



January 7, 2009

New papers filed in Madoff case

NEW YORK – Disgraced financier Bernard Madoff and his wife sent at least 16 watches, a jade necklace and a diamond bracelet to family and relatives, proving he will continue to dissipate what little is left from his \$50 billion fraud, a prosecutor told a judge in arguing that Madoff be jailed.

Assistant U.S. Attorney Marc Litt said in a letter released Wednesday that Madoff violated a court order barring him from dissipating, concealing or disposing of any assets when he and his wife sent the items to close relatives and two friends.

"The need for detention in this case is clear," Litt wrote in a letter to Magistrate Judge Ronald L. Ellis. "The continued release of the defendant presents a danger to the community of additional harm and further obstruction of justice."

Madoff was arrested Dec. 11 on a securities fraud charge after the FBI said he confessed to swindling investors. Authorities say he told his sons he ran a \$50 billion Ponzi scheme and had only a few hundred million dollars left.

Although he has been freed on \$10 million bail, he has been confined to his \$7 million Manhattan penthouse with an electronic bracelet and 24-hour guard.

During a bail hearing Monday, Ellis asked Litt and defense lawyer Ira Sorkin to file documents explaining their positions after Litt said Madoff should lose his freedom. Sorkin's filing was due later Wednesday.

"Our comments will be contained in our filing with the court," Sorkin said.

A criminal complaint against Madoff said the former Nasdaq chairman had offered to distribute between \$200 million and \$300 million that remained in his company's accounts to close relatives and friends before he surrendered to authorities.

The bail battle continued as Securities Investor Protection Corp. President Stephen Harbeck said through a spokeswoman that investors who lost money with Madoff could begin recovering some of their funds within two months if their accounts are easy to trace.

In his six-page letter sent to Ellis Tuesday night and publicly filed Wednesday, Litt said Madoff violated his promise not to touch his assets when he and his wife sent multiple packages on Dec. 24 to relatives and friends.

The prosecutor said one package contained 13 watches, one diamond necklace, an emerald ring, and two sets of cufflinks, items estimated to be worth more than \$1 million.

He said two other packages contained a diamond bracelet, a gold watch, a diamond Cartier watch, a diamond Tiffany watch, four diamond brooches, a jade necklace and other assorted jewelry and were sent to relatives.

Litt said the contents of those packages have been recovered, but prosecutors have not yet learned the contents of two additional packages sent to Madoff's brother and an unidentified couple in Florida.

The prosecutor wrote that there was also a serious risk that Madoff would flee because he has "admitted to having perpetrated one of the largest frauds in history — a giant Ponzi scheme that likely involves losses in the tens of billions of dollars."

At Monday's bail hearing, Sorkin argued that Madoff's wife sent the expensive jewelry when she was not under a court order barring her from doing so, and Madoff did not do anything that showed him to be a threat to the community.

"If he was found to be selling narcotics, if it's found that he threatened somebody, if it's found that he was fleeing the community, then I think your honor should consider new bail conditions," Sorkin told the judge Monday. "But that's not the case here."

Attorney Jerry Reisman, representing 13 Madoff investors, said he believes Madoff should be sent to jail. He said his clients are "astounded" and "infuriated" that Madoff remains out on bail and suspect he still will try to hide assets.

In other developments related to the Madoff scandal:

_A former executive of the Securities and Exchange Commission's New York branch told the New York Post she was upset that she was singled out by a Madoff whistleblower as someone who should have detected the alleged fraud. "Why are you taking a midlevel staff person and making me responsible for the failure of the American economy?" Meaghan Cheung said.

_New York University received continuation of a restraining order against the fund run by GMAC Chairman Ezra Merkin, through which the university says it has lost as much as \$94 million, the Post reported.