



*United States Attorney
Southern District of New York*



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**MANHATTAN U.S. ATTORNEY ANNOUNCES INDICTMENT OF FORMER
DIRECTOR OF OPERATIONS FOR BERNARD L. MADOFF INVESTMENT
SECURITIES, LLC, ON CHARGES OF CONSPIRACY, FALSIFYING
RECORDS, SECURITIES FRAUD, AND FILING FALSE TAX RETURNS**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that DANIEL BONVENTRE -- the former Director of Operations for Bernard L. Madoff Investment Securities, LLC ("BLMIS") -- was indicted today by a federal grand jury in Manhattan on charges of conspiracy, falsifying records of a broker-dealer, falsifying records of an investment adviser, securities fraud, false filings with the U.S. Securities and Exchange Commission ("SEC"); and filing false tax returns. The Superseding Indictment adds BONVENTRE to the Indictment returned last week against former BLMIS computer programmers JEROME O'HARA and GEORGE PEREZ, and adds the charge of falsifying records of an investment adviser to the charges against BONVENTRE contained in the previously-filed Complaint. No new charges are added against O'HARA and PEREZ.

As alleged in the Superseding Indictment returned today in Manhattan federal court, other documents filed in this and related cases, and statements made in the course of relevant court proceedings:

For decades, BERNARD L. MADOFF purported to provide investment advisory ("IA") services through BLMIS. In fact, MADOFF defrauded thousands of IA clients out of billions of dollars through an elaborate Ponzi scheme.

In 1968, BONVENTRE was employed at BLMIS and served as its Director of Operations beginning at least as early as 1978. In that capacity, BONVENTRE was responsible for, among other things: maintaining and supervising the production of the principal internal accounting documents for BLMIS, including its general ledger (the "G/L"); maintaining the stock record for BLMIS and resolving any discrepancies between internal and external records; supervising the use and reconciliation of BLMIS

bank accounts through which the Market Making, Proprietary Trading, and IA business operations were funded; and supervising BLMIS employees who were responsible for accounting and other "back office" functions, including settlement and clearing of trades executed by the Market Making and Proprietary Trading operations.

As Director of Operations, BONVENTRE directed that false entries be made in the G/L that concealed the scope of the IA operations and understated BLMIS's liabilities by billions of dollars. Moreover, as BONVENTRE knew, the G/L did not accurately reflect the assets contained in the bank and brokerage accounts into which IA investor funds were deposited, and likewise did not reflect the liability of BLMIS to its IA clients that arose from the custody of IA client funds in those accounts. At various points in time, the assets and associated liabilities of BLMIS's IA operations, which were omitted from the G/L, ranged from millions to billions of dollars.

Between November 2005 and June 2006, BLMIS experienced a liquidity crisis caused by IA clients' demands for withdrawals that exceeded cash on hand. Rather than sell securities to meet those demands -- which could not be done because BLMIS had not actually purchased any such securities on behalf of those clients -- BONVENTRE requested \$145 million of loans from a bank, using \$154 million of an IA client's bonds as collateral, to meet obligations to other IA clients. During the same period, BONVENTRE monitored lines of credit, which BLMIS drew down by more than \$340 million and used to meet IA clients' withdrawal requests. BONVENTRE also created false and fraudulent books and records that had the effect of disguising \$262 million worth of payments to IA clients from the principal bank account that funded BLMIS's operations as purchases of bonds and other debt instruments when, in fact, no such purchases had been made.

During the liquidity crisis, BLMIS was required to file Financial and Operational Combined Uniform Single Reports ("FOCUS Reports") with the SEC. FOCUS Reports require the production of basic information that amounts to a condensed version of a broker-dealer's general ledger. Because the G/L was inaccurate, as BONVENTRE well knew, the FOCUS Reports were likewise false because they failed accurately to reflect BLMIS's assets and liabilities. For example, the April 2006 report, filed during the liquidity crisis, failed to reflect at least \$299 million in BLMIS liabilities related to \$154 million of an IA client's bonds and the \$145 million that BLMIS had borrowed using those bonds as collateral.

In as early as 1983, BONVENTRE also had his own IA account at BLMIS. Between 2002 and 2006, BONVENTRE obtained more than \$1.8 million in at least three fictitious backdated trades that appeared in his account. For example, one purported trade, which appeared in BONVENTRE's IA account in 2002, included a purchase that was backdated twelve years, to 1990, and generated purported long-term capital gains of nearly \$1 million. BONVENTRE is also charged with four counts of filing false federal tax returns related to his accounting for the three fictitious trades, and his failure to report a total of more than approximately \$273,000 in income that he obtained from BLMIS bank accounts in 2003, 2004, 2006, and 2007.

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BONVENTRE, 63, of New York, New York, O'HARA, 47, of Malverne, New York, and PEREZ, 44, of East Brunswick, New Jersey, face a maximum sentence, if convicted, of five years on Count One (Conspiracy) and a maximum fine of \$250,000 or twice the gross gain or loss from the offense; 20 years on Count Two (Falsifying Records of a Broker-Dealer) and a maximum fine of \$5 million or twice the gross gain or loss from the offense; five years on Count Three (Falsifying Records of an Investment Adviser), and a maximum fine of \$250,000 or twice the gross gain or loss from the offense -- for a total maximum sentence for O'HARA and PEREZ of 30 years in prison.

BONVENTRE also faces a maximum potential penalty of 20 years on Count Four (Securities Fraud) and a maximum fine of \$5 million or twice the gross gain or loss from the offense; 20 years on Count Five (False Filing with the SEC), and a maximum fine of \$5 million or twice the gross gain or loss from the offense; and 12 years on Counts Six through Nine (Filing False Tax Returns), and a maximum fine of \$250,000 or twice the gross gain or loss from the offense -- for a total maximum sentence of 82 years in prison.

The case is assigned to United States District Judge LAURA TAYLOR SWAIN. The arraignment of the defendants is scheduled for March 25, 2010, at 11:30 a.m., before United States Magistrate Judge GABRIEL W. GORENSTEIN. A pretrial conference is scheduled before Judge SWAIN on April 12, 2010, at 4:30 p.m.

Mr. BHARARA praised the work of the Federal Bureau of Investigation in this case and also praised the United States Department of Labor's Employee Benefits Security Administration and the Internal Revenue Service for their roles in the ongoing investigation. He also thanked the SEC for its assistance.

Assistant United States Attorneys MARC LITT, LISA A. BARONI, WILLIAM J. STELLMACH, JULIAN MOORE, BARBARA A. WARD, and MATTHEW SCHWARTZ are in charge of the prosecution.

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

The charges and allegations contained in the Indictment are merely accusations and the defendants are presumed innocent unless and until proven guilty.

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