and cents, as seen in a case that played out in Madoff’s offices six weeks prior to December 11. One of the Madoffs’ close friends had died, leaving behind a widow who was at a total loss as to how to handle her husband’s sizable estate. “You’ve got to talk to Bernie!” she told her son.

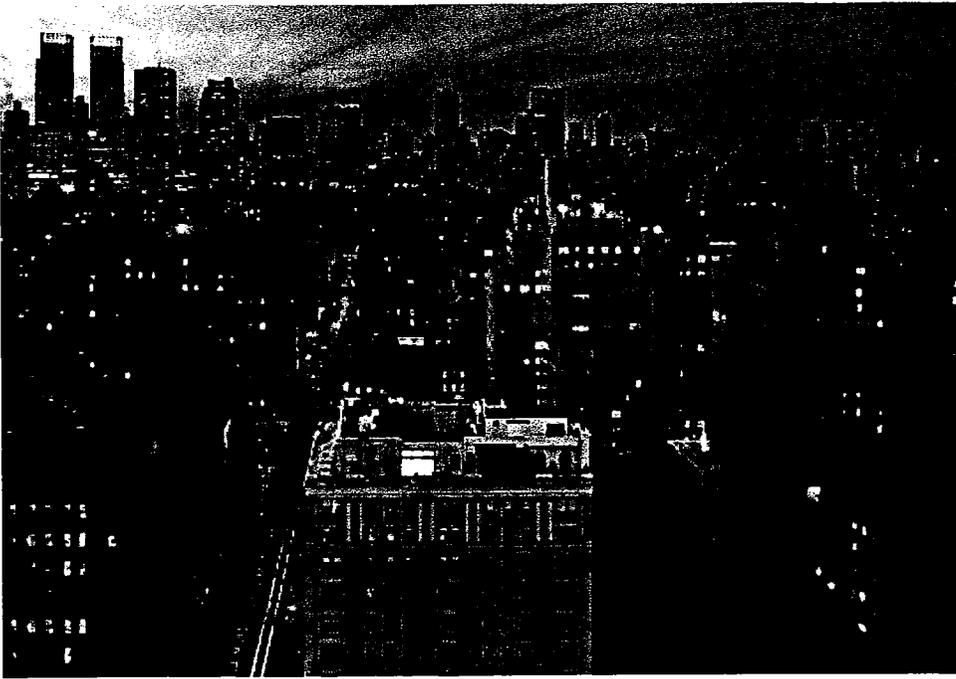
“I made an appointment and went up to see him,” the son told me. He had joined Bernie and Ruth and their family on countless occasions, and that afternoon Madoff was the gracious, caring, immaculately dressed gentleman he’d always been, consoling the young man for half an hour in his conference room. “He said, ‘How’s Mom? Your dad was such a great guy. How are *you* doing?’” the son remembered. “He was Uncle Bernie, making you feel that you’re special, that we were getting favors. Finally, he said, ‘Don’t worry, we’ll take care of Mom.’ And he got this guy on the intercom and said, ‘Take care of him. He’s family.’”

They stood up, and Madoff gave his visitor “a hug, a warm embrace.” A week later the young man returned to Madoff’s office, this time with his mother. “He gave my mom a hug, and soon after we consolidated everything and sent the money in. Looking back on it, it was an amazingly chilling thing.”

By Thanksgiving, Madoff was creating a new investment fund for “special friends”—five investors for a total of \$500 million. “I wouldn’t want to be sitting at a poker table with him. He would clean my clock,” Home Depot co-founder Ken Langone, who got pitched by Madoff about the new fund on November 24 but declined to invest, later told CNBC. “You wouldn’t think this guy had a problem in the world.” By the first week of December, however, Madoff’s façade was crumbling. He told one of his sons that there had been requests from clients—believed to include his main feeder fund, the Fairfield Greenwich Group—for \$7 billion, and that he was “struggling to obtain the liquidity necessary to meet those obligations.” On or around December 1, Madoff asked Carl Shapiro to wire him \$250 million, ostensibly to put in Treasury bills, which Shapiro did. “[Bernie] seemed a little anxious this time,” Ruth Shapiro would later reflect. “He kept calling, saying, ‘I didn’t get it. It hasn’t come yet. Are you sure you sent it?’” It came, and now Carl Shapiro had about \$400 million personally invested, along with \$145 million of his family foundation’s charitable funds.

