



UNITED STATES ATTORNEY'S OFFICE
Southern District of New York



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**MANHATTAN U.S. ATTORNEY ANNOUNCES GUILTY PLEA OF
FORMER SENIOR TRADER AT BERNARD L. MADOFF INVESTMENT
SECURITIES LLC**

Defendant Admitted to Creating Fake Trades Beginning in the Early 1970s

Preet Bharara, the United States Attorney for the Southern District of New York, announced that DAVID L. KUGEL, a former senior trader in the Market Making and Proprietary Trading operations of Bernard L. Madoff Investment Securities LLC (“BLMIS”), pled guilty today in Manhattan federal court to a six-count Superseding Information related to his conduct while employed at BLMIS. KUGEL admitted that, beginning in the early 1970s, he helped create fake, backdated trades for the purpose of defrauding BLMIS’s Investment Advisory (“IA”) clients. KUGEL pled guilty today before U.S. District Judge Laura Taylor Swain to two counts of conspiracy, as well as substantive counts of securities fraud, falsifying books and records of a broker-dealer, falsifying books and records of an investment adviser, and bank fraud. In addition to pleading guilty, KUGEL agreed to cooperate with the Government in its ongoing investigation of the fraud that occurred at BLMIS.

According to the superseding Information, plea agreement and other documents filed in connection with the case:

KUGEL was employed at BLMIS from 1970 through December 11, 2008. Beginning in 1970, KUGEL was a trader in BLMIS’s Proprietary Trading and Market Making operations. In the late 1990s, he assumed a managerial position on the trading floor and later took on the role of “Trading Floor Compliance Analyst.”

From the 1970s through the collapse of BLMIS, KUGEL provided historical trade information to other BLMIS employees, including Annette Bongiorno and Joann Crupi, which allegedly enabled them to create fake trades. Beginning in the early 1970s, KUGEL provided certain historical information to Bongiorno so that she could select particular stocks and purchase prices to be used for each IA client, in order to meet the rate of return pre-determined by Bernard Madoff for that client. The information that KUGEL provided included stock names; the buy and sell dates of potential trades; as well as the historical price ranges of those stocks for the respective dates that Bongiorno could allegedly use to make a profit. KUGEL’s information often mimicked trades previously executed in connection with BLMIS’s Proprietary Trading operation. Beginning in the early 1990s, KUGEL similarly provided Crupi with historical price information to enable her to allegedly create false, backdated trades for IA clients. These false,

backdated trades were used to defraud IA clients because, when included on their account statements and trade confirmations, they gave the appearance of profitable trading when none, in fact, had occurred.

In addition, KUGEL, and allegedly Crupi and others, defrauded numerous banks by using false financial information to obtain loans. On multiple occasions, KUGEL, and allegedly Crupi, submitted false and misleading information to banks concerning KUGEL's assets, and the assets of others, in order to obtain loans for the purchase and construction of homes. With the assistance of Crupi and others, KUGEL obtained multiple million-dollar loans based on the submission of this fraudulent information.

* * *

KUGEL, 66, faces a total statutory maximum sentence of 85 years in prison. A chart identifying the maximum penalties for each of the charged offenses is attached to this release. KUGEL is also subject to mandatory restitution and criminal forfeiture and faces criminal fines up to twice the gross gain or loss derived from the offense. Pursuant to the agreements entered into with the Government, KUGEL has agreed to forfeiture of more than \$170 billion, including his interests in homes, a luxury car, various accounts at financial institutions, and other specific assets. The net proceeds from the sale of the forfeited property will be used to compensate victims of the fraud, consistent with applicable Department of Justice regulations.

Following the guilty plea, Judge Swain released KUGEL on a \$3 million bond on the condition that the bond be co-signed by six financially responsible individuals and secured by \$900,000 in cash and property. In addition, KUGEL's travel is restricted to the Southern and Eastern Districts of New York and the District of New Jersey. He will be subject to strict pretrial supervision. KUGEL has surrendered his passport.

Judge Swain set a sentencing date for KUGEL of May 4, 2012, at 11:00 a.m.

Charges against Bongiorno and Crupi remain pending and are merely accusations. They are presumed innocent unless and until proven guilty.

Mr. Bharara praised the investigative work of the Federal Bureau of Investigation. He also thanked the U.S. Securities and Exchange Commission for its assistance.

These cases were 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 case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant United States Attorneys Lisa A. Baroni, Julian J. Moore, Arlo Devlin-Brown, Barbara A. Ward, and Matthew L. Schwartz are in charge of the prosecution.

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United States v. David L. Kugel, S4 10 Cr. 228 (LTS)

COUNT	CHARGE	MAXIMUM PENALTIES
1	Conspiracy to (1) Commit Securities Fraud; (2) Falsify Books and Records of a Broker-Dealer; and (3) Falsify Books and Records of an Investment Adviser	5 years in prison; 3 years of supervised release; fine of the greatest of \$250,000 or twice the gross gain or loss; mandatory \$100 special assessment; and restitution.
2	Conspiracy to Commit Bank Fraud	5 years in prison; 3 years of supervised release; fine of the greatest of \$250,000 or twice the gross gain or loss; mandatory \$100 special assessment; and restitution.
3	Securities Fraud	20 years in prison; 3 years of supervised release; fine of the greatest of \$5,000,000 or twice the gross gain or loss; mandatory \$100 special assessment; and restitution.
4	Falsifying Books and Records of a Broker-Dealer	20 years in prison; 3 years of supervised release; fine of the greatest of \$5,000,000 or twice the gross gain or loss; mandatory \$100 special assessment; and restitution.
5	Falsifying Books and Records of an Investment Adviser	5 years in prison; 3 years of supervised release; fine of the greatest of \$250,000 or twice the gross gain or loss; mandatory \$100 special assessment; and restitution.
6	Bank Fraud	30 years in prison; 5 years of supervised release; fine of the greatest of \$1,000,000 or twice the gross gain or loss; mandatory \$100 special assessment; and restitution.