“There’s No Innocent Explanation”

During the week of December 8, Madoff hosted his annual holiday party for the employees in the New York office. “I was told by American staff that he was all happy, saying, ‘Happy holidays to everyone! We’re going to have a great year!’” remembered Julia Fenwick. “It has to be some psychopathic mind. How you can tell your staff, people who rely on you for their income, that we’re going to have a great year and then within 48 hours admit to the feds that you’ve committed this enormous fraud?”



Although many people have doubted, considering the closeness of the family in the Madoff business, that the whole charade was known to Bernie alone, here is what the Madoffs have told authorities:

The lit-up duplex penthouse apartment of Bernie and Ruth Madoff, on East 64th Street, foreground, where he is under house arrest. *Photograph by Stephen Wilkes.*

On December 9, a Tuesday, Bernie advised Mark that he wanted to pay employee bonuses in December, instead of February, as he normally would, and he wrote out \$173 million in checks, explaining that it represented “profits through the business operations.” Mark—“a little bit of a scaredy-cat, whose nerves got the best of him,” according to one source—was alarmed and reportedly expressed his concerns to Andrew. The sons were already worried about their father’s increasingly apparent levels of stress; now here was this strange explanation about the \$173 million. On December 10, Mark and Andrew went into their father’s glass-enclosed office to challenge him about the payments. “I’m not sure I will be able to hold it together,” Madoff told them, meaning he’d break down if they continued the discussion in the office, and he insisted that they go to his penthouse, nearby. When they got there, Bernie did break down, telling his sons what he said he’d already told his brother, Peter: that he was “finished,” that he had “absolutely nothing,” that “it’s all just one big lie,” his esteemed investment fund “basically a giant Ponzi scheme” involving \$50 billion. He would surrender to authorities in one week, as soon as he disbursed the \$200 to \$300 million he had left to certain selected employees and friends. The sons said they then called a lawyer, who advised them to call the Department of Justice and the S.E.C. That same day Ruth Madoff withdrew yet more money—this time \$10 million—from Cohmad.

At 8:30 a.m. on December 11, Special Agent Theodore Cacioppi and another agent went to Madoff’s apartment building, at 133 East 64th Street, which has two units per floor starting at \$5 million. Madoff opened the door to his \$7.4 million penthouse.

“We are here to find out if there’s an innocent explanation,” Cacioppi said.

“There is no innocent explanation,” said Madoff, adding that he “paid investors with money that wasn’t there.” He was “broke,” he said. “It could not go on,” he added, saying he fully expected to go to jail.

If you work on a trading desk, stop what you’re doing for a second before you walk out the door and clean out your desk for the day,” aspiring Money Honey Michelle Caruso-Cabrera said on CNBC late on the

afternoon of December 11. "Bernie Madoff has been arrested."

VIDEO



Madoff's victims speak out. *Above*, Maureen Ebel, a Palm Beach widow left destitute by Madoff, with her dog, Scarlett. *Photograph by Stephen Wilkes.*

That afternoon the telephone rang in Carl Shapiro's home beside the Atlantic, and the nonagenarian picked up. His son-in-law Robert Jaffe was on the other end. "Turn on CNN," Jaffe said, and Shapiro saw his friend Bernie and heard the unimaginable news of his arrest. It wasn't just the money, it was the betrayal, the betrayal, Shapiro kept repeating. "It was," he would later say, "like a knife to the heart."

Carl Shapiro lost more than half a billion dollars to Madoff, but far worse was the fact that Madoff had tarnished irreparably what was more important to Shapiro, second only to his family: his good name, which is engraved on buildings from Palm Beach to Boston (three on the Brandeis University campus alone, and two more under construction). "He had to pick out all the furniture and the curtains, and you would have to put his name on the napkins and on the this and that—you know, he wanted to see his name everywhere," said one Bostonian. "He owes about a hundred million in pledges around Boston, so this has created a huge ripple effect." Shapiro insists that he will honor all existing obligations, but that he will make no new ones. His sunset years will most likely be consumed with fighting the aftershocks of Bernie Madoff. As for Robert Jaffe, he has reportedly been physically threatened, and he and his wife have resigned as chairs of the \$90 million Palm Healthcare Foundation and abruptly canceled the December engagement party they were planning for their son at the Palm Beach Country Club.

I've found that whenever there is one cockroach in plain sight, many more are lurking behind the corner out of plain view," wrote Harry Markopolos in his 19-page 2005 report warning the S.E.C. about Madoff. After the lid blew off Madoff's operation, an underworld of dubious middlemen came to light, notably Frank Avellino and Michael Bienes, who had gotten their start as junior accountants in Ruth Madoff's father's accounting firm in the 1950s. Avellino had been investigated for possibly running a Ponzi scheme back in 1992, when he was promising his 3,200 clients a 13.5 to 20 percent return. (All their money was invested with Madoff.) "We did not know who Bernie Madoff was," said Nancie Taylor, who, along with her California-real-estate-developer husband, Jack Daley, became acquainted with Avellino in the early 90s after he purchased Taylor's 10,000-square-foot house on Nantucket. In 2001 they invested a combined \$1.1 million with him. "We first heard Madoff's name on December 11, and when I called Avellino, he didn't get on the phone, but his wife did. She said, 'Things are grim!'" Daley added, "I am wiped out." Avellino is now fighting a number of lawsuits, including one by his Bulgarian housekeeper, who alleges that she and her husband were told to write their \$124,000 check to "a fictitious entity," only to be told by Avellino 10 days before Madoff's arrest that all was lost. A number of those who had only recently upped their investment with Madoff, including the daughter of an extremely wealthy couple I met in Palm Beach, rushed to the Lipstick Building in panic mode. When they got to the lobby, they found a flock of fellow fatalities, but they were all brusquely turned away. Since Madoff's surrender to the authorities, he has been under house arrest in his Manhattan penthouse, awaiting indictment.

The most brutal indignity befell the debonair Palm Beach feeder Robert Jaffe on the evening after Madoff's

arrest, in the most public of places: Mar-a-Lago, the private club owned by Donald Trump in the former home of Marjorie Merriweather Post, who built the estate when she was Mrs. E. F. Hutton. The cream of the Palm Beach Jewish community had gathered at a seated dinner in the little ballroom to celebrate carpet king Jerry Stark's 60th birthday. Jerome Fisher, the co-founder of Nine West shoes, walked in with his wife, Anne. Fisher had "a few



Read the VF.com exclusive "Madoff in Manhattan," by Marie Brenner.

bucks"—reportedly \$150 million—invested with Madoff through his friend Jaffe. When Fisher spotted Jaffe that night at the party, he exploded. "I was sitting at the next table, and I will tell you Jerome Fisher went wild," said one guest. "I mean this guy Jaffe got him into the deal to start off with, and on top of it he got a commission. And Fisher didn't know about the commission. Fisher was screaming, 'What the hell are *you* doing here! And you got a fucking commission—a point and a half—on me!' And he let out a roar at this guy that was unbelievable."

That roar echoed through homes, offices, and institutions worldwide. But it was too late. By then Bernie Madoff and \$50 billion were gone.

Mark Seal is a *Vanity Fair* contributing editor.